



TAIYO YUDEN CO., LTD.

INTEGRATED REPORT

2021

TAIYO YUDEN

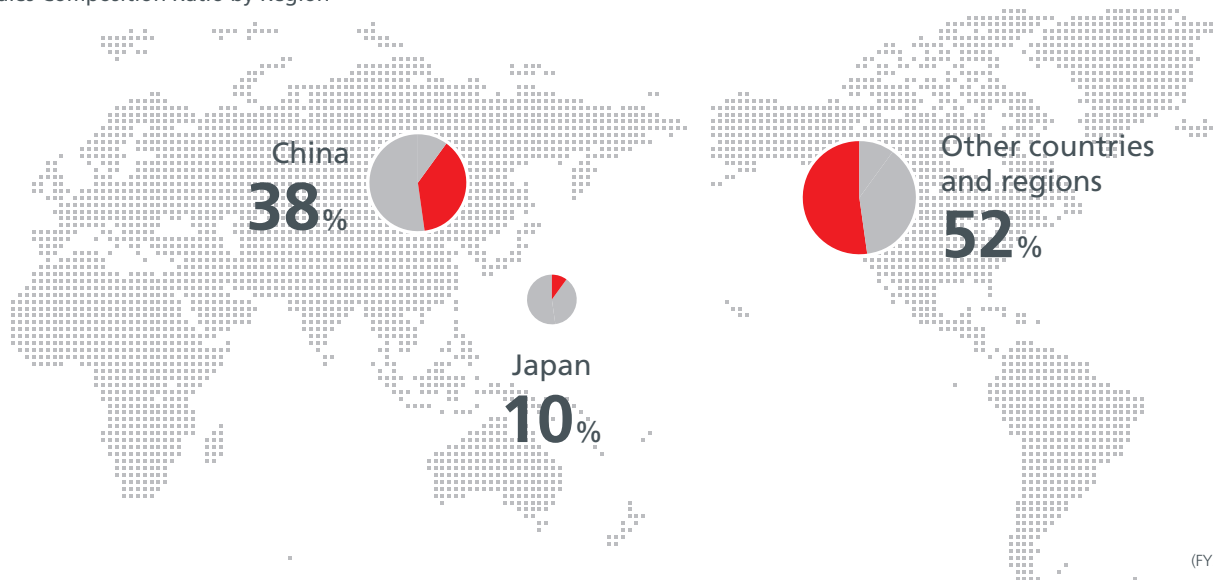
Our Profile

We are a global manufacturer of electronic components that develops and manufactures products indispensable to people's lives.

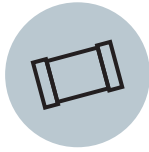
TAIYO YUDEN develops, manufactures, and sells electronic components for use in a range of electronic equipment that are essential to people's lives, including smartphones and other communication equipment, automobiles, and information infrastructure and industrial equipment. The Company boasts advanced technological capabilities, continuing to produce the world's smallest MLCC, and supplies its products globally.



Sales Composition Ratio by Region



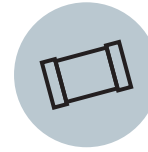
(FY2020)



Multilayer ceramic capacitor (MLCC)
Global market share

No.3

(As of December 2020 (our estimate))



Mass production
of the **world's smallest** MLCC

0.25 × 0.125 mm

— Reference: No. of MLCCs used in electronic equipment —



Per smartphone*

Approx. **1,300**

*High-end model



Per electric vehicle

Approx. **10,000**



Operating income

FY2017 **20.2** billion (8.3%) → FY2020 **40.7** billion (13.5%)

Operating margin is shown in parentheses.



Accident frequency rate*

0.08

*The accident frequency rate is the number of fatalities and injuries caused by work-related accidents per one million actual working hours and represents the frequency of accidents. The average for the Japanese manufacturing industry for FY2019 was 1.20.



Use of energy
Intensity reduction

Approx. **55%**

(Compared to FY2008)



Rate of newly recruited
female graduates*

28%

(As of April 1, 2021)


*Reference: Ratio of female workers to total workers hired by industry: Average 29.6% in the manufacturing industry (Employment Environment and Equal Employment Bureau, Ministry of Health, Labour and Welfare based on Ministry of Health, Labour and Welfare, "Database of Companies Promoting Women's Participation and Advancement in the Workplace")

Editorial Policy

TAIYO YUDEN has issued this integrated report as a communication tool for its various stakeholders including investors. The report contains information on the Group's financial position and results, management strategies and efforts to address environmental, social and governance (ESG) concerns with the aim of conveying in an easy-to-understand manner how TAIYO YUDEN works diligently to realize sustainable growth and contribution to society. This includes efforts to resolve both customers' and society's issues by delivering various module, software and other comprehensive solutions such as the provision of highly reliable electronic components.

Moving forward, TAIYO YUDEN will continue to sincerely respond to the requests of stakeholders while endeavoring to make its activities better understood.

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VALUE CREATION STORY		FOUNDATION UNDERPINNING VALUE CREATION	This report covers (as of March 31, 2021) 34 companies, comprising TAIYO YUDEN, 11 domestic subsidiaries and 22 overseas subsidiaries.
6	Mission, Management Philosophy, Vision	48 Feature Striving for Highly Effective Governance —Roundtable Discussion with the Outside Directors	Reference Guidelines For editing purposes, reference was made to the International Integrated Reporting Framework recommended by the International Integrated Reporting Council (IIRC) and the Guidance for Collaborative Value Creation provided by the Ministry of Economy, Trade and Industry. For ESG-related information, we referred to the Ministry of the Environment's Environmental Reporting Guidelines (2012 version). We also used the GRI Standards as a reference guideline.
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18	Financial and Non-financial Highlights		• The figures in this report omit amounts less than hundred million yen and 1 million yen and displays it.
20	Message from the President		• The English-language version of this report is based on the Japanese-language version. With the exception of the financial statements, all figures presented have been rounded down to the nearest appropriate unit. As a result, there are cases when a presented figure differs slightly from the equivalent figure in the financial statements.
26	Message from the Officer in charge of Finance		• Owned by Bluetooth SIG, Inc., the Bluetooth® word mark and logos are being used by TAIYO YUDEN under a licensing agreement.
Section 2		Data Section	• The contents of this report are correct as of June 29, 2021.
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For details on TAIYO YUDEN's financial and non-financial information, please visit our website at:

Investor Relations
<https://www.yuden.co.jp/or/ir/>

Sustainability
<https://www.yuden.co.jp/or/company/sustainability/>

Section
1

VALUE CREATION STORY

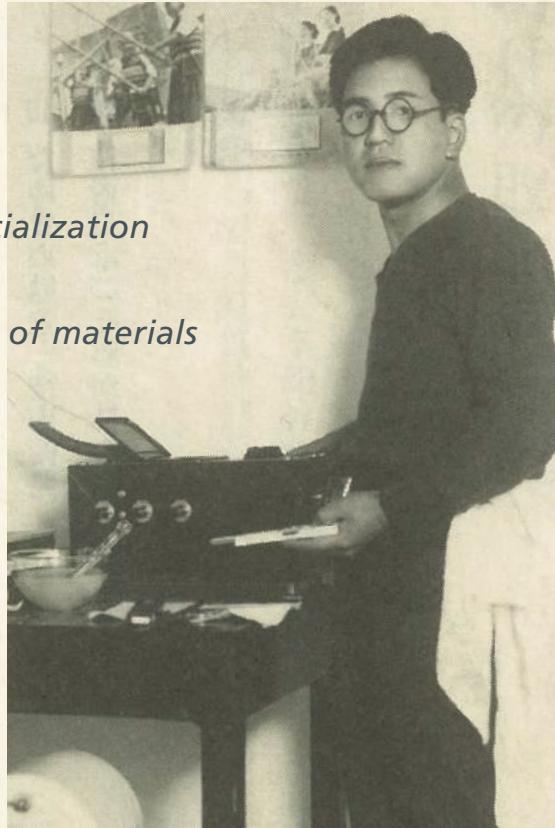
Since its inception in 1950, TAIYO YUDEN has been engaged in the Electronic Components Business, focusing primarily on capacitors. By constantly taking on new challenges and leveraging its long-honed core technologies, the Company has not only made lifestyles more convenient, but has also contributed to the discovery of solutions to various social issues.



[Source]

As the wellspring of our development and technological capabilities, the term “Source” is carved into the cornerstone of our R&D Center. This term encapsulates TAIYO YUDEN’s commitment “to contribute to the world and to serve as a wellspring from which world-class technologies and products flow.”

*Product commercialization
should start from
the development of materials*



Founder
Hikohachi Sato

Hikohachi Sato, the founder of TAIYO YUDEN, worked as a researcher in ceramic materials before the second world war. Following the belief that 'product commercialization should start from the development of materials,' Mr. Sato launched TAIYO YUDEN to develop and commercialize titanium-oxide porcelain capacitors in 1950.

He also believed that affection for others was the most valuable thing a person could have. The Company's management philosophy has three major components, all of which are designed to improve the social nature of the Company and contribute to cultural development by creating an environment in which employees and their families can live their lives in happiness and prosperity.

The beliefs and philosophy of Mr. Sato live on as the underlying spirit of TAIYO YUDEN.



Rutilcon, barium titanate tubular
ceramic capacitors

Mission

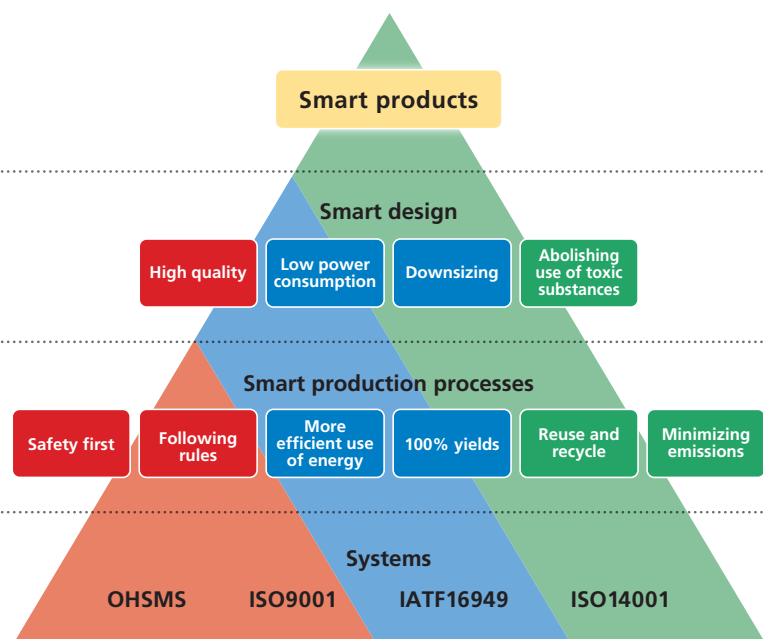
**Stronger and more socially aware
through the wonders of science**

Management Philosophy

**Employee well-being
Betterment of local communities
Responsibility to provide returns to shareholders**

Vision

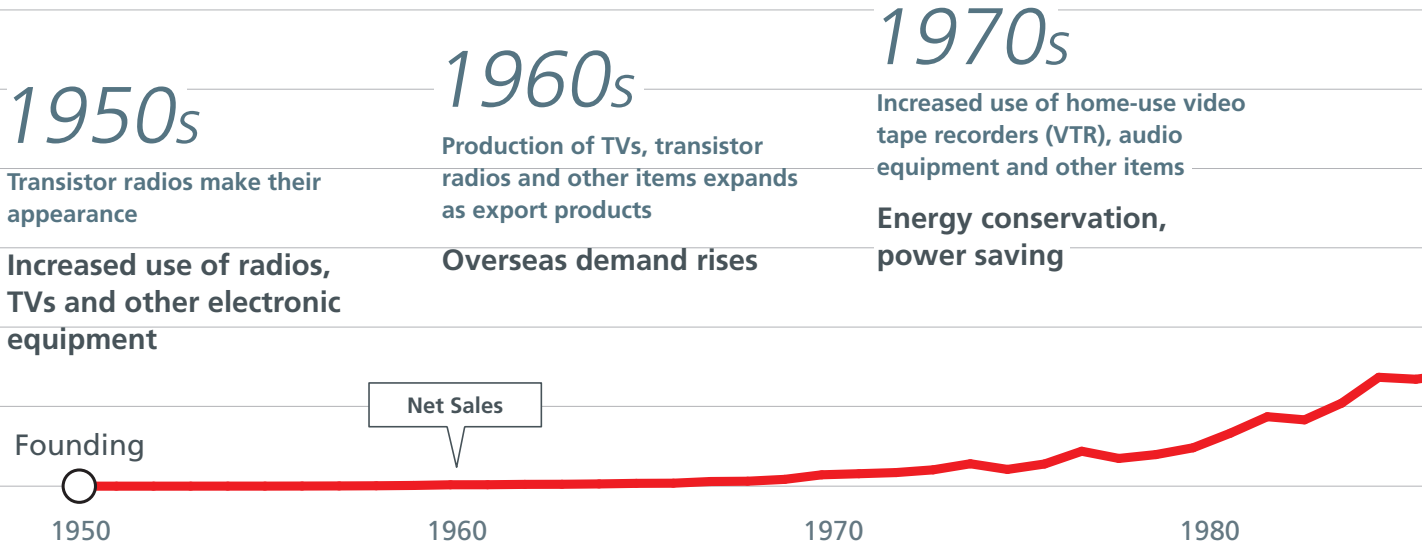
**To be an excellent company that enjoys the trust
and highest regard from all stakeholders**



History of Value Creation

Changing with the times, we have continuously met the needs of society for 70 years

TAIYO YUDEN has since its founding provided to companies around the world a variety of electronics components, including communication devices and inductors, with a focus in particular on multilayer ceramic capacitors, the Company's mainstay product. This in turn has served to meet the needs of society while creating value.



The Value Provided by TAIYO YUDEN

Sept. 1950
Sales of Rutilcon, barium titanate tubular ceramic capacitors, began



Sept. 1954
Production of Ferrit Cores, small ferrite cores, began

Sept. 1964
Established the technical research laboratory

May 1967
Established our first overseas subsidiary TAIWAN TAIYO YUDEN CO., LTD. in Taipei



TAIWAN TAIYO YUDEN at the time of establishment

Mar. 1970
Listed on the Second Section of the Tokyo Stock Exchange. In 1973, moved to the First Section

July 1976
The world's first commercialization of axial leaded ceramic capacitors began



Oct. 1977
Developed world's first tubular chip type ceramic capacitors



1980s

Portable CD players, car phones and other devices make their appearance

Electronic devices become increasingly compact and lightweight

-2010

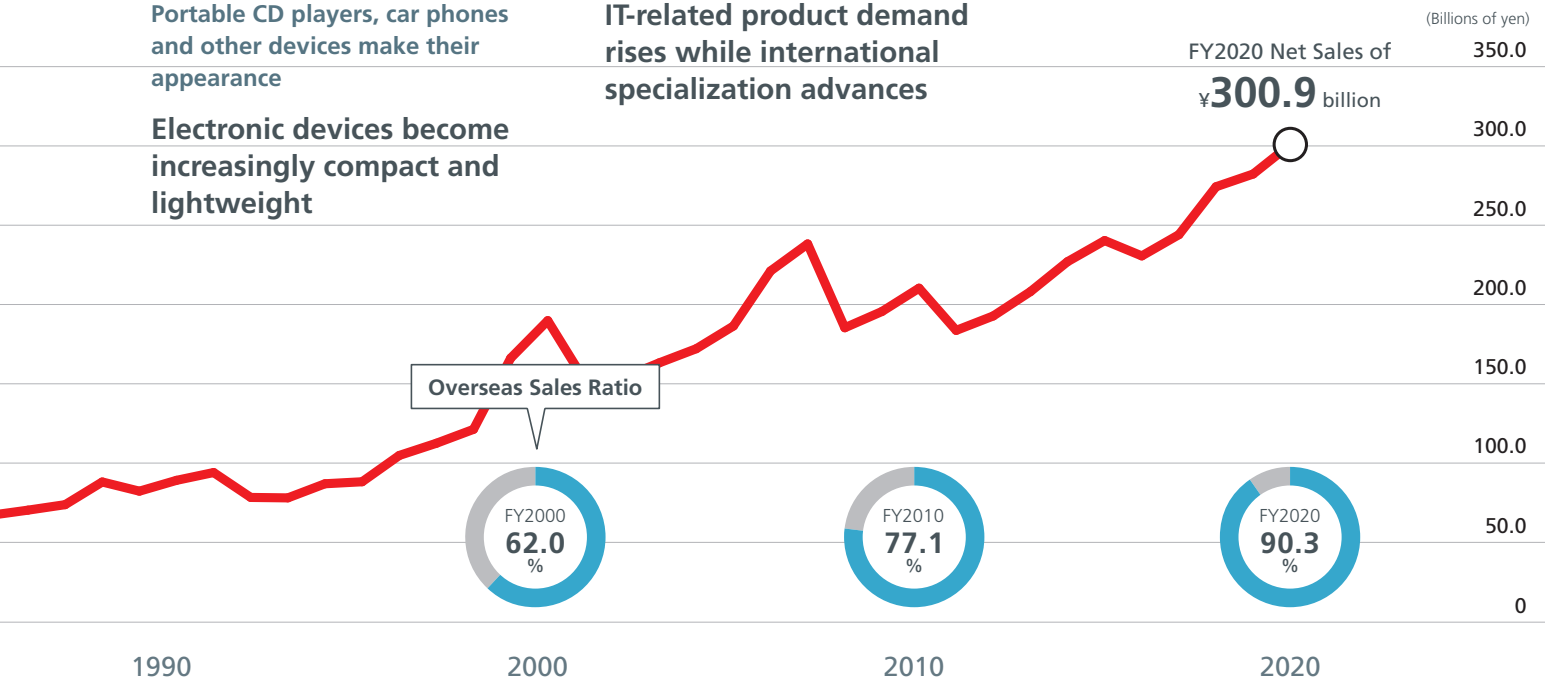
Increased use of home video games, mobile phones, PCs and other devices

IT-related product demand rises while international specialization advances

2011-

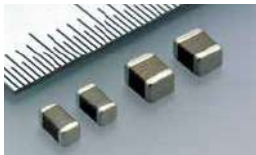
Use of smartphones and tablets surges while trend toward the electrification of automobiles accelerates

Smartphones, tablets and other devices become more functional, compact and lightweight



July 1984

The world's first commercialization of nickel electrode high-capacitance multilayer ceramic capacitors began



[3216] type and [3225] type

Sept. 1988

Announced the release of the world's first recordable CD-R compact disks



DVD-R, BD-R, CD-R

1999-2000

Established four production bases abroad simultaneously



TAIYO YUDEN (SARAWAK)

Apr. 2001

Acquired the world's first Bluetooth® standard version 1.1 qualification for Bluetooth® full modules

Mar. 2010

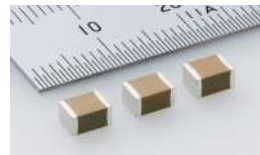
TAIYO YUDEN Mobile Technology Co., Ltd. became a subsidiary

Apr. 2018

ELNA CO., LTD. became a subsidiary

May 2018

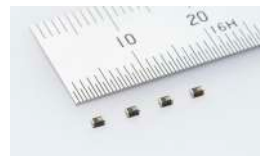
Commercialized the world's first multilayer ceramic capacitors with a capacitance of 1,000µF



4532 size (4.5mmx3.2mm) with 1,000µF capacitance

Mar. 2020

The world's first commercialization of automotive multilayer metal power inductors



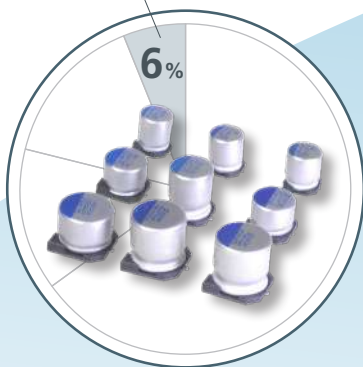
Metal multilayer chip power inductor "MC OIL™ MC Series" (1.6mmx0.8mmx1.0mm, 0.47µH)

Business Fields

TAIYO YUDEN is expanding the scope in which it provides value toward the creation of a prosperous society.

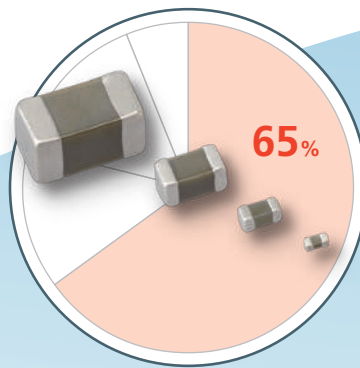
TAIYO YUDEN's products are used across a wide range of fields. For example, our multilayer ceramic capacitors, a mainstay product, are used in virtually every electrical product found in our daily lives. In this sense, the scope of our efforts to provide value has expanded substantially.

Sales Composition Ratio (FY2020)



Others

TAIYO YUDEN offers aluminum electrolytic capacitors that are optimal for mounting on increasingly electronic automobiles as well as various types of power storage devices.

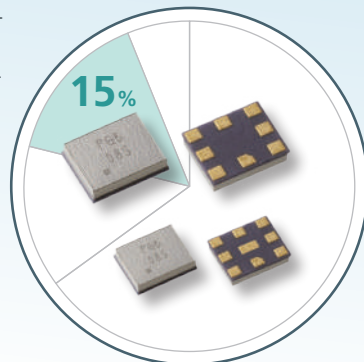


Capacitors

Capacitors are used in a wide variety of electronic equipment to temporarily store electricity and remove electronic noise. TAIYO YUDEN excels in producing leading-edge, highly-reliable multilayer ceramic capacitors which are best suited to cutting-edge electronic devices including smartphones and automobiles, and large numbers of multilayer ceramic capacitors are loaded into such devices.

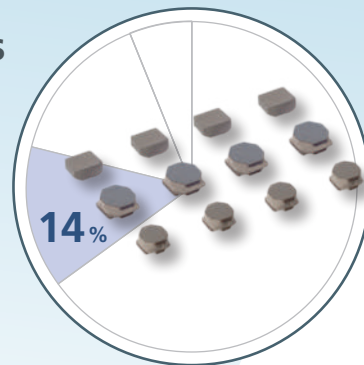
TAIYO YUDEN Main Products

[→p.36 At a Glance](#)



Integrated Modules & Devices

The Integrated Modules & Devices classification's main products are FBAR/SAW devices for mobile communications, which are used primarily in smartphones to enable high-speed data communications and high-quality voice communications.



Ferrite and Applied Products*

The main products of the Ferrite and Applied Products classification are inductors used in electronic equipment power and high-frequency circuits for blocking alternating current while allowing direct current to pass through.

*Effective from FY2021, the product category name has been revised to "Inductors." Products included in the category remain unchanged.



Automobiles

- Advanced driver assistance systems (ADAS)
- Meter clusters
- Electronic control units



IT infrastructure / Industrial equipment

- Base station communication equipment
- Servers
- Security cameras



Communication equipment

- Smartphones
- Mobile phones



Information equipment

- Tablet devices
- PCs

Growth in the scope of efforts to provide value



Environmental and Energy

- Solar power generators
- Electric assisted bicycles



Consumer products

- Flat-screen TVs
- Digital cameras
- Game machines

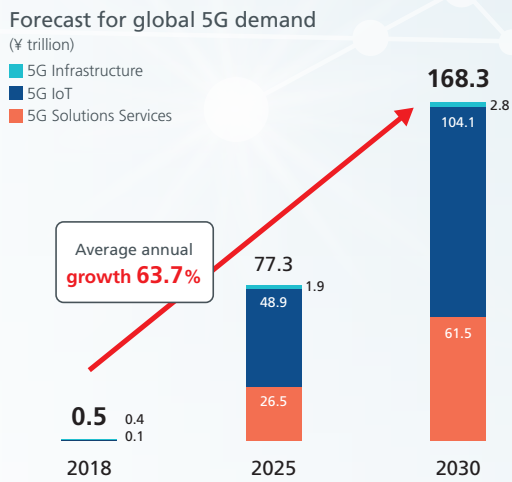


Healthcare



Our Goals

TAIYO YUDEN aims to realize its vision by creating a higher standard of smart products in such fields as 5G and CASE.



Source: Japan Electronics and Information Technology Industries Association (JEITA)

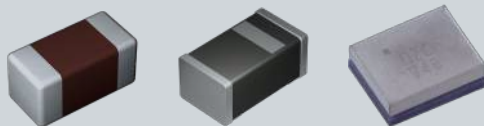
Responding to the Rapid Increase in Data Transmission Volume

5G services have now been commenced in countries around the world. As the service comes into increased use, it appears likely to be applied not only to smartphones, but also to a variety of IoT devices and remote controlled robots. Moreover, increased 5G data traffic will result in the rapid development of information-based infrastructure, including 5G base stations and servers. TAIYO YUDEN will support this new 5G society by supplying optimized electronic components, including mainstay multilayer ceramic capacitors and communication devices, for use in 5G-related infrastructure/industrial equipment.

5G

CASE

Development and provision of smart products



Vision

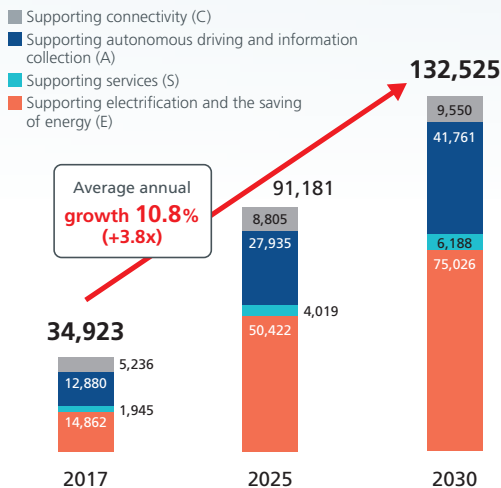
To be an excellent company that enjoys the trust and highest regard from all stakeholders

Ensuring greater economic and social value through our business activities

→p.16 Medium-term Management Plan 2025

ASE

Production value forecast for CASE-related devices (¥100 million)



Source: Japan Electronics and Information Technology Industries Association (JEITA)

Contributing to a New Era in Motorization

The advancement of four megatrends in the mobility revolution, or CASE (Connected, Autonomous, Shared & Service, and Electric) is likely to propel strong growth in autonomous driving vehicles and electric vehicles. We also expect it to drive a continued expansion in demand for electronic control units (ECUs) which are critical for vehicle computerization and electrification and electronic components. TAIYO YUDEN will meet the needs of an automotive market that demands a high degree of reliability by providing a wide range of products that meet the AEC-Q200 testing standard for reliability in passive automotive components.

Materiality

TAIYO YUDEN celebrated its 70th anniversary in 2020. On this milestone, we established a new mission that sets out the Company's vision for our 100th anniversary in 30 years and beyond: "Stronger and more socially aware through the wonders of science." In order to achieve this mission, we have identified our more important issues as materiality.

Materiality (Key Issues) Identification Process



Materiality (Key Issues)



Economic Value

- Strengthen core technologies to make our core business grow
- Create solutions to solve social issues

SDGs Targets



Social Value/👤 Social

- Achieve health-oriented management and work style reforms at safety first workplace
- Train and develop human resources based on the diversity policy

SDGs Targets



Social Value/🌍 Environmental

- Strengthen measures to address climate change
- Use resources effectively and contribute to create recycling society

SDGs Targets



Social Value/🏛️ Governance

- Improve management quality to support business growth
- Establish and evolve BCM for disaster and infectious disease

SDGs Targets



Medium-term Management Plan 2025 (FY2021–FY2025)

The medium-term management plan 2025 was started in FY2021. In order to achieve sustainable growth, the plan continues on the progress on business expansion in focus markets made under the previous medium-term management plan while also setting KPIs (quantitative targets) for social value. The plan aims to enhance corporate value through both economic and social value.

Looking Back on the Previous Medium-term Management Plan

With an eye to achieving sustainable growth, the previous medium-term management plan saw TAIYO YUDEN work on initiatives aimed at transitioning into a business structure that would be resilient to fluctuations in demand. The automobiles market and the IT infrastructure/industrial equipment market, which have seen continued stable growth, were defined as focus markets. The company developed and implemented strategies that focused on increasing sales to these markets in particular.

In FY2020, the final year of the plan, significant results were achieved in automobiles and other markets, primarily with our multilayer ceramic capacitors (MLCCs), which is one of our main products. With this, focus markets grew to account for 43% of sales composition. As a result, net sales in FY2020 were ¥300.9 billion and ROE was 12.6%, achieving targets for both. While our operating margin significantly

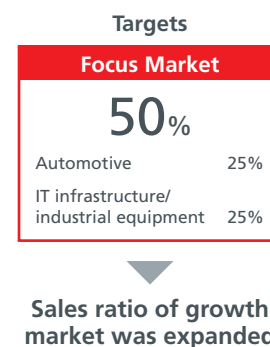
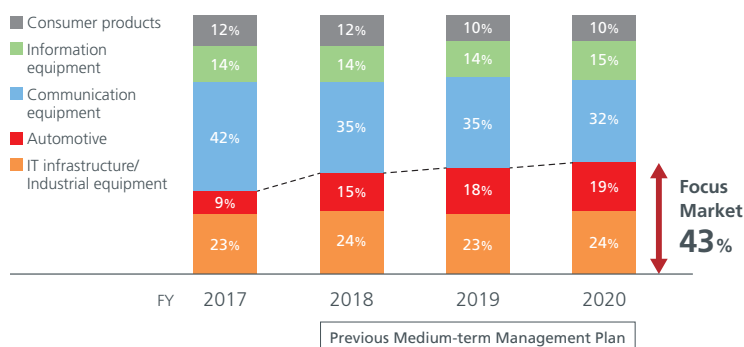
improved, it fell short of its 15% target at 13.5%.

Financial results targets were mostly achieved, but the contribution from MLCCs is very large. The medium-term management plan 2025, which was launched in FY2021, aims for growth with a good balance between the three product areas of MLCCs, inductors, and communication devices.

The Previous Medium-term Management Plan (the three years from FY2018 to FY2020)

	Target	FY2020 actuals
Net sales	¥300 billion	¥300.9 billion
Operating margin	15%	13.5%
ROE	10% or higher	12.6%

Sales Composition by Market Sector



Background to the Formulation of Medium-term Management Plan 2025 and Basic Policy

The medium-term management plan 2025 covers the five years from FY2021 to FY2025. When formulating the plan, in light of the rapidly changing external environment, we first envisaged the changes to society and people's lives and evolution in electronics technology 10 years from now. Based on these predictions, we formulated the plan from the perspective of how we should act in order to secure a meaningful position as an electronic components manufacturer 10 years down the line.

The basic policy is to aim to enhance corporate value in terms of both economic and social value. There are four

priority measures at the core of the plan. We will continue on progress made under the previous medium-term management plan to boost sales and improve sales composition of focus markets. Additionally, in order to achieve progress in value enhancement from a quantitative perspective, we have set ¥480 billion net sales, an operating margin of 15% or higher, ROE of 15% or higher, and ROIC of 10% or higher as KPIs for economic value. Environment and social KPIs have also been established for social value.

Priority Measures

Aim to enhance corporate value through the combination of economic and social value

1 Product Strategy	Further grow the MLCC business and strengthen inductor and communication device products to turn them into core businesses — Create high value-added electronic components centered on high-end and high-reliability products
2 Market Strategy	Increase the proportion of sales in focus markets, primarily automotive and IT infrastructure/industrial equipment, to 50%
3 Financial Strategy	1. Continuously expand production capacity to meet increase in demand for electronic components 2. Aim to increase returns to shareholders and realize a stable dividend payout ratio of 30%
4 ESG Initiatives	Accelerate our efforts with numerical targets to improve our social value — (E) Response to climate change, (S) Achieve health-oriented management and work style reforms at safety first workplace, (G) Improve management quality

KPIs

Corporate Value (Economic Value+Social Value)

Economic Value		Social Value	
Net sales	480.0 billion yen	E	GHG emissions ■ Absolute amount FY2030 25% reduction <small>*compared with FY2020</small>
Operating margin	15% or higher		Waste, Water usage ■ Basic unit (sales quantity) FY2025 10% reduction <small>*compared with FY2020</small>
ROE	15% or higher		Safe & secure workplace Optimization of group base functions ■ Creating safe, comfortable and environmental friendly workplaces ■ Incidence rate of injuries and illness < 0.016 ■ Accident frequency rate < 0.08
ROIC	10% or higher		Work style reforms Diversity ■ Work engagement: 2.5 or higher ■ Rate of newly recruited female graduates: 30% or higher

*Exchange rate assumption: 1US\$=¥105

Financial and Non-financial Highlights

TAIYO YUDEN CO., LTD. and Subsidiaries

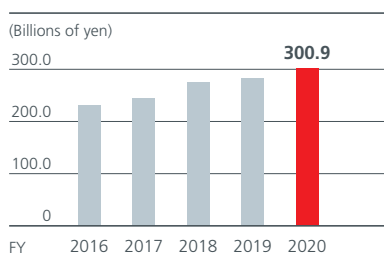
Years Ended March 31 and as of March 31

Highlights of financial and non-financial data are available in Excel format. [Consolidated Financial Statements](#)

Detailed financial data including statements of income, balance sheets, and cash flows is available on the Company's [Investor Relations](#) website.

[Financial]

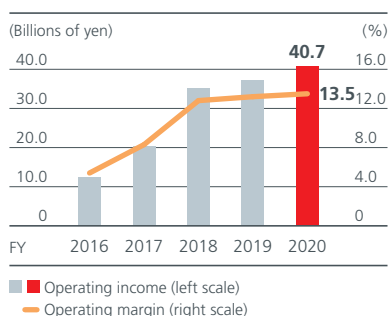
Net sales **¥300.9** billion
6.6% up (YoY) ↗



Driven by the growing electrification of automobiles, sales of capacitors, one of our main products, increased. As a result, the Company posted record-high net sales for the fourth consecutive year. Fiscal 2020 marked the first year to surpass ¥300.0 billion.

Operating income **¥40.7** billion
9.7% up ↗

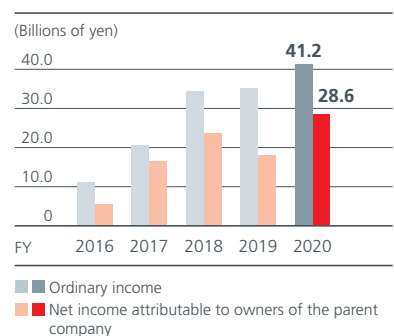
Operating margin **13.5%**
0.3pt up ↗



Both operating income and margin increased. In addition to the effect from capacity utilization associated with the growth in sales for a wide range of applications, this also reflected the effect of productivity improvement activities.

Ordinary income **¥41.2** billion
17.3% up ↗

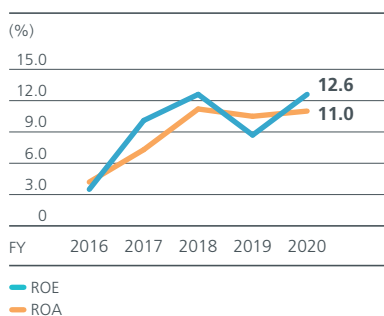
Net income attributable to owners of the parent company **¥28.6** billion
58.8% up ↗



Ordinary income essentially tracks fluctuations in operating income. Net income attributable to owners of the parent company rose to a record high on a substantial increase compared to the previous fiscal year when the Company posted a loss on disaster relating to a subsidiary and an impairment loss on goodwill.

ROE **12.6%**
3.9pt up ↗

ROA **11.0%**
0.5pt up ↗

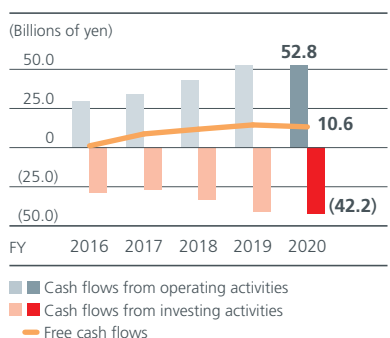


As a result of progress made to enhance profitability by expanding in the focus markets of automobiles as well as IT infrastructure/ industrial equipment, and by undertaking productivity improvement activities, both ROE and ROA are increasing.

Cash flows from operating activities **¥52.8** billion
0.9% up ↗

Cash flows from investing activities **¥(42.2)** billion
3.3% down ↘

Free cash flows **¥10.6** billion
7.8% down ↘

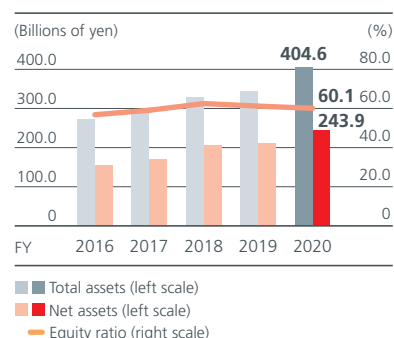


Cash flows from operating activities trended upwards as a result of higher earnings. Meanwhile, due to vigorous capital investments to address growing demand, investment cash flow outlays continued at a high level.

Total assets **¥404.6** billion
17.9% up ↗

Net assets **¥243.9** billion
15.9% up ↗

Equity ratio **60.1%**
1.1pt down ↘

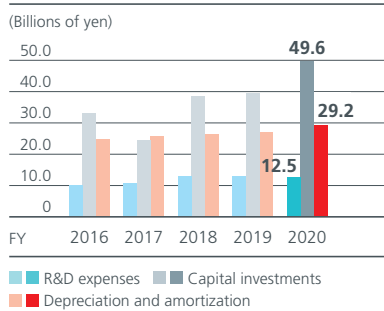


Given the strong demand, the scale continues to expand, leading to growth in total assets. Meanwhile, successful steps are being taken to maintain the Company's sound financial health and an equity ratio in the 60% range.

R&D expenses ¥ **12.5** billion
2.9% down ↘

Capital investments ¥ **49.6** billion
26.3% up ↗

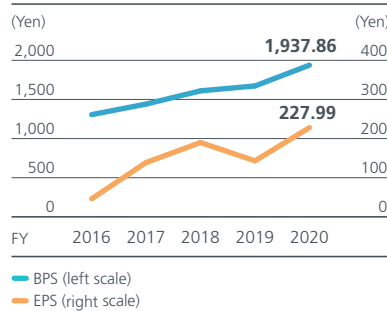
Depreciation and amortization ¥ **29.2** billion
8.3% up ↗



TAIYO YUDEN continues to make aggressive capital investments on the back of the upswing in 5G-related communications and automobile demand. Moreover, we are continuing to invest in R&D aimed at energizing new business and new product development.

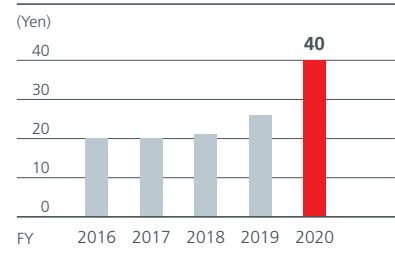
BPS ¥ **1,937.86**
15.9% up ↗

EPS ¥ **227.99**
59.4% up ↗



As a result of the upswing in net assets attributable to scale growth and the increase in retained earnings, BPS is trending upwards. Likewise, EPS is on an upward trajectory owing to a rising trend in net income attributable to owners of the parent company.

Cash dividends ¥ **40**
¥14 up ↗

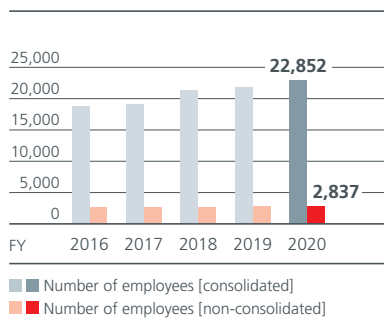


Having stated "Responsibility to Provide Returns to Shareholders" as one of our Management Philosophies, TAIYO YUDEN's basic policy is to secure the stable increase of dividends. We aim to achieve a stable dividend payout ratio of 30%. For fiscal 2020, we increased the dividend per share by ¥14, compared with the previous fiscal year, for a dividend of ¥40 per share.

[Non-financial]

Number of employees [consolidated] **22,852**
5.2% up ↗

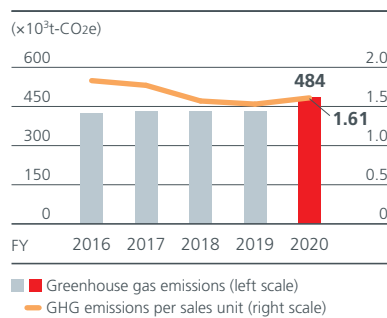
Number of employees [non-consolidated] **2,837**
1.9% up ↗



TAIYO YUDEN is increasing the number of employees each year in a bid to increase production capacity that will meet growing demand.

Greenhouse gas (GHG) emissions* **484** 1,000t-CO₂e
12.0% up ↗

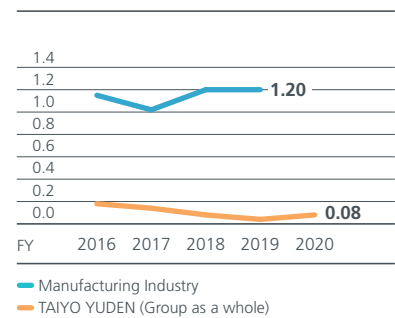
*Scope 1 (direct emissions from the use of energy),
Scope 2 (indirect emissions from energy use) in total



We directed our efforts toward energy conservation and raising operational efficiency in our facilities in use, as well as taking other initiatives to improve processes so as to curb the volume of greenhouse gas emissions and improve emissions per unit of sale. Nonetheless, in fiscal 2020, both greenhouse gas emissions and emissions per unit increased.

Accident frequency rate* **0.08**
0.04pt up ↗

$$\text{Accident frequency rate} = \frac{\text{Number of the victims of occupational injury (at least one workday lost)}}{\text{Total actual number of hours worked by registered workers}} \times 1,000,000$$



In addition to the implementation of risk assessments and countermeasures at all workplaces, we are continuously promoting measures to prevent the occurrence of occupational accidents, including efforts to raise employee awareness of safety behavior based on the results of safety awareness surveys, and efforts to make facilities safer based on the Group's common countermeasure standards.

Message from the President

*Supporting evolution in electronics technology
with the aims of broadening corporate growth
and social contribution*



Shoichi Tosaka

President and
Chief Executive Officer

Our Goals

Defining a new far-sighted mission “Stronger and more socially aware through the wonders of science”

In 2020, TAIYO YUDEN successfully celebrated the 70th anniversary of our founding. On this occasion, we took a strong look to the future over the next 30 years and envisioned what TAIYO YUDEN will be like at our 100th anniversary and beyond. This vision of our future considers our strengths, our roles as a responsible member of society and how we will enhance the state of society going forward. Through this process we came to realize that the essence of TAIYO YUDEN throughout our past, present, and future is both the knowledge and experience that we have accumulated and realized to date, and the “wonders of science” that bring about exciting experiences, unexpected discoveries, and surprises. We believe that the mission of TAIYO YUDEN is to better society by leveraging the “wonders of science” and supporting an evolution in electronics technology that will enable safe, secure, comfortable, and convenient lifestyles for everyone throughout the world. We defined our new mission as becoming “stronger and more socially aware through the wonders of science.” TAIYO YUDEN aims to become an excellent company that possesses both economic and social value through the creation, advancement, and delivery of small yet important electronic components to every part of society.

Changing Business Conditions

Advancement of Digitalization as Part of Everyday Life

At the outset of 2020, the COVID-19 pandemic spread and dramatically changed our lifestyles, including a shift to remote work. Digitalization continues to become a more and more important part of our everyday lives. We foresee a future world with various devices connected through the proliferation of 5G networks with the emergence of 6G and beyond. Semiconductors and the electronic components that enable these technologies will continue to become an ever more essential part in major existing markets of communication equipment, automobiles, and IT infrastructure/industrial equipment. We will expand the areas in which our components play a role to various other markets as well. We also expect to see rapid growth in demand for electronic components as information and sensing technologies expand into every aspect of our lives.

Summary of the Previous Medium-term Management Plan

Net Sales and ROE Targets Reached, Operating Margin Greatly Improved

Under the previous medium-term management plan, which came to an end in FY2020, we successfully reached our targets of ¥300 billion in net sales and an ROE of over 10%. In addition, we successfully expanded the sales composition ratio accounted for by the automobile and IT infrastructure/industrial equipment markets, which are defined as “focus markets,” to 43%. As a result of the growth experienced in sales from the markets for automobiles, for which computerization is accelerating, and IT infrastructure/industrial equipment, which serves as the foundation for a connected society, we saw a decline in the sales composition ratio accounted for by the communication equipment market, which includes smartphones and other devices that experience significant seasonal and demand volatility. These actions allowed us to successfully build a footing that will enable stable,

Message from the President

uninterrupted growth into the future through our medium-term management plan and beyond.

In addition to these successes, we also plan to undertake the improvement of profitability of products other than capacitors and further evolving our “smart.E” productivity enhancement activities. We intend to continue engaging in these efforts under the medium-term management plan 2025. The medium-term plan started during the current fiscal year.

Medium-term Management Plan 2025

Defining Materiality that Balance Greater Economic Value with Greater Social Value

TAIYO YUDEN has launched its medium-term management plan in the current fiscal year. The medium-term management plan 2025 envisions the transformations in society, changes in everyday lifestyles, and evolutions in electronics technology that will take place over the next ten years through 2030, where 2025 is positioned as a milestone year. The new plan aims to balance greater economic value with greater social value. The plan defines materiality linked to Sustainable Development Goals (SDGs). As a manufacturer of electronic components, TAIYO YUDEN believes we can contribute to SDG Goal 9, “Industry, Innovation and Infrastructure,” through our business activities and SDG Goal 12, “Responsible Consumption and Production,” through such measures as using resources effectively and contributing to the establishment of a recycling society.

In specific terms, we have formulated four priority measures that will contribute to the enhancement of economic and social value, and have set numerical targets not only for KPIs in business, but also for the environment (E) and society (S). The financial targets proposed for economic value are net sales of ¥480 billion, an operating margin of 15% or higher, an ROE of 15% or higher, and an ROIC of 10% or higher.

In terms of business strategies, we will continue to pioneer focus markets and aim for automobiles and IT infrastructure/industrial equipment to account for 50% of sales composition ratio. In addition, we will work to expand sales of new products, along with further increasing the sophistication of elemental technologies, such as material technology. This will allow us to drive the advancements of high value-added multilayer ceramic capacitors (MLCC), multilayer inductors made of metals, and



“ We have defined materiality linked to the SDGs with the goal to balance greater economic value with greater social value ”

the communication devices that are essential for 5G evolution. We also intend to further enhance profitability through “smart.E” productivity enhancement activities. We will continue to engage in the development of small all-solid-state batteries that leverage the strengths in material and process technologies that TAIYO YUDEN has accumulated as a means of targeting the small device and wearable markets that continue to utilize conventional small batteries such as coin batteries.

At the same time, to enhance social value, we will accelerate initiatives by setting KPIs in the environmental field, including GHG* emissions, waste volumes, and water usage, and in the social (human resources) field, such as workplace safety and work style reforms.

*GHG: Greenhouse gases

Creating New Businesses

Deploying Solutions for Social Issues

Our new businesses go beyond simply providing devices and modules. We will find answers for social issues by making proposals that include solutions that utilize TAIYO YUDEN state of the art products. One concept that we have already commercialized is an energy regeneration system for electric assisted bicycles. This system automatically recharges the battery when the bicycle is in motion and thereby realizes a new form of decarbonized mobility. We are engaging in various endeavors including proof-of-concept tests for a small, easy-to-install flood monitoring system, a traffic monitoring solution that utilizes wireless optical communication technology, and a bridge monitoring system that relies on optical displacement sensors. We are also undertaking development efforts aimed at realizing a society in which we can live in safety and with peace-of-mind. We intend to continue producing these strong results by combining TAIYO YUDEN's original technologies with an enhancement from outside resources.

Initiatives for a Profitable Business Structure and Earnings Stability

“smart.E” Productivity Enhancement Activities Are Important for Both Enhancing Earnings Capacity and Reducing Risk

TAIYO YUDEN promotes “smart.E” productivity enhancement activities as one of our efforts to strengthen our manufacturing capabilities and profit structure. Under the medium-term management plan 2025, we expect to see explosive growth in demand for electronic components. We have set sales target growth over the next five years at an approximate growth factor of 1.6 times. In order to achieve this business expansion, we believe that we must increase the productivity of each facility and evolve “smart.E” in addition to bolstering production capacity through aggressive capital investments.

“smart.E” activities focus on the visualization of production sites to help discover abnormalities early on and prevent these from occurring in the first place. This will result in a production system that is free from wastefulness, inconsistency, and overburden. Although differences exist in the degree of progress at each business and location, we observed a 30% increase in productivity with one of the processes to which “smart.E” was introduced, giving us hope for similar results elsewhere.

Through “smart.E” we are eliminating employee-dependent work and advancing automation to minimize inconsistencies in quality. This will enable us to produce products with the same level of quality regardless of the plant and will build a borderless production system. In anticipation of various threats to the supply chain, we intend to continue deploying and promoting “smart.E” at each location to both enhance productivity and reinforce the business continuity system.

ESG Strategies (Environment)

Reducing GHG emissions 25% by 2030

WE SUPPORT



*Output unit

A unit expressing the amount of energy required to produce a certain quantity of product. This unit is used as an indicator to visualize progress in energy conservation.

TAIYO YUDEN has strengthened our ESG-related initiatives by maintaining a focus on sustainable corporate activities. As part of these efforts, we became a signatory to the United Nations Global Compact (UNGC) in 2020, and strongly support the UNGC's 10 Principles categorized into the four areas of "Human Rights," "Labour," "Environment," and "Anti-Corruption." Under the medium-term management plan 2025, we have defined environment related indicators, such as reductions in GHG emissions, waste volumes, and water usage. This is in addition to economic value indicators.

TAIYO YUDEN has worked to curtail GHGs for many years. We have achieved our targets of reducing energy consumption per output unit* by half over the ten-year period of the Medium-term Environmental Targets, which came to an end in FY2020. As society shifts towards achieving carbon neutrality by 2050, we have switched to a policy of reducing GHG emissions on an absolute basis. As a milestone in aiming to achieve carbon neutrality by 2050, we have set the target for reductions in the absolute amount of GHGs emitted by our production and business activities at 25% by FY2030 as compared with emissions measured in FY2020.

To achieve this target, we intend to manufacture with an emphasis on decarbonization. We will prepare future scenarios and formulate strategies using concepts that generate energy savings, energy creation, and renewable energy use within the framework of the Task Force on Climate-related Financial Disclosure (TCFD), which we endorsed in May 2021. We believe that considering and addressing the environment in this way will enhance the sustainability and competitiveness of TAIYO YUDEN, as well as support future growth and greater profitability.

ESG Strategies (Social)

Environments in which Employees Are Healthy, Flourish with Vitality, and Can Exhibit Their Ability Create Value

TAIYO YUDEN believes that we can only create value when our employees are energized by their work, healthy, and exhibit their ability with vitality. Our focus on ESG emphasizes initiatives targeted at the constant improvement of human resources. Within our management vision we proposed "Safety First" and have continued to engage in initiatives that consider the safety of our employees. As a result, our rate of work-related accidents was one of the lowest in Japan's manufacturing industry, and far below industry averages. Under the medium-term management plan 2025, we will maintain our policy of striving to create safe, secure workplaces.

In addition, we are advancing work style reforms and diversity to create an environment in which our employees can work with a sense of motivation. As the standards for which we must aim in order to realize this type of environment, we set numerical targets that include a work engagement* score of 2.5 or higher and a new recruitment target for female graduates at a ratio of 30% or higher. We will strengthen each of these initiatives under the concept of respecting everyone as well as linking together and utilizing a diverse range of employees.

Moreover, the primary basis for realizing these targets is the health of our employees. Since the release of the TAIYO YUDEN Group: Health-Oriented Management declaration in 2019, I have spearheaded our health initiatives as the Chief Healthcare Officer (CHO). In FY2020, we prohibited smoking everywhere on all premises maintained by each group company in Japan. Going forward we will deploy various activities that include the consideration of "diets" as we provide support for improving the health of our employees.

*Work engagement

An indicator of an employee's state of mind whether he or she feels a sense of pride and fulfillment in his or her work. Work engagement is comprised of three elements: enthusiasm, immersion, and vitality for work.

ESG Strategies (Governance)

Establishing the “Sustainability Committee” to Oversee Sustainability-related Activities

Corporate governance serves as the foundation for long-term, sustainable corporate growth, with an emphasis to put each principle of the Corporate Governance Code into practice. TAIYO YUDEN Group believes it is important for the Board of Directors to share and discuss feedback acquired through dialogue with our stakeholders, and to reflect their conclusions in management. As part of our efforts to strengthen our corporate governance system, we launched the “Sustainability Committee” to deliberate on TAIYO YUDEN’s sustainability activity policies and their progress. At the same time, we revised our corporate governance system with the intent of enhancing the internal control systems.

We are also preparing a CEO succession plan. To accomplish this, we will consider executive directors as successor candidates. We will work to improve the quality of these candidates by rotating their areas of responsibility and ensuring they practice management by objectives using key management indicators. Today, we recognize that implementing sustainability management that incorporates social value, an indispensable part of sustained corporate growth, is a key component of corporate value along with the types of economic value presented by financial statements. We therefore select candidates based on the idea that the ability to put sustainability management into practice is part of the basic qualities of a manager.



In formulating the new mission, TAIYO YUDEN stepped away from short-term perspectives and recognized the necessity of clearly defining the vision we hold for our future existence with a focus on a long-term perspective that enhances corporate value in a sustainable manner. The medium-term management plan 2025 is the first step towards this future. To achieve our goals along with the targets of the plan, we must build ties of mutual trust and evolve together with all of our stakeholders including shareholders, customers, employees, and local communities. I therefore humbly request the continued support of each.

A handwritten signature in black ink that reads "S. Tosaka".

Shoichi Tosaka
President and Chief Executive Officer

Message from the Officer in charge of Finance



Supporting the realization of Medium-term Management Plan 2025, which targets net sales of ¥480 billion and ROE of 15% or higher, from financial aspects

Katsuya Sase

Director and Senior Executive Operating Officer

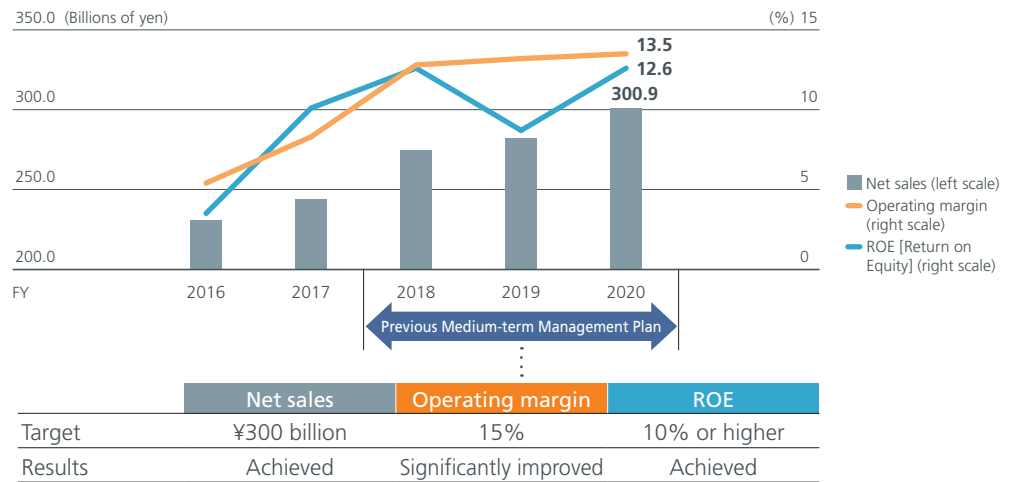
FY2020 Results and Summary of Previous Medium-term Management Plan

FY2020 started with the situation in which it was difficult to predict what impact the spread of COVID-19 infections, which had broken out around the world from the beginning of the year, would have on TAIYO YUDEN's business. In actual fact, however, owing to the increased demand for electronic components brought about by the increases in telecommuting and home study using electronic devices such as personal computers, the use of parts for the production of smartphones, and the faster than expected recovery of automobile production, the positive impact on TAIYO YUDEN's business performance was significant, and both sales and profit reached record highs.

As a result, we were able to achieve our targets for the previous medium-term management plan, for which FY2020 was the final year, with net sales of ¥300.9 billion and ROE of 12.6%. The operating margin did not reach the target of 15%, but I believe it is rather important that we have been able to consistently achieve the 13% level for three years. It is also commendable that we have maintained an equity ratio of 60% or higher and realized a substantial net cash position.

One of the factors that can be mentioned as having contributed to the achievement of these results is the improvement in customer mix. As a result of having defined automobiles and IT infrastructure/industrial equipment as "focus markets" and having conducted activities to expand the sales composition ratio, we were able to approach the target ratio and greatly contributed to the achievement of the target. The focus market ratio, which was 32% before the start of the previous medium-term management plan, expanded to 43% in the final year of the plan. This is the result of the efforts we have made in the past nine years, not only during the period of the plan, but even before the plan started.

Previous Medium-term Management Plan



Medium-term Management Plan 2025

Numerical Targets and Plan Period

Under the medium-term management plan 2025, the Company has set as numerical targets net sales of ¥480 billion, operating margin of 15% or higher, ROE of 15% or higher, and ROIC of 10% or higher. The duration of the plan period is five years, and we will make brave investment decisions in anticipation of medium- to long-term demand trends.

→ [p.16 Medium-term Management Plan 2025](#)

ROE and ROIC

We will aim to achieve both the ROE and ROIC targets by improving profitability through growth.

With regard to ROE, based on the actual result of 12.6% for FY2020, we will implement a growth strategy in line with the expansion of the market, and at the same time will achieve the target of 15% or higher by strengthening the profitability of inductors and communications devices that did not reach their targets in the previous medium-term management plan.

In addition, we have newly adopted ROIC as one of the numerical targets from a perspective of management that is conscious of capital costs. TAIYO YUDEN's current weighted average cost of capital (WACC) is estimated to be about 8%, and on the major premise that ROIC needs to exceed that, we have set the ROIC target at 10% or higher. In actual operations, we will break down ROIC by product category to keep track of the status on a regular basis. When making an investment, we will set criteria such as the payback period and utilize them to promote selection and concentration of businesses more than before.

On the other hand, in preparation for unforeseen circumstances, such as a sudden deterioration of the macro economy, natural disasters, and pandemics, from past experiences we consider it indispensable to secure the depth of equity capital and ensure safety for business continuity. In connection with this, although we did not actually use it in the previous fiscal year, we have increased our commitment line with banks from ¥10 billion to ¥30 billion.

While maintaining the current equity ratio of 60% level, we will aim to raise ROE and ROIC by improving profitability in each business.

Growth Investment, M&A, R&D Expenses

As a growth investment to achieve the medium-term management plan 2025, we plan to make a total capital investment of ¥300 billion over the five-year period, ¥50 billion of which is scheduled to be invested in the first year, FY2021. The targets for investment are mainly high-reliability markets, such as automobiles and IT infrastructure/industrial equipment, and high-end markets such as

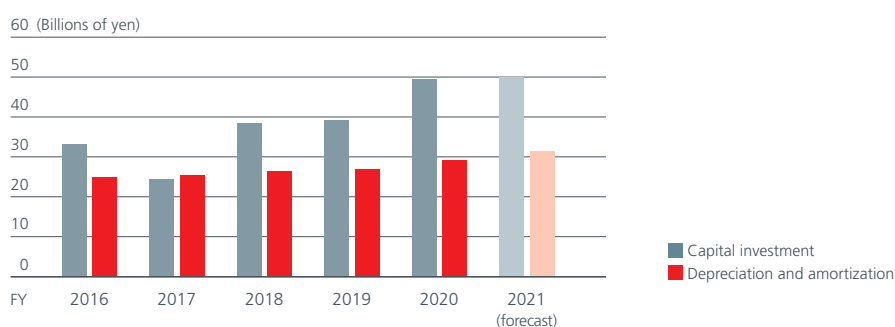
Message from the Officer in charge of Finance

telecommunications. We are going to strengthen our capacitor production capabilities by 10-15% every year, and invest in new products for inductors and communications devices. We are also planning to construct new factories in Japan, China and Malaysia going forward. As investment in preparation for growing demand is scheduled ahead of time, there is the possibility that the balance may change temporarily, but we will continue to make efforts to maintain a strong financial position.

We also plan to allocate about 10% of our investment plan of ¥300 billion to investments that meet environmental targets and IT investments that will improve the efficiency of business operations. The incorporation of external resources such as M&A can be considered as one of the means of growth but is not included in the investment amount under this plan. Based on organic growth, we will continue research to explore the M&A possibilities and will consider them as and when necessary for strategic execution going forward.

In contrast, R&D expenses will be maintained at the 4% level of net sales, centering on the sophistication of elemental technologies, such as material technology, and the creation of solutions. We believe that 4% remains a necessary and sufficient level to tackle the themes that are currently appearing, but we will flexibly respond to needs, such as initiatives for new businesses.

Capital Investment/Depreciation and Amortization

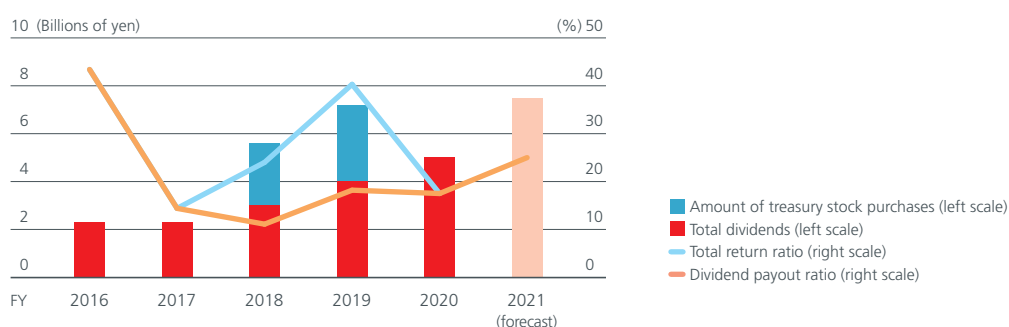


Shareholder Returns

TAIYO YUDEN has adopted "Responsibility to Provide Returns to Shareholders" as part of its management philosophy. The Company has increased the annual dividend from ¥20 per share in FY2017, to ¥40 per share in FY2020.

In the medium-term management plan 2025, we have set the goal of realizing a stable dividend payout ratio of 30%. We aim to return profits to our shareholders by paying cash dividends according to the level of profit. In the future, as in the past, we will endeavor to increase the cash dividend amount in a stable manner while considering the balance with growth investment. On the other hand, we will proceed with the acquisition of treasury stock as necessary to improve the total return ratio.

Returning Profits to Shareholders





Section

2

STRATEGIES FOR THE CREATION OF VALUE

TAIYO YUDEN creates value with its business through the development of Smart Products. In order to make sure that we create that value, we execute strategies in R&D, HR, and other business areas to bolster our strengths and establish competitive advantage.

Smart Product Development System

TAIYO YUDEN proactively promotes the development of Smart Products that reduce environmental impact by eliminating the three M's – *muda* (wastefulness), *mura* (inconsistency), and *muri* (overburden).

Contributions toward the global environment and society

- High quality**..... Products satisfying customer requests with high reliability
- Low power consumption** Products delivering superior performance without consuming vast amounts of electricity
- Downsizing**..... Products delivering high performance with few materials and thus contributing to end products fitting high functionality into a compact package
- Abolishing use of toxic substances** ... Products not containing toxic substances

Response in regard to business activities that utilize digital transformation (DX)

- Safety first**..... Production processes designed with safety in mind allow operators to work free from *muri* (overburden).
- Following rules**..... Operating in accordance with standardized procedures holds the key to minimizing irregularities between items.
- More efficient use of energy** We minimize the energy used in manufacturing products.
- 100% yields** Stable production of high-quality products requires not allowing rejects and other forms of *muda* (wastefulness) to arise.
- Reuse and recycle**..... Whenever possible, we use reused and recycled goods as materials for production.
- Minimizing emissions** Wherever possible, our production processes strive for zero levels for emissions and other forms of *muda* (wastefulness).

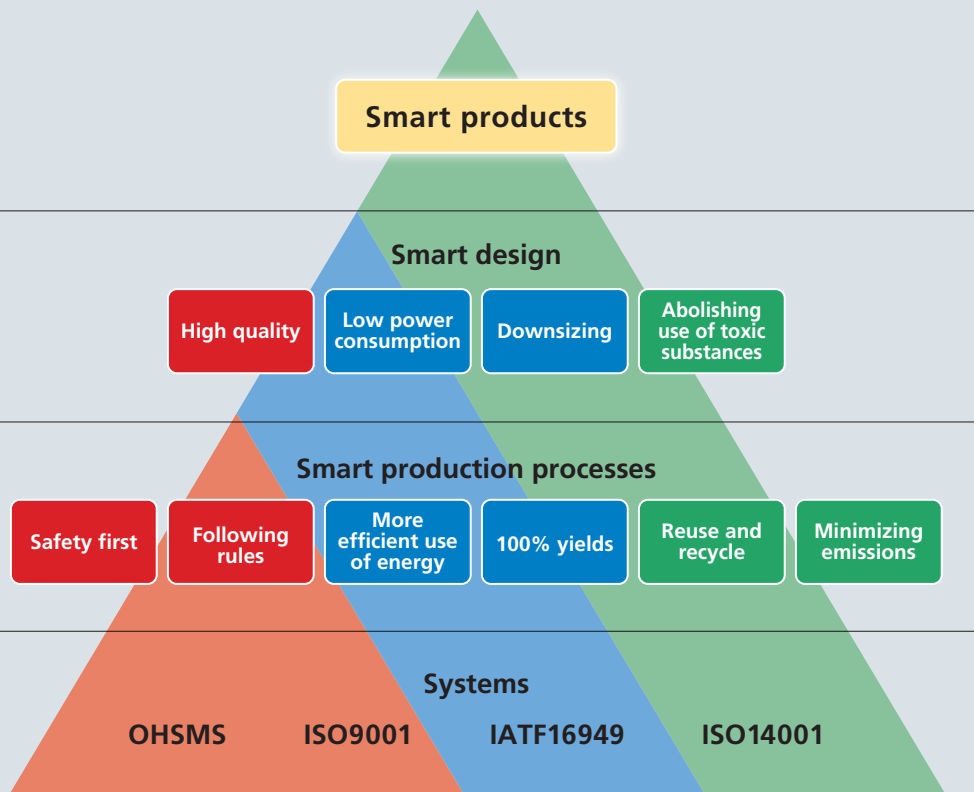
TAIYO YUDEN utilizes management systems that cover such areas as occupational health and safety, quality, and environment as the basis for its business operations in providing smart products. These management systems conform to OHSMS, ISO9001, IATF16949, and ISO14001.

The Smart Products that we have in mind reflect environmental considerations not just when they are used, but at all stages from design through production, sales, and incorporation into the final product right up to final disposal. This means eliminating what in Japanese are called the three M's - *muda* (wastefulness), *mura* (inconsistency), and *muri* (overburden) - over the entire life cycle of products to give them value for the customer, the local community, and our employees.

The first step is using management systems for occupational health and safety, quality, environment and other aspects as development and promotional tools to create Smart Processes that eliminate the three M's; the second, taking usage and final disposal into due consideration, reducing the environmental impact to create Smart Design. These key concepts of Smart Processes and Smart Design lie behind TAIYO YUDEN Group's approach to developing Smart Products.

TAIYO YUDEN VISION

To be an excellent company that enjoys the trust and highest regard from all stakeholders



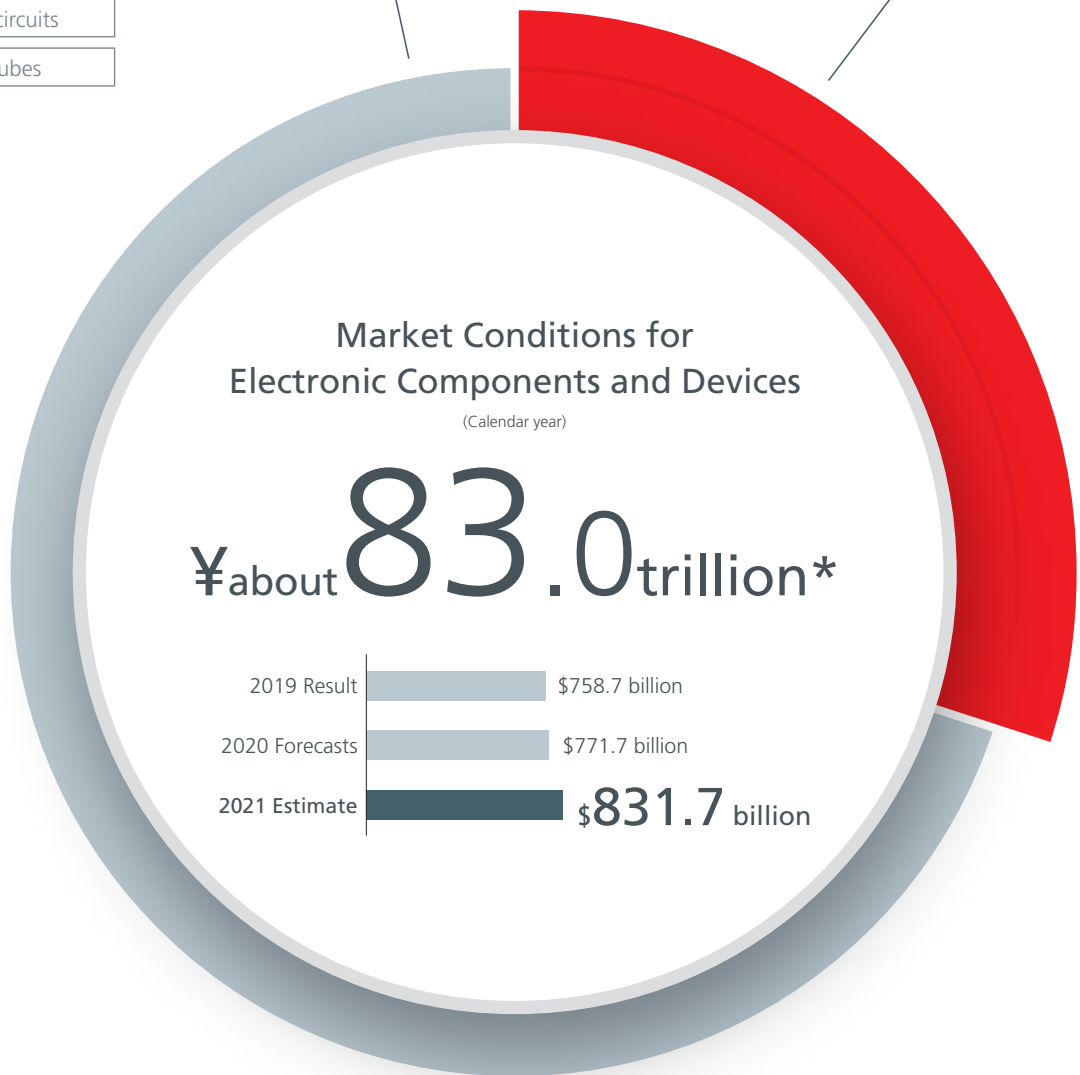
Continued Growth in Needs as a Result of Greater Electronics Use

Needs for electronic components are expanding, and actual demand, although in varying degrees, is exhibiting an upward trend due to the proliferation of smartphones and the greater use of electronics in automobiles and other products that had remained free of electronics until now.

Electronic devices ¥ about **59.7** trillion*

Devices that apply functions of electrons to perform active tasks such as amplification

Semiconductor devices
Integrated circuits
Electron tubes

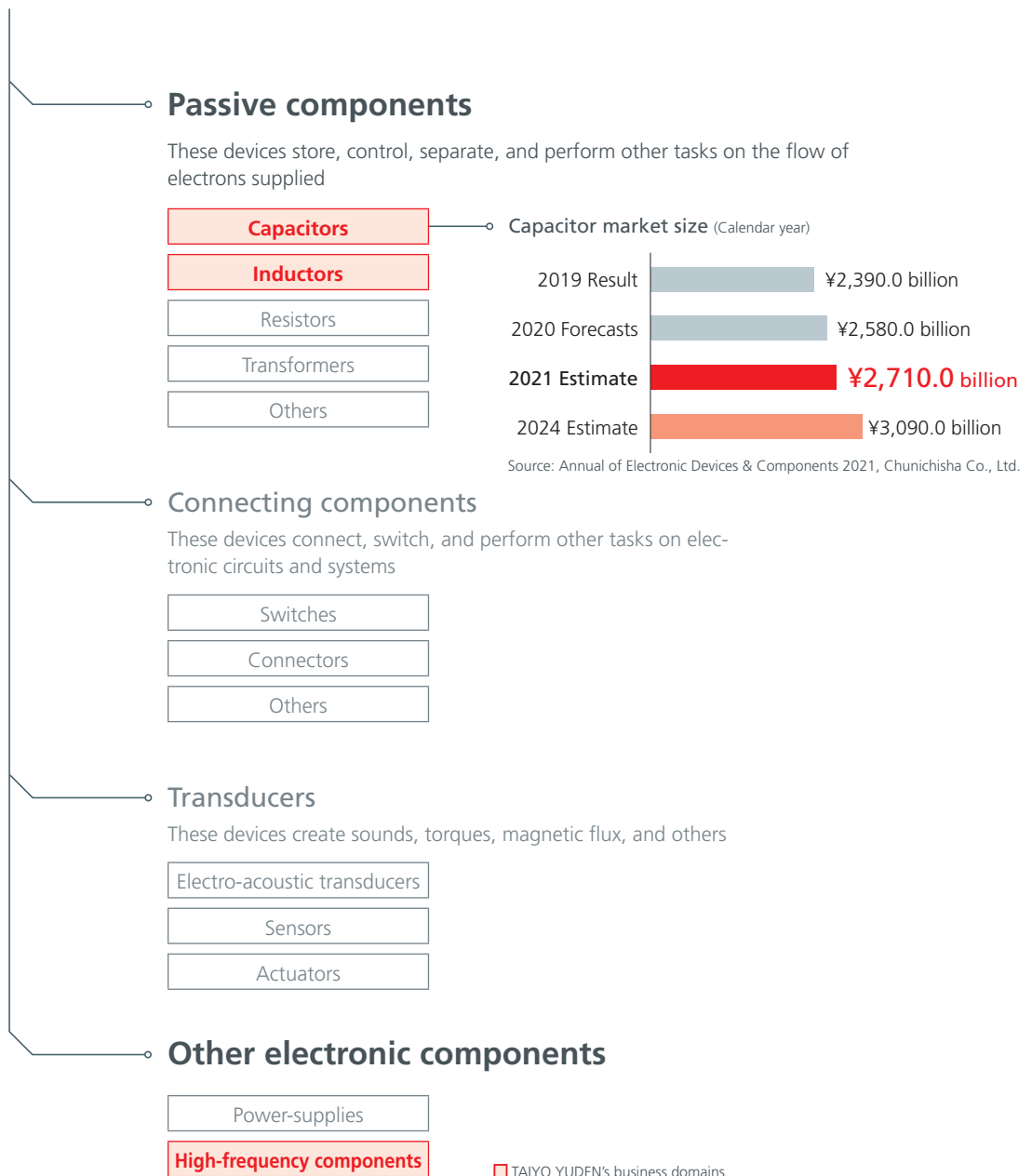


* The forecasts as of 2020 (dollar-based) calculated using the average exchange rate for 2020 (1 dollar = ¥ 107.5).
Note: Figures from 2020 Production Forecasts for the Global Electronics and Information Technology Industries, Japan Electronics and Information Technology Industries Association (JEITA); the electronic components and devices category is as defined in JEITA's statistical breakdown of global electronic component shipments

General electronic components

¥about **23.3** trillion*

Components that work with and supplement electronic devices



Value Creation Model

Megatrends

Changes in the external environment

- Progress in democratization and generalization of AI
- Rapid spread of 5G
- Evolution of autonomous driving and robotics
- Remote society



Changes in the macro-environment

- Climate change
- Tightening environmental regulations
- International trade friction
- Threats of natural disaster and infectious disease
- Resource depletion

Mission | Stronger and more socially aware through the wonders of science
Management Philosophy | Employee well-being, Betterment of local communities, Responsi

Business operations at TAIYO

Investment capital

(FY2020)

Financial capital

Total assets **¥404.6 billion**
 Equity ratio **60%**

Intellectual capital

R&D expenses **¥12.5 billion**

Manufacturing capital

Number of production bases **18**

Human capital

Number of employees (consolidated) **22,852**

Social/related capital

Number of years since founding **71**
 Number of years since public listing **51**

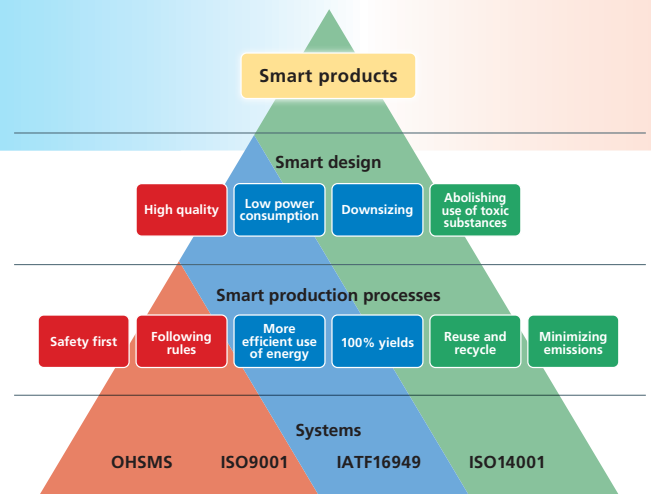
Natural capital

Energy (electricity) consumption **919,484 MWh**
 Water use **4,149,000 m³**

Leverage from business activities

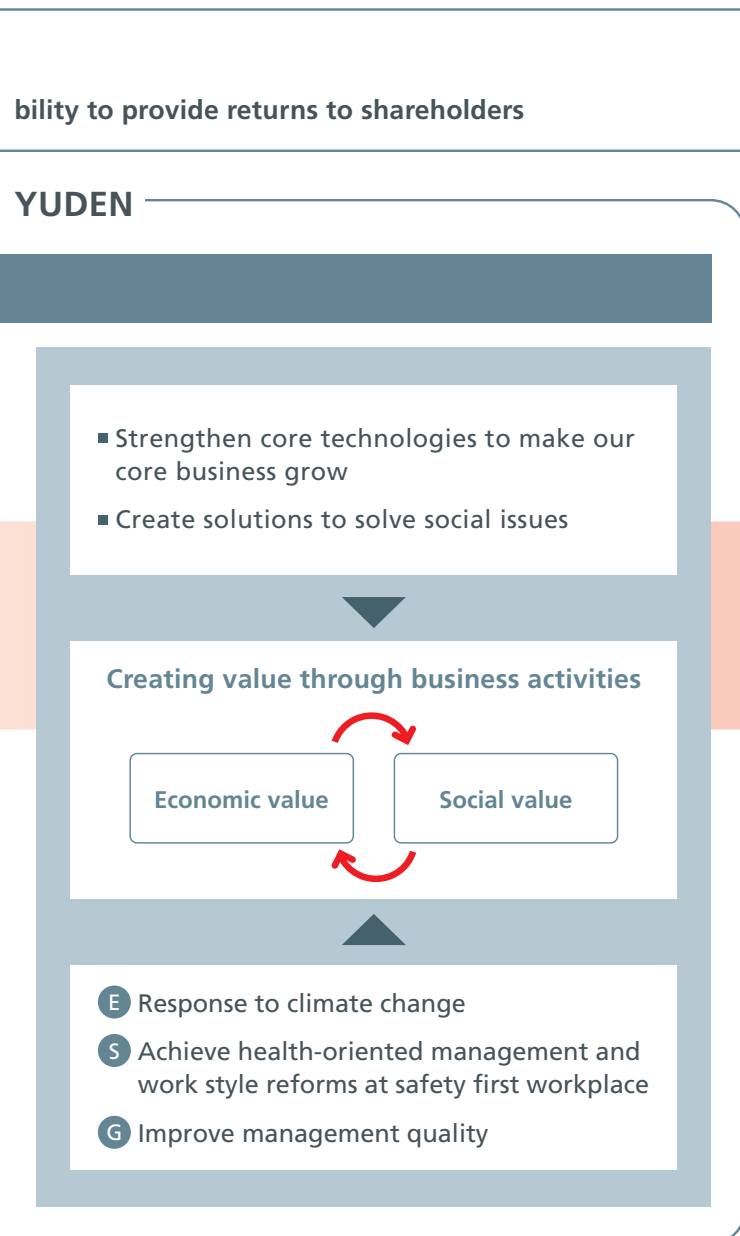
Vision

To be an excellent company that enjoys the trust and highest regard from all stakeholders



Having inherited the management philosophy of our founder, TAIYO YUDEN has set forth its mission for a new era, namely, to be stronger and more socially aware through the wonders of science. Achieving this mission means working to deliver wholly original products and services that demonstrate the strengths we have to offer.

Recent years, in particular, have been witness to the rise of tectonic shifts—megatrends—in domains such as technology, the environment, public health and others. For its part, TAIYO YUDEN has sought to address such megatrends with agility in the formulation of its business strategy, R&D strategy, and human resources strategy. Through business activities we are endeavoring to resolve social issues and contribute to the creation of a safe, comfortable, and convenient society, while growing together with society on a sustainable basis.



Outcome

Medium-term management plan 2025

[Financial]

- Net sales: ¥480 billion
- Operating margin: 15% or higher
- ROE: 15% or higher
- ROIC: 10% or higher

[Non-Financial]

GHG emissions

- Absolute amount: FY2030 25% reduction (compared with FY2020)

Waste / water use

- Basic unit (sales quantity): FY2025 10% reduction (compared with FY2020)

Safe & secure workplace / Optimization of group base functions

- Creating safe, comfortable and environmental friendly workplaces
- Incidence rate of injuries and illness: < 0.016
- Accident frequency rate: < 0.08

Work style reforms / Diversity

- Work engagement: 2.5 or higher
- Rate of newly recruited female graduates: 30% or higher

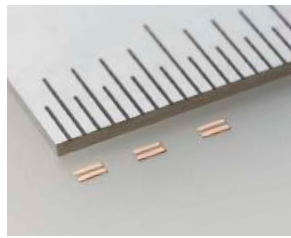
At a Glance

Capacitors

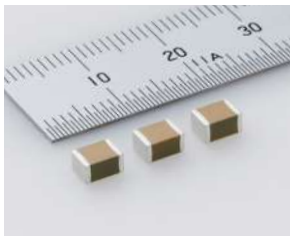
- Multilayer ceramic capacitors



0201 size (0.25mm×0.125mm) ultra-small multilayer ceramic capacitors

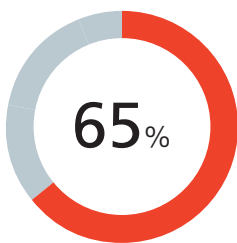


Ultra-thin multilayer ceramic capacitors (0.6mm×1.0mm) with 0.064mm thickness

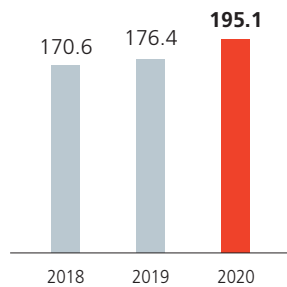


4532 size (4.5mm×3.2 mm) small high-capacitance multilayer ceramic capacitors with 1,000µF capacitance

Net Sales Breakdown by Product Classifications (FY2020)



Net Sales (Billions of yen)



We are focusing on the development of multilayer ceramic capacitors that are small and thin with high capacitance and high reliability. We are also continuing the development of cutting-edge multilayer ceramic capacitors by advancing our dielectric materials technologies, thin-film and high-capacitance technologies, and ultra-small capacitor production technologies.

In FY2020, although sales for communication equipment decreased compared with the previous fiscal year, sales for consumer, information, automobile, and IT infrastructure/industrial equipment increased. As a result, net sales increased 10.6% year on year to ¥195,198 million.

Ferrite and Applied Products*

- Wire-wound inductors
- Multilayer chip inductors

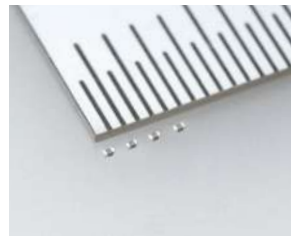
*From FY2021, the product category name has been changed to "inductors." There is no change to the products contained within the category.



Metal power inductors MCOIL™

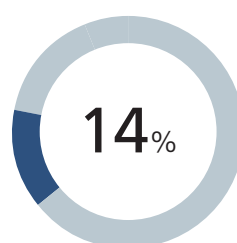


Ferrite-base wire-wound power inductors

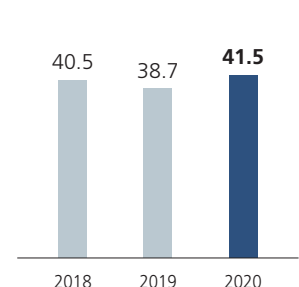


Ultra-small multilayer chip inductors

Net Sales Breakdown by Product Classifications (FY2020)



Net Sales (Billions of yen)

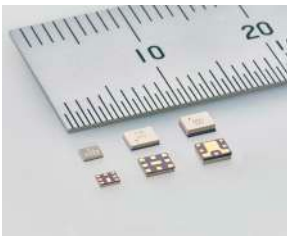


In addition to small, thin inductors with higher current, we are working on the development of large, high-reliability inductors and targeting automotive and industrial equipment applications. We are also developing competitive products by bringing about even greater sophistication in our materials development as well as our wire-winding and multilayer process technologies.

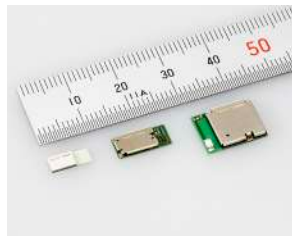
In FY2020, year-on-year sales for information equipment, communication equipment, automobile, and IT infrastructure/industrial equipment increased. As a result, net sales increased 7.2% year on year to ¥41,564 million.

Integrated Modules & Devices

- FBAR/SAW devices for mobile communications
- Circuit modules



FBAR/SAW devices for mobile communications

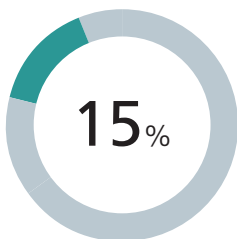


Wireless modules

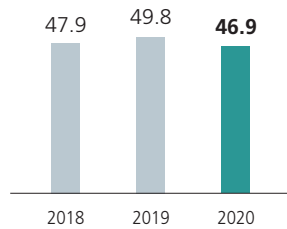


Multilayer ceramic filters

Net Sales Breakdown by Product Classifications (FY2020)



Net Sales (Billions of yen)



We are focusing on the development of new products featuring improved film bulk acoustic resonator/surface acoustic wave (FBAR/SAW) filter device technologies for mobile communications, the development of fifth-generation (5G) mobile communications system, and on the development of solutions-based products intended for the focus markets that combine TAIYO YUDEN's core technologies.

In FY2020, sales of FBAR/SAW devices for mobile communications and circuit modules, etc., decreased compared with the previous fiscal year. As a result, net sales decreased 5.8% year on year to ¥46,930 million.

Others

- Aluminum electrolytic capacitors
- Power storage devices

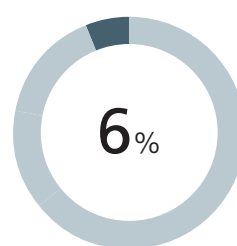


Aluminum electrolytic capacitors

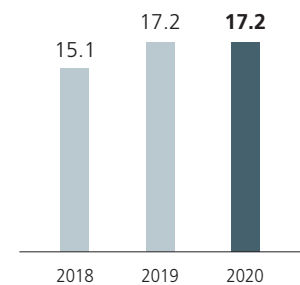


Lithium ion capacitor

Net Sales Breakdown by Product Classifications (FY2020)



Net Sales (Billions of yen)



We are concentrating our efforts on the development of aluminum electrolytic capacitors and power storage devices with an eye to entering focus markets.

In FY2020, net sales decreased 0.4% year on year, to ¥17,227 million.

Addressing risks in the supply chain



Procurement



Production

Formulate and implement measures to address business continuity risks*1

Initiatives to present

- Promote and support the formulation of a BCP for materials and parts suppliers with the aim of stabilizing procurement
- Secure materials and parts inventory

- Boost production capabilities
- Promote productivity improvement activities, the "smart.E" project, carry out measures that aim to build a borderless production system
- Stockpile masks and other items as countermeasures to protect against infection based on incidents of infection outbreaks up until present

Risks attributable to the effects of COVID-19

- Tight supply of materials and parts due to stagnating flows of people and logistics

- Impact on operations due to restrictions in the flow of people
 - Operating restrictions due to administrative orders
 - Suspension of production on account of the outbreak of infection at production frontlines
 - Increasing difficulties on securing labor

Organize the Business Continuity Planning Committee, consolidate Companywide information, and consider measures

Response measures

- Identify and understand restrictions around the world, and confirm the impact on the supply of materials and parts in a timely manner

- Continue production activities through the thorough implementation of infection prevention measures
 - Manage the health of employees on a daily basis
 - Ensure the three Cs (avoiding closed spaces, crowds and close contact)
 - Promote the sanitization of hands, fingers and objects
- Continue to advance the "smart.E" project

Efforts to strengthen initiatives

- Secure and strengthen multiple procurement routes

- Review and redesign inventory systems for a more stable supply

*1 "Group Business Continuity Regulation" "TAIYO YUDEN Group Reaction Plan for Pandemic Influenza <Preventive Measures for Pandemic Influenza Infection>" formulation, operation, and systematic education and training for business continuity (emergency contacts, initial reaction, recovery drills, etc.)

In 2008, TAIYO YUDEN formulated its business continuity plan (BCP) premised on the spread of a global pandemic. While adding enhancements along the way, this BCP is still in effect today. Put to the test in the early 2000s with the incidence of such global pandemics as severe acute respiratory syndrome (SARS), TAIYO YUDEN has worked diligently with the aim of strengthening its system of business continuity. Raging unabated since 2020, we have endeavored to address the novel coronavirus (COVID-19) by revising our BCP. In applying our accumulated experience and knowledge, every effort has been made to strengthen our response to risks in our supply chain.



Logistics



Sales & marketing

- Introduce internally developed warehouse systems to streamline and reduce manpower requirements for warehouse management tasks
- Consider and implement an appropriate balance between air and sea routes, based on the concept of decarbonization

- Lack of international transportation capabilities due to decreased number of international flights and maritime shipping container shortage
 - Increasingly unstable transportation
 - Prolonged transportation lead times
 - Soaring transportation costs

- Flexibly acted to meet customer needs based on face-to-face business talk

- In line with restrictions on going out in each region and overseas travel regulations, customer visits and exhibitions have been cancelled, and sales activities were limited on account of reduced opportunity for face-to-face business talk

and provide instructions*2

- Strengthen countermeasures against logistics instability
 - Secure alternate distribution routes
 - Secure multiple modes of transportation

- Strengthen the logistics management system
- Strengthen cooperation with logistics vendors

- Put in place an environment that enables telework and limit office attendance to secure employee safety
- Take advantage of online meetings to maintain the same level of communication, internally and with customers, as in normal times

- Review and strengthen risk management standards for Sales Department

*2 • Issue daily and weekly reports to share information on government measures at all bases, regional infection status, on-site countermeasures, and so on.
 • Create "Workstyle Guidelines," and thoroughly implement infection prevention countermeasures, providing guidance to all bases.



Research to realize a “connected society”

Shoichiro Hirakuni

Laboratory Manager, Research and Development Laboratory

Since its establishment in 1950, the main business of TAIYO YUDEN has been the development and production of capacitors and other electronic components. By contributing to the development of electronics technology and, as a result, improved quality of life for the public at large, we have created both economic and social value. Now used in a variety of daily electronic devices, such as smartphones and cars, electronic components are essential to all aspects of our lives. There are also anticipations for the future realization of a “connected society,” where all things are connected in real time via networks. This means that companies that make electronic components are required to have high research and development capabilities to overcome more difficult challenges.

Research and development at TAIYO YUDEN is characterized by the integration of everything from materials R&D to product development. Our commitment to quality in materials both helps us create competitive products as well as refine and accumulate core technologies needed to make new products. We split our research and development activities throughout our departments in order to ensure that our core technologies—materials, product systems, evaluation, design, packaging, and process technologies—stay one step ahead of our competitors. TAIYO YUDEN also has a Smart Product development system*, and we consider it the duty of the research and development team to continue to leverage core technologies to produce high added value Smart Products.

In light of this approach, we take a backcasting stance to setting development themes, not allowing ourselves to become absorbed by nearsighted goals but envisioning ten years from now, depicting five years from now, and setting concrete goals to be realized three years from now. To this end, we tell our researchers not to focus too much on the present or their own area of expertise, but to have the conceptual capabilities to see things from a higher perspective and come up with ideas for improvement. For example, if, ten years ago, you had depicted a world where smartphones became as advanced and embedded in daily life as they now are, that could be called a kind of conceptual capability. Going forward, I consider it important in our research to use our imagination to think of the future while continuing day-to-day research.

I consider research and development to be the source of power to realize the company's mission and vision and create a better future by solving new problems. The COVID-19 pandemic and the resultant acceleration in speed of social change and technological evolution have given rise to changes to the external environment, which has created new challenges. I will raise the research and development capabilities of TAIYO YUDEN in order to contribute to the realization of a better future while dealing with these changes and challenges.

→ [p.30 Smart Product Development System](#)

Fundamental stance on research and development

The Foundation of Our Research and Development Activities

Hikohachi Sato, the founder of TAIYO YUDEN, was a researcher in ceramic materials, and since its establishment, has believed that product commercialization should start from the development of materials. This has been one of the strengths of TAIYO YUDEN, and has resulted in us creating

many products that have been “world firsts.” TAIYO YUDEN's research and development activities are aimed at further honing the many elemental technologies it has so far developed to create products that contribute to the ongoing development of electronic devices.

— Research and Development Principles —
“Innovative advance”

Technology precedence

Promote leading edge technological development as the precursory to innovative product development and become a global leader in technology

Reproducibility

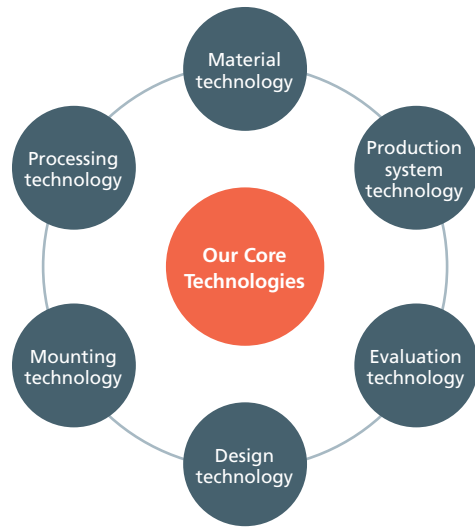
Logically verify the reproducibility of the technology we develop

Technological applicability

Devise technologies which can be applied not only to specific products but also to other areas useful to the markets we serve

Environmental consideration

Develop technologies that are feasible and applicable economically to our manufacturing process and that meet critical environmental standards



Approach to research and development

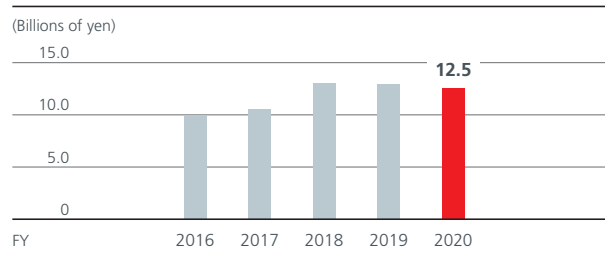
Achievement of Our Vision through Development of Smart Products

TAIYO YUDEN aims to manufacture “smart products” and is actively working to develop and supply steadily such products.

We develop smart products to eliminate the three M’s— muda (wastefulness), mura (inconsistency) and muri (overburden)— over their entire life cycle from design through production, sales, and incorporation into the final product right up to final disposal, to add value for customers and local communities we serve as well as our employees. We believe that our research and development activities aimed at creating a higher standard of smart products will enable us to realize our vision of “To be an excellent company that enjoys the trust and highest regard from all stakeholders.”

R&D Expenses

We recognize that continuing innovations and advancement in our technologies through R&D is the foundation for TAIYO YUDEN to create the future. With this belief, we will continue to invest in R&D activities.



R&D Themes

At the Research and Development Laboratory, our core concept is “envisioning ten years from now, depicting five years from now, and setting concrete goals to be realized three years from now.” The following two basic policies underpin our development activities:

- 1.Developing outstanding materials technologies to become a No.1 player**
- 2.Proposing solutions that meet the needs of society**

Specific research themes include dielectric materials for

cutting-edge multilayer ceramic capacitors and the development of and other activities relating to new materials for our metal power inductor MCOIL™. We are also stepping up our initiatives that address research themes such as contributing to the creation of new value through items including all solid-state batteries and smell sensors as well as the creation of social value that contributes to reductions in greenhouse gas emissions.

TAIYO YUDEN's Research Facility

As we were committed to continuing to create the world's best products and uphold our claim to be "the TAIYO YUDEN of technology and the TAIYO YUDEN of development," we opened the R&D Center (Takasaki City, Gunma Prefecture) in 1998. The R&D Center has accelerated our proactive R&D activities, and still drives development and technological progress of the TAIYO YUDEN Group and takes a role of a foundation of creativity focusing on the future.

In November 2020, the new research base Shin-Kawasaki Center SOLairoLab (Kawasaki City, Kanagawa Prefecture) was established in the aim of promoting collaboration with internal organizations such as the New Business Planning and Development Division as well as collaboration and partnership with external bodies. With this, we will further enhance our information gathering, marketing, and application/solution development capabilities.



R&D Center

Activities on Intellectual Property Rights

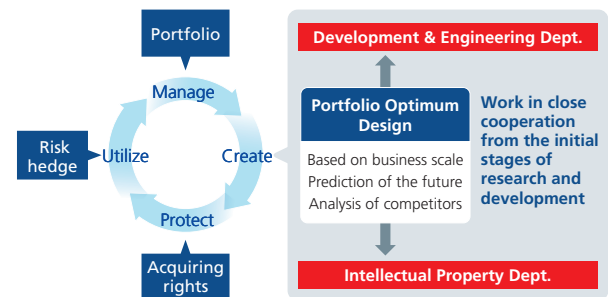
Basic Policy

We, TAIYO YUDEN, endeavor to obtain, maintain and protect intellectual property rights for proper use, and also to respect the intellectual property rights of third parties, in accordance with our CSR Code of Conduct.

Protection of Intellectual Property Rights

At TAIYO YUDEN, the Intellectual Property Department and the Development and Engineering Department work in close cooperation with each other from the early stages of developing new technologies and obtaining intellectual property rights. In addition, we pursue a unique management

approach in a way that is optimized for each of our businesses to create, protect, and utilize intellectual property.



Topics

Raising awareness of Sustainable Development Goals through intellectual asset creation activities

In its Medium-Term Management Plan 2025, TAIYO YUDEN aims to enhance corporate value through the combination of economic and social value. To date, we have contributed to the enhancement of economic value by increasing business competitiveness through the creation of intellectual property by allocating most of our intellectual property resources to our core businesses such as multilayer ceramic capacitors. Going forward, we would like to apply for patents with an eye to creating social value.

TAIYO YUDEN conducts its activities with Sustainable Development Goals (SDGs) targets that address Environment, Social, and Governance materialities. We also enact measures to encourage engineers to consider which targets their development relates to when seeking to obtain patents. Specifically, in order to encourage engineers to be mindful of SDGs in the technical challenges they address on a day-to-day basis, we have designed a system that takes SDGs into account when calculating incentives, with the number of points for patent incentives linked to patent applications that relate to the 169 targets. This helps engineers become more aware of how their activities tie in to the realization of a sustainable society and, at the same time, enhances the invention of products and services under development. We hope that this will help engineers in their activities to generate both economic and social value through patent applications.



Human Resources Strategy

Balancing economic and social value with a human resources strategy that takes great care of employee characters and personalities based on an understanding of human resource diversity

Iwao Fujikawa

Operating Officer (in charge of Human Resources, General Affairs, Intellectual Property, and Legal)



At TAIYO YUDEN, we have outlined employee well-being as one of our management philosophies. We manage our business with an emphasis on people, with work style reforms and diversity also set as themes under the social value KPIs of the medium-term management plan 2025, which was launched in FY2021.

As a manufacturing company that develops and produces products with high quality cutting-edge technologies and materials, the basis for TAIYO YUDEN's human resources strategy is to employ people with the skills needed to support our business and management, and nurture and leverage talent that can contribute to improved corporate value.

We are looking for talent that can promote manufacturing that eliminates muda (wastefulness), mura (inconsistency), and muri (overburdening), which is essential in order to meet skyrocketing demand for electronic components. We also need talent that can boost the quality of our products and services using AI technologies, which will grow and become more prevalent going forward, as well as talent that can lead the global expansion of our business. In order to enable this talent to fulfil our management strategies and innovate to create new value to contribute to society, we carry out human resources development initiatives on an ongoing basis.

We have also set forth the policy of "realizing the richness of employees by taking great care of their characters and personalities based on an understanding of human resource diversity." Based on this policy, we are pushing forward with diversity initiatives and work style reforms.

With regard to diversity, we are first conducting recruitment with the aim of ensuring that 30% or higher of our new graduate intake are women. Diversity does not just refer to gender, it also means preventing discrimination based on race, nationality, age, and other factors. We are also making efforts to hire foreign nationals, especially in technical positions.

In terms of work style reforms, we plan to shift from a "straight-path" human resources system that assumes that everybody wants the same sort of career to a "multi-path" human resources system that enables employees to build the career they want, based on individual skills, motivations, and lifestyles. By letting each and every employee choose the working style that suits them the most, we hope to give them the opportunity to fulfil their potential to the maximum.

And to enable employees to thrive in this way, health is most important factor. At TAIYO YUDEN, we proactively engage in health-oriented management, using initiatives such as banning smoking in the office, with our President also serving as our Chief Healthcare Officer (CHO). The results of these initiatives are demonstrated in third-party praise, such as when we were certified as a Health & Productivity Management Outstanding Organization 2021 (White 500).

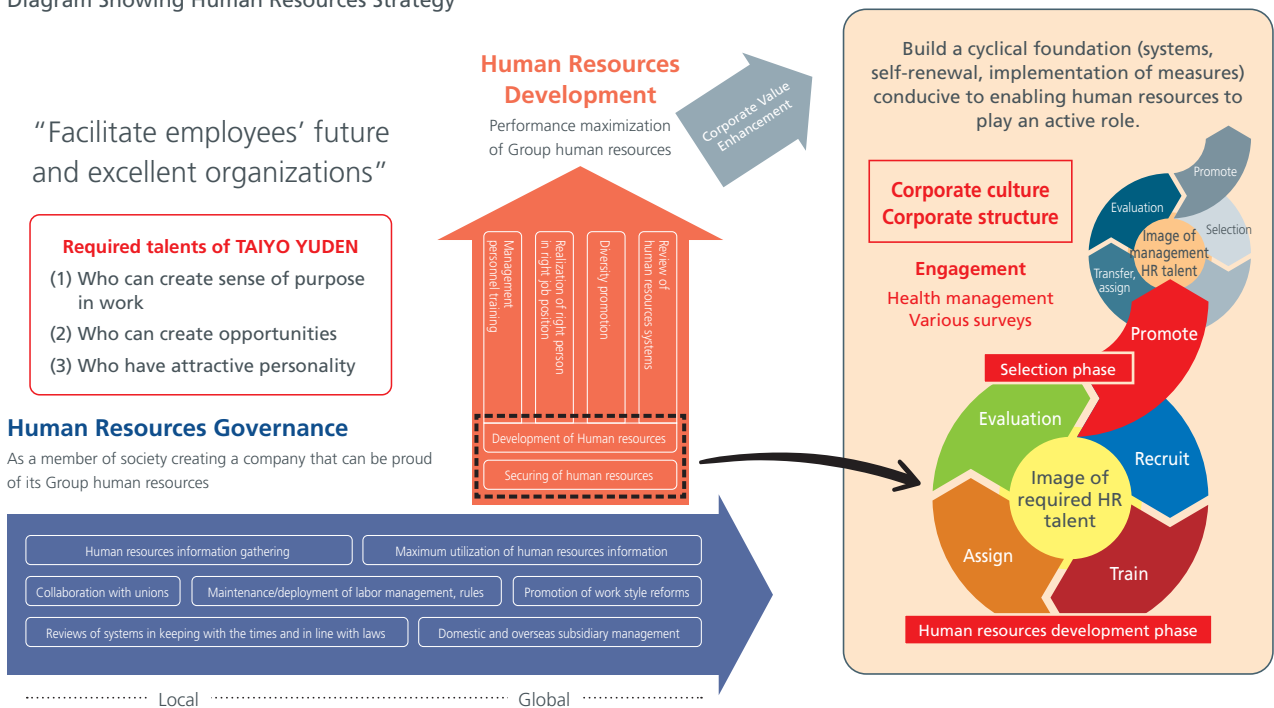
Executing a human resources strategy that enables employees to reach their full potential not only improves our social value, but also the economic value outlined in the medium-term management plan 2025. Going forward, we will continue to improve TAIYO YUDEN's corporate value through appropriate human resources strategy.

Fundamental Stance on Human Resources Strategy

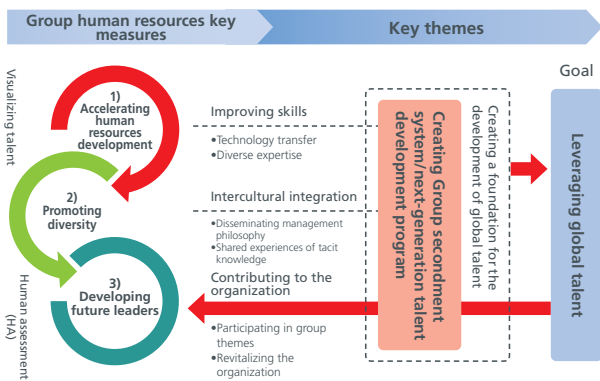
TAIYO YUDEN is striving to realize the richness of employees by taking great care of their characters or personalities with understanding of human resource diversity based on Company foundation philosophy.

Accordingly, we will continue to produce globalize talents who can experience different cultures and realize management strategies, as well as innovative talents who are able to create new values to contribute to society by enhancing their expertise and creativity. Also, to fulfill Human Resources mission of "Facilitate employee's future and excellent organizations," in pursuit of each employee's personal growth as well as enhancement of corporate value creation, we will create an environment where all Group Talents and organizations can play an active role in order to accelerate the development of human resources.

Diagram Showing Human Resources Strategy



Key Measures



1. Accelerating Human Resources Development

We run training programs to further bring out TAIYO YUDEN's strengths and improve on weaknesses.

(Examples)

- Practical statistics training for young employees
- Quality training
- Harassment training

2. Promoting Diversity

Based on our diversity policy, TAIYO YUDEN strives to create an environment where all employees, including young, old,

female, non-Japanese, and those with disabilities, can thrive to their full potential and work energetically.

Diversity Policy/Diversity Promotion Activities

<https://www.yuden.co.jp/or/company/sustainability/society/diversity/>

Topics

On June 25, 2021, TAIYO YUDEN and subsidiary Sun Vertex Co., Ltd. received “Kurumin” recognition from the Ministry of Health, Labour and Welfare as a company that supports child rearing based on the Act on Advancement of Measures to Support Raising Next-Generation Children. We were praised for our environment that enables employees to balance work and private life during big life changes such as giving birth and raising children.



3. Developing Future Leaders

We run an educational program for leaders in order to increase the number of human resources who will support TAIYO YUDEN.

(Examples)

- Next-generation leader training for those in supervisory positions
- Corporate Officer training for Corporate Officers

Work Style Reforms

TAIYO YUDEN strives to create a workplace environment that is easy to work in, with the aim of enabling all our employees to perform to their fullest. We have set annual leave uptake and the ratio of women returning to work after having children as KPIs for this, and we carry out initiatives to boost our progress in these KPIs. A work-from-home system was introduced mainly at offices in the Greater Tokyo Area in

the wake of the COVID-19 pandemic in FY2020, but we are testing a trial of a work-from-home system with an eye to the post-pandemic world. In addition, we have set up a career counseling service to support employees to work vigorously as they turn toward the future, which has received many consultations since its establishment.

Health-Oriented Management

TAIYO YUDEN recognizes the mental and physical health of employees as an important management challenge. To this end, we appointed our President as Chief Healthcare Officer (CHO), and established the “TAIYO YUDEN Group: Health-Oriented Management” declaration in 2019, and promote health-oriented management initiatives. In order to promote strategic and systematic efforts to improve employee health and work engagement, we have established a medium-term health support plan and are working on specific health measures.

TAIYO YUDEN Group: Health-Oriented Management

<https://www.yuden.co.jp/or/company/sustainability/society/HM/>

FY2020 principal measures

- No-smoking rule on all company premises of domestic Group bases
- Seminars (no smoking, exercise, sleep, and women’s seminars)
- Physical ability self-checks (awareness of one’s actual physical ability)

Human Resources-Related Data (TAIYO YUDEN CO., LTD. full-time employees)

	FY 2019	FY 2020	FY 2021	
Percentage of management positions occupied by women (as of April 1)	2.0%	2.8%	2.8%	To create an environment where many motivated women can play active roles, we have formulated and are implementing an Action Plan for Women’s Empowerment from April 2021 to March 2023.
Number of new graduates hired (as of April 1)	96	101	122	
(Breakdown)				One goal of the medium-term management plan 2025 is a ratio of new graduate women hired of 30% or higher. We are conducting activities toward this goal.
Number of women	35	43	34	
Percentage of women	36%	43%	28%	
Ratio of those taking paid leave (as of March 31)	72%	63%	—	
Ratio of those returning from child care leave (women) (as of March 31)	100%	100%	—	So that each and every person can demonstrate his or her performance to the maximum extent, the Company is working to create comfortable work environments.
Average number of years of continuous employment (as of March 31)	18.2	18.8	—	
(Breakdown)				
Men	18.2	18.9	—	
Women	18.3	18.7	—	

Note 1: The ratio of management positions occupied by women is calculated using the number of employees as the denominator.

Note 2: The ratio of those taking paid leave, ratio of those returning from child care leave (women), and average number of years of continuous employment are calculated using the number of registered personnel as the denominator.

For details on Action Plan for Women’s Empowerment, see our website.

<https://www.yuden.co.jp/or/company/sustainability/society/diversity/>

Section
3

FOUNDATION UNDERPINNING VALUE CREATION

With the progress of globalization, relationships between countries and companies become more complicated. As evidenced by the adoption of the Sustainable Development Goals (SDGs) at the United Nations, social issues are shared, and there are mounting expectations with regard to the solving of social issues throughout the world. At the same time, there are growing demands relating to matters such as Environment, Social and Governance (ESG) from stakeholders for companies to engage in sustainable corporate activities that place emphasis on ESG concerns. TAIYO YUDEN Group promotes activities to solve social issues with the recognition that ESG matters present both business opportunities and risks.



Seichi Koike
Outside Director

Emiko Hamada
Outside Director

Masashi Hiraiwa
Outside Director

Tomomitsu Fukuda
Director and Senior
Operating Officer

Shinji Masuyama
Director and Executive
Vice President

Executives



Shoichi Tosaka
President and Chief
Executive Officer

Tomomi Fujita
Outside Audit &
Supervisory Board
Member

Katsuya Sase
Director and Senior
Executive Operating
Officer

Kazuyuki Oshima
Audit & Supervisory
Board Member

Toshio Mishuku
Audit & Supervisory
Board Member

Hajime Yoshitake
Outside Audit &
Supervisory Board
Member

Striving for Highly Effective Governance

—Roundtable Discussion with the Outside Directors

Emiko Hamada
Outside Director



TAIYO YUDEN is working to optimize its corporate governance structure in order to ensure sustainable growth and medium- to long-term improvements in corporate value. Outside Directors Masashi Hiraiwa, Seiichi Koike and Emiko Hamada have offered their opinions on TAIYO YUDEN's corporate governance initiatives to date and future challenges, in light of discussions on the formulation of the medium-term management plan 2025

Previous Corporate Governance Initiatives

Hamada: I feel TAIYO YUDEN is strongly committed to governance. As for the actual actions to be taken, for example, conducting the evaluation of the Board of Directors' effectiveness on an annual basis, the Company takes an objective view of the issues identified and enacts countermeasures to address them. I feel that the Board of Directors is highly transparent and has high quality discussions, including such initiatives. There is definitely an atmosphere of never being satisfied with the status quo and always trying to improve.

Koike: There is no "correct" way to work on governance in general. That is precisely why it is the right attitude to always be striving for the best and continually refine ourselves through ongoing improvements. One of the issues identified in the FY2019 effectiveness evaluation was discussion of medium- to

long-term management strategies, human resources development, and human resources strategy. In response, plenty of discussion of these topics was conducted last fiscal year, including among Outside Directors, and the results of this were utilized when formulating the medium-term management plan 2025. In terms of identifying issues and swiftly responding to the issues identified, I believe the Company has established the correct approach.

Hiraiwa: I am the longest serving member of us three, and I have been working as an Outside Director of TAIYO YUDEN for around five years. During this time, rapid progress has been made in organization building to strengthen governance. For example, in terms of the diversity of the Board of Directors, Ms. Hamada's appointment has seen an improvement in the ratio of Outside Directors. By conducting ongoing improvements on an annual basis, the composition of the Board of Directors now fulfils the requirements of Japan's Corporate Governance Code. Furthermore, a particularly striking aspect



Masashi Hiraiwa
Outside Director



Seiichi Koike
Outside Director

of having three Outside Directors is that discussion has deepened through frank exchanges drawing upon each of our unique personalities.

But, as Mr. Koike said, there is no correct answer when it comes to governance initiatives. The size of the company should have changed quite significantly by FY2025, the final year of the medium-term management plan 2025. I therefore believe that it is necessary to start discussion now about what sort of system we should put in place as we head toward this time.

Diversifying the Board of Directors and Developing Talent for the Next Generation

Hiraiwa: Up until now, we have mainly been discussing governance structures, but it is people who create and enact structures and systems. Directors, in particular, need to be personnel with diverse knowledge, experience, and fields of expertise in order to achieve the management objectives of their company. With the revision of Japan's Corporate Governance Code, there has been a rapid increase in the disclosure of this situation as a skills matrix.

TAIYO YUDEN moved swiftly to disclose the skills matrix of all Directors. This led to an awareness among the next generation about what type of talent is needed. If there is some area

found to be lacking in the skills of potential next-generation Corporate Officers, I believe it is necessary to discuss things such as providing training or recruiting externally.

Hamada: I believe that the current TAIYO YUDEN skills matrix is well balanced. In order to maintain this good balance going forward, it will surely be extremely important to clarify the Director skills required for the Company's situation and management policies and strategies at that time as well as use this in securing and training talent. When it comes to leveraging female talent in particular, the Company is not fully ready, so we need to make a conscious effort to work on this.

Koike: You are both right. If I may add one more point, I also think that, in addition to a balance of fields of expertise, it is important to train talent and skills that match the unique characteristics of TAIYO YUDEN. This should improve its corporate resilience.

Hamada: To give a very specific example, digital transformation skills are going to be crucial moving forward. Personnel with these skills are still lacking in Japan in particular, and companies are competing over what limited talent there is. In future, demand is only going to grow and the required level will also increase, so I feel that it is necessary to make efforts with a strong awareness of the issue.

Striving for Highly Effective Governance

—Roundtable Discussion with the Outside Directors



Hiraiwa: Looking at societal trends, more companies are acquiring digital transformation ventures because it is difficult to train digital talent in a short period of time. However, at the end of the day, I think our only option is to proactively hire and train any talent that is appropriate for TAIYO YUDEN.

Mission: Stronger and More Socially Aware Through the Wonders of Science

Koike: This year, TAIYO YUDEN outlined a mission of “stronger and more socially aware through the wonders of science.” By establishing a clear written mission in addition to the existing management philosophy and vision, I believe the Company has further clarified its ideal vision and purpose of existence.

Hiraiwa: One aspect of the phrase “the wonders of science” is having on-site employees use science to create new value and contributing to society through products and solutions. TAIYO YUDEN has set “employee well-being,” “betterment of local communities,” and “responsibility to provide returns to shareholders” as its three management philosophies. I feel that “the wonders of science” mission both grows our business and contributes to employee well-being and local communities. I hope that all stakeholders will feel the wonders of TAIYO YUDEN.

Hamada: I feel that the TAIYO YUDEN company culture really comes through in the new mission. Perhaps you could call it the Company’s tradition or DNA. “Stronger and more socially aware” has been a phrase since the founder’s age, and I feel

the DNA of the founder, himself a researcher, in “the wonders of science.” At first, I was unsure about the use of the word “wonders,” but then I felt that it really does fit TAIYO YUDEN, and it is the wonders that generations of researchers found in various materials and physical properties that led the Company to where it is now. I have now come to like the word.

Toward the Achievement of the Goals of Medium-Term Management Plan 2025

Hiraiwa: The medium-term management plan 2025, which was launched this year, has outlined some objectives for economic value to be achieved five years from now, including net sales of ¥480 billion and ROE of at least 15%. I believe that these goals will be well within reach if production capacity is increased in light of demand predictions for multilayer ceramic capacitors and the capital investment that is being carried out now.

On the other hand, new environmental, social and governance (ESG) objectives have been established from the perspective of social value. Among them, discussion is currently underway about concrete measures to achieve the “environment” goal of reducing the absolute amount of greenhouse gas emissions by 25% by FY2030 (compared to FY2020).



Koike: For TAIYO YUDEN, this goal means reducing emissions while increasing profits—in other words, while increasing production. It is therefore an extremely ambitious goal. One method to achieve this goal is the procurement

of renewable energy, but this would put pressure on profits. An important measure is determining how much can be achieved through self-reliant efforts, such as by thoroughly implementing production efficiency improvements or lowering the rate of defects.

Hamada: The demands of society are high when it comes to the environment, and stakeholders have increasingly high expectations toward goal achievement. The electricity situation differs from country to country, including Japan, so it is necessary for companies to carefully examine what they can and cannot do. No company can achieve goals relating to environmental issues of its own accord, so it is important to devise strategy while drawing on external knowledge and expertise. I myself hope to join considerations by giving advice with an eye on the external environment.

Nomination and Remuneration of Corporate Officers as a Foundation to Support the Improvement of Corporate Value

Hiraiwa: Discussions have begun in the Nominations Committee and Remuneration Committee based on the idea that it is necessary to shift to a corporate governance structure that matches the scale of the Company as it grows. Specifically, considerations are underway as to the scope of the deliberations of each committee. A key role of the Nominations Committee that I head is selecting the President and Chief Executive Officer (CEO) and nominating candidates for Directors. In an ideal world, Director skill matrices would also be made for potential next-generation leaders, which would be used to judge whether someone is a suitable candidate for Director or President. However, further discussion is required before a direction can be seen.

Koike: The Remuneration Committee that I head has started discussion of how to make systems of remuneration to corporate officers that enable continuous improvements in corporate value. The current TAIYO YUDEN compensation system is designed with comparatively strong short-term incentives, and I think it is necessary to have more in-depth discussions about long-term incentives moving forward.

Hamada: Society has no single correct answer as to how Corporate Officers should be incentivized. I feel that it is necessary to think of the optimal compensation system for TAIYO YUDEN, not only focusing on the remuneration amount alone, but designing the system to promote the achievement of goals and execution of strategy in line with revisions to medium-term targets, management policies, and strategies.

Toward the Future of TAIYO YUDEN

Hiraiwa: TAIYO YUDEN is right in the midst of a period of growth, launching the new mission of “stronger and more socially aware through the wonders of science” and embarking on an ambitious medium-term management plan. In light of this, I will aim for the Company to become bigger in a positive way and grow into a company that contributes to society. Since TAIYO YUDEN is making electronic components that are essential for the society of the future, it has enough potential to do so.

Koike: I want TAIYO YUDEN to fulfil its new mission and become a company that brings wonder and value to society. The first step toward this is achieving the economic value and social value goals of the newly formulated medium-term management plan 2025. I will strive to contribute to the realization of these goals from my position supervising the execution of business operations.



Hamada: While many industries are facing difficult circumstances due to the COVID-19 pandemic, the electronic components industry has very fortunate market circumstances. With continued future growth in communications technologies and digital devices, I believe that TAIYO YUDEN has been given a great opportunity to grow. I hope my work in management helps the Company grow larger, gain recognition as a company with social value, and be an attractive place to work.

G Corporate Governance

Basic Policy for Corporate Governance

With an emphasis on transparency and fairness of corporate management, the Company is making efforts to enhance corporate governance under the supervision of the Board of Directors, including the development of structures and mechanisms that enable timely and appropriate information disclosure, thorough compliance, and speedy decision making and execution of duties.

Initiatives Aimed at Strengthening Corporate Governance	
2001: Introduction of Operating Officers System	2019: Appointment of Three Outside Directors (two men, one woman) (Bringing the ratio of Outside Directors to over one third)
2006: Appointment of One Outside Director	2020: Utilization of an outside organization to evaluate the effectiveness of the Board of Directors
2008: Appointment of Two Outside Directors Board of Directors Term of Office Changed to 1 Year	2021: Reduction of total number of Directors from eight to seven Revision of corporate governance structure
2010: Establishment of Nomination Committee (Voluntary) Establishment of Remuneration Committee (Voluntary)	•With the Internal Control Committee as the executive organization, a system was established to implement the plan-do-check-act cycle and report as appropriate to the Board of Directors
2013: Establishment of Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members	•Set up the Sustainability Committee to clarify the committees related to environmental, social and governance matters and establish a reporting system
2015: Establishment of Basic Policy for Corporate Governance	
2016: Implementation of Evaluation of Board of Directors' Effectiveness	
2018: Formulation of successor plan of the chief executive officer and etc.	

Structure of Corporate Governance

TAIYO YUDEN chooses to be a company with an Audit & Supervisory Board. The Board of Directors is made up of a maximum of ten directors, of which three are Independent Outside Directors.

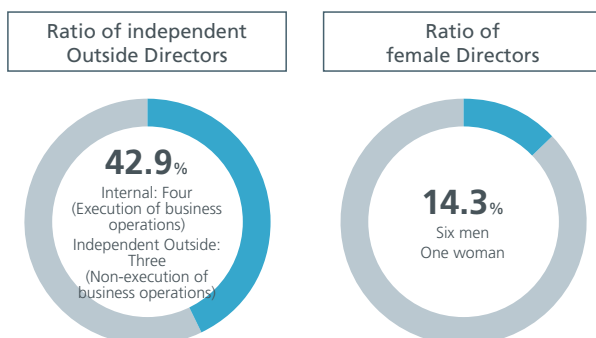
Directors are given a one year term of office in order to clarify management responsibility in the business year and boost shareholder confidence.

The Company has established a voluntary Nomination Committee and Remuneration Committee with the aim of

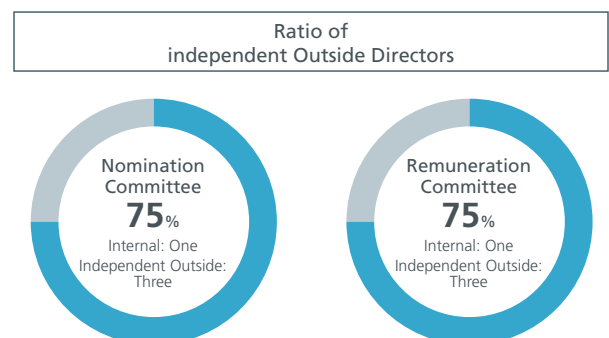
strengthening the independence and objectivity of the Board of Directors functions relating to the nomination and remuneration of Directors and Operating Officers as well as fulfilling accountability.

Independent Outside Directors account for the majority of each committee, which comprise the President, all independent Outside Directors, and one Audit & Supervisory Board Member. Each committee is also headed by an independent Outside Director in order to ensure objectivity in deliberations.

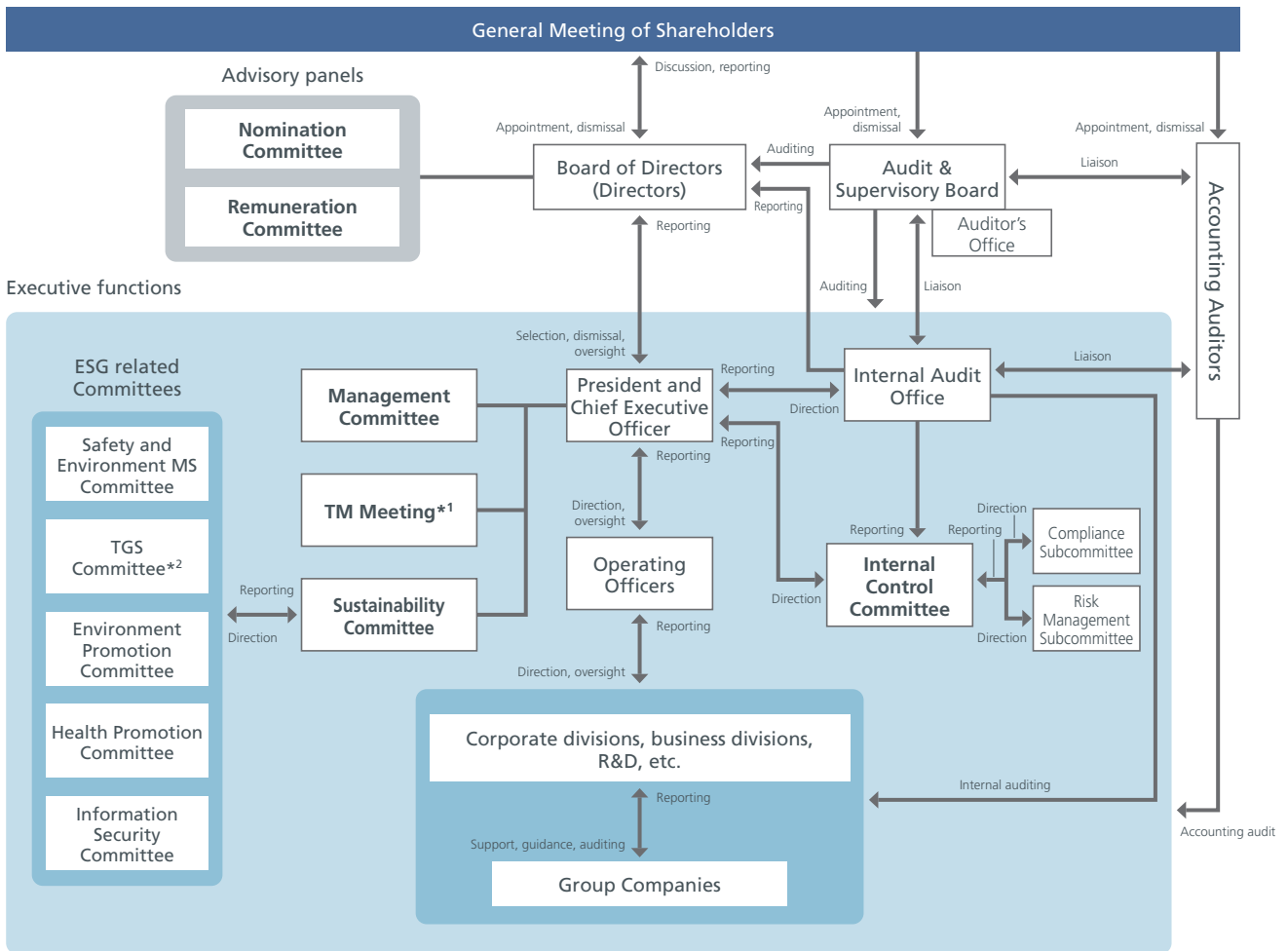
■ Composition of the Board of Directors



■ Composition of Nomination Committee and Remuneration Committee



Structure of Corporate Governance (As of July, 2021)



*1 TM Meeting: Abbreviation of Top Management Meeting, which is a meeting body to discuss matters concerning personnel and organization.
 *2 TGS Committee: Abbreviation of Taiyo Green Strategy Committee, which is a meeting body to discuss matters concerning chemicals based on stakeholders' requirements.

Key Points of Corporate Governance Structure

Nomination Committee

The Nomination Committee deliberates on, among others, the nomination of candidates for Officer (including candidates for reappointment), any proposal for dismissal of Officers including the President and Chief Executive Officer, any proposal for the selection of a rank for or dismissal of each Operating Officer, and disciplinary matters based on the "Officer Appointment and Dismissal Standards" and reports the deliberation results to the Board of Directors. The consent of the Audit & Supervisory Board is obtained in advance for the nomination of a candidate for Audit & Supervisory Board Member or the dismissal of an Audit & Supervisory Board Member.

Management Committee

The Management Committee conducts deliberations over matters of TAIYO YUDEN Group policy, such as basic policy of business and sales strategy and investment projects. It also makes decisions on matters delegated by the Board of Directors.

TM Meeting

The TM Meeting conducts deliberations over TAIYO YUDEN Group personnel, organization, and remuneration, and makes decisions on matters delegated by the Board of Directors.

Remuneration Committee

The Remuneration Committee deliberates on the remuneration system and details of remuneration for individual Directors and Operating Officers and reports the deliberation results to the Board of Directors.

Internal Control Committee

Based on the "Basic Policy on Internal Control System," the Internal Control Committee works to improve the internal control system on an ongoing basis and examines and evaluates the design and the operating effectiveness of the system to report the evaluation results to the Board of Directors.

Sustainability Committee

The Sustainability Committee deliberates on the setting of materiality (key issues) for the Company, the sharing of such issues, and measures to resolve them and reports the deliberation results to the Board of Directors.

Evaluation of the Effectiveness of the Board of Directors

In order to boost the effectiveness of the Board of Directors and enhance corporate value, TAIYO YUDEN has been conducting annual evaluations of Board of Directors' effectiveness since FY2015.

Summary of the FY2020 Evaluation of Board of Directors' Effectiveness

Questionnaire	Method of Evaluation	Self-evaluation by questionnaire survey
	Implementation Period	February 2021
	Subjects	Directors and Audit & Supervisory Board Members (including Outside Officers)
	Evaluation Items	<ol style="list-style-type: none"> 1) The operation (7 questions) and composition (1 question) of the Board of Directors 2) Management strategies (3 questions) and sustainable growth initiatives (2 questions) 3) Corporate ethics and risk management (2 questions), monitoring (1 question), and dialogue with shareholders (1 question) 4) Nomination Committee and Remuneration Committee (3 questions) 5) Provision of information (1 question)

**Analysis/
Evaluation**

Analysis and evaluation meetings were conducted first separately by Operating Officers and Non-operating Officers based on the results of the questionnaire with Directors and Audit & Supervisory Board Members, and then a discussion is conducted at a Board of Directors meeting based on the results of those meetings. We employed an external organization and received advice on the question design, analysis, possible response measure, etc. to improve the objectivity and the transparency of evaluation.

Evaluation Results

The external organization commented favorably that the Company is working seriously on the evaluation of the effectiveness of the Board of Directors and is striving to improve its corporate value further by steadily identifying issues and implementing measures to address them. In particular, the external organization's evaluation improved significantly on items on which the Company implemented measures based on issues identified in the previous year, and the external organization commented that the measures have been effective.

Regarding "Medium-term plan and long-term management strategies (what we should become in 10 years)" and "Human resource development and strategies," which were among the issues identified in the previous year, the Company held discussion forums of Directors including Outside Directors separately from Board of Directors meetings and has formulated a new medium-term management plan based on the discussion there. Regarding "Revision of the risk map," the Company modified the corporate governance structure to establish the Risk Management Subcommittee, which is responsible for the management of risk map, under the Internal Control Committee in order to revamp and strengthen the risk management structure itself.

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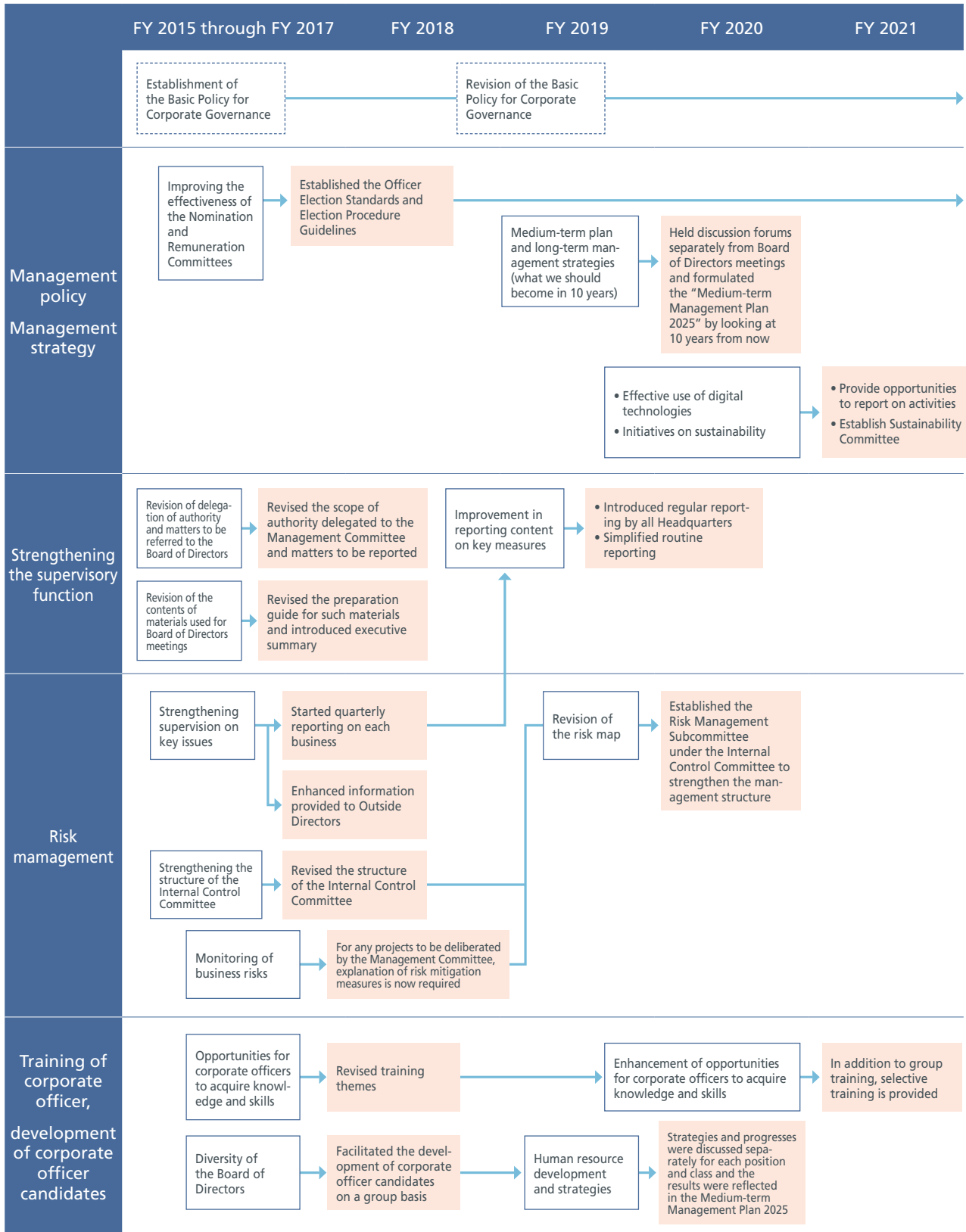
The effectiveness of the Board of Directors has generally been ensured

**For Further
Improvement of
Effectiveness**

The following three issues were identified as a result of the effectiveness evaluation of the Board of Directors in the current fiscal year. The Board of Directors will endeavor to enhance the effectiveness of the Board of Directors and further strengthen corporate governance by continuing to address these matters systematically.

- "Enhancement of opportunities for corporate officers to acquire knowledge and skills"
- "Effective use of digital technologies"
- "Initiatives on sustainability"

Major Issues and Countermeasures in the Effectiveness Evaluation of the Board of Directors



□ Issues ■ Countermeasures

Nominating Corporate Officers

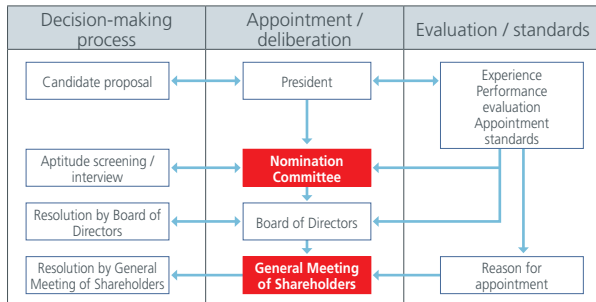
Overview of Policies and Procedures for Appointment and Dismissal of Officers

In order to ensure that the Board of Directors is well balanced and has a highly diverse composition with no discrimination based on gender or nationality, the Company appoints candidates for Director in line with rules such as “Officer Appointment and Dismissal Standards” and “Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members.”

(1) Appointment standards

- 1) Those who shall not fall under any of the reasons for disqualification as Directors provided for by Article 331, paragraph (1) of the Companies Act
- 2) Those who have abundant knowledge and experience for Operating Officer, and have made achievements
- 3) Those who are equipped with insight, determination, a sense of ethics and respect for the law
- 4) Those who are able to address opinions from a company-wide and management perspective

(2) Appointment process



(3) Dismissal standards

If it is made clear at the Nomination Committee that an Executive Director does not meet the appointment standards, and the Board of Directors reviews the finding and determines that the finding is correct, then the Board will dismiss the Operating Officer or remove him/her from executive position. In addition, the Nomination Committee will deliberate on whether a further action needs to be taken.

Nomination Committee Activities

Three meetings of the Nomination Committee were held in FY2020. Main activities are as follows:

- Selection of the Chairman of the Nomination Committee
- Deliberations on the selection of the Representative Director and the Chairman of the Board of Directors
- Deliberations on candidates for Officer (including candidates for reappointment)
- Deliberations on the appointment of Operating Officers
- Deliberations on human resources strategy (succession plan) as part of preparation for medium-term plan

Remuneration Paid

Outline of the Policy to Determine the Contents Of Remuneration Paid to Corporate Officers

Policy to determine the remuneration paid to Corporate Officers

- (1) The Company shall provide remuneration that emphasizes the linkage with financial results and medium- to long-term corporate value, to share the same value with shareholders.
- (2) Remuneration shall be set at levels that can attract and retain excellent human resources with global competitiveness.
- (3) Remuneration shall emphasize transparency and fairness to be able to fulfill accountability.

Process to Determine Remuneration Paid to Corporate Officers and Content of Remuneration

In order to ensure the transparency and fairness of the process to determine remuneration for Officers, a Remuneration Committee has been established as an advisory panel to the Board of Directors.

The Remuneration Committee is composed of the President and CEO, Outside Directors, and an Audit & Supervisory Board Member and is chaired by an Independent Outside Director to ensure the objectivity of deliberations. It deliberates and reports on matters pertaining to remuneration for Officers such as remuneration policy, plan, calculation methods, and specific remuneration content of individual Officers.

Within the limit of remuneration approved at the General Meeting of Shareholders, specific remuneration of Directors is deliberated on an individual basis by the Remuneration Committee based on the amounts of remuneration calculated based on the relevant rules and regulations established by the Company and are determined by the Board of Directors based on the deliberation results of the Remuneration Committee. Specific remuneration of each Audit & Supervisory Board Member is discussed at the Audit & Supervisory Board meeting.

Remuneration Committee Activities

Six meetings of the Remuneration Committee were held in FY2020. Main activities are as follows:

- Selection of the Chairman of the Remuneration Committee
- Deliberations on the evaluation and performance-based remuneration (bonuses) of individual Operating Officers
- Deliberations on stock remuneration (stock compensation-type stock options)
- Setting issues to be addressed by the Remuneration Committee and its schedule for the current fiscal year
- Deliberations on the framework of offers' remuneration and revision of their evaluation
- Deliberations on corporate officer remuneration policy in relation to the amendment of the Companies Act

Remuneration Structure

Type of remuneration	Remuneration item	Description	Form of payment
Basic remuneration	Fixed remuneration	<ul style="list-style-type: none"> Levels are determined in consideration of, among others, the economic climate and the growth potential of the Company. Fixed monthly remuneration based on roles and responsibilities. 	Cash
Performance-based bonus	Performance-based remuneration (Single year)	<ul style="list-style-type: none"> Given the responsibility of Executive Directors for meeting Group performance targets each year, consolidated profit is chosen as the relevant performance indicator to establish a clearer linkage between factor contributing to the enhancement of corporate/shareholder value and remuneration. The amount of bonus for each individual is determined by allocating the total theoretical capital amount calculated based on consolidated profit using the ratio determined based on one's position and by multiplying the result by a coefficients related to performance evaluation of the organization in his or her charge and strategic behavior evaluation of the individual. The bonus is paid annually at a certain time of the year. The total theoretical capital amount is 0.76% of consolidated profit for the fiscal year under review. 	Cash
Stock compensation-type stock options	Stock remuneration (Medium- to long-term)	<ul style="list-style-type: none"> Introduced as an incentive toward medium- to long-term enhancement of corporate value, and to nurture shared value with shareholders and Directors' awareness to stock price. The number of share acquisition rights granted to each Director is determined based on his or her position and rank by the Board of Directors at its meeting held after the conclusion of each Ordinary General Meeting of Shareholders. The holder of the share acquisition rights may exercise his or her rights only within ten (10) days from the day following the forfeiture of all the positions as Director and Operating Officer of the Company. 	Shares (Share acquisition rights)

Composition of Remuneration by Position

Executive Directors	<ul style="list-style-type: none"> Their remuneration consists of "basic remuneration," "performance-based bonus," and "stock compensation-type stock options." If they achieve the targets underlying "performance-based bonus," their remuneration will consist of 40% of basic remuneration, 40% of performance-based bonus, and 20% of stock compensation-type stock options.
Outside Directors	In the interest of maintaining independence, Outside Directors receive only "basic remuneration," with no performance-based remuneration.
Audit & Supervisory Board Members	In the interest of promoting audits of legality, Audit & Supervisory Board Members receive only "basic remuneration."

Remuneration Composition Percentage (As per Design)

Executive Directors	Basic remuneration 40%	Performance-based bonus 40%	Stock compensation-type stock options 20%
Outside Directors and Audit & Supervisory Board Members	Basic remuneration 100%		




Total Remuneration Paid to Directors and Audit & Supervisory Board Members for FY2020

	Number of persons paid and total amount of remuneration		Content					
			Basic remuneration		Performance-based bonus		Stock compensation-type stock options	
	Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)
Directors (Of which Outside Directors)	8 (3)	456 (25)	8 (3)	181 (25)	5 (-)	178 (-)	5 (-)	96 (-)
Audit & Supervisory Board Members (Of which Outside Audit & Supervisory Board Members)	5 (2)	80 (30)	5 (2)	80 (30)	- (-)	- (-)	- (-)	- (-)
Total	13	537	13	262	5	178	5	96

Notes: 1. The "Number of persons" refers to the number of persons subject to remuneration for FY 2020, not the number of persons in office.

2. Figures are rounded down to the nearest million yen.

Executives and Skill Matrix (As of June 29, 2021)

	Name	Career summary	Attendance at meetings of the Board of Directors and Audit & Supervisory Board in FY2020
Directors			
	Representative Director Shoichi Tosaka	Joined TAIYO YUDEN in 1979, and was mainly engaged in materials development and technological development. Subsequently, in charge of the Electronic Components Business, R&D/engineering, and quality assurance. Appointed Director in 2006, and President and Representative Director in November 2015.	100% (18/18 times)
	Director Shinji Masuyama	Joined TAIYO YUDEN in 1980 and was engaged in production technology and system development of electronic components for many years. Appointed Operating Officer in 2004, and in charge of the Electronic Components Business. Appointed Director in 2013. In charge of management planning in 2016. Appointed Executive Vice President in June 2020, and in charge of 1st Business.	100% (18/18 times)
	Director Katsuya Sase	Joined TAIYO YUDEN in 1986. Engaged in the development of multilayer inductor production technologies, was subsequently assigned to Capacitor Product Division in 1996. Appointed Operating Officer in 2013, and in charge of Capacitor Product Division. Appointed Director in 2016, and in charge of Electronic Components Business. In charge of Management Planning from July 2020 and in charge of Management Planning and New Business Planning and Development from June 2021.	100% (18/18 times)
	Director Tomomitsu Fukuda	Joined TAIYO YUDEN in 1990 and engaged in corporate management and other areas. Appointed Operating Officer in 2013 and Outside Director of ELNA Co., Ltd. in 2015 (currently Director). Appointed Senior Operating Officer in 2016, and in charge of Management Planning, Finance and Accounting, etc. Appointed President of TAIYO YUDEN (CHINA) Co., Ltd. (part-time) in 2018 (to the present). Appointed Director of TAIYO YUDEN in June 2021, and in charge of Public Relations, Management Planning, Accounting, Management Information System, Sustainability.	—*1
	Outside, Independent Director Masashi Hiraiwa Outside Independent	Admitted to Japan Federation of Bar Associations and joined OHHARA LAW OFFICE in 1981. After serving as a Supervisory Officer at LCP Investment Corporation (currently Invincible Investment Corporation) and serving and as a Supervisory Officer at Japan Logistics Fund, Inc., he was appointed as an Outside, Independent Director of the Company in June 2016.	100% (18/18 times)
	Outside, Independent Director Seiichi Koike Outside Independent	After working for Toyo Kogyo Co., Ltd. (currently Mazda Motor Corporation), from 1980 to 1982, Mr. Koike joined Honda R&D Co., Ltd. After gaining experience in the positions as General Manager of Advanced Material Research Laboratory, and General Manager of Automobile R&D Center Brazil, he was appointed Executive Officer of Honda Foundry Co., Ltd. In 2008. After serving in several positions including Director and Audit & Supervisory Board Member of Honda Foundry Co., Ltd., he was appointed as an Outside, Independent Director for the Company in June 2018.	100% (18/18 times)
	Outside, Independent Director Emiko Hamada Outside Independent	Joined TAIYO YUDEN in 1984. After leaving the Company in 2007 and taking up posts that included professorships at the Center for Social Contribution and Collaboration of Nagoya Institute of Technology (NITech), in 2015 Ms. Hamada was the Third Sector Program Officer of Adaptable and Seamless Technology transfer Program through target-driven R&D (A-STEP) of Japan Science and Technology Agency (to the present). In 2016, Ms. Hamada became a part-time Lecturer at NITech (to the present). In 2017, she was appointed an Outside Director of NGK INSULATORS, LTD (to the present). Ms. Hamada was newly appointed an Outside, Independent Director of the Company in June 2019. Member of Low Carbon Society Strategic Promotion Committee, Center for Low Carbon Society Strategy of Japan Science and Technology Agency from March 2021.	100% (18/18 times)
Audit & Supervisory Board Members			
	Audit & Supervisory Board Member Toshio Mishuku	Joined TAIYO YUDEN in 1980 and was engaged in development and basic research at general technical research institutes as well as in the technologies and manufacture of circuit products. Via positions that included Human Resources and General Affairs, Mr. Mishuku was appointed Operating Officer in 2007 and placed in charge of human resources, general affairs, intellectual property, legal, and CSR. In 2016, Mr. Mishuku was appointed Senior Operating Officer and, in June 2019, as an Audit and Supervisory Board Member.	Board of Directors 100% (18/18 times) Audit & Supervisory Board 95.2% (20/21 times)
	Audit & Supervisory Board Member Kazuyuki Oshima	Joined TAIYO YUDEN in 1980. After engaging in business and sales planning, serving as a secondee at a subsidiary in Singapore, and undertaking public relations duties, Mr. Oshima was involved in Ferrite Business. Appointed an Operating Officer in 2010, in charge of sales and product planning, electronic components sales planning and operation, and global SCM development. Appointed Senior Operating Officer in 2016 and subsequently Audit & Supervisory Board Member in June 2020.	Board of Directors 100% (13/13 times)*2 Audit & Supervisory Board 100% (13/13 times)*2
	Outside, Independent Audit & Supervisory Board Member Hajime Yoshitake Outside Independent	Joined the Kyowa Bank Ltd. (currently Resona Bank, Limited) in 1979. Concurrently appointed Lecturer at Professional Graduate School of Meiji University in 2007. Appointed as a member of the Board of Directors of the Institute of Internal Auditors-Japan in 2008. Subsequently, appointed as an Outside, Independent Audit & Supervisory Board Member of the Company in June 2016 after serving at Resona Holdings, Inc. as an Executive Officer and General Manager of the Internal Audit Division.	Board of Directors 100% (18/18 times) Audit & Supervisory Board 100% (21/21 times)
	Outside, Independent Audit & Supervisory Board Member Tomomi Fujita Outside Independent	Ms. Fujita was admitted to the Japan Federation of Bar Associations in 2003. Via a position as Partner at Kitahama Partners, she became a Partner at Innovent in 2016 and was appointed Assistant Lecturer at KYOTO UNIVERSITY LAW SCHOOL in 2018. Ms. Fujita was appointed as an Outside Director (Audit & Supervisory Committee Member) of TAKUMA CO., LTD. and as an Outside, Independent Member of the Company's Audit and Supervisory Board in June 2019. Ms. Fujita was also appointed Vice President of Licensing Executives Society Japan in February 2020.	Board of Directors 100% (18/18 times) Audit & Supervisory Board 100% (21/21 times)

Main areas of expertise and experience								
Corporate management	Technology/R&D	Sales/marketing	International experience	Finance/accounting	Legal	ESG and sustainability	Nomination Committee	Remuneration Committee
●	●					●	●	●
●	●	●		●		●		
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Operating Officers
President and Chief Executive Officer
Shoichi Tosaka
Executive Vice President
Shinji Masuyama
Senior Executive Operating Officer
Katsuya Sase
Executive Operating Officer
Toshimitsu Honda
Senior Operating Officer
Tomomitsu Fukuda
Susumu Higuchi
Mitsuo Takagi
Hirokazu Chazono
Shunji Murai
Shinya Miyazawa
Toshiyuki Watanabe
Operating Officer
Osamu Ikata
Iwao Fujikawa

*1. Tomomitsu Fukuda was appointed as a member of the Company's Audit & Supervisory Board on June 29, 2021. Accordingly, he did not attend any meetings of the Board in FY2020.

*2. Attendance by Audit & Supervisory Board member Kazuyuki Oshima refers to meetings of the Board of Directors and the Audit & Supervisory Board after his appointment on June 26, 2020.

CSR Management

CSR Charter

TAIYO YUDEN's management philosophy is to support the happiness of employees, contribute to local communities, and take responsibility for providing returns to shareholders. The Group works hard to build good relationships with all stakeholders and to raise its corporate value. To present this way of thinking more clearly to stakeholders, in 2005, the CSR Charter (TAIYO YUDEN Group's Charter on Social Responsibility) was established. The following year, in 2006, specific action policies were established in the form of a CSR Code of Conduct (Code of Conduct Regarding Social Responsibilities of the TAIYO YUDEN Group) to ensure that employees adhere to the letter and spirit of the CSR Charter.

CSR Charter

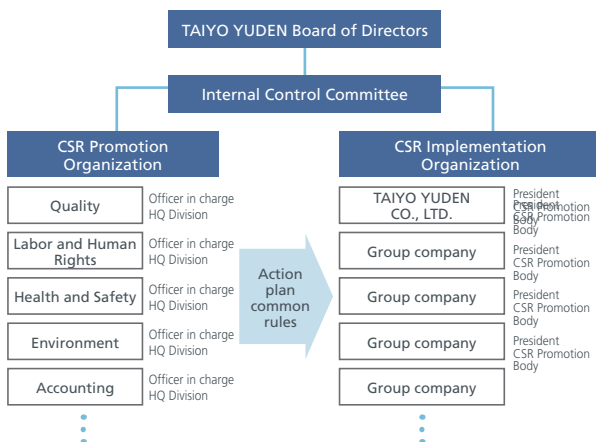
<https://www.yuden.co.jp/or/company/sustainability/management/charter/>

CSR Code of Conduct

<https://www.yuden.co.jp/or/company/sustainability/management/rule/>

CSR Activities Promotion Framework

In the TAIYO YUDEN's CSR activities, overall management is provided by the Internal Control Committee. The promotion organization is comprised of officers in charge and HQ divisions appointed for each provision of the CSR Code of Conduct (Code of conduct regarding social responsibilities of TAIYO YUDEN Group) and each applicable risk, and management is carried out according to a system (the Compliance and Risk Management System) implemented by each group company in accordance with the activity policy and rules in common established by the promotion organization.



Compliance and Risk Management

At TAIYO YUDEN compliance and risk management is a key activity of our CSR management system. The laws and regulations that require compliance are listed by organization

along with the risks that might adversely affect business, and regulatory compliance procedures and risk mitigation measures are drafted and implemented as part of the system. New laws/regulations and risks are regularly added to the list and the compliance procedures and mitigation measures pertaining to existing laws/regulations and risks are reassessed for aptness each fiscal term. We are making thorough efforts to achieve regulatory compliance and prevent and minimize risks.

Specific Risks and Their Countermeasures

Measures Aimed at Business Continuity

TAIYO YUDEN could suffer shutdowns or see significant damage at its manufacturing facilities due to natural disasters such as earthquakes, typhoons, floods, or accidents. In response to this risk, TAIYO YUDEN implements the following three measures, and by calling on suppliers to also implement and follow these same measures, is constructing a business continuity plan (BCP) covering the entire supply chain as part of its effort to create a stable supply system.

- Securing sufficient inventory until production lines can be restores
- Dispersing production facilities throughout the world
- Having a dispersed lineup of material and parts suppliers

Adapting to Changing Environmental Regulations

The TAIYO YUDEN Group is subject to a variety of environmental laws and regulations in each of the countries in which we operate, including regulations related to hazardous substances, the disposal of industrial waste, and the prevention of pollution in the air, water, and soil. Regulations in this area are becoming stricter with each passing year, raising the possibility of additional restrictions on our business activities. In order to adapt to the changing regulatory environment, TAIYO YUDEN has been working to continue its business without disruption, including by ending the use of hazardous substances and launching new processing facilities.

Information Security Initiatives

TAIYO YUDEN considers information security initiatives to be a priority area. An Information Security Committee chaired by the Officer in charge of information security has been established to deliberate on security policy and measures and roll them out globally. Specific initiatives include measures to prevent vulnerability to cyber attacks, measures against advanced viruses, training sessions for all employees to improve companywide awareness of security and levels of conduct, as well as training for corporate officers.

E Environment Activities

Previous Initiatives

Because of the past ten years of energy/resource saving with the “Half Impact For Earth” activities, the FY2020 performance compared to FY2008 shows a 55% reduction in average energy consumption per unit, a 50% reduction in average waste generation per unit, and a 63% reduction in average water use per unit, which means we have achieved a reduction of at least 50%.

New Medium-term Environment Target Initiatives

“Strengthening responses to climate change” and “efficient use of resources and contribution to the construction of a recycling-based society” have been set as the materialities of environmental efforts. Especially for climate change, a global issue, we set targets to achieve carbon neutrality in 2050. In order to achieve the targets, we will carry out thorough energy

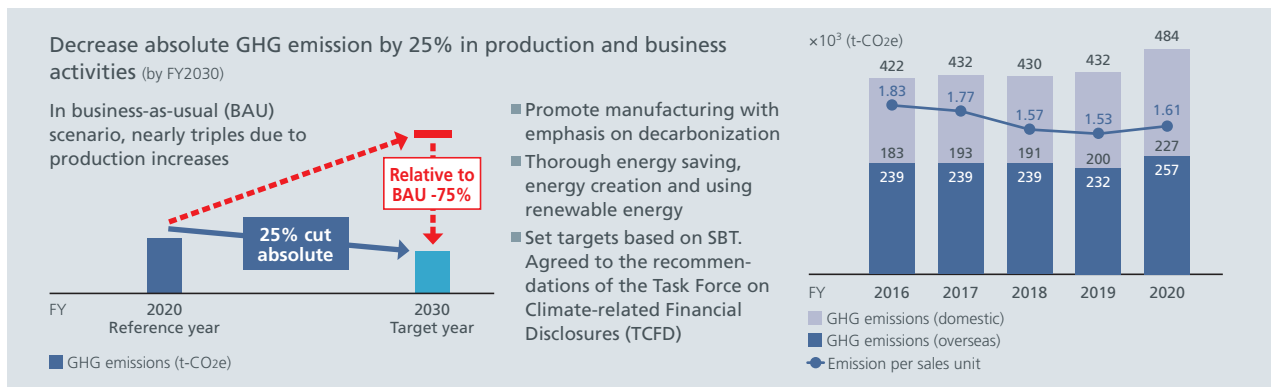
saving, energy generation, and energy renewal while propelling manufacture based on the principle of decarbonization. To reduce the absolute value of GHG emissions, we set target values in accordance with the SBT (Science-Based Targets).

Endorsement of TCFD

TAIYO YUDEN has endorsed recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which was established by the Financial Stability Board (FSB). Going forward, we will strive to analyze the “risks” and “opportunities” that climate change presents to our business and promote active information disclosure to our stakeholders based on the TCFD recommendations that ask for the disclosure of climate-related information that may have a financial impact.



Toward a Carbon-Neutral 2050



S Social Activities

Labor and Human Rights

TAIYO YUDEN not only complies with the labor laws and regulations of each country in which it operates, it also supports and respects major international standards and rules for protecting human rights, such as the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the standards of the Responsible Business Alliance (RBA). In May 2020, TAIYO YUDEN signed the UN Global Compact and has been acting in accordance with its Ten Principles, which are set out under the headings of Human Rights, Labor, the Environment, and Anti-Corruption.

Labor Human Rights Management Policy and Compliance Requirements

[Policy]

TAIYO YUDEN will be striving for creating a company trusted by society by observing the spirit of regulations/laws and international rules regarding Labor Human Rights as well as defining following compliances in terms of CSR Charter and code of conduct of the group.

[Compliance Items]

1. Ban of Child Labor
2. Ban of Enforced Labor
3. Securing Health and Safety
4. Freedom of Association
5. Ban of Employment based on Discrimination
6. Ban of Inhuman Behavior
7. Proper Working Hour
8. Remuneration/Wage

Health and Safety

TAIYO YUDEN works to eliminate work-related accidents and reduce major risks based on the Fundamental Principle of Health and Safety, which states that “In order to ensure the well-being of our workers, who are an important resource of the company, we shall pursue workplaces which always maintain safety and where employees can work in confidence while maintaining the health of our workers.”

The medium-term plan is set to prevent industrial accidents by clarifying action targets for each of the 5Ms (Man, Machine, Method, Material, Measurement) and by setting a target incidence rate of injuries and illness to numerically evaluate the results of such efforts.

New Medium-term Occupational Health and Safety Targets

Results and Targets		5Ms for Medium-term Targets	
Incidence rate of injuries and illness FY2025 Target Less than 0.016 FY2020 Results 0.015		Man	Creation of a “Safe workplace” culture
		Machine	Equipment safety meeting the ISO and IEC standards
		Method	Standardization of procedures for safe work
		Material	Minimization of toxicity and danger of chemical substances
		Measurement	Strengthening of checking system

Materials Procurement Activities

With a basic policy on the procurement of materials, TAIYO YUDEN promotes CSR procurement activities across its entire supply chain, including technologies and services of suppliers and parts, materials, machinery, and other products procured by the Group.

Responsible Minerals Procurement

<p>Responsible Minerals Procurement Policy</p> <p>TAIYO YUDEN Group established “CSR Charter” and “CSR Code of Conduct” and promotes CSR activities in order to fulfill corporate social responsibility. As “Mutual Trust/CSR” in our Procurement Policy, TAIYO YUDEN Group shall actively practice the CSR management in procurement activities and further establish sound partnership to build mutual trust and development.</p> <p>There are concerns that the minerals such as tin, tantalum, tungsten, gold, and cobalt in the Democratic Republic of the Congo and adjoining countries or Conflict Affected and High-Risk Areas (CAHRAs) can finance armed groups in those conflict regions through illegal mining and trading of minerals and raise human rights abuses or labor issues such as child labor or forced labor. As one way of fulfilling its social responsibility in its supply chain, TAIYO YUDEN Group implements appropriate measures to procure minerals, ensuring that we do not become involved in such issues through the trade of minerals used in our products. TAIYO YUDEN Group requests suppliers to understand TAIYO YUDEN’s procurement policy and cooperate with the survey in the procurement process.</p>	<p>Furthermore, TAIYO YUDEN Group requests suppliers to procure minerals from the refiners/smelters approved by globally trusted frameworks such as RMI.</p> <p>Concrete Initiatives</p> <ol style="list-style-type: none"> 1. TAIYO YUDEN Group establishes management system of minerals procurement complied with OECD due diligence guidance. 2. TAIYO YUDEN Group promotes “Responsible Minerals Procurement” throughout supply-chain in collaboration with industry organization. 3. TAIYO YUDEN Group identifies and evaluates risks by using globally standardized programs of RMI such as the latest version of CMRT or CRT. 4. When any problems are found in the mineral procurement process, TAIYO YUDEN Group stops using the said mineral and requests the upstream companies in the supply chain to take any corrective actions. 5. TAIYO YUDEN Group discloses results of mineral procurement survey upon customers’ request.
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Social Contribution

Our corporate approach is to coexist harmoniously with the local communities. We contribute to communities, such as holding and participating in volunteer activities and charity events, interacting with communities and providing factory tours.

Electronic Handicraft Workshop

We hold electronic handicraft workshops on an ongoing basis for elementary school students. The aim of these workshops is to spark the student’s interest in science through experiencing the enjoyment of electrical work.



Women’s Softball Team Children’s Coaching

Established in 1984, TAIYO YUDEN SOLFILLE is a women’s softball team in the first division of the Japan Softball League. The team has consistently produced athletes that represent Japan, even participating in the Olympics. It also inspires local communities and children to dream through activities such as softball classes held throughout the country.



RBA-VAP Audit

TAIYO YUDEN regularly undergoes RBA-VAP audits as third-party evaluation of our compliance with the RBA (Responsible Business Alliance) Code of Conduct, in order to continually enhance the level of our activities relating to labor, health and safety, environment, and ethics.

External Evaluation

Inclusion in ESG Indexes



FTSE4Good

FTSE4Good Index Series

The FTSE4Good Index Series is an index compiled by FTSE Russell (UK). The index includes companies that have demonstrated strong Environment, Social, and Governance (ESG) practices that are based on global standards.



FTSE Blossom Japan

FTSE Blossom Japan Index

The FTSE Blossom Japan Index is an index compiled by FTSE Russell (UK) and includes Japanese companies that have demonstrated strong ESG practices. The Government Pension Investment Fund (GPIF) of Japan has selected this index as a core ESG index.

2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

MSCI Japan Empowering Women Index (WIN)

The MSCI Japan Empowering Women Index is an index compiled by MSCI (US). The index includes Japanese companies with high gender diversity scores thanks to their promotion of women in the workplace. The Government Pension Investment Fund (GPIF) of Japan has selected this index as a core ESG index.



S&P/JPX Carbon Efficient Index

The S&P/JPX Carbon Efficient Index is an index compiled by the Tokyo Stock Exchange and S&P Dow Jones Indices (US). Companies included are selected based on their disclosure of environment-related information and their carbon efficiency standards. The Government Pension Investment Fund (GPIF) of Japan has selected this index as a core ESG index.



Sompo Sustainability Index

SOMPO Sustainability Index

The SOMPO Sustainability Index is an index compiled by SOMPO Asset Management. The index is composed of Japanese companies with strong ESG performance evaluations and stock valuations.

Other Sustainability-related Evaluations (TAIYO YUDEN CO., LTD.)



Health & Productivity Management Outstanding Organization 2021

In 2021, TAIYO YUDEN was certified as a Health & Productivity Management Outstanding Organization for the third year running by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi. This certification demonstrates the high evaluation of the linking of our human resources strategy with health-oriented management and efforts including our holding of sleep and other health-related seminars and no-smoking initiatives.



Sports Yell Company 2021

In 2021, TAIYO YUDEN was certified as a Sports Yell Company by the Japan Sports Agency for being a company that proactively promotes sports in an effort to boost employee health.



Eruboshi

TAIYO YUDEN has earned "Eruboshi" certification with a three-star rating (third stage), which is given to companies recognized as implementing outstanding initiatives to promote active roles for women by the Ministry of Health, Labour and Welfare.



Kurumin

In June 2021, TAIYO YUDEN was awarded "Kurumin" certification by the Ministry of Health, Labour and Welfare for being a company that supports child rearing based on the Act on Advancement of Measures to Support Raising Next-Generation Children. We believe that this certification shows that the results of our efforts to create an environment where it is easy to balance professional and personal life have been highly evaluated.

11-year Financial and Non-financial Summary

TAIYO YUDEN CO., LTD. and Subsidiaries
Years Ended March 31 and as of March 31

(Millions of yen)

Years ended March 31	2011	2012	2013	2014
Business results				
Net sales	210,401	183,795	192,903	208,222
Operating income (loss)	8,792	(8,010)	4,850	11,358
Ordinary income (loss)	6,740	(9,070)	7,118	12,192
Net income (loss) attributable to owners of the parent company	(5,506)	(21,599)	1,867	6,989
Total assets	221,272	208,461	225,991	247,596
Net assets	127,626	104,400	115,814	128,556
Cash flows from operating activities	25,219	5,534	19,496	29,724
Cash flows from investing activities	(16,594)	(28,945)	(18,157)	(18,947)
Free cash flows	8,625	(23,411)	1,339	10,777
Cash flows from financing activities	(8,948)	11,388	2,334	8,404
Cash and cash equivalents at end of year	38,811	26,671	33,280	54,611
R&D expenses	8,475	8,068	6,840	7,353
Capital investment	17,519	26,764	20,702	19,126
Depreciation and amortization	19,309	19,250	19,832	20,750

(Yen)

Per share data

Net assets per share	1,080.61	884.70	981.92	1,090.26
Basic net income (loss) per share	(46.82)	(183.70)	15.88	59.38
Diluted net income per share	—	—	15.85	58.09
Cash dividends per share	10.00	5.00	10.00	10.00

(%)

Financial indicators

Equity ratio	57.4	49.9	51.1	51.8
Return on Equity [ROE]	(4.1)	(18.7)	1.7	5.7
Return on Assets [ROA]	2.9	(4.2)	3.3	5.1

Non-financial indicators

Number of employees [consolidated]	17,267	16,194	15,915	16,435
Number of employees [non-consolidated]	2,988	2,977	2,632	2,572
Greenhouse gas emissions (10 ³ t-CO ₂ e)			368	382
(Emissions per sales unit)			(1.91)	(1.83)
Incidence rate of injuries and illness			N.A.	0.020
Accident frequency rate			0.09	0.10

Note: ROE = Net income (loss) attributable to owners of the parent company/Shareholders' equity (yearly average) x 100

ROA = Ordinary income/Total assets (yearly average) x 100

Greenhouse gas emissions from previous years have been revised in line with revisions to the electricity conversion factor

Accident frequency rate = Number of the victims of occupational injury (at least one workday lost) ÷ Total actual number of hours worked by registered workers x 1,000,000

(Millions of yen)

2015	2016	2017	2018	2019	2020	2021
227,095	240,385	230,716	244,117	274,349	282,329	300,920
13,153	23,370	12,385	20,221	35,237	37,176	40,766
15,653	22,263	11,200	20,553	34,351	35,165	41,247
10,919	14,751	5,428	16,355	23,687	18,022	28,615
265,454	268,380	271,149	287,170	328,861	343,122	404,642
150,856	153,381	154,150	170,118	205,953	210,454	243,941
24,896	38,278	29,692	33,944	42,967	52,434	52,882
(20,964)	(35,374)	(28,806)	(26,918)	(33,581)	(40,874)	(42,218)
3,932	2,904	887	7,026	9,386	11,560	10,664
(21,249)	(2,050)	(4,342)	953	(1,603)	(4,851)	12,604
41,476	39,944	36,094	43,837	51,654	57,285	81,785
8,237	9,024	10,008	10,574	13,039	12,921	12,550
18,773	41,261	33,161	24,549	38,570	39,365	49,699
21,813	23,767	24,908	25,589	26,547	27,022	29,256

(Yen)

1,278.07	1,299.75	1,305.96	1,440.79	1,609.72	1,672.40	1,937.86
92.74	125.27	46.08	138.80	189.93	143.04	227.99
85.51	115.54	42.43	127.88	185.87	142.67	227.32
10.00	15.00	20.00	20.00	21.00	26.00	40.00

(%)

56.7	57.1	56.8	59.1	62.5	61.2	60.1
7.8	9.7	3.5	10.1	12.6	8.7	12.6
6.1	8.3	4.2	7.4	11.2	10.5	11.0

18,262	18,810	18,753	19,011	21,300	21,723	22,852
2,577	2,618	2,586	2,590	2,681	2,785	2,837
426	424	422	432	430	432	484
(1.88)	(1.76)	(1.83)	(1.77)	(1.57)	(1.53)	(1.61)
0.030	0.030	0.035	0.028	0.015	0.008	0.015
0.15	0.15	0.18	0.14	0.08	0.04	0.08

Financial Review

Outline of Business Performance

During the fiscal year ended March 31, 2021, the business environment surrounding TAIYO YUDEN was extremely challenging for the global economy with economic activity restricted by the impact from the COVID-19 pandemic, especially in the first quarter (the three-month consolidated accounting period ended June 30, 2020), but signs of a gradual recovery were seen. As for the future outlook, the recovery trend is expected to continue, but it will be necessary to monitor sufficiently any renewed infectious disease spread as well as other impacts such as trade issues in individual countries, and fluctuations in financial and capital markets.

TAIYO YUDEN aimed to achieve its medium-term targets and management vision by capturing focus markets such as automotive, IT infrastructure, industrial equipment, healthcare, the environment and energy in combination with the solution business that leverages TAIYO YUDEN's core technologies in cutting-edge products and high reliability products that draw on TAIYO YUDEN's strengths of research and development and production technology. Moreover, TAIYO YUDEN is strengthening its manufacturing capabilities in order to build a structure that can enhance profitability and meet the future increase in demand for components. In addition to enhancing production capacity, TAIYO YUDEN is accelerating improvements in production efficiency by promoting advances in underlying technologies and transforming production methods.

In the fiscal year ended March 31, 2021, TAIYO YUDEN's performance was sluggish in the first quarter because of constraints on operations at production subsidiaries in the Philippines and Malaysia which occurred due to the impact of COVID-19 between March and May 2020. However, sales and profit increased due to an expansion in demand for products for use in smartphones and automobiles from July onward.

As a result, consolidated net sales for the fiscal year ended March 31, 2021 totaled ¥300,920 million, which is an increase of 6.6% compared with the previous fiscal year. The average foreign currency exchange rate for the fiscal year ended March 31, 2021 was US\$1: ¥105.97. This is an appreciation of ¥3.09 compared with the average realized in the previous fiscal year of ¥109.06.

Selling, General and Administrative Expenses

In the fiscal year ended March 31, 2021, selling, general and administrative (SG&A) expenses increased ¥15 million compared with the previous fiscal year, to ¥48,188 million. The main components of SG&A expenses for the fiscal year ended March 31, 2021 were R&D expenses of ¥12,550 million and employee's salaries and allowances of ¥11,703 million.

Accounting for these and other factors, operating income jumped 9.7% year on year, to ¥40,766 million.

Non-operating Income (Expenses)

Non-operating income in the fiscal year ended March 31, 2021, was ¥1,578 million, an increase of ¥606 million compared with the previous fiscal year. On the other hand, non-operating expenses decreased ¥1,886 million compared with the previous fiscal year, to ¥1,097 million due in part to a positive turnaround that resulted in a foreign exchange gain.

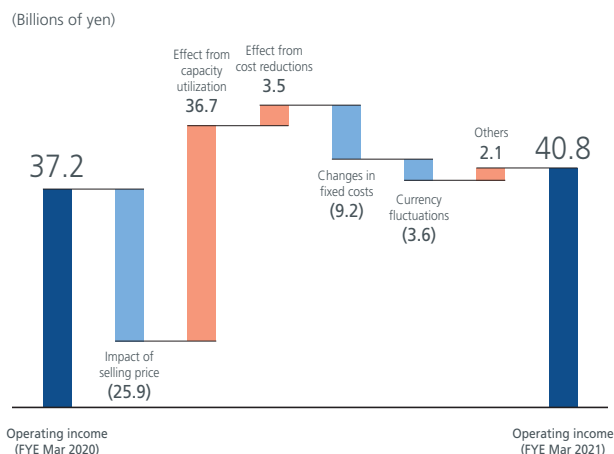
Based on the aforementioned, ordinary income increased 17.3% year on year, to ¥41,247 million.

Extraordinary Gains (Losses)

Due to the absence of insurance claim income posted in the previous fiscal year, extraordinary gains in the fiscal year ended March 31, 2021, amounted to ¥591 million, a decrease of ¥925 million compared with the previous fiscal year. Despite incurring a loss by COVID-19-related at overseas subsidiaries, extraordinary losses decreased ¥8,035 million year on year, to ¥4,828 million. This was mainly due to the substantial downturn in impairment loss as well as the absence of losses associated with disasters and the Anti-Monopoly Act-related loss recorded during the previous fiscal year.

As a result, net income attributable to owners of the parent company increased 58.8% year on year, to ¥28,615 million.

Factors behind Operating Income in FYE March 2021



Financial Position

Assets

Total assets as of the end of the fiscal year ended March 31, 2021, stood at ¥404,642 million, up ¥61,520 million from the end of the previous fiscal year.

Current assets increased ¥45,669 million. This increase in current assets was mainly due to increases in cash and deposits of ¥24,674 million and notes and accounts receivable – trade of ¥14,057 million.

Fixed assets increased ¥15,850 million owing to an upswing in property, plant and equipment of ¥14,772 million.

Liabilities

Total liabilities stood at ¥160,701 million as of the end of the fiscal year ended March 31, 2021. This was ¥28,033 million higher than the end of the previous fiscal year primarily due to increases in current portion of long-term borrowings of ¥10,799 million, long-term borrowings of ¥7,035 million, and notes and accounts payable – trade of ¥5,125 million.

Net Assets

Net assets stood at ¥243,941 million as of March 31, 2021, up ¥33,486 million compared with the end of the previous fiscal year.

Principal movements in net assets were an increase in retained earnings of ¥24,714 million and an increase in foreign currency translation adjustments of ¥8,109 million.

Status of Cash Flows

Net cash provided by operating activities in the fiscal year ended March 31, 2021, came to ¥52,882 million, up 0.9% compared with the previous fiscal year. The contributing factors were income before income taxes of ¥37,010 million, depreciation and amortization of ¥29,256 million, the increase in trade receivables of ¥9,783 million and income taxes (paid) of ¥4,903 million.

Net cash used in investing activities amounted to ¥42,218 million, a 3.3% increase in outlays compared with the previous fiscal year. The major expenses were purchases of property, plant and equipment of ¥43,908 million.

Net cash provided by financing activities was ¥12,604 million compared with net cash used in financing activities of ¥4,851 million in the previous fiscal year. The main factors were proceeds from long-term borrowings of ¥20,500 million, payments of cash dividends of ¥3,760 million and repayments of long-term borrowings of ¥2,666 million.

Accounting for each of these activities, cash and cash equivalents stood at ¥81,785 million as of the end of the fiscal year ended March 31, 2021, an increase of ¥24,500 million compared with the end of the previous fiscal year.

Financing from external sources as of March 31, 2021, consisted of ¥18,500 million in short-term borrowings, ¥13,462 million in current portion of long-term borrowings, and ¥41,788 million in long-term borrowings. In principle, borrowings are procured within Japan at fixed interest rates.

Moreover, and to ensure financial stability, TAIYO YUDEN has also established a commitment line of ¥30,000 million effective for three years. The Group has not utilized the commitment line as of the March 31, 2021 fiscal year-end.

TAIYO YUDEN is capable of generating cash flow through its sound financial position and operating activities. Management believes it is capable of procuring the operating capital and funds for capital investment that may be required in the future to maintain the TAIYO YUDEN's growth.

Consolidated Financial Statements

Consolidated Balance Sheet

TAIYO YUDEN CO., LTD. and Subsidiaries

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	59,622	84,297
Notes and accounts receivable - trade	*2 64,680	78,738
Merchandise and finished goods	18,134	19,849
Work in process	28,829	30,183
Raw materials and supplies	15,624	17,902
Other	5,220	6,876
Allowance for doubtful accounts	(182)	(247)
Total current assets	191,930	237,599
Non-current assets		
Property, plant and equipment		
Buildings and structures	97,082	115,053
Machinery, equipment and vehicles	278,081	304,632
Tools, furniture and fixtures	27,578	30,849
Land	12,661	14,752
Construction in progress	18,307	10,824
Accumulated depreciation	(289,311)	(316,940)
Total property, plant and equipment	144,400	159,172
Intangible assets		
Other	1,293	1,371
Total intangible assets	1,293	1,371
Investments and other assets		
Investment securities	*1 2,671	*1 2,405
Retirement benefit asset	19	55
Deferred tax assets	1,314	2,144
Other	1,819	1,891
Allowance for doubtful accounts	(326)	–
Total investments and other assets	5,498	6,498
Total non-current assets	151,192	167,042
Total assets	343,122	404,642

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,603	31,728
Short-term borrowings	19,250	18,500
Current portion of long-term borrowings	2,663	13,462
Accounts payable - other	16,813	15,907
Income taxes payable	1,903	5,803
Provision for bonuses	4,576	5,132
Provision for bonuses for directors (and other officers)	233	388
Other	12,290	11,555
Total current liabilities	84,333	102,477
Non-current liabilities		
Long-term borrowings	34,752	41,788
Deferred tax liabilities	3,397	3,828
Provision for retirement benefits for directors (and other officers)	49	43
Retirement benefit liability	4,200	5,105
Other	5,934	7,458
Total non-current liabilities	48,334	58,223
Total liabilities	132,667	160,701
Net assets		
Shareholders' equity		
Share capital	33,575	33,575
Capital surplus	49,903	49,903
Retained earnings	150,263	174,977
Treasury shares	(8,596)	(8,576)
Total shareholders' equity	225,146	249,879
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	430	1,090
Deferred gains or losses on hedges	(82)	(106)
Foreign currency translation adjustment	(14,779)	(6,669)
Remeasurements of defined benefit plans	(824)	(960)
Total accumulated other comprehensive income	(15,255)	(6,646)
Share acquisition rights	563	708
Total net assets	210,454	243,941
Total liabilities and net assets	343,122	404,642

Consolidated Financial Statements

Consolidated Statement of Income

TAIYO YUDEN CO., LTD. and Subsidiaries

(Millions of yen)

	Fiscal year ended March 31, 2020		Fiscal year ended March 31, 2021	
Net sales		282,329		300,920
Cost of sales	*1	196,979	*1	211,965
Gross profit		85,350		88,955
Selling, general and administrative expenses	*2, *3	48,173	*2, *3	48,188
Operating profit		37,176		40,766
Non-operating income				
Interest income		335		118
Dividend income		146		53
Foreign exchange gains		–		197
Subsidy income		245		1,021
Other		244		186
Total non-operating income		972		1,578
Non-operating expenses				
Interest expenses		375		368
Share of loss of entities accounted for using equity method		787		283
Foreign exchange losses		1,404		–
Depreciation of inactive non-current assets		219		276
Other		197		168
Total non-operating expenses		2,983		1,097
Ordinary profit		35,165		41,247
Extraordinary income				
Gain on sale of non-current assets	*4	148	*4	57
Gain on sale of investment securities		16		466
Insurance claim income	*8	1,351		–
Other		–		67
Total extraordinary income		1,516		591
Extraordinary losses				
Loss on sale and retirement of non-current assets	*5	764	*5	624
Impairment losses	*6	5,290	*6	1,084
Loss on valuation of investment securities		17		–
Loss on valuation of shares of subsidiaries and associates		–		258
Business restructuring expenses		–	*7	439
Loss on disaster	*8	3,168		–
Loss related to anti-monopoly act	*9	3,600		–
Loss by COVID-19		–	*10	2,098
Other		22		322
Total extraordinary losses		12,863		4,828
Profit before income taxes		23,818		37,010
Income taxes - current		4,637		8,546
Income taxes - deferred		1,158		(151)
Total income taxes		5,795		8,395
Profit		18,022		28,615
Profit attributable to owners of parent		18,022		28,615

Consolidated Statement of Comprehensive Income

TAIYO YUDEN CO., LTD. and Subsidiaries

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit	18,022	28,615
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,088)	670
Deferred gains or losses on hedges	(84)	(24)
Foreign currency translation adjustment	(5,075)	8,250
Remeasurements of defined benefit plans, net of tax	(423)	(139)
Total other comprehensive income	*	*
Total other comprehensive income	(6,671)	8,757
Comprehensive income	11,350	37,372
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	11,350	37,372

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

TAIYO YUDEN CO., LTD. and Subsidiaries

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	33,575	49,904	135,217	(4,613)	214,083
Cumulative effects of changes in accounting policies			(192)		(192)
Restated balance	33,575	49,904	135,025	(4,613)	213,891
Changes during period					
Dividends of surplus			(2,784)		(2,784)
Profit attributable to owners of parent			18,022		18,022
Purchase of treasury shares				(4,006)	(4,006)
Disposal of treasury shares		(0)		23	23
Decrease resulting from change in fiscal year of consolidated subsidiaries					-
Net changes in items other than shareholders' equity					
Total changes during period	-	(0)	15,238	(3,982)	11,254
Balance at end of period	33,575	49,903	150,263	(8,596)	225,146

	Accumulated other comprehensive income					Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,519	2	(9,703)	(401)	(8,583)	453	205,953
Cumulative effects of changes in accounting policies							(192)
Restated balance	1,519	2	(9,703)	(401)	(8,583)	453	205,761
Changes during period							
Dividends of surplus							(2,784)
Profit attributable to owners of parent							18,022
Purchase of treasury shares							(4,006)
Disposal of treasury shares							23
Decrease resulting from change in fiscal year of consolidated subsidiaries							-
Net changes in items other than shareholders' equity	(1,088)	(84)	(5,075)	(423)	(6,671)	110	(6,561)
Total changes during period	(1,088)	(84)	(5,075)	(423)	(6,671)	110	4,693
Balance at end of period	430	(82)	(14,779)	(824)	(15,255)	563	210,454

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	33,575	49,903	150,263	(8,596)	225,146
Cumulative effects of changes in accounting policies					-
Restated balance	33,575	49,903	150,263	(8,596)	225,146
Changes during period					
Dividends of surplus			(3,765)		(3,765)
Profit attributable to owners of parent			28,615		28,615
Purchase of treasury shares				(9)	(9)
Disposal of treasury shares		(0)		29	28
Decrease resulting from change in fiscal year of consolidated subsidiaries			(135)		(135)
Net changes in items other than shareholders' equity					
Total changes during period	-	(0)	24,714	19	24,733
Balance at end of period	33,575	49,903	174,977	(8,576)	249,879

	Accumulated other comprehensive income					Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	430	(82)	(14,779)	(824)	(15,255)	563	210,454
Cumulative effects of changes in accounting policies							-
Restated balance	430	(82)	(14,779)	(824)	(15,255)	563	210,454
Changes during period							
Dividends of surplus							(3,765)
Profit attributable to owners of parent							28,615
Purchase of treasury shares							(9)
Disposal of treasury shares							28
Decrease resulting from change in fiscal year of consolidated subsidiaries							(135)
Net changes in items other than shareholders' equity	660	(24)	8,109	(136)	8,609	144	8,753
Total changes during period	660	(24)	8,109	(136)	8,609	144	33,486
Balance at end of period	1,090	(106)	(6,669)	(960)	(6,646)	708	243,941

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Consolidated Statement of Cash Flows

TAIYO YUDEN CO., LTD. and Subsidiaries

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit before income taxes	23,818	37,010
Depreciation	27,022	29,256
Impairment losses	5,290	1,084
Insurance claim income	(1,351)	–
Business restructuring expenses	–	439
Loss on disaster	3,168	–
Loss related to anti-monopoly act	3,600	–
Loss by COVID-19	–	2,098
Amortization of goodwill	631	–
Increase (decrease) in allowance for doubtful accounts	(59)	(278)
Increase (decrease) in provision for bonuses	420	423
Increase (decrease) in provision for bonuses for directors (and other officers)	(24)	155
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(80)	(7)
Interest and dividend income	(482)	(172)
Interest expenses	375	368
Share of loss (profit) of entities accounted for using equity method	787	283
Loss (gain) on sale and retirement of non-current assets	615	567
Loss (gain) on sale of investment securities	(10)	(461)
Subsidy income	(123)	(684)
Loss (gain) on valuation of investment securities	17	–
Loss on valuation of shares of subsidiaries and associates	–	258
Decrease (increase) in trade receivables	(3,207)	(9,783)
Decrease (increase) in inventories	(4,295)	(2,610)
Increase (decrease) in trade payables	1,894	4,466
Other, net	2,717	375
Subtotal	60,724	62,791
Interest and dividends received	502	173
Interest paid	(415)	(351)
Proceeds from insurance income	1,351	–
Business restructuring expenses paid	–	(199)
Payments associated with disaster loss	(1,588)	–
Payments for loss related to anti-monopoly act	(802)	(2,823)
Payments for loss by COVID-19	–	(1,803)
Income taxes refund (paid)	(7,338)	(4,903)
Net cash provided by (used in) operating activities	52,434	52,882
Cash flows from investing activities		
Purchase of non-current assets	(44,067)	(43,908)
Proceeds from sale of non-current assets	327	135
Decrease (increase) in time deposits	2,186	33
Proceeds from sale of investment securities	194	1,026
Subsidies received	222	384
Purchase of shares of subsidiaries and associates	–	(92)
Other, net	261	202
Net cash provided by (used in) investing activities	(40,874)	(42,218)

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,899)	(750)
Proceeds from long-term borrowings	9,000	20,500
Repayments of long-term borrowings	(2,477)	(2,666)
Purchase of treasury shares	(4,006)	(9)
Dividends paid	(2,776)	(3,760)
Repayments of lease obligations	(630)	(701)
Other, net	(61)	(8)
Net cash provided by (used in) financing activities	(4,851)	12,604
Effect of exchange rate change on cash and cash equivalents	(1,077)	2,386
Net increase (decrease) in cash and cash equivalents	5,630	25,654
Cash and cash equivalents at beginning of period	51,654	57,285
Increase (decrease) in cash and cash equivalents resulting from change in fiscal year of consolidated subsidiaries	—	(1,154)
Cash and cash equivalents at end of period	* 57,285	* 81,785

Consolidated Financial Statements

[Notes]

Notes - Significant accounting policies for preparation of consolidated financial statements

(1) Scope of consolidation

TAIYO YUDEN CO., LTD. (the “Company”) has 33 consolidated subsidiaries (all subsidiaries).

ELNA ENERGY CO., LTD. has been excluded from the scope of consolidation because the said company conducted an absorption-type merger in the current fiscal year in which ELNA CO., LTD., a consolidated subsidiary of the Company, became the surviving company.

(2) Application of equity method

i) The Company has no equity-method associates.

ELNA PRINTED CIRCUITS CO., LTD. has been excluded from the scope of equity method from the current fiscal year because of a decline in the ownership ratio due to capital increase carried out by way of third-party allotment.

ii) Name of associates not accounted for by the equity method

Bifröstec Inc. and three other companies

Reasons for not accounting for by the equity method

The companies not accounted for by the equity method are excluded from the scope of equity method because the exclusion has a minimal impact on profit or loss (for the Company’s equity interest), retained earnings (for the Company’s equity interest) and others, and they have no importance as a whole.

(3) The fiscal years of consolidated subsidiaries

As the reporting date for consolidated subsidiaries – TAIYO YUDEN (GUANGDONG) CO., LTD., TAIYO YUDEN (SHANGHAI) TRADING CO., LTD., TAIYO YUDEN (TIANJIN) ELECTRONICS CO., LTD., TAIYO YUDEN (SHENZHEN) ELECTRONICS TRADING CO., LTD., TAIYO YUDEN (CHINA) CO., LTD. and one other company – is December 31, their preliminary financial statements prepared as of the consolidated reporting date of March 31 are used as a basis for consolidation.

In addition, as the reporting date for ELNA CO., LTD., ELNA TOHOKU CO., LTD., ELNA ELECTRONICS (S) PTE. LTD., ELNA AMERICA, INC., ELNA (SHANGHAI) CO., LTD., TANIN ELNA CO., LTD., and ELNA-SONIC SDN. BHD. was December 31, their financial statements as of that date had been used, and necessary adjustments had been made in the consolidated financial statements with regard to any significant transactions occurring at those subsidiaries between their fiscal year-end and the consolidated balance sheet date. However, in order to understand management information and disclose the consolidated financial statements more appropriately, from the current fiscal year, the reporting date for ELNA CO., LTD. and ELNA TOHOKU CO., LTD. has been changed to March 31, and for the other five companies, their preliminary financial statements prepared as of the consolidated reporting date of March 31 are used as a basis for consolidation.

Profit or loss in these consolidated subsidiaries between January 1, 2020 to March 31, 2020 was adjusted as an increase or decrease in retained earnings.

(4) Accounting policies

i) Accounting policy for measuring significant assets

a) Securities

Other securities (available-for-sale securities)

Securities with readily determinable fair value

Market value method based on market price as of the consolidated closing date is applied (valuation differences are reported as components of net assets and the cost of securities sold is calculated based on the moving average method.)

Securities without readily determinable fair value

Stated at cost using the moving-average method

Investments in limited liability partnerships for investment business and similar partnerships (falling under definition of “securities” as defined by Article 2, paragraph (2) of the Financial Instruments and Exchange Act) are valued at the net equity equivalents based on the recently available financial statements of the partnership corresponding to the reporting dates of the financial statements stipulated in the partnership agreements.

- b) Derivatives
Market value method is applied
- c) Inventories
Finished goods and merchandise: Mainly stated at cost as determined by the gross average method
(The book value stated in the balance sheet is written down based on the decreased profitability.)
Work in process: Mainly stated at cost as determined by the gross average method
(The book value stated in the balance sheet is written down based on the decreased profitability.)
Raw materials and supplies: Mainly stated at cost as determined by the first-in-first-out method
(The book value stated in the balance sheet is written down based on the decreased profitability.)
- ii) Accounting method for depreciation of significant assets
 - a) Property, plant and equipment (excluding leased assets and right-of-use assets)
The declining-balance method is mainly applied for the Company and its domestic consolidated subsidiaries. However, the straight-line method is applied to buildings acquired (excluding facilities attached to buildings) on and after April 1, 1998, and facilities attached to buildings and structures acquired on and after April 1, 2016 by the Company and its domestic consolidated subsidiaries. Useful lives of the assets and residual value of the assets are mainly estimated in consistent with the method accepted under the Corporate Tax Law in Japan.
The straight-line method is mainly applied for overseas consolidated subsidiaries.
 - b) Intangible assets (excluding leased assets)
The straight-line method is applied for the Company and its domestic consolidated subsidiaries. Useful lives of the assets are estimated in consistent with the method accepted under the Corporate Tax Law in Japan. However, internal use software is amortized using the straight-line method over the estimated useful life which is internally determined (mainly five years).
The straight-line method is applied for overseas consolidated subsidiaries.
 - c) Leased assets
Leased assets are depreciated over the leased term by the straight-line method with no residual value.
 - d) Right-of-use assets
Right-of-use assets are depreciated over the leased term by the straight-line method with no residual value.
- iii) Accounting method for significant provisions
 - a) Allowance for doubtful accounts
To prepare for losses from bad debt, the Company and its domestic consolidated subsidiaries provide an allowance for doubtful accounts at an uncollectible amount estimated by either using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectibility in the case of specific receivables such as doubtful receivables.
Overseas consolidated subsidiaries calculate the amount of potential loss mainly estimated on an individual basis.
 - b) Provision for bonuses
To prepare for bonus payments to employees, provision for bonuses is provided based on the estimated amount of payments.
 - c) Provision for bonuses for directors (and other officers)
To prepare for bonus payments to directors and operating officers, provision for bonuses for directors (and other officers) is provided based on the estimated amount of payments.
 - d) Provision for retirement benefits for directors (and other officers)
Some consolidated subsidiaries provide the necessary amount at the end of the current fiscal year in accordance with internal rules to prepare for the payment of directors' retirement benefits.
- iv) Accounting method for retirement benefits
 - a) Method of attributing expected retirement benefit to periods
In calculating retirement benefit obligations, the estimated amount of retirement benefits is attributed to the periods up to the end of the current fiscal year mainly on a benefit formula basis.

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- b) Method of expensing actuarial gains and losses
Actuarial gains and losses are amortized by the straight-line method over a certain number of years (mostly 10 years) within the average number of remaining service years of the eligible employees at the time they arise, and allocated proportionately beginning in the following fiscal year.
- c) Adoption of simplified accounting method used by small companies
Some consolidated subsidiaries apply the simplified method in calculating the retirement benefit liabilities and retirement benefit expenses, which assumes the retirement benefit obligations to be equal to the benefits payable assuming the voluntary retirement of all employees at fiscal year-end.

- v) Accounting policy for hedging
 - a) Accounting policy for hedging
Deferred hedge accounting is applied.
 - b) Hedging instruments and hedged items
Hedging instruments: Forward foreign exchange contract
Hedged items: Monetary receivables and payables denominated in foreign currencies and forecast transactions
 - c) Hedging policy
In accordance with the internal risk management regulations, derivative transactions are not entered into for speculative purposes and unless they are backed by actual demand.
 - d) Method of evaluating hedge effectiveness
The determination of hedging effectiveness is not performed because for forward foreign exchange contracts in place to hedge foreign-currency transactions the important conditions for the hedging instrument and the hedged item are identical, and it is expected that market fluctuations, etc., will be offset at the beginning of the hedging and continuously thereafter.

- vi) Accounting policy for goodwill
Goodwill and goodwill equivalent are amortized over the period within 20 years during which their effects remain using the straight-line method.

- vii) Scope of cash and cash equivalents in the consolidated statement of cash flows
Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand; demand deposits; and short-term, highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

- viii) Other significant matters for preparation of the consolidated financial statements
 - a) Accounting policy for consumption taxes
Consumption taxes and local consumption taxes are accounted for based on the tax exclusion method.
 - b) Application of consolidated taxation system
The consolidated taxation system is applied for the Company and its domestic consolidated subsidiaries.
 - c) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system
As for items regarding the transition to the group tax sharing system introduced in the “Act Partially Amending the Income Tax Act” (Act No. 8 of 2020) and items revised on non-consolidated taxation system in connection with the transition to the group tax sharing system, the Company and its domestic consolidated subsidiaries have not applied the provisions of paragraph (44) of the “Guidance on Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) as allowed by the provisions of paragraph (3) of the “Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020). Accordingly, amounts of deferred tax assets and deferred tax liabilities are determined in accordance with the provisions of the tax law before revision.
 - d) Stated amount
Amounts presented in the accompanying consolidated financial statements are rounded down to the

nearest million yen. Accordingly, the totals do not necessarily agree with the sum of the individual amounts.

Notes - Significant accounting estimates

1. Recoverability of deferred tax assets

(1) Amounts recorded in the consolidated financial statements for the current fiscal year

(Millions of yen)	
As of March 31, 2021	
Deferred tax assets	2,144

(2) Information on the content of significant accounting estimates related to identified items

Deferred tax assets are recorded to the extent that the effect of reducing the future tax payment is expected based on an estimated amount of future taxable income. The premise of the estimated taxable income is the business plans for the next fiscal year approved by the Board of Directors. Since the tax consolidation system is applied for the Company and its domestic subsidiaries, recoverability is judged with them deemed as one taxable entity. As for overseas subsidiaries, recoverability is judged for each company.

A major assumption in the business plans is projection of revenues and profits. With regard to the business plans for the next fiscal year, demand forecasts are made based on market statistics and customer trends, sales plans are developed by customer and by product, production items and volumes are determined for each factory, and plans for production costs and administrative expenses are prepared by company and by department. After profits are allocated by considering consistency with targets, production capacity, forecasts of exchange rates, and the transfer pricing taxation rules, business plans on a consolidated basis and by each company are finalized, which serve as the premise of the estimated future taxable income.

As stated above, the business plans for the next fiscal year that serve as the premise of judging recoverability include many factors of estimation, such as sales volume/prices and exchange rates. The electronic components industry is volatile, and these factors may fluctuate beyond the scope of assumptions made as of the time when the business plans for the next fiscal year were prepared. Any changes in the conditions that serve as the premise of judging recoverability may significantly affect the amounts of deferred tax assets and deferred taxes in the consolidated financial statements for the next fiscal year.

2. Impairment of non-current assets

(1) Amounts recorded in the consolidated financial statements for the current fiscal year

(Millions of yen)	
As of March 31, 2021 and for the fiscal year ended March 31, 2021	
Property, plant and equipment and intangible assets	160,544
Impairment losses	1,084

(2) Information on the content of significant accounting estimates related to identified items

The Company group (the "Group") mainly categorizes assets based on product groups. When there is an indication of impairment, such as continuous losses from operating activities in a certain product group, recoverability test is made. If the recoverable amount, such as the total amount of undiscounted future cash flows from the relevant asset group, is less than the book value, the carrying amount is reduced to the recoverable amount, and the reduced amount is recorded as an impairment loss.

In the current fiscal year, a recoverability test was made to a business operated by ELNA CO., LTD. and its subsidiaries, because it was not certain that profits/losses from operating activities were positive due to the fact that aluminum electrolytic capacitors, the core product, were affected by sluggish demand in the automobile industry and other factors. This business group had property, plant and equipment of ¥5,489 million and intangible assets of ¥97 million as of March 31, 2021. However, since undiscounted future cash flows exceed the book value of the relevant assets, an impairment loss has not been recognized.

Undiscounted future cash flows were estimated based on the business plans and the medium-term plan approved by the Board of Directors, and the plans for the business associated with the relevant asset group were used. These plans were prepared based on assumptions including a sales plan developed by taking into

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account market trends, such as the growth rate for conductive polymer hybrid aluminum electrolytic capacitors for which demand is expected to increase, and estimated production volume at customers, as well as a cost reduction plan.

The Group has judged that the estimates using these premises are reasonable. However, if a revision is required due to changes in the economic environment or business strategy, impairment may need to be recognized in the following fiscal year.

Notes - New accounting standards not yet applied

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, issued by the Accounting Standards Board of Japan on March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, issued by the Accounting Standards Board of Japan on March 26, 2021)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, issued by the Accounting Standards Board of Japan on March 31, 2020)

(1) Outline

The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition and issued “Revenue from Contracts with Customers” in May 2014 (as IFRS 15 by IASB and Topic 606 by FASB). Considering that IFRS 15 shall apply to fiscal years beginning on or after January 1, 2018, and Topic 606 shall apply to fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard on revenue recognition and thus issued the accounting standard together with the implementation guidance.

The ASBJ established the accounting standard for revenue recognition by following the basic policies: firstly, incorporating the core principle of IFRS 15 as the starting point from the perspective of facilitating comparability among financial statements, which is one of the benefits of ensuring consistency with IFRS 15; secondly, adding alternative treatments, but to the extent not impairing comparability, where consideration should be given to the practice having been used in Japan.

(2) Scheduled date of application

These accounting standards will be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of application of the accounting standards, etc.

The impact of the application of the “Accounting Standard for Revenue Recognition,” etc. on the consolidated financial statements is immaterial.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued by the Accounting Standards Board of Japan on July 4, 2019)
- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, issued by the Accounting Standards Board of Japan on July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, issued by the Accounting Standards Board of Japan on July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued by the Accounting Standards Board of Japan on July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, issued by the Accounting Standards Board of Japan on March 31, 2020)

(1) Outline

In light of the situation in which the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) have established detailed guidances on fair value measurement with almost the same content (IFRS 13 “Fair Value Measurement” in International Financial Reporting Standards (IFRS), and Accounting Standards Codification Topic 820 “Fair Value Measurement” in the US GAAP), the ASBJ worked to ensure consistency of the Japanese GAAP with international accounting standards mainly for guidance and disclosures on fair value of financial instruments and issued the “Accounting Standard for Fair Value Measurement” as well as issued or revised related accounting standards and implementation guidances.

The ASBJ's basic policy for the development of the accounting standard for fair value measurement is to incorporate, in principle, all the provisions of IFRS 13 from the perspective of increasing comparability of financial statements among companies in Japan and overseas by using the unified measurement method, and to establish other treatments of individual items to the extent that consideration is given to practices that have been conducted to date in Japan and comparability among financial statements is not materially impaired.

(2) Scheduled date of application

These accounting standards will be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of application of the accounting standards, etc.

The impact of the application of the "Accounting Standard for Fair Value Measurement," etc. on the consolidated financial statements is currently undetermined.

Notes - Changes in presentation

The presentation of certain accounts of the previous fiscal year has been changed to conform with the presentation adopted for the current fiscal year.

Application of "Accounting Standard for Disclosure of Accounting Estimates"

The Group has applied the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, issued on March 31, 2020) from the consolidated financial statements related to the end of the current fiscal year, providing notes on significant accounting estimates in the consolidated financial statements.

However, the contents related to the previous fiscal year have not been provided in these notes, in accordance with the transitional treatment specified in the provision of paragraph (11) of the accounting standard.

Notes - Additional information

Accounting estimates associated with the novel coronavirus disease (COVID-19)

Although there are concerns that the impact of COVID-19 will be prolonged, it is assumed that the Group's business activities will be able to operate as normal without any major obstacles, and it is considered that accounting estimates such as recoverability of deferred tax assets and impairment of non-current assets will not be affected significantly. However, it is difficult to predict the impact of COVID-19, when it will fade away, and others, and consolidated financial statements for the following fiscal years may be affected, depending on future changes in the economic environment and other factors.

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Notes - Consolidated balance sheet

*1 Investments in associates are as follows:

	(Millions of yen)	
	As of March 31, 2020	As of March 31, 2021
Investment securities (shares)	561	209

*2 Promissory notes due on the balance sheet date

Promissory notes due on the balance sheet date are accounted for as settled on the clearing date. However, the reporting date of the previous fiscal year for some consolidated subsidiaries, which differs from the reporting date of the consolidated balance sheet, was a non-business day for financial institutions. The following promissory notes due on the reporting date of the previous fiscal year are included in the balance at the end of the previous fiscal year.

	(Millions of yen)	
	As of March 31, 2020	As of March 31, 2021
Notes receivable - trade	18	-

Notes - Consolidated statement of income

*1 The amount of inventories at the fiscal year-end represents the amount after writing down of the book value due to declines in profitability of assets, and the following loss on revaluation of inventories is included in the cost of sales. (The figure in parenthesis represents the amount of reversal.)

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
	169	140

*2 Major items and amounts of selling, general and administrative expenses are as follows.

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Freight costs and fees	5,740	7,491
Research and development expenses	12,921	12,550
Employees' salaries and allowances	11,745	11,703
Retirement benefit expenses	665	748
Provision for bonuses	1,813	1,714
Provision for bonuses for directors (and other officers)	233	388
Depreciation	1,160	1,435
Provision of allowance for doubtful accounts	(31)	34

*3 Total amount of research and development expenses included in general and administrative expenses and production cost in the current period

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
	12,921	12,550

*4 Details of gain on sale of non-current assets are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Buildings and structures	119	-
Machinery, equipment and vehicles	13	37
Land	15	19
Other	0	0
Total	148	57

*5 Details of loss on sale and retirement of non-current assets are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Loss on retirement of non-current assets		
Buildings and structures	389	113
Machinery, equipment and vehicles	268	114
Other	18	21
Subtotal	676	249
Loss on sale of non-current assets		
Machinery, equipment and vehicles	75	331
Other	11	43
Subtotal	87	375
Total	764	624

*6 Impairment losses

The Group recorded impairment losses with respect to the following asset groups.

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

Type	Application	Location	Amount
Machinery, equipment and vehicles	Idle assets	The Philippines; Inami-cho, Wakayama; Others	¥83 million
Goodwill	Other	-	¥5,206 million

The Group categorizes its business assets by segmentation for management accounting, and idle assets by individual asset. Property, plant and equipment such as head office and laboratories are categorized as common assets.

For the idle assets with no specific utilization plan and no recoverability, their book values have been written down to the memorandum value and such reduction was recorded as impairment loss.

Regarding goodwill that arose when consolidated subsidiary ELNA CO., LTD. came within the scope of consolidation, in addition to sluggish demand in the automobile market from the previous fiscal year, the spread of COVID-19 and other factors have led automobile manufacturers, which are our main customers, to slow down their operations. Regarding the impact of COVID-19, given the external information available at the end of the fiscal year ended March 31, 2020, and based on the assumption that the impact will continue for a certain period into the next fiscal year (fiscal year ended March 31, 2021), the revenue initially estimated could no longer be expected, and therefore its book values have been written down to the recoverable value and such reduction was recorded as impairment loss.

It is noted that the recoverable amount is measured at value in use and is assessed by discounting future cash flows at a rate of 6.32%.

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Type	Application	Location	Amount
Buildings, machinery and equipment	Business assets	Nishigo-mura, Fukushima	¥633 million
Buildings and structures	Idle assets	Maebashi-shi, Gunma; Others	¥243 million
Machinery, equipment and vehicles	Idle assets	Maebashi-shi, Gunma; Inami-cho, Wakayama; Others	¥180 million
Other	Idle assets	Takasaki-shi, Gunma; Others	¥27 million

The Group categorizes its business assets by segmentation for management accounting, and idle assets by individual asset. Property, plant and equipment such as head office and laboratories are categorized as common assets.

As for business assets, their book values have been written down to the recoverable value due to a decline in profitability, and such reduction was recorded as impairment loss. Their components are buildings and structures of ¥83 million and machinery, equipment and vehicles of ¥550 million.

For the idle assets with no specific utilization plan and no recoverability, their book values have been written down to the memorandum value and such reduction was recorded as impairment loss.

The recoverable amount was measured at value in use, and which was evaluated as zero.

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*7 Business restructuring expenses

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

Not applicable

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

The Group has recorded the expenses incurred from the liquidation of its overseas subsidiaries (consisting primarily of extra retirement payments, loss on disposal of non-current assets, and loss on disposal of inventories) as business restructuring expenses and presented as extraordinary losses.

*8 Loss on disaster and insurance claim income

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

Due to the impact of Typhoon Hagibis (Typhoon No. 19) that occurred in October 2019, our subsidiary FUKUSHIMA TAIYO YUDEN CO., LTD. (Date-shi, Fukushima) suffered damage, and the amount of loss due to that disaster is recorded as "Loss on disaster."

In addition, non-life insurance claims related to the occurrence of disasters are recorded as "Insurance claim income."

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Not applicable

*9 Loss related to anti-monopoly act

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

The Company has recorded a surcharge under the Anti-monopoly Act for transactions of aluminum electrolytic capacitors, etc. at its subsidiary ELNA CO., LTD., a cost for responding to an investigation by competition authorities, and a settlement for a class action lawsuit.

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Not applicable

*10 Loss by COVID-19

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

Not applicable

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Fixed costs and other expenses incurred at overseas subsidiaries engaged in production activities such as, for the period in which operations were shut down due to the request of governments and municipalities to prevent the spread of COVID-19.

Notes - Consolidated statement of comprehensive income

* Notes regarding reclassification adjustments and tax effects relating to other comprehensive income

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Valuation difference on available-for-sale securities:		
Amount arising during the year	(1,100)	1,079
Reclassification adjustments	(10)	(461)
Before tax effects adjustments	(1,110)	618
Tax effect	22	52
Valuation difference on available-for-sale securities	(1,088)	670
Deferred gains or losses on hedges:		
Amount arising during the year	(269)	(28)
Reclassification adjustments	183	(42)
Before tax effects adjustments	(85)	(71)
Tax effect	1	46
Deferred gains or losses on hedges	(84)	(24)
Foreign currency translation adjustment:		
Amount arising during the year	(5,075)	8,250
Reclassification adjustments	-	-
Before tax effects adjustments	(5,075)	8,250
Tax effect	-	-
Foreign currency translation adjustment	(5,075)	8,250
Remeasurements of defined benefit plans:		
Amount arising during the year	(473)	(244)
Reclassification adjustments	46	88
Before tax effects adjustments	(427)	(155)
Tax effect	3	16
Remeasurements of defined benefit plans	(423)	(139)
Total other comprehensive income	(6,671)	8,757

Notes - Consolidated statement of changes in equity

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

1. Classes and total number of shares issued and classes and number of treasury shares

	(Thousands shares)			
	Number of shares at beginning of current period	Increase	Decrease	Number of shares at end of current period
Shares issued				
Common stock	130,218	-	-	130,218
Total	130,218	-	-	130,218
Treasury shares				
Common stock (Note) 1, (Note) 2	2,555	2,172	13	4,715
Total	2,555	2,172	13	4,715

(Notes) 1. The 2,172 thousand share increase in the number of treasury shares of common stock is attributable to an increase of 2,170 thousand shares due to purchase of treasury shares approved through resolution by the Board of Directors and an increase of two thousand shares due to purchase of fractional shares.

2. The decrease of 13 thousand shares of treasury shares of common stock is due to exercise of stock options.

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2. Share acquisition rights and treasury share acquisition rights

Category	Breakdown of share acquisition rights	Class of shares to be issued or transferred upon exercise of share acquisition rights	Number of shares to be issued or transferred upon exercise of share acquisition rights (Shares)				Balance at end of current period (Millions of yen)
			At beginning of current period	Increase	Decrease	At end of current period	
Reporting company (parent company)	Share acquisition rights under 2007 Stock Option Plan	-	-	-	-	-	24
	Share acquisition rights under 2008 Stock Option Plan	-	-	-	-	-	5
	Share acquisition rights under 2009 Stock Option Plan	-	-	-	-	-	5
	Share acquisition rights under 2010 Stock Option Plan	-	-	-	-	-	6
	Share acquisition rights under 2011 Stock Option Plan	-	-	-	-	-	8
	Share acquisition rights under 2012 Stock Option Plan	-	-	-	-	-	6
	Share acquisition rights under 2013 Stock Option Plan	-	-	-	-	-	22
	Share acquisition rights under 2014 Stock Option Plan	-	-	-	-	-	27
	Share acquisition rights under 2015 Stock Option Plan	-	-	-	-	-	60
	Share acquisition rights under 2016 Stock Option Plan	-	-	-	-	-	41
	Share acquisition rights under 2017 Stock Option Plan	-	-	-	-	-	86
	Share acquisition rights under 2018 Stock Option Plan	-	-	-	-	-	181
	Share acquisition rights under 2019 Stock Option Plan	-	-	-	-	-	85
Total		-	-	-	-	-	563

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 27, 2019	Common stock	1,404	11	March 31, 2019	June 28, 2019
Board of Directors meeting held on November 11, 2019	Common stock	1,380	11	September 30, 2019	December 2, 2019

(2) Dividends for which record date is in the current fiscal year with effective date in the following fiscal year

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 26, 2020	Common stock	1,882	Retained earnings	15	March 31, 2020	June 29, 2020

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

1. Classes and total number of shares issued and classes and number of treasury shares

(Thousands shares)

	Number of shares at beginning of current period	Increase	Decrease	Number of shares at end of current period
Shares issued				
Common stock	130,218	–	–	130,218
Total	130,218	–	–	130,218
Treasury shares				
Common stock (Note) 1, (Note) 2	4,715	2	16	4,702
Total	4,715	2	16	4,702

(Notes) 1. The increase of two thousand shares of treasury shares of common stock is due to purchase of fractional shares.

2. The decrease of 16 thousand shares of treasury shares of common stock is due to exercise of stock options.

2. Share acquisition rights and treasury share acquisition rights

Category	Breakdown of share acquisition rights	Class of shares to be issued or transferred upon exercise of share acquisition rights	Number of shares to be issued or transferred upon exercise of share acquisition rights (Shares)				Balance at end of current period (Millions of yen)
			At beginning of current period	Increase	Decrease	At end of current period	
Reporting company (parent company)	Share acquisition rights under 2007 Stock Option Plan	–	–	–	–	–	24
	Share acquisition rights under 2008 Stock Option Plan	–	–	–	–	–	5
	Share acquisition rights under 2009 Stock Option Plan	–	–	–	–	–	5
	Share acquisition rights under 2010 Stock Option Plan	–	–	–	–	–	6
	Share acquisition rights under 2011 Stock Option Plan	–	–	–	–	–	8
	Share acquisition rights under 2012 Stock Option Plan	–	–	–	–	–	6
	Share acquisition rights under 2013 Stock Option Plan	–	–	–	–	–	22
	Share acquisition rights under 2014 Stock Option Plan	–	–	–	–	–	25
	Share acquisition rights under 2015 Stock Option Plan	–	–	–	–	–	57
	Share acquisition rights under 2016 Stock Option Plan	–	–	–	–	–	39
	Share acquisition rights under 2017 Stock Option Plan	–	–	–	–	–	81
	Share acquisition rights under 2018 Stock Option Plan	–	–	–	–	–	171
	Share acquisition rights under 2019 Stock Option Plan	–	–	–	–	–	107
	Share acquisition rights under 2020 Stock Option Plan	–	–	–	–	–	145
Total	–	–	–	–	–	708	

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3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 26, 2020	Common stock	1,882	15	March 31, 2020	June 29, 2020
Board of Directors meeting held on November 9, 2020	Common stock	1,882	15	September 30, 2020	December 2, 2020

(2) Dividends for which record date is in the current fiscal year with effective date in the following fiscal year

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2021	Common stock	3,137	Retained earnings	25	March 31, 2021	June 30, 2021

Notes - Consolidated statement of cash flows

* Reconciliation between cash and cash equivalents at end of period and the amount on the consolidated balance sheet

(Millions of yen)

	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Cash and deposits	59,622	84,297
Time deposits with a deposit period of over 3 months	(2,337)	(2,511)
Cash and cash equivalents	57,285	81,785

Notes - Leases

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

i) Details of leased assets

Property, plant and equipment

Principally production facilities (machinery, equipment and vehicles)

ii) Method of depreciation of leased assets

The method of depreciation of leased assets is as described in “(4) Accounting policies ii) Accounting method for depreciation of significant assets,” in the section of significant accounting policies for preparation of consolidated financial statements.

2. Right-of-use assets

i) Details of right-of-use assets

Property, plant and equipment

Principally plants and offices (land, buildings and structures)

ii) Method of depreciation of leased assets

The method of depreciation of leased assets is as described in “(4) Accounting policies ii) Accounting method for depreciation of significant assets,” in the section of significant accounting policies for preparation of consolidated financial statements.

3. Operating lease transactions

Future minimum lease payments under non-cancelable operating lease transactions

Notes on this item have been omitted as it is immaterial.

Notes - Financial instruments

1. Status of financial instruments

(1) Policy for financial instruments

The Group, which mainly produces and markets electronic components, procures short-term operating funds through bank loans, and long-term funds for capital investment, etc. through bank loans and issuance of corporate bonds in accordance with a capital investment plan. Temporary surplus funds are managed as safe and secure financial funds such as short-term deposits. The Group uses derivative transactions to hedge risks stated below, and does not intend to use them for speculative purpose.

(2) Description of financial instruments and associated risks, and risk management structure

Trade receivables are exposed to customer credit risk. Therefore, the Group manages due dates and balances for each customer, and makes efforts to early recognize concerns about collectibility and reduces its risks due to deterioration in financial conditions, etc.

Investment securities consisting mainly of shares of companies with which the Group has business relationship are managed by reviewing market values and financial conditions of issuers on a regular basis.

Payment due dates of most trade payables are within one year.

The Group uses bank borrowings mainly for the purpose of procuring funds necessary for capital investment. Bank borrowings are not exposed to interest rate fluctuation risk as their interest rates are fixed.

Operating receivables and payables denominated in foreign currencies, arising from global business operations, are exposed to exchange rate fluctuation risk, but the risk is hedged by using forward foreign exchange contracts. Forward exchange contracts are used for operating receivables and payables, which are certain to arise from export and import transactions. The Group engages in derivative transactions only with high-rated financial institutions.

The finance department executes and manages derivative transactions in accordance with the internal risk management regulations that stipulate trading authority, the limit amount and other related matters. The department also records details of transactions and check balances with counterparties. The results of transactions are reported by the head of the finance department to the officer in charge.

The Company unifies the management of funds of the entire Group based on funding plans prepared by each group company in order to allow them to secure adequate liquidity.

(3) Supplemental information on fair value of financial instruments

The fair value of financial instruments include the value based on market prices and reasonably determined value in cases where market prices are not available. As the value not based on market quotations is calculated by incorporating variable factors, it can vary depending on assumptions adopted.

2. Fair value of financial instruments

Carrying amounts in the consolidated balance sheet, fair value, and the difference between them are as shown below. The amounts shown in the following tables do not include financial instruments whose fair values are deemed to be extremely difficult to determine (see Note 2).

As of March 31, 2020

(Millions of yen)

	Carrying amounts	Fair value	Difference
(1) Cash and deposits	59,622	59,622	–
(2) Notes and accounts receivable - trade	64,680	64,680	–
(3) Investment securities Other securities (available-for-sale securities)	2,104	2,104	–
Total assets	126,407	126,407	–
(4) Notes and accounts payable - trade	26,603	26,603	–
(5) Short-term borrowings	19,250	19,250	–
(6) Accounts payable - other	16,813	16,813	–
(7) Income taxes payable	1,903	1,903	–
(8) Long-term borrowings (*1)	37,415	36,882	(533)
Total liabilities	101,985	101,451	(533)
(9) Derivative transactions (*2)	(22)	(22)	–

(*1) The amounts include current portion of long-term borrowings.

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(*2) Receivables and payables arising from derivative transactions are shown on the net basis.

As of March 31, 2021

	(Millions of yen)		
	Carrying amounts	Fair value	Difference
(1) Cash and deposits	84,297	84,297	-
(2) Notes and accounts receivable - trade	78,738	78,738	-
(3) Investment securities			
Other securities (available-for-sale securities)	2,187	2,187	-
Total assets	165,223	165,223	-
(4) Notes and accounts payable - trade	31,728	31,728	-
(5) Short-term borrowings	18,500	18,500	-
(6) Accounts payable - other	15,907	15,907	-
(7) Income taxes payable	5,803	5,803	-
(8) Long-term borrowings (*1)	55,250	54,388	(862)
Total liabilities	127,189	126,327	(862)
(9) Derivative transactions (*2)	(1,898)	(1,898)	-

(*1) The amounts include current portion of long-term borrowings.

(*2) Receivables and payables arising from derivative transactions are shown on the net basis.

(Notes) 1. Measurement methods for fair values of financial instruments and matters regarding securities and derivative transactions

Assets

(1) Cash and deposits, (2) Notes and accounts receivable - trade

Since these are settled in short term, their fair values are approximate to book values. Accordingly, they are stated at book value.

(3) Investment securities

The fair values of investment securities are stated at price on exchange market.

Liabilities

(4) Notes and accounts payable - trade, (5) Short-term borrowings, (6) Accounts payable - other, (7) Income taxes payable

Since these are settled in short term, their fair values are approximate to book values. Accordingly, they are stated at book value.

(8) Long-term borrowings

The fair values of long-term borrowings are measured as present values obtained by discounting total amount of principal and interest at the estimated interest rate if similar borrowings were newly made.

(9) Derivative transactions

The fair values of forward exchange contracts are stated at prices offered by correspondent financial institutions.

2. Financial instruments whose fair value is considered to be extremely difficult to determine

	(Millions of yen)	
Category	As of March 31, 2020	As of March 31, 2021
Unlisted equity securities	1	1
Shares of associates	561	209
Equities of limited liability partnerships for investment business and of other similar partnerships	3	6

As for financial instruments shown above, there is no market price and future cash flow cannot be estimated. Accordingly, it is considered extremely difficult to determine their fair value, and therefore they are not included in "Assets (3) Investment securities."

3. Redemption schedule for monetary receivables and securities with maturity after the consolidated balance sheet date
As of March 31, 2020

(Millions of yen)

	Within one year	Over one year within five years
Cash and deposits	59,568	–
Notes and accounts receivable - trade	64,680	–
Total	124,249	–

As of March 31, 2021

(Millions of yen)

	Within one year	Over one year within five years
Cash and deposits	84,285	–
Notes and accounts receivable - trade	78,738	–
Total	163,023	–

4. Repayment schedule for short-term borrowings and long-term borrowings after the consolidated balance sheet date
As of March 31, 2020

(Millions of yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term borrowings	19,250	–	–	–	–	–
Long-term borrowings	2,663	13,462	3,786	17,461	9	31
Total	21,913	13,462	3,786	17,461	9	31

As of March 31, 2021

(Millions of yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term borrowings	18,500	–	–	–	–	–
Long-term borrowings	13,462	4,036	17,961	9,259	10,507	23
Total	31,962	4,036	17,961	9,259	10,507	23

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Notes - Securities

1. Other securities (available-for-sale securities)

As of March 31, 2020

(Millions of yen)

	Type	Carrying amounts	Acquisition cost	Difference
Items whose carrying amount in the consolidated balance sheet exceeds acquisition cost	(1) Shares	1,988	1,415	573
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	—	—	—
	ii) Corporate bonds	—	—	—
	iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	1,988	1,415	573
Items whose carrying amount in the consolidated balance sheet does not exceed acquisition cost	(1) Shares	115	152	(36)
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	—	—	—
	ii) Corporate bonds	—	—	—
	iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	115	152	(36)
Total		2,104	1,567	536

As of March 31, 2021

(Millions of yen)

	Type	Carrying amounts	Acquisition cost	Difference
Items whose carrying amount in the consolidated balance sheet exceeds acquisition cost	(1) Shares	2,093	948	1,145
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	—	—	—
	ii) Corporate bonds	—	—	—
	iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	2,093	948	1,145
Items whose carrying amount in the consolidated balance sheet does not exceed acquisition cost	(1) Shares	94	104	(10)
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	—	—	—
	ii) Corporate bonds	—	—	—
	iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	94	104	(10)
Total		2,187	1,053	1,134

2. Other securities (available-for-sale securities) sold

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Millions of yen)

Type	Sales amount	Total gain on sales	Total loss on sales
(1) Shares	179	16	(5)
(2) Bonds			
i) Government bonds, local government bonds, etc.	–	–	–
ii) Corporate bonds	–	–	–
iii) Other	–	–	–
(3) Other	–	–	–
	179	16	(5)

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

Type	Sales amount	Total gain on sales	Total loss on sales
(1) Shares	1,026	466	(5)
(2) Bonds			
i) Government bonds, local government bonds, etc.	–	–	–
ii) Corporate bonds	–	–	–
iii) Other	–	–	–
(3) Other	–	–	–
	1,026	466	(5)

3. Impaired securities

The Company has recorded an impairment loss on securities of ¥17 million (other securities of ¥17 million) for the fiscal year ended March 31, 2020.

The Company has not recorded an impairment loss on securities for the fiscal year ended March 31, 2021.

The Company records an impairment loss on all securities whose fair values as of the end of the fiscal year are less than 50% of their acquisition costs. For securities whose fair values as of the end of the fiscal year decreased by 30% to 50% from their acquisition costs, the Company records an impairment loss when it is deemed necessary by examining the recoverability of the amount.

Notes - Derivatives

1. Derivatives to which hedge accounting is not applied

Currency derivatives

As of March 31, 2020

(Millions of yen)

Category	Type of transactions	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value	Loss (gain) on valuation
Transactions other than market transactions	Forward foreign exchange contract Sell US dollars	31,536	–	80	80
	Buy US dollars	2,193	–	(20)	(20)

Note: Calculation method for fair values

Fair values are calculated based on prices, etc. provided by correspondent financial institutions.

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As of March 31, 2021

(Millions of yen)

Category	Type of transactions	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value	Loss (gain) on valuation
Transactions other than market transactions	Forward foreign exchange contract Sell US dollars	37,017	–	(1,931)	(1,931)
	Buy US dollars	3,687	–	186	186

Note: Calculation method for fair values

Fair values are calculated based on prices, etc. provided by correspondent financial institutions.

2. Derivatives to which hedge accounting is applied

Currency derivatives

As of March 31, 2020

(Millions of yen)

Accounting policy for hedging	Type of transactions	Major hedged items	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value
Deferral hedge method	Forward foreign exchange contract Sell US dollars	Forecast transaction	8,011	–	(107)
	Buy US dollars	Forecast transaction	2,144	–	25

Note: Calculation method for fair values

Fair values are calculated based on prices, etc. provided by correspondent financial institutions.

As of March 31, 2021

(Millions of yen)

Accounting policy for hedging	Type of transactions	Major hedged items	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value
Deferral hedge method	Forward foreign exchange contract Sell US dollars	Forecast transaction	11,387	–	(224)
	Buy US dollars	Forecast transaction	3,801	–	71

Note: Calculation method for fair values

Fair values are calculated based on prices, etc. provided by correspondent financial institutions.

Notes - Retirement benefits

1. Outline of retirement benefit plans adopted

The Company and its domestic consolidated subsidiaries have mainly adopted defined contribution pension plans and prepaid retirement plans.

Certain overseas consolidated subsidiaries have mainly adopted defined benefit plans (lump-sum retirement benefit plans).

As overseas consolidated subsidiaries apply IFRS, they account for retirement benefits in accordance with IAS 19 “Employee Benefits.”

2. Defined benefit plan

(1) Reconciliation between the opening and closing balances of retirement benefit obligations

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Opening balance of retirement benefit obligations	5,202	5,736
Service cost	665	707
Interest cost	125	134
Actuarial gains and losses incurred	378	269
Retirement benefits paid	(374)	(352)
Decrease resulting from change in fiscal year	-	(20)
Other	(259)	408
Closing balance of retirement benefit obligations	5,736	6,883

(2) Reconciliation between the opening and closing balances of plan assets

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Opening balance of plan assets	1,476	1,544
Interest income	60	59
Actuarial gains and losses incurred	(95)	24
Amount of employer contribution	194	217
Retirement benefits paid	(96)	(93)
Other	5	71
Closing balance of plan assets	1,544	1,823

(3) Reconciliation between the closing balances of retirement benefit obligations and plan assets, and retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheet

	(Millions of yen)	
	As of March 31, 2020	As of March 31, 2021
Retirement benefit obligations from funded plans	2,153	2,498
Plan assets	(1,544)	(1,823)
	608	675
Retirement benefit obligations from non-funded plans	3,572	4,373
Net amount of liability and asset recorded in the consolidated balance sheet	4,181	5,049
Net defined benefit liability	4,200	5,105
Net defined benefit asset	(19)	(55)
Net amount of liability and asset recorded in the consolidated balance sheet	4,181	5,049

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(4) Amounts of retirement benefit expenses and their components

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Service cost	665	707
Net interest	64	75
Amortization of actuarial gains and losses	47	89
Amortization of past service cost	(0)	(0)
Retirement benefit expenses for defined benefit plan	776	871

- Notes: 1. In accordance with the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements” (ASBJ PITF No. 18, February 19, 2010), the total amounts of actuarial differences are systematically expensed each year over a certain number of years within the employees’ average remaining years of service.
2. Other than the above retirement benefit expenses associated with the defined benefit pension plan, during the current fiscal year, the Company has recorded ¥196 million of expenses incurred for voluntary retirement of employees for overseas subsidiaries as “Business restructuring expenses” under “Extraordinary losses.”

(5) Remeasurements of defined benefit plans, net of tax (Consolidated statement of comprehensive income)

The breakdown of remeasurements of defined benefit plans, net of tax (before deduction of tax effects) is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Past service cost	(0)	(0)
Actuarial gains and losses	(426)	(155)
Total	(427)	(155)

(6) Remeasurements of defined benefit plans (Consolidated balance sheet)

The breakdown of remeasurements of defined benefit plans (before deduction of tax effects) is as follows:

	(Millions of yen)	
	As of March 31, 2020	As of March 31, 2021
Unrecognized past service cost	(1)	(2)
Unrecognized actuarial gains and losses	(754)	(906)
Total	(756)	(909)

(7) Plan assets

i) Major components of plan assets

The ratio of major categories to total plan assets is as follows:

	(%)	
	As of March 31, 2020	As of March 31, 2021
Bonds	66	61
Shares	13	16
Cash and deposits	10	14
Other	11	9
Total	100	100

Note: The retirement benefit trust, which was set up for the lump-sum retirement benefit plan, accounts for 75% and 78% of total plan assets as of March 31, 2020 and 2021, respectively.

ii) Long-term expected rate of return

The long-term expected rate of return is not specified as IAS 19 is applied.

(8) Basis for actuarial calculations

	(%)	
	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Discount rate	0.00 - 5.00	0.00 - 5.05
Forecasted rate of salary increase	2.30 - 5.00	2.30 - 5.00

3. Defined contribution plan

The required contribution amounts to the defined contribution plan of the Company and its consolidated subsidiaries were ¥1,378 million in the previous fiscal year and ¥1,449 million in the current fiscal year.

Notes - Stock options, etc.

1. Expenses and account titles for stock options

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Selling, general and administrative expenses	133	173

2. Details, size and changes in the number of stock options

(1) Details of stock options

Company name	Reporting company
Resolution date	June 28, 2007
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 32,000 shares
Grant date	July 13, 2007
Vesting conditions	No vesting conditions attached
Target service period	From July 1, 2006 to March 31, 2007
Exercise period	From July 14, 2007 to July 13, 2027

Company name	Reporting company
Resolution date	June 28, 2007
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 46,000 shares
Grant date	July 13, 2007
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2007 to March 31, 2008
Exercise period	From July 14, 2007 to July 13, 2027

Company name	Reporting company
Resolution date	June 27, 2008
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 46,000 shares
Grant date	July 14, 2008
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2008 to March 31, 2009
Exercise period	From July 15, 2008 to July 14, 2028

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Company name	Reporting company
Resolution date	May 25, 2009
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 37,000 shares
Grant date	June 9, 2009
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2009 to March 31, 2010
Exercise period	From June 10, 2009 to June 9, 2029

Company name	Reporting company
Resolution date	June 29, 2010
Category and number of people to whom stock options are granted	7 Directors of the Company
Class and number of shares granted	Common stock: 39,000 shares
Grant date	July 21, 2010
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2010 to March 31, 2011
Exercise period	From July 22, 2010 to July 21, 2030

Company name	Reporting company
Resolution date	June 29, 2011
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 44,000 shares
Grant date	July 14, 2011
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2011 to March 31, 2012
Exercise period	From July 14, 2011 to July 13, 2031

Company name	Reporting company
Resolution date	April 25, 2012
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 38,000 shares
Grant date	May 11, 2012
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2012 to March 31, 2013
Exercise period	From May 11, 2012 to May 10, 2032

Company name	Reporting company
Resolution date	May 24, 2013
Category and number of people to whom stock options are granted	6 Directors of the Company
Class and number of shares granted	Common stock: 10,000 shares
Grant date	June 10, 2013
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2013 to June 27, 2013
Exercise period	From June 10, 2013 to June 9, 2033

Company name	Reporting company
Resolution date	June 27, 2013
Category and number of people to whom stock options are granted	6 Directors of the Company
Class and number of shares granted	Common stock: 31,000 shares
Grant date	July 12, 2013
Vesting conditions	No vesting conditions attached
Target service period	From June 27, 2013 to June 27, 2014
Exercise period	From July 12, 2013 to July 11, 2033

Company name	Reporting company
Resolution date	June 27, 2014
Category and number of people to whom stock options are granted	6 Directors of the Company 11 Operating Officers of the Company
Class and number of shares granted	Common stock: 55,000 shares
Grant date	July 14, 2014
Vesting conditions	No vesting conditions attached
Target service period	From June 27, 2014 to June 26, 2015
Exercise period	From July 14, 2014 to July 13, 2034

Company name	Reporting company
Resolution date	June 26, 2015
Category and number of people to whom stock options are granted	6 Directors of the Company 12 Operating Officers of the Company
Class and number of shares granted	Common stock: 62,000 shares
Grant date	July 13, 2015
Vesting conditions	No vesting conditions attached
Target service period	From June 26, 2015 to June 29, 2016
Exercise period	From July 13, 2015 to July 12, 2035

Company name	Reporting company
Resolution date	November 5, 2015
Category and number of people to whom stock options are granted	1 Director of the Company 1 Operating Officer of the Company
Class and number of shares granted	Common stock: 2,000 shares
Grant date	November 20, 2015
Vesting conditions	No vesting conditions attached
Target service period	From November 1, 2015 to June 29, 2016
Exercise period	From November 20, 2015 to November 19, 2035

Company name	Reporting company
Resolution date	June 29, 2016
Category and number of people to whom stock options are granted	5 Directors of the Company 13 Operating Officers of the Company
Class and number of shares granted	Common stock: 64,000 shares
Grant date	July 15, 2016
Vesting conditions	No vesting conditions attached
Target service period	From June 29, 2016 to June 29, 2017
Exercise period	From July 15, 2016 to July 14, 2036

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Company name	Reporting company
Resolution date	June 29, 2017
Category and number of people to whom stock options are granted	5 Directors of the Company 12 Operating Officers of the Company
Class and number of shares granted	Common stock: 61,000 shares
Grant date	July 18, 2017
Vesting conditions	No vesting conditions attached
Target service period	From June 29, 2017 to June 28, 2018
Exercise period	From July 18, 2017 to July 17, 2037

Company name	Reporting company
Resolution date	June 28, 2018
Category and number of people to whom stock options are granted	4 Directors of the Company 12 Operating Officers of the Company
Class and number of shares granted	Common stock: 57,000 shares
Grant date	July 18, 2018
Vesting conditions	No vesting conditions attached
Target service period	From June 28, 2018 to June 27, 2019
Exercise period	From July 18, 2018 to July 17, 2038

Company name	Reporting company
Resolution date	June 27, 2019
Category and number of people to whom stock options are granted	5 Directors of the Company 11 Operating Officers of the Company
Class and number of shares granted	Common stock: 59,000 shares
Grant date	July 18, 2019
Vesting conditions	No vesting conditions attached
Target service period	From June 27, 2019 to June 26, 2020
Exercise period	From July 18, 2019 to July 17, 2039

Company name	Reporting company
Resolution date	June 26, 2020
Category and number of people to whom stock options are granted	5 Directors of the Company 10 Operating Officers of the Company
Class and number of shares granted	Common stock: 59,000 shares
Grant date	July 17, 2020
Vesting conditions	No vesting conditions attached
Target service period	From June 26, 2020 to June 29, 2021
Exercise period	From July 17, 2020 to July 16, 2040

(2) Size and changes in the number of stock options

The following describes the number of stock options that existed during the current fiscal year (fiscal year ended March 31, 2021). The number of stock options is translated into the number of shares.

i) Number of stock options

(Shares)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 28, 2007	June 28, 2007	June 27, 2008	May 25, 2009
Stock options before vesting				
At the end of previous fiscal year	–	–	–	–
Granted	–	–	–	–
Lapsed	–	–	–	–
Vested	–	–	–	–
Unvested balance	–	–	–	–
Stock options after vesting				
At the end of previous fiscal year	3,000	6,000	6,000	6,000
Vested	–	–	–	–
Exercised	–	–	–	–
Lapsed	–	–	–	–
Exercisable	3,000	6,000	6,000	6,000

(Shares)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 29, 2010	June 29, 2011	April 25, 2012	May 24, 2013
Stock options before vesting				
At the end of previous fiscal year	–	–	–	–
Granted	–	–	–	–
Lapsed	–	–	–	–
Vested	–	–	–	–
Unvested balance	–	–	–	–
Stock options after vesting				
At the end of previous fiscal year	6,000	9,000	9,000	2,000
Vested	–	–	–	–
Exercised	–	–	–	–
Lapsed	–	–	–	–
Exercisable	6,000	9,000	9,000	2,000

(Shares)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 27, 2013	June 27, 2014	June 26, 2015	November 5, 2015
Stock options before vesting				
At the end of previous fiscal year	–	–	–	–
Granted	–	–	–	–
Lapsed	–	–	–	–
Vested	–	–	–	–
Unvested balance	–	–	–	–
Stock options after vesting				
At the end of previous fiscal year	13,000	27,000	38,000	1,000
Vested	–	–	–	–
Exercised	–	2,000	2,000	–
Lapsed	–	–	–	–
Exercisable	13,000	25,000	36,000	1,000

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(Shares)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 29, 2016	June 29, 2017	June 28, 2018	June 27, 2019
Stock options before vesting				
At the end of previous fiscal year	–	–	–	–
Granted	–	–	–	–
Lapsed	–	–	–	–
Vested	–	–	–	–
Unvested balance	–	–	–	–
Stock options after vesting				
At the end of previous fiscal year	50,000	49,000	54,000	59,000
Vested	–	–	–	–
Exercised	3,000	3,000	3,000	3,000
Lapsed	–	–	–	–
Exercisable	47,000	46,000	51,000	56,000

(Shares)

Company name	Reporting company
Resolution date	June 26, 2020
Stock options before vesting	
At the end of previous fiscal year	–
Granted	59,000
Lapsed	–
Vested	59,000
Unvested balance	–
Stock options after vesting	
At the end of previous fiscal year	–
Vested	59,000
Exercised	–
Lapsed	–
Exercisable	59,000

ii) Unit price information

(Yen)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 28, 2007	June 28, 2007	June 27, 2008	May 25, 2009
Exercise price	1	1	1	1
Average share price at exercise	–	–	–	–
Fair value unit price on grant date	2,761	2,761	966	947

(Yen)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 29, 2010	June 29, 2011	April 25, 2012	May 24, 2013
Exercise price	1	1	1	1
Average share price at exercise	–	–	–	–
Fair value unit price on grant date	1,013	948	739	1,625

(Yen)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 27, 2013	June 27, 2014	June 26, 2015	November 5, 2015
Exercise price	1	1	1	1
Average share price at exercise	–	3,348	3,348	–
Fair value unit price on grant date	1,476	1,032	1,543	1,914

(Yen)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 29, 2016	June 29, 2017	June 28, 2018	June 27, 2019
Exercise price	1	1	1	1
Average share price at exercise	3,348	3,348	3,348	3,348
Fair value unit price on grant date	834	1,762	3,369	1,927

(Yen)

Company name	Reporting company
Resolution date	June 26, 2020
Exercise price	1
Average share price at exercise	–
Fair value unit price on grant date	3,277

4. Method of estimating fair value unit price of stock options

The fair value unit price of the stock options determined by the resolution on June 26, 2020 and granted during the fiscal year ended March 31, 2021, was estimated based on the following:

- (1) Valuation techniques used Black-Scholes Model
- (2) Major basic numerical values and estimation method

Resolution date	June 26, 2020
Volatility of share price (Note) 1	48.4%
Estimated remaining outstanding period (Note) 2	3.6 years
Estimated dividend (Note) 3	¥26/share
Risk-free interest rate (Note) 4	(0.16)%

- (Notes) 1. The volatility of share price is estimated based on weekly historical share prices from December 5, 2016 to July 13, 2020.
2. The estimated remaining outstanding period refers to the average period of service as Director less the already served period of service as Director. The stock options are assumed to be exercised immediately after the Director's retirement as Director.
3. The estimated dividend is based on the actual per share dividend distributed in the fiscal year ended March 31, 2020.
4. The risk-free interest rate represents the interest rate on Japanese government bonds with the remaining period corresponding to the estimated remaining outstanding period.

5. Method of estimating number of stock options vested

The number of stock options vested is equal to the number of stock options granted since the options were vested on the grant date.

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Notes - Tax effect accounting

1. Breakdown of major components of deferred tax assets and liabilities

	As of March 31, 2020	As of March 31, 2021
(Millions of yen)		
Deferred tax assets		
Inventories	1,621	2,022
Accrued expenses	392	411
Accrued enterprise tax	169	512
Provision for bonuses	1,408	1,568
Investment securities, etc.	146	130
Allowance for doubtful accounts	126	41
Accounting depreciation in excess of tax depreciation	2,425	2,194
Lump-sum depreciable assets	330	212
Retirement benefit liability	959	1,141
Prepaid retirement benefit	1,490	1,439
Loss carried forward (Note) 2	6,096	4,479
Other	2,125	2,736
Deferred tax assets subtotal	17,292	16,891
Valuation allowance for tax losses carried forward (Note) 2	(5,499)	(4,141)
Valuation allowance for total deductible temporary differences, etc.	(6,370)	(6,113)
Valuation allowance subtotal (Note) 1	(11,870)	(10,255)
Offsetting	(4,107)	(4,490)
Deferred tax assets total	1,314	2,144
Deferred tax liabilities		
Inventories	796	712
Undistributed profits of overseas subsidiaries	4,236	5,232
Reserve for advanced depreciation of non-current assets	726	724
Valuation difference on available-for-sale securities	113	49
Other	1,632	1,599
Offsetting	(4,107)	(4,490)
Deferred tax liabilities total	3,397	3,828
Net deferred tax assets (liabilities)	(2,083)	(1,683)

(Notes) 1. The change in valuation allowances is attributable mainly to a decrease in valuation allowance due to reversal of loss carried forward.

2. Amounts of tax losses carried forward and associated deferred tax assets by expiration period

As of March 31, 2020

	(Millions of yen)						
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Deferred tax assets relating to tax losses carried forward (*)	839	1,193	198	156	901	2,807	6,096
Valuation allowance	(839)	(627)	(198)	(156)	(900)	(2,776)	(5,499)
Deferred tax assets	-	565	-	-	0	30	596

(*) The amounts of tax losses carried forward are calculated by multiplying the statutory effective tax rate.

As of March 31, 2021

(Millions of yen)							
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Deferred tax assets relating to tax losses carried forward (*)	67	199	445	800	577	2,388	4,479
Valuation allowance	(67)	(199)	(445)	(800)	(435)	(2,192)	(4,141)
Deferred tax assets	0	–	–	–	141	195	337

(*) The amounts of tax losses carried forward are calculated by multiplying the statutory effective tax rate.

2. Breakdown of major items of differences between the statutory effective tax rate and the effective income tax rate after applying tax effect accounting

	As of March 31, 2020	As of March 31, 2021
Statutory effective tax rate	30.5	30.5
Adjustments		
Tax rate differences of the overseas subsidiaries	(5.8)	(5.4)
Undistributed profits of the overseas subsidiaries	0.6	2.7
Valuation allowance	(6.0)	(3.6)
Tax credit for research and development expenses	(2.4)	(2.3)
Foreign tax	1.4	0.7
Unrealized profit on inventories	(0.2)	(0.0)
Expenses not deductible permanently such as entertainment expenses	0.2	0.0
Impairment losses on goodwill	6.7	–
Other	(0.7)	0.1
Effective income tax rate after applying tax effect accounting	24.3	22.7

Notes - Business combinations

Not applicable

Notes -Asset retirement obligations

The total amount of asset retirement obligations is not disclosed as it is immaterial.

Notes - Real estate for lease, etc.

The total amount of real estate for lease, etc. is not disclosed as it is immaterial.

Notes - Segment information, etc.

[Segment information]

The segment information is not disclosed as the Group operates in a single segment of the electronic components business.

[Notes - Related information]

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

1. Information for each product or service

(Millions of yen)					
	Capacitors	Ferrite and applied products	Integrated modules & devices	Other	Total
Net sales for external customers	176,457	38,770	49,808	17,292	282,329

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2. Information for each region

(1) Net sales (Millions of yen)

Japan	China	Hong Kong	Other countries or regions	Total
26,848	98,462	54,395	102,622	282,329

(Note) Net sales are segmented by country or region based on customer location.

(2) Property, plant and equipment (Millions of yen)

Japan	China	Malaysia	Other countries or regions	Total
96,565	12,478	21,041	14,314	144,400

3. Information for each of main customers

The information is not disclosed because none of the external customers singularly account for 10% or more of net sales presented in the consolidated statement of income.

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

1. Information for each product or service (Millions of yen)

	Capacitors	Ferrite and applied products	Integrated modules & devices	Other	Total
Net sales for external customers	195,198	41,564	46,930	17,227	300,920

2. Information for each region

(1) Net sales (Millions of yen)

Japan	China	Hong Kong	Other countries or regions	Total
29,297	115,821	48,128	107,673	300,920

(Note) Net sales are segmented by country or region based on customer location.

(2) Property, plant and equipment (Millions of yen)

Japan	China	Malaysia	Other countries or regions	Total
103,956	15,699	25,156	14,359	159,172

3. Information for each of main customers

The information is not disclosed because none of the external customers singularly account for 10% or more of net sales presented in the consolidated statement of income.

[Disclosure of impairment losses on non-current assets for each reportable segment]

Information on impairment losses is not disclosed as the Group has a single segment.

[Amortization and unamortized balance of goodwill for each reportable segment]

Information on amortization and unamortized balance of goodwill is not disclosed as the Group has a single segment.

[Information about gains on bargain purchase for each reportable segment]

Not applicable

[Notes - Related party transactions]

Not applicable

Notes - Per share information

(Yen)

	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Net assets per share	1,672.40	1,937.86
Basic earnings per share	143.04	227.99
Diluted earnings per share	142.67	227.32

(Notes) 1. The basis for calculation of net assets per share is as follows:

	As of March 31, 2020	As of March 31, 2021
Total net assets (Millions of yen)	210,454	243,941
Amounts deducted from total net assets (Millions of yen)	563	708
[Of the above, share acquisition rights (Millions of yen)]	[563]	[708]
[Of the above, non-controlling interests (Millions of yen)]	[-]	[-]
Net assets related to common stock (Millions of yen)	209,891	243,233
Number of common stock used to calculate net assets per share (Thousand shares)	125,502	125,516

2. The basis for calculation of basic earnings per share and diluted earnings per share is as follows:

	Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	18,022	28,615
Amounts not attributable to common shareholders (Millions of yen)	-	-
Profit attributable to owners of parent related to common stock (Millions of yen)	18,022	28,615
Average number of outstanding common stock during period (Thousand shares)	126,000	125,512
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (Millions of yen)	-	-
Increase in the number of common stock (Thousand shares)	323	366
[Of the above, share acquisition rights (Thousand shares)]	[323]	[366]
Outline of potential shares not included in the calculation of diluted earnings per share because of having no dilutive effect	-	-

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Notes - Significant events after reporting period

Capital increase of a subsidiary

TAIYO YUDEN decided to increase capital of consolidated subsidiary, TAIYO YUDEN (CHANGZHOU) CO., LTD. With the capital increase, the amount of capital of the subsidiary exceeds 10% of the capital amount of the parent company, which categorizes this subsidiary as a specified subsidiary.

1. Purpose of the capital increase

The purpose of the capital increase is to establish a new factory for multilayer ceramic capacitor in China, which aims to strengthen business foundation, expand sales, and improve the corporate value of the Group.

2. Company profile of the subsidiary

(1) Company name	TAIYO YUDEN (CHANGZHOU) CO., LTD.
(2) Representative	Tomomitsu Fukuda President / Managing Director
(3) Location	Changzhou, Jiangsu, China
(4) Date of establishment	August 23, 2019
(5) Capital amount before capital increase	26,222 thousand US dollars
(6) Financial year-end	End of December
(7) Investment ratio before capital increase	TAIYO YUDEN CO., LTD. owns 100% (including indirect ownership of 50.4%)

3. Outline of the capital increase

(1) Amount of capital increase	173,777 thousand US dollars
(2) Capital amount after capital increase	200,000 thousand US dollars
(3) Date of capital increase	August 3, 2021
(4) Investment ratio after capital increase	TAIYO YUDEN CO., LTD. owns 100% (including indirect ownership of 12.5%)

5) Annexed consolidated detailed schedules

[Annexed consolidated detailed schedule of corporate bonds]

Not applicable

[Annexed consolidated detailed schedule of borrowings]

Category	Balance at the beginning of current period (Millions of yen)	Balance at the end of current period (Millions of yen)	Average interest rate (%)	Repayment term
Short-term borrowings	19,250	18,500	0.38	–
Current portion of long-term borrowings	2,663	13,462	0.36	–
Current portion of lease obligations	662	667	4.34	–
Long-term borrowings (excluding current portion)	34,752	41,788	0.35	From April 2022 to September 2037
Lease obligations (excluding current portion)	2,352	2,553	4.34	From April 2022 to October 2043
Other interest-bearing liabilities	–	–	–	–
Total	59,681	76,970	–	–

(Notes) 1. The average interest rate represents the weighted-average rate applicable to the balance of borrowings at the end of the current period.

2. The average interest rate for the lease obligations presented above is based on the standard method of calculation and does not reflect interest rates for lease obligations recorded on the consolidated balance sheet at the amount before deducting the amount equivalent to interest expenses included in the total lease payments.

3. The repayment schedule for long-term borrowings (excluding current portion) and lease obligations (excluding current portion) for five years subsequent to March 31, 2021 is as follows:

Category	(Millions of yen)			
	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
Long-term borrowings	4,036	17,961	9,259	10,507
Lease obligations	495	264	203	187

[Annexed consolidated detailed schedule of asset retirement obligations]

As the amounts of asset retirement obligations at the beginning and the end of the current fiscal year are not more than 1% of the total amount of liabilities and net assets as of the same dates, annexed consolidated detailed schedule of asset retirement obligations is not disclosed pursuant to the provisions of Article 92-2 of the Regulation on Consolidated Financial Statements.

(2) Other information

Quarterly information for the current fiscal year

Cumulative period	Three months ended June 30, 2020	Six months ended September 30, 2020	Nine months ended December 31, 2020	Fiscal year ended March 31, 2021
Net sales (Millions of yen)	60,493	140,222	221,449	300,920
Profit before income taxes (Millions of yen)	5,860	15,030	26,407	37,010
Profit attributable to owners of parent (Millions of yen)	4,541	11,442	19,825	28,615
Basic earnings per share (Yen)	36.19	91.16	157.96	227.99

Three-month period	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	36.19	54.98	66.79	70.03

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Independent auditor's report

To the Board of Directors of TAIYO YUDEN CO., LTD.:

Opinion

We have audited the accompanying consolidated financial statements of TAIYO YUDEN CO., LTD. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the Company's judgment on the recoverability of deferred tax assets

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet of the Group, deferred tax assets of ¥2,144 million were recognized for the current fiscal year. As described in Note “Tax effect accounting” to the consolidated financial statements, the amount of	The primary procedures we performed to assess whether the Company's judgment on the recoverability of deferred tax assets was appropriate included the following:

<p>gross deferred tax assets before being offset by deferred tax liabilities and deducting valuation allowance amounted to ¥16,891 million.</p> <p>Deferred tax assets are recognized to the extent that tax loss carryforwards and deductible temporary differences are expected to reduce future taxable income.</p> <p>The estimated future taxable income to be generated by the Company and its domestic consolidated subsidiaries that file a consolidated tax return, which was used to determine the recoverability of their deferred tax assets, was based on the business plan for the next fiscal year prepared by the Company's management. The capacitors market, which was the major market to which these companies belonged, included the field of communication equipment such as smartphones where demand fluctuated widely, and therefore predictions of future revenues incorporated into the business plan involved uncertainty. Accordingly, management's judgment thereon had a significant effect on the amount of deferred tax assets recognized.</p> <p>We, therefore, determined that our assessment of the appropriateness of the Company's judgment on the recoverability of deferred tax assets was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the Company's judgment on the recoverability of deferred tax assets.</p> <p>(2) Assessment of the reasonableness of the estimated future taxable income</p> <p>In order to assess the reasonableness of key assumptions adopted by management in estimating future taxable income, which were important for the Company's judgment on the recoverability of deferred tax assets of the Company and its domestic consolidated subsidiaries, we inquired of the Company's management regarding the basis on which those assumptions were developed. In addition, we:</p> <ul style="list-style-type: none"> ● assessed the consistency between the assumptions about the predictions of future revenues and the reports on demand forecasts for the capacitors market published by external research organizations by inspecting the reports; ● analyzed the causes of differences between past business plans and actual results and assessed whether they were properly taken into account in estimating future taxable income; and ● evaluated the appropriateness of the calculation of future taxable income and tax-return adjustments included in the calculation by engaging tax specialists as well as the appropriateness of the scheduling of deductible temporary differences and tax loss carryforward.
<p>The Company's judgment as to whether an impairment loss should be recognized on non-current assets used by ELNA CO., LTD. and its consolidated subsidiaries</p>	
<p>The key audit matter</p>	<p>How the matter was addressed in our audit</p>
<p>In the consolidated balance sheet of the Group for the current fiscal year, property, plant and equipment of ¥159,172 million and intangible assets of ¥1,371 million were recognized. As described in Note "Significant accounting estimates, 2. Impairment of non-current assets" to</p>	<p>The primary procedures we performed to assess the Company's judgment as to whether an impairment loss should be recognized on non-current assets used by ELNA CO., LTD. and its consolidated subsidiaries included the following:</p>

Consolidated Financial Statements

the consolidated financial statements, of these amounts, ¥5,489 million of property, plant and equipment and ¥97 million of intangible assets were used by ELNA CO., LTD., a consolidated subsidiary of the Company, and its consolidated subsidiaries, which represented 1.4% of total assets in the consolidated financial statements.

Whenever there is an impairment indicator for non-current assets, they need to be tested for impairment by comparing the undiscounted future cash flows that are expected to be generated from the related asset group with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss.

Since aluminum electrolytic capacitors, which were the core product of ELNA CO., LTD. and its consolidated subsidiaries, were affected by sluggish demand in the automobile industry, an impairment loss on goodwill of ¥5,206 million was recognized in the previous fiscal year. In the current fiscal year, it was not clear that profit or loss from operating activities of ELNA CO., LTD. and its consolidated subsidiaries would be positive, and therefore an impairment test was performed in the current fiscal year. As a result, since the undiscounted future cash flows exceeded the carrying amount of non-current assets of ELNA CO., LTD. and its consolidated subsidiaries, the Company concluded that the recognition of an impairment loss was not necessary.

Undiscounted future cash flows used in the impairment testing were based on the future business plan prepared by management of ELNA CO., LTD. and its consolidated subsidiaries. In particular, the sales forecasts of conductive polymer hybrid aluminum electrolytic capacitors and cost reduction plan reflected key assumptions adopted by management of ELNA CO., LTD. and its consolidated subsidiaries. Those assumptions involved uncertainty and had a significant effect on the undiscounted future cash flows.

We, therefore, determined that our assessment of the Company's judgment as to whether an

(1) Internal control testing

We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the Company's judgment as to whether an impairment loss should be recognized on non-current assets.

(2) Assessment of the reasonableness of estimated undiscounted future cash flows

In order to assess the reasonableness of key assumptions embedded in the future business plan of ELNA CO., LTD. and its consolidated subsidiaries, which formed the basis for estimating undiscounted future cash flows, we inquired of management of ELNA CO., LTD. and its consolidated subsidiaries regarding the basis on which those assumptions were developed. In addition, we:

- assessed the consistency of the assumption related to the sales forecasts of conductive polymer hybrid aluminum electrolytic capacitors by inquiring regarding the degree of order certainty and inspecting supporting documents. We also assessed the consistency between the sales forecasts and the reports on demand forecasts for the market published by external research organizations by inspecting those reports;
- assessed the reasonableness of the assumptions related to the cost reduction plan by inspecting supporting documents;
- analyzed the causes of differences between past business plans and actual results and assessed whether they were properly taken into account in estimating undiscounted future cash flows; and
- independently estimated undiscounted future cash flows, had we incorporated the effect of specific uncertainty into the future business plan, and compared the estimate with that developed by management of ELNA CO., LTD. and its consolidated subsidiaries, after considering the results of the above procedures.

<p>impairment loss should be recognized on non-current assets used by ELNA CO., LTD. and its consolidated subsidiaries was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	
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Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting

Consolidated Financial Statements

estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.


We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

平井 清 

Kiyoshi Hirai

Designated Engagement Partner


Certified Public Accountant

岩倉 晋伍 

Shingo Iwamiya

Designated Engagement Partner

Certified Public Accountant

今井 仁子 

Yoshiko Imai

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

September 1, 2021

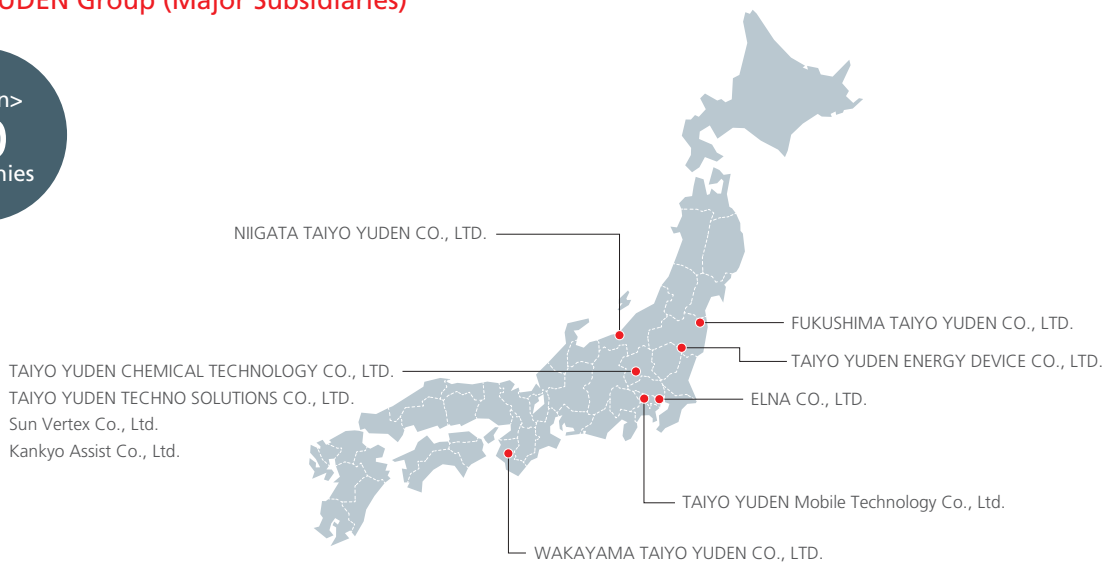
Corporate Data

As of September 20, 2021

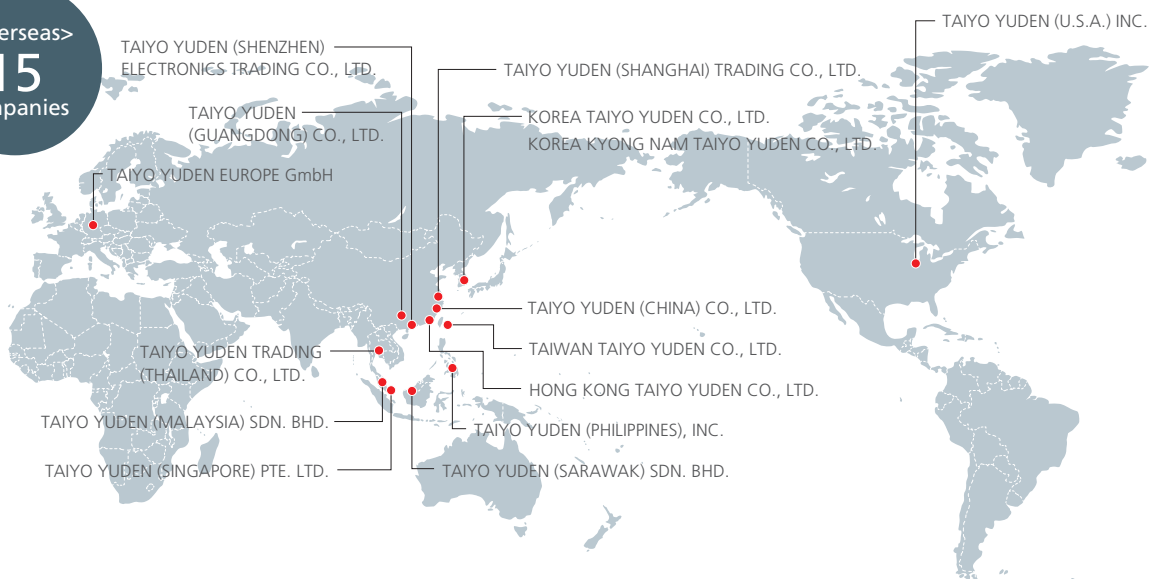
Company name	TAIYO YUDEN CO., LTD.	Paid-in capital	¥33,575 million (as of March 31, 2021)
Head office	2-7-19, Kyobashi, Chuo-ku, Tokyo 104-0031, Japan	Number of employees	22,852 (Consolidated) 2,837 (Non-consolidated) (as of March 31, 2021)
Tel	+81-3-6757-8310	Main products	Ceramic capacitors, inductors, FBAR/SAW devices for mobile communications, functional modules, power storage devices, etc.
President and Chief Executive Officer	Shoichi Tosaka	URL	http://www.ty-top.com/
Date of establishment	March 23, 1950		

TAIYO YUDEN Group (Major Subsidiaries)

<Japan>
10
companies



<Overseas>
15
companies



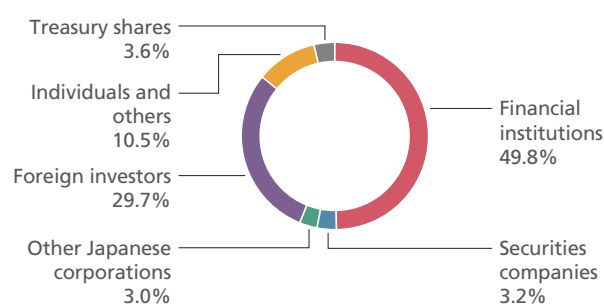
Stock Information

As of March 31, 2021

Stock Information

Common stock	Authorized: 300,000,000 Issued: 130,218,481 (Including 4,702,096 shares of treasury shares)
Stock exchange listing	First section of Tokyo Stock Exchange
Securities code	6976
Unit of trading	100 shares
Number of shareholders	31,804

Composition of Shareholders



*Figures are rounded down to one decimal place.

Major Shareholders

Name	Number of shares (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	29,390,900	23.4
Custody Bank of Japan, Ltd. (Trust Account)	13,854,300	11.0
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	3,026,500	2.4
The Iyo Bank, Ltd.	3,000,100	2.3
Sumitomo Mitsui Banking Corporation	2,000,000	1.5
Sato Traffic Orphan Welfare Fund	1,916,640	1.5
JP MORGAN CHASE BANK 385632	1,787,639	1.4
BBH BOSTON CUSTODIAN FOR NEXT GENERATION CONNECTIVITY FUND A SERIES TRUST 620818	1,734,300	1.3
NIPPON LIFE INSURANCE COMPANY	1,666,450	1.3
STATE STREET BANK WEST CLIENT - TREATY 505234	1,577,800	1.2

Notes 1. The Company holds 4,702,096 shares of treasury shares; however, this is excluded from the above-mentioned major shareholders.

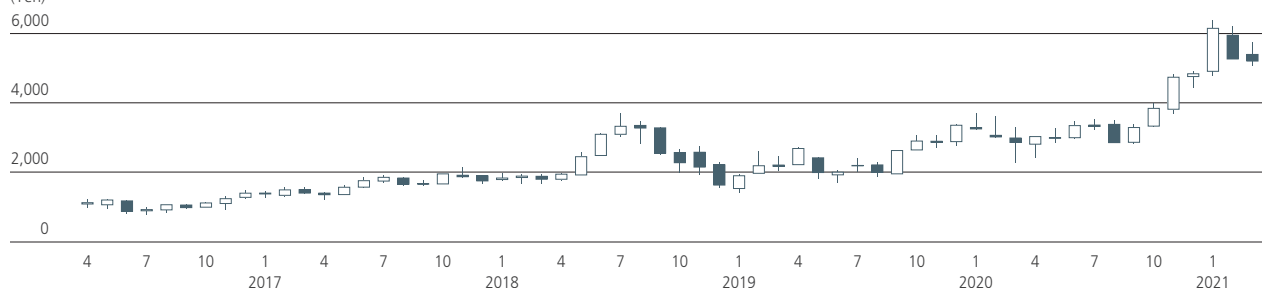
2. Shareholding ratio is calculated excluding the number of treasury shares.

3. Figures are rounded down to one decimal place.

Stock Price/Trading Volume

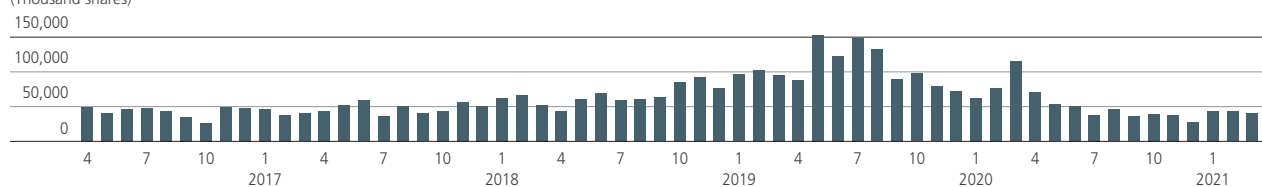
Stock price

(Yen)



Trading volume

(Thousand shares)



TAIYO YUDEN CO., LTD.

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