

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

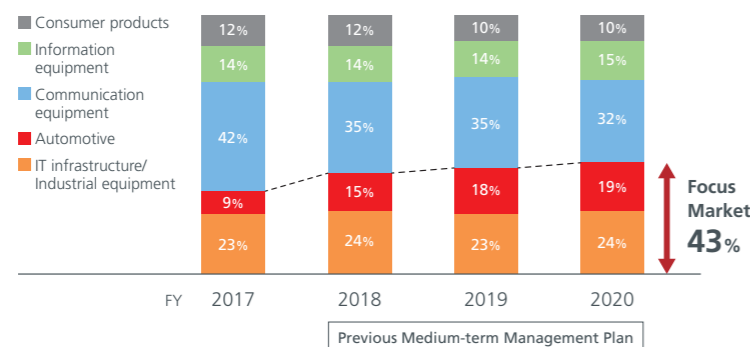
improved, it fell short of its 15% target at 13.5%.

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	GHG emissions	■ Absolute amount FY2030 25% reduction *compared with FY2020
Operating margin	15% or higher	(E) Waste, Water usage	■ Basic unit (sales quantity) FY2025 10% reduction *compared with FY2020
ROE	15% or higher	(S) 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