

## 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,

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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

\*GHG: Greenhouse gases

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.

### 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.



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

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### ESG Strategies (Environment)

#### Reducing GHG emissions 25% by 2030



\*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.

Shoichi Tosaka  
President and Chief Executive Officer