

TAIYO YUDEN CO., LTD.

INTEGRATED  
REPORT

2022

Stronger and more socially  
aware through  
the wonders of science



TAIYO YUDEN

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# On the Publication of the Integrated Report 2022

TAIYO YUDEN began its five-year medium-term management plan 2025 in FY2021. This report focuses on our efforts under the plan which aim to enhance our corporate value by increasing both our economic and social value. We have sought to provide easy-to-understand explanations on these so that even first-time readers may understand TAIYO YUDEN's value creation. On top of this, we have worked to expand the content of the report, working to enhance the quantitative and qualitative information listed on ESG in particular based on feedback we have received through dialogue with our stakeholders.

In preparing the report, the President, the officer in charge of corporate planning, other members of management and each division collaborated to ensure that a proper process was followed. We hope that reading this report will help provide you with a better understanding of the TAIYO YUDEN Group.

We will continue to place value on the dialogue we have with our stakeholders and strive to enhance both our information disclosure and transparency. We appreciate any candid feedback you may have.

October 2022

**Katsuya Sase**

Director and Senior Executive Operating Officer,  
Chief of Management Planning Headquarters

## Departments involved in the publication of the Integrated Report 2022 (in alphabetical order)

TAIYO YUDEN CO., LTD.

Accounting Department, General Affairs Department, Human Resources Department, Intellectual Property Department, Legal Department, Management Information System Department, President's Office, Procurement Management Department, Public Relations Department, Research and Development Laboratory, and Sustainability Development Department

## Scope of Report

This report covers (as of March 31, 2022) 32 companies, comprising TAIYO YUDEN, 11 domestic subsidiaries and 21 overseas subsidiaries.

## Reference Guidelines

For editing purposes, reference was made to the International Integrated Reporting Framework recommended by the IFRS Foundation 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 (2018 version). We also used the GRI Standards as a reference guideline.



## Our GRI Standard Table

can be viewed on our website:

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



## Notes

- In this report, the fiscal year will be displayed as follows.  
Example: April 1, 2021 to March 31, 2022  
FY 2021 or fiscal year ended March 2022
- The figures in this report omit amounts less than hundred million yen and 1 million yen and displays it.
- 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.
- The contents of this report are correct as of June 29, 2022.

## Disclaimer

This report is intended to provide information about the business performance and strategies of the TAIYO YUDEN Group. It is not intended as an inducement to purchase or sell stock in TAIYO YUDEN. Statements in this report that are not historical fact are forward-looking statements based on the current beliefs, estimates and expectations of TAIYO YUDEN Group management. As these beliefs, estimates and expectations are subject to a number of risks, uncertainties and assumptions, actual results may differ materially. TAIYO YUDEN undertakes no obligation to update any forward-looking statements, and shall in no event be liable for any damages arising out of the use or interpretation of this material. Please refrain from copying or disseminating this material without the prior consent of TAIYO YUDEN.

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/>



## TAIYO YUDEN's Mission

# Stronger and more socially aware through the wonders of science

TAIYO YUDEN's electronic components are critical in the manufacturing of various pieces of electronic equipment. Our products support the evolution of electronics technology that is indispensable for people's safe, secure, comfortable, and convenient lives.

In order to create, advance, and deliver these small but important electronic components to every corner of society, we are seeking to broaden and increase the depth of new knowledge while pursuing the sophistication of our technologies and skills.

Meanwhile, the strengths that we have accumulated throughout our history have generated incidental discoveries and inspirational encounters, which opened the door to unexpected future of innovative solutions and expansion into new areas of scientific advancement.

The foundation of this process is "the wonders of science," which is the source of TAIYO YUDEN's corporate value enhancement.

As a company that continues to grow, we will create greater economic value.

As a company that contributes to the realization of a better society, we will continue to enhance social value.

As a member of society, our constant and enduring aspiration is to fulfill this mission.



# Our Profile

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

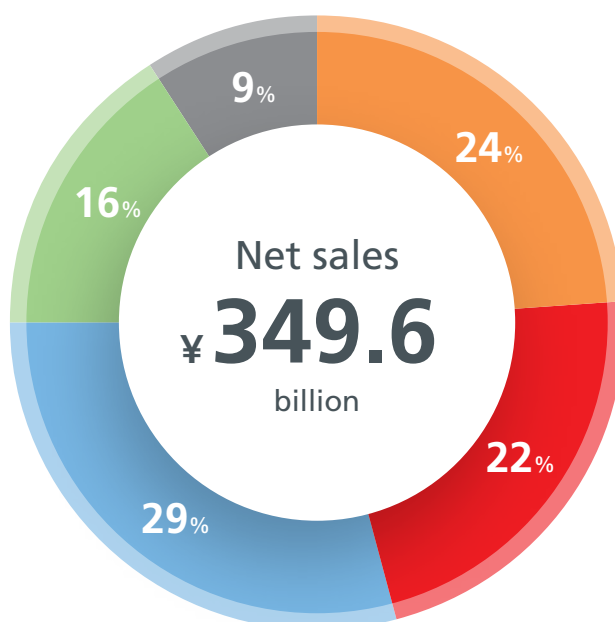
TAIYO YUDEN develops, manufactures, and sells electronic components for use in a range of electronic equipment that are essential to people's lives, including smartphones and other communication equipment, automobiles, and IT infrastructure/industrial equipment. The Company boasts advanced technological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

Overseas Sales Ratio

**90.2** %

Ratio of Overseas Production

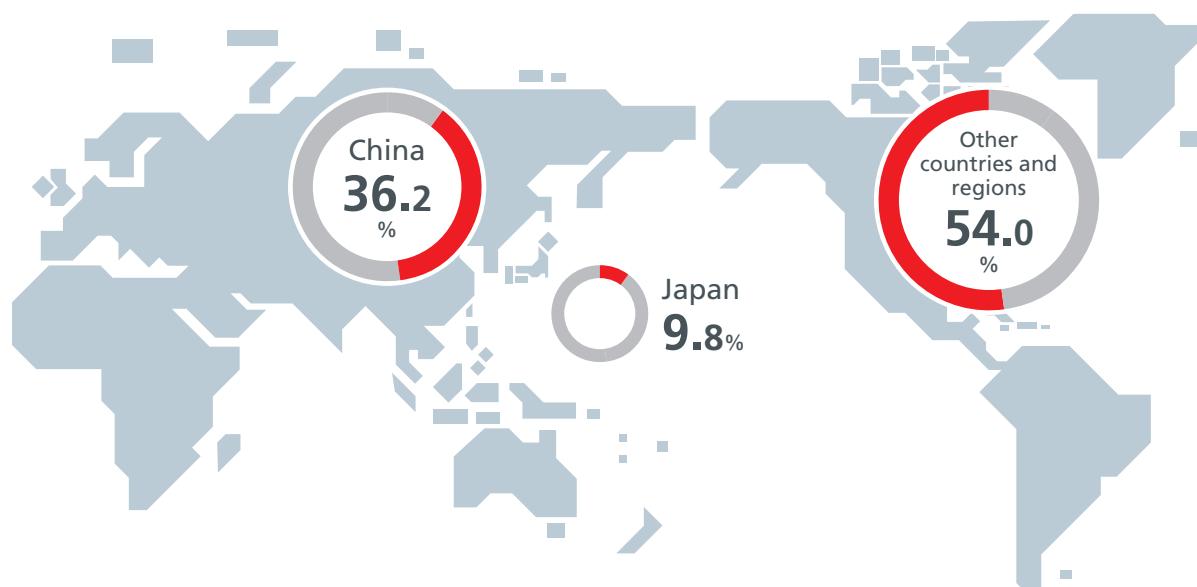
**67.5** %



Sales Composition by Market Sector

- IT infrastructure/Industrial equipment
- Automotive
- Communication equipment
- Information equipment
- Consumer products

Sales Composition Ratio by Region



(FY2021)

## Multilayer ceramic capacitor (MLCC)



Global market share

**No.3**

(As of December 2021 (According to in-house research))

Mass production of the  
world's smallest MLCC**0.25 × 0.125** mm

Reference:

No. of MLCCs used in electronic  
equipment

(As of December 2021 (According to in-house research))



Per smartphone\*

Approx. **1,300**

\*High-end model



Per electric vehicle

Approx. **10,000**

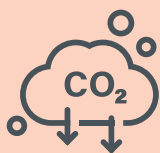
FY2017

20.2 billion  
(8.3%)

FY2021

**68.2** billion  
(19.5%)

Operating margin is shown in parentheses.

GHG absolute  
emissions reduction  
rate

(Compared to FY2020)

**-5.2** %

(FY2021)

Accident frequency  
rate\***0.10**

(FY2021)

\*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 FY2021 was 1.31

Rate of newly  
recruited  
female graduates**38** %

(As of April 1, 2022)

## 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.



Rutilcon, barium titanate tubular ceramic capacitors



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.

## Mission

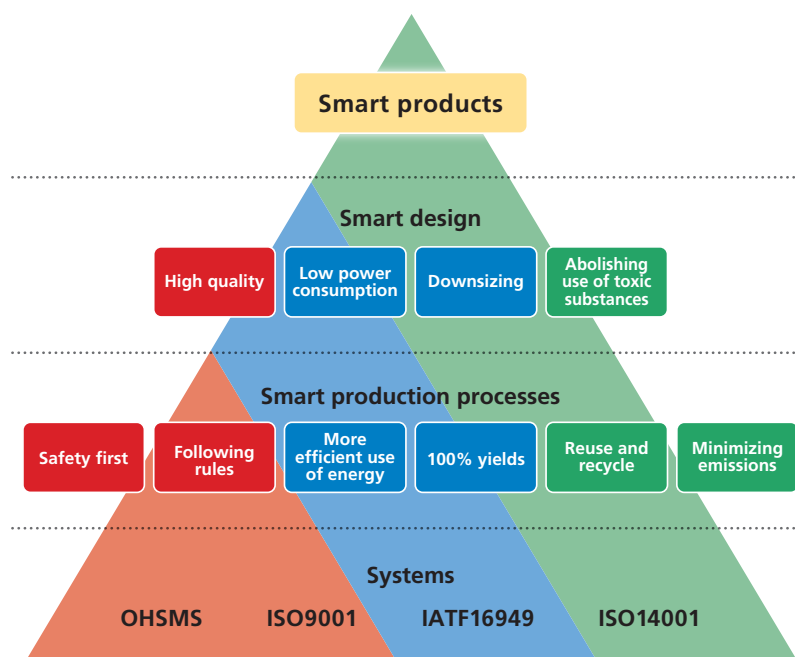
**Stronger and more socially aware  
through the wonders of science**

## 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

TAIYO YUDEN has since its founding provided to companies around the world a variety of electronics components, including inductors and communication devices, 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.

### 1950s

Transistor radios make their appearance

Increased use of radios, TVs and other electronic equipment

### 1960s

Production of TVs, transistor radios and other items expands as export products

Overseas demand rises

### 1970s

Increased use of home-use video tape recorders (VTR), audio equipment and other items

Energy conservation, power saving

Founding

1950

Net Sales

1960

1970

1980

#### The Value Provided by TAIYO YUDEN

**Sept. 1950**

Sales of Ruticon, 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

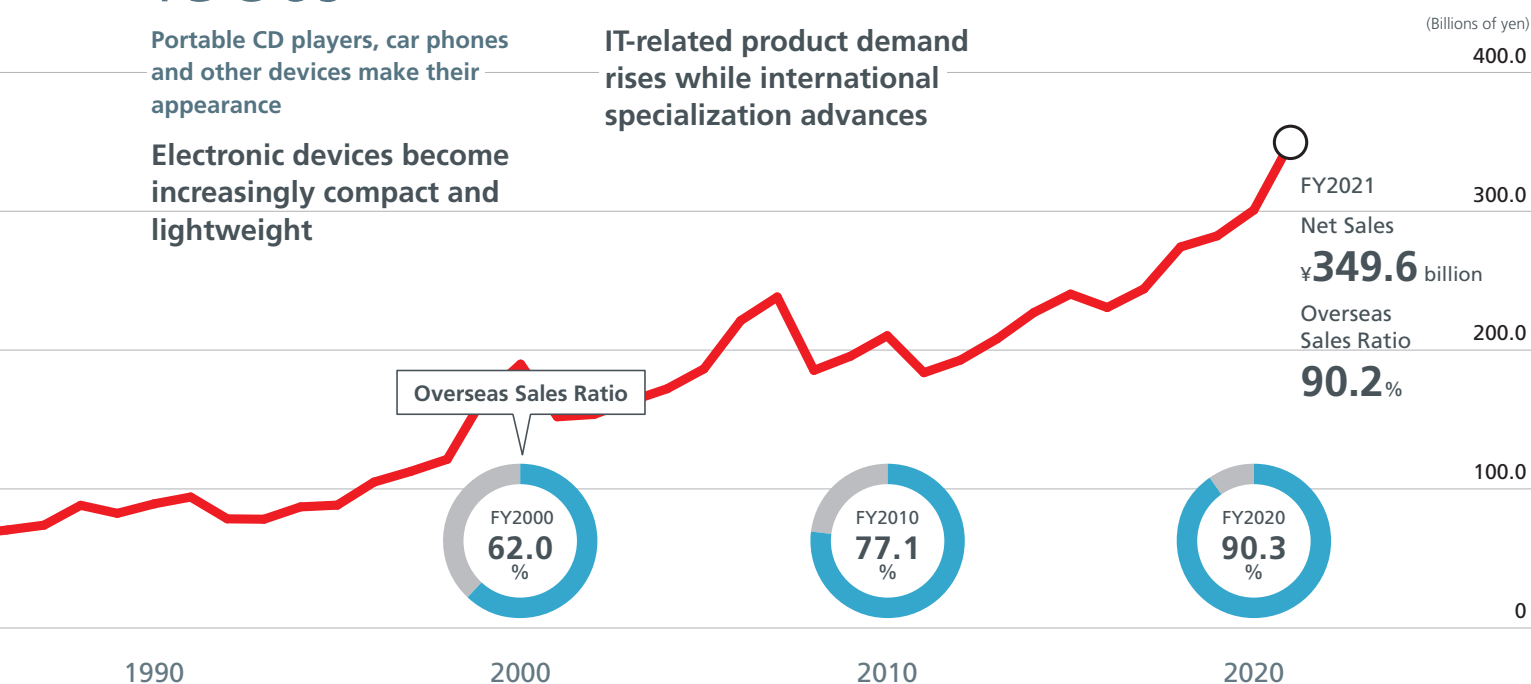
Increased use of home video games, mobile phones, PCs and other devices

IT-related product demand rises while international specialization advances

## 2011-

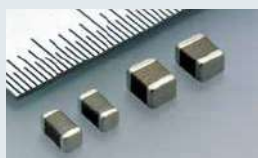
Use of smartphones and tablets surges while trend toward the electrification of automobiles accelerates

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



## 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

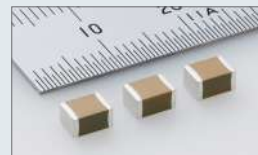
TAIYO YUDEN Mobile Technology Co., Ltd. became a subsidiary

## Apr. 2018

ELNA CO., LTD. became a subsidiary

## May 2018

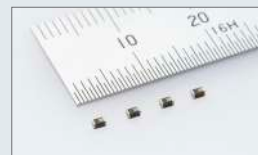
Commercialized the world's first multilayer ceramic capacitors with a capacitance of 1,000μF



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

## Mar. 2020

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



Multilayer metal power inductor  
"MCOIL™ MC Series"  
(1.6mmx0.8mmx1.0mm, 0.47μH)

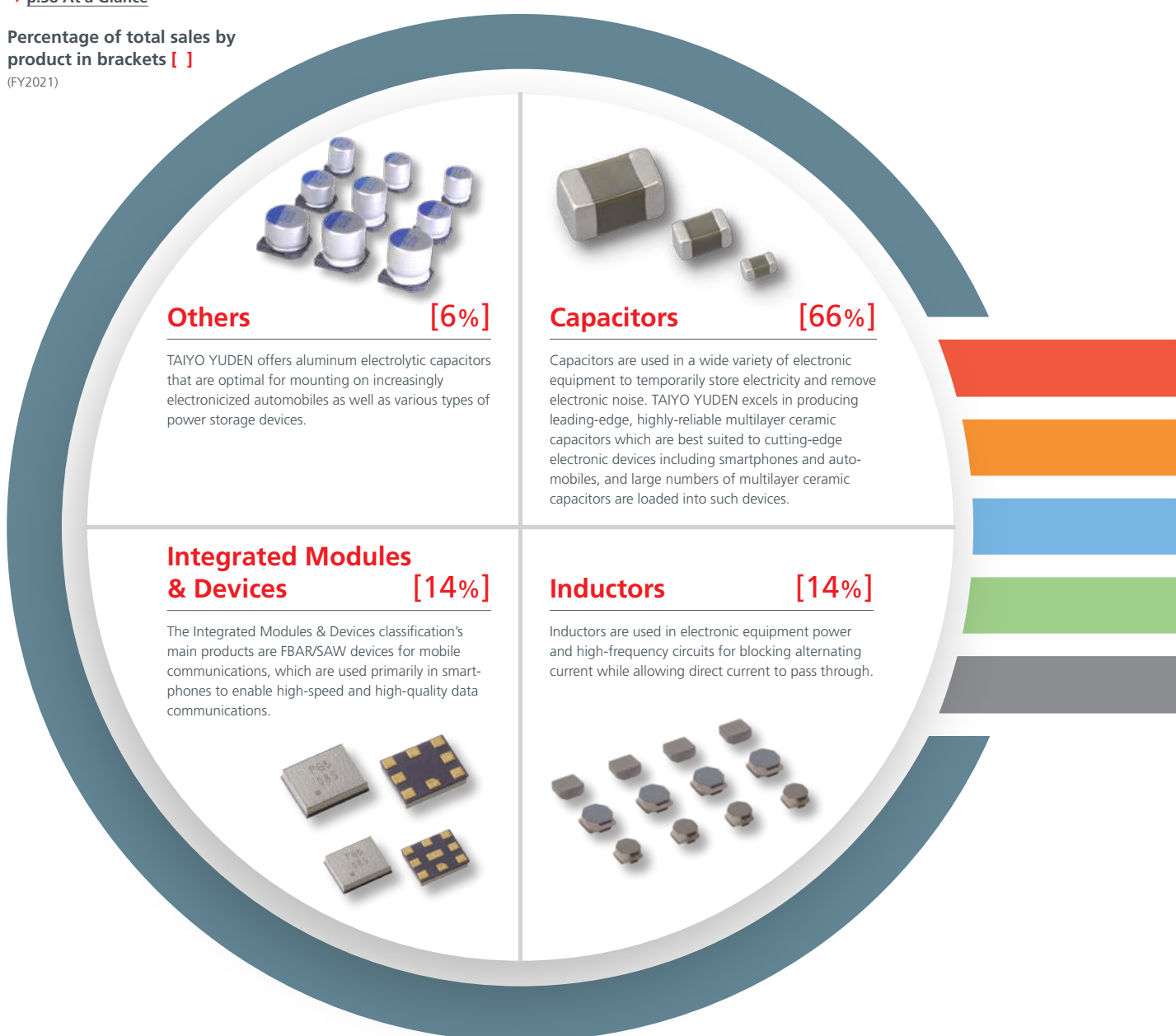
## TAIYO YUDEN's Value Provision

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

### TAIYO YUDEN Main Products

→ p.38 At a Glance

Percentage of total sales by product in brackets [ ] (FY2021)



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 recent years, vehicle computerization and electrification of products have substantially expanded the scope of our efforts to provide value.

**Sales Composition  
by Market Sector**  
(FY2021)

## CASE

### *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.

## 5G/6G

### *Responding to the Rapid Increase in Data Transmission Volume*

Fifth generation mobile communications (5G) services commenced in 2018. Their applications are expected to extend not only to smartphones but also to a variety of IoT devices and remote controlled robots, resulting in the rapid development of information-based infrastructure, including 5G base stations and servers. The 6G system, which is beyond the 5G system, is forecast to increase data traffic even further.



#### **Automobiles**

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

22%



#### **IT infrastructure / Industrial equipment**

- Base station communication equipment
- Servers
- Security cameras

24%



#### **Communication equipment**

- Smartphones

29%



#### **Information equipment**

- Tablet devices
- PCs
- HDD/SSD

16%



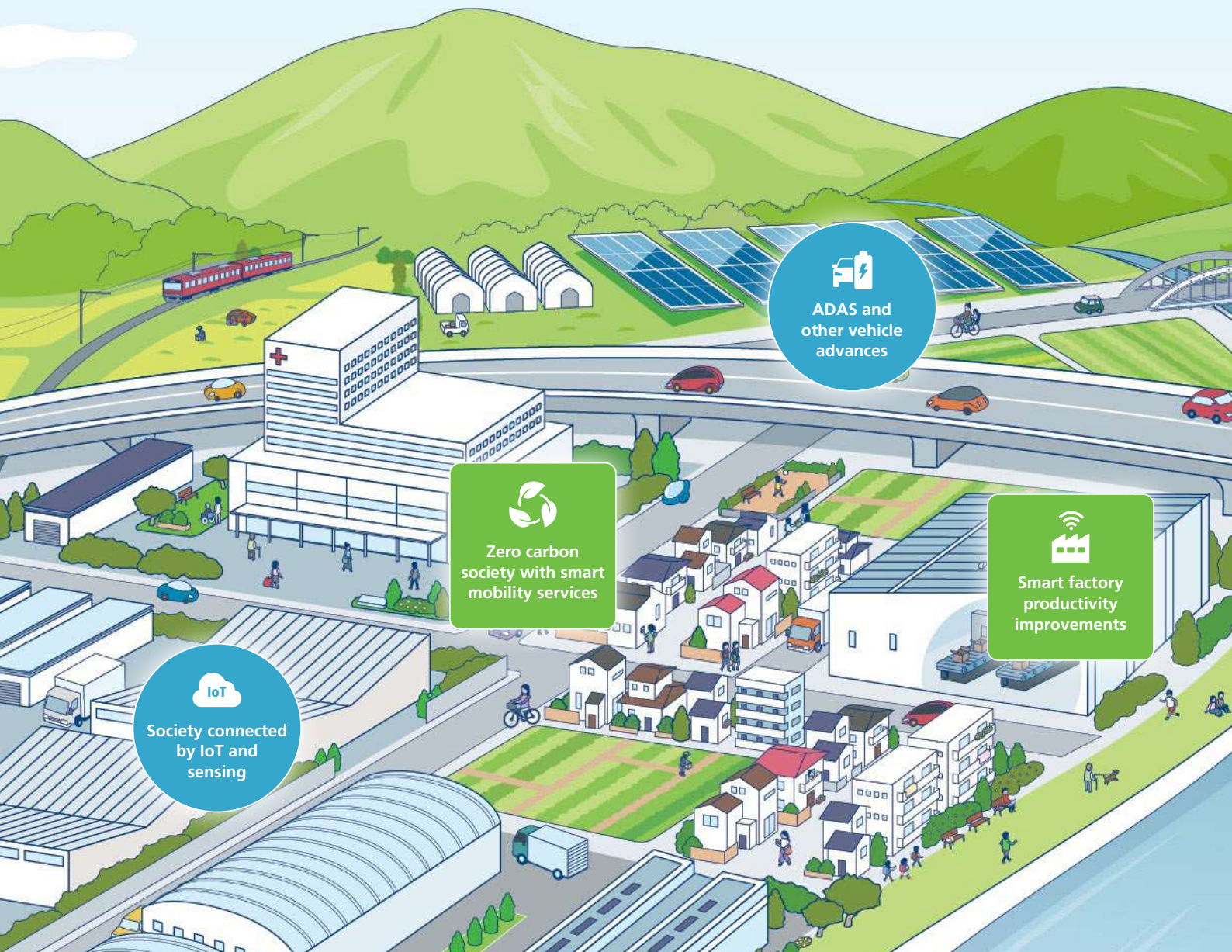
#### **Consumer products**

- TVs
- Game consoles
- Smart watches

9%

## Business Activities that Provide Value

# TAIYO YUDEN provides for people's needs and supports society



Value creation  
through products  
→ [p.38 At a Glance](#)



Value creation  
through solutions  
→ [p.44 Feature 2](#)



### Financial capital

Advances financial strategies  
that support sustainable  
growth



### Intellectual capital

Contributes to the evolution  
of electronics technology  
through R&D



### Manufacturing capital

Establishes high efficiency  
production and stable supply  
systems

Connecting people and things creates new value, bringing constant changes to society. TAIYO YUDEN's mainstay electronic components and the solutions they deliver continue to provide for people's needs in various daily situations and help build a prosperous society.



### Human capital

Trains innovative talent who will generate new value



### Social/related capital

Strengthens mutual trust with stakeholders



### Natural capital

Contributes to achieving a sustainable recycling society

# Materiality

In order to achieve its mission of “stronger and more socially aware through the wonders of science,” TAIYO YUDEN has designated the most important issues it faces as “materiality,” or “key issues.” In our

## Materiality (Key Issues) Identification Process

### Step ①

Establish mission and reaffirm management philosophy and vision

TAIYO YUDEN celebrated its 70th anniversary in 2020. To mark this occasion, it established a new mission of “stronger and more socially aware through the wonders of science,” which is to be pursued unchanged and perpetually to become a centennial company. In addition, we reaffirmed our management philosophy, which is our value, and our vision.

### Step ②

Extract issues and initiatives relating to economic and social values

During the discussions in Step 1, we recognized that increasing corporate value perpetually requires increasing not only economic value but also social value. In the process of formulating medium-term management plan 2025, we reviewed and extracted issues and initiatives related to economic and social values that we had been aware of.

## Materiality and Priority Measures

Category		Materiality (Key Issues)	SDGs Targets	Medium-term Management Plan 2025 Priority Measures
Economic Value		Strengthen core technologies to make our core business grow	 Goal 7: Affordable and Clean Energy  Goal 9: Industry, Innovation and Infrastructure	<ul style="list-style-type: none"> <li>Product Strategy Further grow the MLCC business and strengthen inductor and communication device products to turn them into core businesses</li> </ul>
		Create solutions to solve social issues		<ul style="list-style-type: none"> <li>Market Strategy Increase the proportion of sales in focus markets, primarily automotive and IT infrastructure/industrial equipment, to 50%</li> <li>Financial Strategy Continuously expand production capacity to meet increase in demand for electronic components</li> </ul>
Social Value	(E) Environment	Strengthen measures to address climate change	 Goal 6: Clean Water and Sanitation  Goal 12: Responsible Consumption and Production	<ul style="list-style-type: none"> <li>Accelerate our efforts with numerical targets to improve our social value</li> </ul>
		Use resources effectively and contribute to create recycling society	 Goal 13: Climate Action	
	(S) Social	Achieve health-oriented management and work style reforms at safety first workplace	 Goal 3: Good Health and Well-being  Goal 5: Gender Equality	
		Train and develop human resources based on the diversity policy	 Goal 8: Decent Work and Economic Growth	
	(G) Governance	Improve management quality to support business growth	 Goal 11: Sustainable Cities and Communities  Goal 16: Peace, Justice, and Strong Institutions	
		Establish and evolve BCM for disaster and infectious disease		

medium-term management plan 2025, which began in FY2021, we drew up priority measures and KPIs linked to key issues for both economic and social value, and we are in the process of carrying them out.

**Step ③****Gauge the demands and expectations of stakeholders**

We engaged (held constructive dialogue) with shareholders, investors, customers, business partners, employees, and other stakeholders to gauge their demands and expectations for TAIYO YUDEN and the extent to which we can make a contribution.

**Step ④****Set priority order and extract issues as materiality**

Based on the details outlined through Step 3 (issues extracted, demands and expectations for TAIYO YUDEN, extent of feasible contribution, degree of relevance to the business, etc.), we extracted issues that the Company should continue to prioritize.

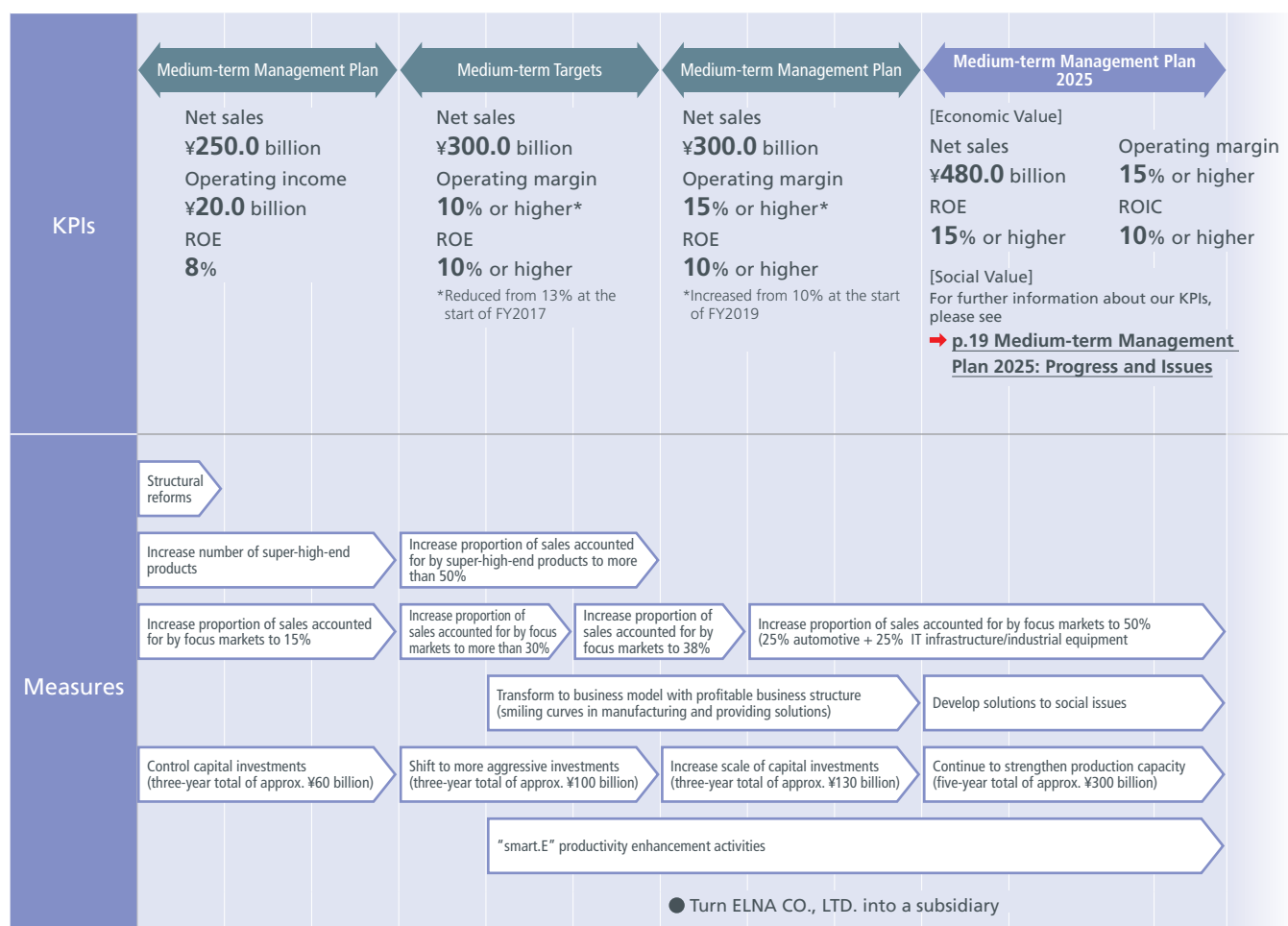
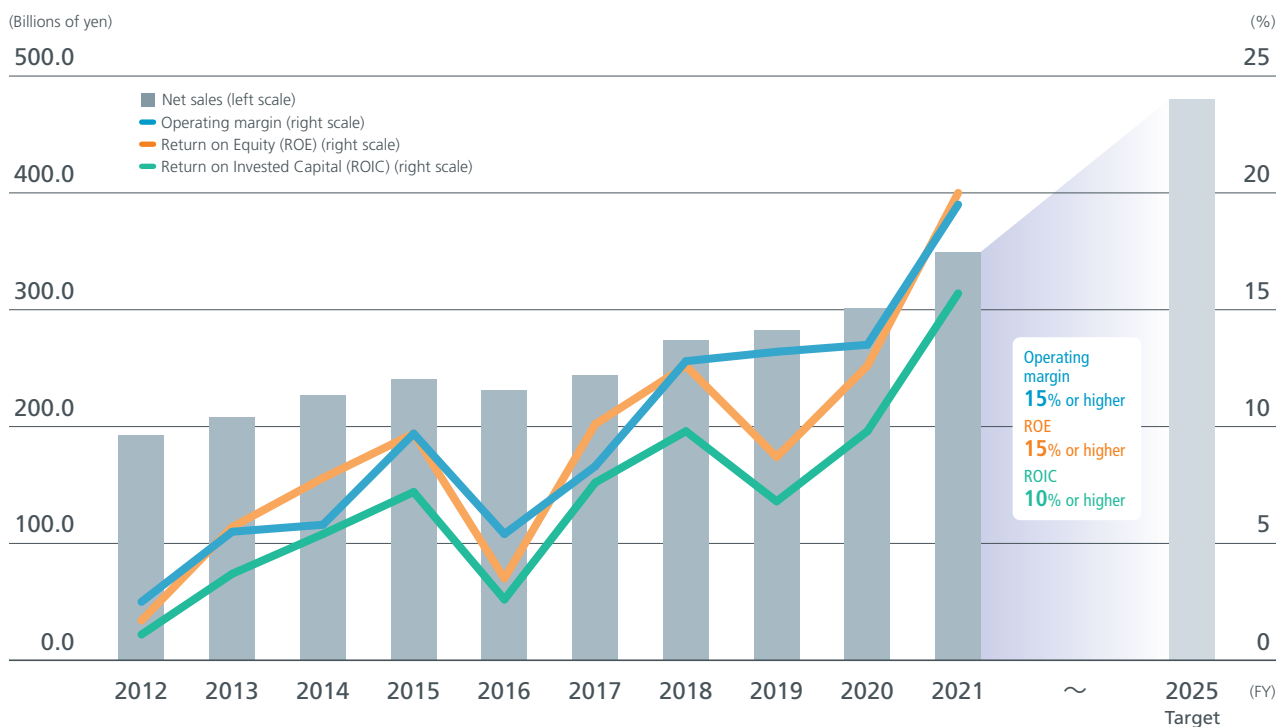
**Step ⑤****Approve materiality**

We identified a set of issues as materiality in the course of the numerous discussions among management. Materiality was then approved by the Board of Directors and announced.

Medium-term Management Plan 2025 KPIs	Example Initiatives in FY2021	Related pages
Net sales 480.0 billion yen	Initiatives for the development and stable supply of high-quality smart products that reduce environmental impact •Capacitors: development of small, thin, high-capacitance, high-reliability MLCCs •Inductors: development of magnetic metal and other materials, and enhancing wire-wound and multilayer process technologies •Communications devices: development of next-generation products for use in 5G mobile communications	→ <a href="#">p.38 At a Glance</a>
Operating margin 15% or higher	Focused development on high-end and high-reliability products for use in the automotive, and IT infrastructure/industrial equipment markets	→ <a href="#">p.18 Medium-term Management Plan 2025</a>
ROE 15% or higher	•Start of construction of new buildings and plants to strengthen production capacity in Japan and overseas (China and Malaysia) •Increased MLCC production capacity by 10–15% compared to the previous year	→ <a href="#">p.40 Feature 1</a>
ROIC 10% or higher	Expanded sales of regenerative electric assist systems and proposed various solutions, including river water level monitoring systems, bridge monitoring systems, and IoT engine soliot™	→ <a href="#">p.44 Feature 2</a>
GHG (Greenhouse gases) emissions FY2030 42% reduction (Absolute amount, compared with FY2020) *Reduction target increased from 25% at the start of FY2022	•Improved energy-efficiency for production and infrastructural equipment at production bases •Continued operation of solar power generators •Increased information disclosure in line with TCFD (Safety & Environmental Report 2022, Integrated Report 2022, etc.)	→ <a href="#">p.66 Environment Activities</a>
Waste, Water usage FY2025 10% reduction (Basic unit, compared with FY2020)	•Reduced waste at production bases through revisions to production methods •Reduced water consumption at production bases through optimization of facilities that use water	
Creating safe, comfortable and environmentally friendly workplaces, and optimizing Group base functions Incidence rate of injuries and illness <0.016 Accident frequency rate <0.08	•Established new medium-term health and safety targets for FY2022–FY2025 •Promoted health and safety activities for each of the 5Ms of man, machine, method, material, and measurement •Implemented training to reduce the incidence rate for mental health problems	→ <a href="#">p.74 Social Activities</a>
Work engagement: 2.5 or higher	•Introduced work-interval system, and trialed work-from-home system in normal times •Defined and commenced initiatives for the Focus 5 health indicators of diet, non-smoking, exercise, sleep, and stress	
Rate of newly recruited female graduates: 30% or higher	•Hosted company information sessions for women •Participated in recruitment events for female students •Received “Kurumin” recognition from the Minister of Health, Labour and Welfare, as a company that provides support for child raising in June 2021	→ <a href="#">p.76 Human Resources Strategy</a>
Female manager ratio FY2030 10% or higher *Newly established at the start of FY2022	•In partnership with labor unions, hosted workshops related to the promotion of women’s participation and advancement in the workplace •Hosted round-table discussions with women promoted to managerial positions	
	•Carried out Evaluation of Board of Directors’ Effectiveness using external evaluation organization •Revised systems of remuneration to corporate officers	→ <a href="#">p.56 Corporate Governance</a>
–	•Established Compliance Subcommittee and Risk Management Subcommittee under the Internal Control Committee •Strengthened information security, including strengthening security for company PCs used outside the office, and holding training sessions for employees responsible for information security at Group companies	→ <a href="#">p.62 Compliance and Risk Management</a>
	•Verified and revised codes of conduct in case of natural disasters at production bases •Regularly convened BCP Committee meetings to share information on the state of infections and on the state of production and logistics, and to ensure the implementation of infection prevention measures	

# Medium-term Management Plan 2025 (FY2021–FY2025)

## Looking Back at Previous Medium-term Management Plans



## Medium-term Management Plan 2025: Progress and Issues

In our previous medium-term management plan (FY2018–FY2020), we made progress on developing a business structure that was resistant to changes in demand, with the ultimate goal of achieving sustainable growth. We designated the automotive market and the IT infrastructure/industrial equipment market—two markets for which stable growth can be anticipated—as “focus markets” and formulated and executed strategies centered on increasing sales in these markets in particular. In FY2020, the final year of the previous medium-term management plan, we recorded net sales of ¥300.9 billion and ROE of 12.6%, hitting our targets in both; while our operating margin fell short of our 15% target, 13.5% nevertheless indicates a significant improvement.

The medium-term management plan 2025 seeks to build on these results in two ways: first, by following the same strategy of increasing sales in our focus markets; and second, by seeking to increase our corporate value through improvements in economic and social value. For economic value, we have set KPIs for net sales, operating margin, ROE, and ROIC; for social value, we have set KPIs for GHG emissions, waste volumes, water usage, workplace safety, diversity, etc. We have also earmarked ¥300.0 billion for capital investments over the five years of the plan; we will use this money to

strengthen our production capacity in readiness for explosive increases in demand and to make capital investment in environmental measures and IT facilities, and so improve both our economic and social value.

In FY2021, the first year of the current management plan, we achieved our targets for operating margin, ROE, and ROIC, in part due to favorable market conditions; going forward, we will continue business activities in order to be able to consistently achieve our KPIs related to economic value regardless of the state of the market. In our focus markets—the automotive market, where electrification is accelerating, and the IT infrastructure/industrial equipment market—sales grew steadily, and now account for 46% of our total sales. We will continue our efforts to increase this value to our target of 50%.

When it comes to our social value KPIs, we failed to meet our targets for waste volumes, incidence rates of injuries and illness and accident frequency rates, and work engagement. In response to the 26th UN Climate Change Conference of the Parties (COP26) agreement to limit global average temperature rises to 1.5°C, we have revised our GHG emissions targets upwards. Elsewhere, we have also newly established a diversity target of having an at least 10% female manager ratio by FY2030.

		FY2025 Target	FY2021 Actual	FY2022 Forecast
Economic Value	Net sales	<b>480.0 billion yen</b>	<b>349.6 billion yen</b>	<b>385.0 billion yen</b>
	Operating margin	<b>15% or higher</b>	<b>19.5%</b>	<b>18.2%</b>
	ROE	<b>15% or higher</b>	<b>20.0%</b>	—
	ROIC	<b>10% or higher</b>	<b>15.7%</b>	—

		FY2025 Target	FY2021 Actual	FY2022 Target
Social Value	<b>GHG emissions</b> *Absolute amount, compared with FY2020	FY2030 <b>42% reduction</b> *Increased from 25% at the start of FY2022	<b>5.2% reduction</b>	<b>8.4% reduction</b>
	<b>Waste, Water usage</b> *Basic unit (sales quantity), compared with FY2020	FY2025 <b>10% reduction</b>	■ Waste volumes <b>12.8% increase</b> ■ Water usage <b>2.8% reduction</b>	■ Waste volumes <b>4.0% reduction</b> ■ Water usage <b>4.0% reduction</b>
	<b>Safe &amp; secure workplace</b>	■ Incidence rate of injuries and illness < <b>0.016</b> ■ Accident frequency rate < <b>0.08</b>	■ Incidence rate of injuries and illness < <b>0.021</b> ■ Accident frequency rate < <b>0.10</b>	■ Incidence rate of injuries and illness < <b>0.016</b> ■ Accident frequency rate < <b>0.08</b>
	<b>Optimization of group base functions</b>	■ Work engagement: <b>2.5</b> or higher ■ Rate of newly recruited female graduates: <b>30%</b> or higher ■ Female manager ratio: <b>FY2030 10%</b> or higher *Newly established at the start of FY2022	■ Work engagement: <b>2.25</b> ■ Rate of newly recruited female graduates: <b>38%</b> *correct as of April 1, 2022 ■ Female manager ratio: <b>3.7%</b> *correct as of April 1, 2022	■ Work engagement: <b>2.5</b> or higher ■ Rate of newly recruited female graduates: <b>30%</b> or higher ■ Female manager ratio: —
	<b>Work style reforms</b>			
	<b>Diversity</b>			

# Financial and Non-financial Highlights

TAIYO YUDEN CO., LTD. and Subsidiaries

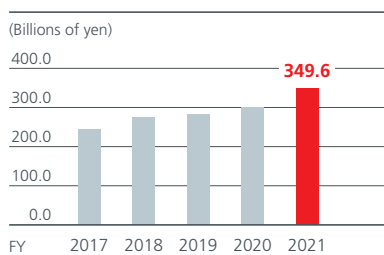
Years Ended March 31 and as of March 31

The full set of figures can be downloaded as an [excel file](#)

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

## [ Financial ]

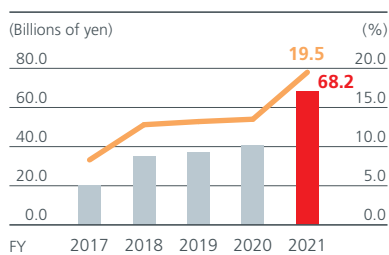
**Net sales** ¥**349.6** billion  
16.2% up (YoY)



Increased sales of capacitors, our key product, were driven by their use in automobiles, where electrification is progressing, and in IT infrastructure/industrial equipment. Sales of inductors also increased for use in information equipment and various other applications. In FY2021, year-on-year sales increased significantly by 16.2%; as a result, the Company posted record-high net sales for the fifth consecutive year.

**Operating income** ¥**68.2** billion  
67.3% up

**Operating margin** **19.5%**  
6.0pt up

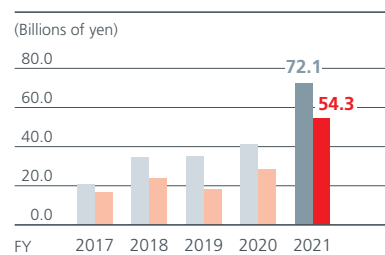


■ Operating income (left scale)  
— Operating margin (right scale)

Both operating income and margin increased due to two main factors: increased operating rates due to increased sales for a wide range of applications; and productivity improvement activities. As a result, in FY2021 we posted record highs for both operating income and margin.

**Ordinary income** ¥**72.1** billion  
75.0% up

**Net income attributable to owners of the parent company** ¥**54.3** billion  
90.0% up



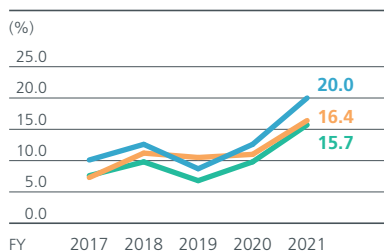
■ Ordinary income  
■ Net income attributable to owners of the parent company

Ordinary income increased significantly year on year, due to foreign currency gains and other factors. Net income attributable to owners of the parent company also increased significantly year on year, due to, for example, reduced impairment losses because of the elimination of losses related to COVID-19. As a result, in FY2021 we posted record highs for both ordinary income and net income attributable to owners of the parent company.

**ROE** **20.0%**  
7.4pt up

**ROA** **16.4%**  
5.4pt up

**ROIC** **15.7%**  
5.9pt up



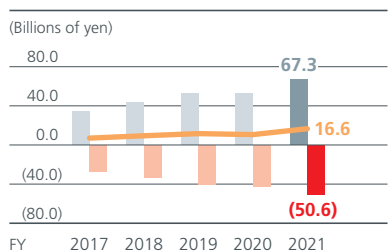
— ROE  
— ROA  
— ROIC

We enhanced profitability and increased profits by expanding in our focus markets of automobiles and IT infrastructure/industrial equipment and by undertaking productivity improvement activities. As a result, ROE, ROA, and ROIC are all increasing.

**Cash flows from operating activities** ¥**67.3** billion  
27.3% up

**Cash flows from investing activities** ¥**(50.6)** billion  
19.9% down

**Free cash flows** ¥**16.6** billion  
56.5% up



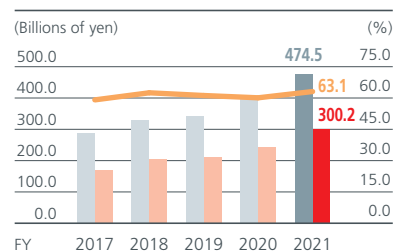
■ Cash flows from operating activities  
■ Cash flows from investing activities  
— Free cash flows

Cash flows from operating activities are continuing to increase due to higher earnings. Meanwhile, due to vigorous capital investments to address growing demand, investment cash flow outlays continued at a high level.

**Total assets** ¥**474.5** billion  
17.3% up

**Net assets** ¥**300.2** billion  
23.1% up

**Equity ratio** **63.1%**  
3.0pt up



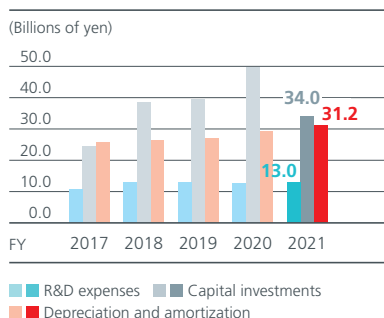
■ Total assets (left scale)  
■ Net assets (left scale)  
— Equity ratio (right scale)

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 ¥ **13.0** billion  
4.4% up ↗

Capital investments ¥ **34.0** billion  
31.5% down ↘

Depreciation and amortization ¥ **31.2** billion  
6.9% up ↗

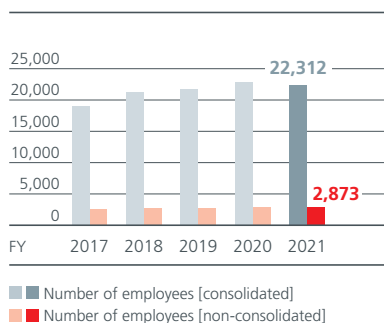


In light of an upswing in demand for products for use in 5G-related communications and automobiles, we focused our capital investments on high-end and high-reliability products. Moreover, we are continuing to invest in R&D aimed at energizing new business and new product development.

## [ Non-financial ]

Number of employees [consolidated] **22,312**  
2.4% down ↘

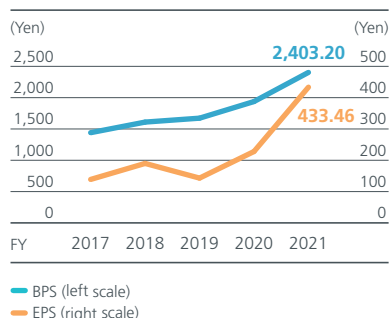
Number of employees [non-consolidated] **2,873**  
1.3% up ↗



TAIYO YUDEN continues to retain and recruit employees in strengthening production capacity in order to meet growing demand.

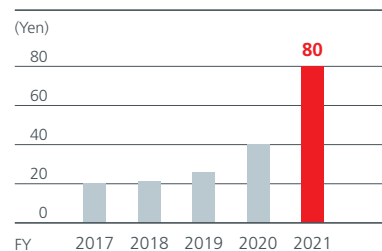
BPS ¥ **2,403.20**  
24.0% up ↗

EPS ¥ **433.46**  
90.1% 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 per share ¥ **80**  
¥40 up ↗

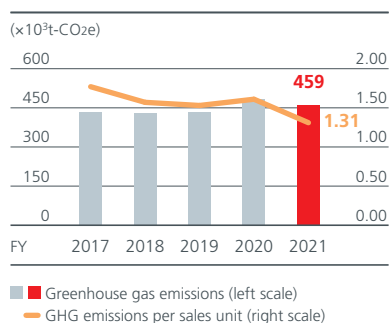


Having stated “Responsibility to Provide Returns to Shareholders” as one of our Management Philosophies, TAIYO YUDEN’s basic policy is to ensure that dividends continue to increase. We aim to achieve a stable dividend payout ratio of 30%. For FY2021, we increased the dividend per share by ¥40, compared with the previous fiscal year, for a dividend of ¥80 per share.

Greenhouse gas (GHG) emissions\* **459** ×10<sup>3</sup>t-CO<sub>2</sub>e  
5.2% down ↘

GHG emissions per sales unit **1.31**  
18.6% down ↘

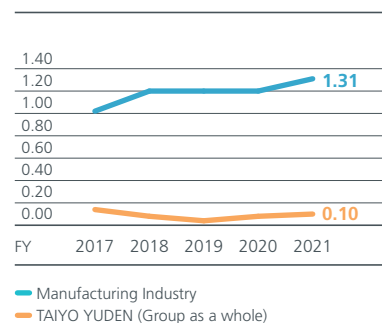
\*SCOPE 1 (direct emissions from the use of energy),  
SCOPE 2 (indirect emissions from energy use) in total



In FY2021, we succeeded in reducing both our total greenhouse gas (GHG) emissions and our emissions per sales unit. We are directing our efforts toward conserving energy and raising operational efficiency at our facilities in use, implementing process improvements, and generating energy, with the goal of curbing total GHG emissions and of reducing emissions per unit sales.

Accident frequency rate\* **0.10**  
0.02pt up ↗

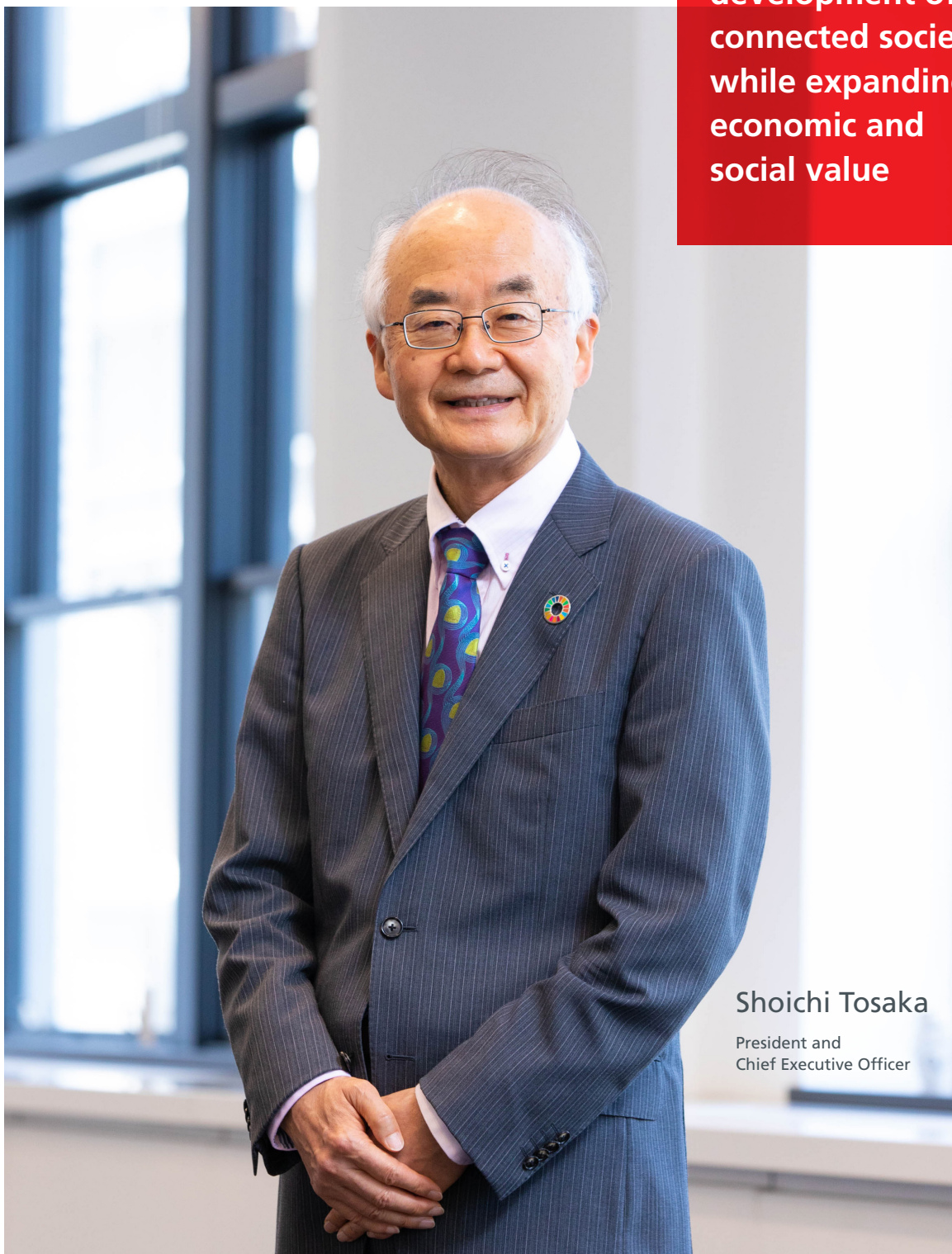
$$\text{*Accident frequency rate} = \frac{\text{Number of the victims of occupational injury (at least one workday lost)}}{\text{Total actual number of hours worked by registered workers}} \times 1,000,000$$



In FY2021, we recorded an accident frequency rate of 0.10. 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

**Contributing to the  
development of a  
connected society  
while expanding  
economic and  
social value**



**Shoichi Tosaka**

President and  
Chief Executive Officer

## *Our Goals*

### Continued Acceptance of the Group's Mission

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In the year 2020, TAIYO YUDEN celebrated the 70th anniversary of its founding. On this occasion, we clarified our mission to become stronger and more socially aware through the wonders of science in 2021 to restate our commitment to become a company that will contribute to society for the next 30 years up to the time of our 100th anniversary, and beyond. This new mission combines the concept of stronger and more socially aware, the direction that the TAIYO YUDEN Group has historically followed and passed down from generation to generation, with the excitement embodied in the wonders of science. Two thoughts underpin the notion of the wonders of science. First, science itself is the wellspring that supports every facet of TAIYO YUDEN's business development. The wonders of science bring about exciting experiences, unexpected discoveries, and surprises. Second, we believe that for a company to remain a viable going concern, its employees must find their work worthwhile and interesting. Our hope is that our employees are keenly aware of these two distinct thoughts as they go about their daily duties.

One year has now passed since we put forward this mission statement. I am heartened by the fact that employees are increasingly asking such questions as, "What does the wonders of science mean to me?" and "How can I become stronger and more socially aware through the wonders of science and my work?" Against this backdrop, I feel that employees are becoming increasingly aware and are steadily accepting our mission.

## *Changing Business Conditions*

### Advancements in Digital Transformation (DX) and Component Demand Growth

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Amid advancements in digital technology across 5G, the automotive market or "connected, autonomous, shared & service, and electric" (CASE), and various other related fields, the semiconductor market is projected to expand from ¥60 trillion in 2021 to ¥100 trillion in 2030. Despite the downturn in economic activity attributable to such factors as the COVID-19 pandemic, I can see the steady shift toward DX with new trends in the market including remote work, which is creating opportunities and increased demand for electronic equipment. In addition to the accelerated shift to electric vehicles and the expansion of data centers commensurate with growth in the volume of telecommunications data, power supplies are becoming increasingly efficient in a bid to curb power consumption. Electronic components, including capacitors, are vital to the operation of the semiconductors used in these devices. With these market forces in place, we will expand our supply capacity to meet increasing demand.

Although the global impact of COVID-19 is beginning to dissipate, conditions remain uncertain and in certain regions there are factors such as the large-scale lockdowns implemented to prevent further spread of the pandemic. Against this backdrop, we continue to implement various response countermeasures based on our Business Continuity Plan (BCP), taking into consideration the health and safety of stakeholders. At our production bases, we are following the instructions and guidance of national and local governments in each country. We are engaging in safe operations based on the thorough implementation of infection prevention measures. In areas other than production, we are working to ensure continued smooth operations through a variety of measures, which include the introduction of a work-from-home system depending on conditions in a particular region. While geopolitical risks have increased since entering this year, the TAIYO YUDEN Group has no bases, major customers or suppliers in Russia or Ukraine, and sales to both countries are insignificant. Despite this minimal direct impact on our business activities, events in Ukraine have resulted in higher procurement and logistics costs as well as longer logistics lead times.

Unexpected changes in the external environment, including large-scale natural disasters, can be expected to occur around the world at some time in the future. TAIYO YUDEN will address each

## Message from the President

incident according to the circumstances that prevail in order to engage in continuous and stable business activities.

### ***Medium-term Management Plan 2025***

## **First Year Financial Results Targets Achieved, Certain ESG Activity Issues Linger**

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Backcasting from 2030, the medium-term management plan 2025 covers the five-year period starting from FY2021. In this first year of the Plan, sales and profit increased. In specific terms, net sales climbed 16% compared with the previous fiscal year, to ¥349.6 billion and operating income jumped 67% year on year, to ¥68.2 billion. These results substantially exceeded forecasts at the beginning of the period owing to such factors as robust demand, the modest decline in product prices, and the positive impact of fluctuations in foreign currency exchange rates. TAIYO YUDEN reported a fifth consecutive fiscal year of record high net sales, a third consecutive fiscal year of record high operating income, and a second consecutive fiscal year of record high ordinary as well as net income. The Company has identified four economic value key performance indicators for net sales, operating margin, ROE, and ROIC under the medium-term management plan 2025. Drawing on financial results in FY2021, we have achieved our established targets except for net sales, and made an excellent start in the first year of the Plan.

For environmental, social, and corporate governance or ESG activities aimed at improving social value, we surpassed our targets for greenhouse gas (GHG) emissions, water usage, and the rate of newly recruited female graduates. In contrast, we fell short of our targets for waste, the incidence rate of injuries and illness, the accident frequency rate, and work engagement. In working to increase production capacity commensurate with the growth in demand, it is vital that we strengthen efforts to reduce our impact on the environment, improve safety, and motivate employees. After completing the first year of the medium-term management plan 2025, we have a much clearer picture of what is required to meet our targets. We will analyze those areas where we need improvement to achieve plans and adopt appropriate countermeasures. We will work to catch up by accelerating the pace of efforts in the current fiscal year and beyond.



### ***Business Strategies***

#### **— Pioneering Focus Markets**

TAIYO YUDEN has identified automobiles and IT infrastructure/industrial equipment as focus markets. The goal moving forward is to have these focus markets account for 50% of total sales. In FY2021,

focus markets already made up 46% of total sales. Looking at profitability trends over the past few years, the Company has enjoyed a steady increase in stability thanks to the expansion of sales in the focus markets. We will work to achieve the 50% target through concerted efforts to expand our product lineup to meet the specifications of customers that serve these focus markets. These measures include expanding our lineup of high-voltage-resistant products in mainstay multilayer ceramic capacitors (MLCCs), where demand is expected to increase due to the shift to electric vehicles, and the rollout of inductors for use in automobiles, data centers, and memory.

## — Product Information (Capacitors, Inductors, and Communication Devices)

In order to respond to the expanding market and the requirements of our customers, we recognize the critical need to focus on product development and production capacity expansion. From a product development perspective, we are working to increase the sophistication of our material and multilayer technologies. We are engaging in medium- and long-term R&D activities and are continuing to pursue technological breakthroughs through sudden serendipitous events.

Turning to MLCCs, work is underway on the construction of a materials building at the Group's Yawatabara Plant in Gunma Prefecture, Japan (scheduled for completion in December 2022) as well as new plants at TAIYO YUDEN (SARAWAK) in Malaysia and at TAIYO YUDEN (CHANGZHOU) in China (both scheduled for completion in June 2023). With the market expected to grow by about 10% annually, we will continue to increase production capacity by 10-15%, exceeding market growth. In conjunction with these endeavors, we will maintain our focus on smart.E productivity enhancement activities. We are continuing our efforts to increase capacity in real terms, mainly through yield improvements by putting in place a mechanism to horizontally disseminate good practices throughout the Group and promoting other productivity enhancement measures.

As far as inductors are concerned, we are also looking to expand beyond the Group's current mainstay smartphone market while promoting the diversification of markets and customers by developing products that incorporate the use of metal materials, ferrite materials and multilayer structures as well as wire-wound configurations to address customer needs. In FY2021, applications for information equipment, automobiles as well as IT infrastructure/industrial equipment are expanding. Moving forward, we will continue to promote further application expansion.

In addition to the mainstay smartphone market, the Group's communication devices are highly regarded for their reliability, which draw on a robust filter package structure in the automotive telematics, M2M, and IoT markets. Building on this track record, we are looking to expand into a wide range of applications.

## *Creating New Businesses*

### Promoting the Creation of Solutions for Social Issues

One of the Group's guiding new business principles is to provide people-oriented solutions. By combining TAIYO YUDEN's original technologies with an enhancement from outside resources, we are working to provide equipment, and develop businesses that solve social issues through proposals that incorporate solutions that ensure optimal use.

An example of this is regenerative electric assist systems for electric assisted bicycles, which have already been commercialized and have been favorably received as a new mobility system with low environmental impact. Sales are expanding steadily in line with the uptick in cycling interest. In addition, we are taking steps to promote the practical application of a wide range of products including river water level monitoring systems, LTE modules for smart meters, and location detection solutions with our IoT solution soliot™. The river water level monitoring system consists of a radio wave water level gauge that employs a millimeter wave sensor based on the Group's original optical recordable media technology. Here, we are conducting demonstration tests at various locations in Japan's Gunma and Hiroshima prefectures.

## Message from the President

TAIYO YUDEN's stance on new businesses is to systematize an evaluation process that seeks to match various social issues (needs) with the Company's technologies (seeds), while taking into consideration future demand forecasts, and the competitive environment. On completing this process, we select themes with the potential for commercialization. We intend to promote the creation of new businesses while carefully selecting those that can contribute to the enhancement of economic and social value.

### ESG Strategies (Environment)

#### Upward Revision of GHG Emissions Reduction Target

**WE SUPPORT**



\*COP26

The 26th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change

TAIYO YUDEN is a signatory to the United Nations Global Compact (UNGC) and strongly supports its 10 Principles in the four areas of human rights, labor, environment, and anti-corruption. We are strengthening our ESG endeavors with an emphasis on sustainable corporate activities, and we have put in place both economic and social value indicators in the medium-term management plan 2025. From an environmental perspective, we identified reduction indicators for GHG emissions, waste generation, and water use.

Looking first at GHG emissions, we reviewed our roadmap to 2030 in a bid to achieve the 1.5°C target agreed at COP26\* in 2021. As a result, we upwardly revised the 25% reduction target (compared with FY2020) set at the start of the medium-term management plan 2025 to 42%.

As a manufacturing company, TAIYO YUDEN must first work diligently to conserve energy. The Company will focus on minimizing loss to the greatest extent possible relating to its manufacturing activities. In addition to increasing the sophistication of a number of core technologies including the development of materials, efforts taken to improve the yield per unit will directly contribute to energy savings. We believe that the next step is to generate power including the creation of renewable energy. One example is the conversion to 100% renewable energy at the Company's R&D Center by FY2024. In specific terms, we will install solar power generation and storage batteries at the R&D Center premises to create energy and switch to electricity derived from renewable energy sources to cover any shortfall. Among various other measures, we are working to ensure that plants currently under construction in China and Malaysia are environmentally friendly. The Group as a whole will build an energy-saving, energy-creating, and energy-recycling manufacturing system to help realize a decarbonized society, while expanding information disclosure in line with the recommendations put forward by the Task Force on Climate-related Financial Disclosures (TCFD).

### ESG Strategies (Human Resources)

#### Setting a New Female Manager Ratio Target

Employees should be energized by their work, focus on staying healthy, and exhibit their ability with vitality. TAIYO YUDEN recognizes that this is the source of its value creation, and as such the Company is totally committed to its human resources. Under the medium-term management plan 2025, we set a ratio of new graduate women hired target of 30% or higher. Building on this target, we have added the new female manager ratio target of 10% or higher from FY2022. Drawing on the steady progress made in vigorously hiring female employees as well as its human resources development activities, the pool of TAIYO YUDEN's female manager candidates has deepened. Under these circumstances, we believe that we can accelerate our activities by setting and committing to targets for managerial positions.

In addition, we have set a work engagement target score of 2.5 or higher and achieved a score of 2.25 in FY2021, which fell short of the target. From this score, we can conclude that employees have not yet met to the level of interesting and rewarding work levels that we have identified in the Company's mission. Moving forward, we will carefully analyze all pertinent issues including work procedures and communication. We will put in place a variety of measures in a bid to achieve our goals.

### **ESG Strategies (Governance)**

## **Employing Advisory Panels Comprised Mainly of Outside Directors**

Corporate governance serves as the foundation for long-term, sustainable corporate growth. TAIYO YUDEN practices the principles of the Corporate Governance Code. The Company shares with the Board of Directors and deliberates on the information acquired through various means including dialogue with stakeholders. In principle, the fruits of deliberations are reflected in the Company's management.

Even before the Corporate Governance Code came into force, TAIYO YUDEN established the voluntary Nomination and Remuneration Committees, both chaired by an Outside Director. The Company continues to address the important issues of director nomination and remuneration, which can be considered the cornerstones of corporate governance. With the Remuneration Committee playing a leading role, we reviewed systems of remuneration to corporate officers in FY2021.

As far as the nomination process is concerned, we became aware of the need to deliberate on the composition of the Board of Directors from a medium- to long-term perspective following the effectiveness evaluation of the Board of Directors conducted in February 2022. To optimize the composition of the Board of Directors in light of the management policies and strategies of the time, we understand that it is increasingly vital to systematically develop the next generation of CEOs and Director candidates, mainly through the Nomination Committee.

### **In Conclusion**

Guided by its mission to become stronger and more socially aware through the wonders of science, we formulated the medium-term management plan 2025 taking into consideration the medium- to long-term business environment. We have set targets relating to the enhancement of economic and social values. We are looking to take the next leap forward through management that balances the improvement of each of these values. To achieve our established goals, the trust and collaboration of stakeholders including shareholders, customers, employees, and local communities are essential. I therefore humbly request the continued support of each.



A handwritten signature in black ink, reading "J. Tsahara".

President and Chief Executive Officer

## Message from the Officer in charge of Finance




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### Basic Financial Strategy

TAIYO YUDEN engages in business activity with the aim of achieving its mission, "stronger and more socially aware through the wonders of science." The field of electronics in which we operate is in the process of explosive growth in demand for electronic components as digital transformation progresses in the society. As such, TAIYO YUDEN has made it our basic financial strategy to balance implementing growth investment and maintaining our financial health in order to increase our revenue above and beyond market growth.

We base our financial health around a benchmark 60% equity ratio, a level we have been able to sustain consistently in recent years.

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### FY2021 Financial Results

Despite the ongoing impacts of the COVID-19 pandemic that have persisted since 2020, the external environment saw demand for electronic components generally remain strong in FY2021 thanks to the computerization and electrification of automobiles as well as proactive investment into IT infrastructure. As a result, net sales increased 16% over the previous year to ¥349.6 billion, and operating income rose 67% over the previous year to ¥68.2 billion. We were able to achieve record profits on every line from net sales to net income attributable to owners of the parent company, and our equity ratio, which we use as an indicator of our financial health, was 63.1%.

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### Medium-term Management Plan 2025

#### KPIs

The medium-term management plan 2025 has set KPIs of ¥480 billion net sales, an operating margin of 15% or higher, ROE of 15% or higher, and ROIC of 10% or higher by the final year of the plan. In FY2021, which marked the first year of the plan, we were able to reach our targets for all KPIs except for net sales. We intend to strengthen our efforts so that we hit these KPIs on a consistent basis moving forward.

→ [p.18 Medium-term Management Plan 2025](#)

**ROE and ROIC**

TAIYO YUDEN's basic policy is to improve ROE by improving profitability. To that end, it is vital that we achieve growth in areas in which we are able to provide high added value. Our focus is on expanding sales in the automotive and IT infrastructure/industrial equipment markets, and we are beginning to see the results of our marketing activities in inductor sales following on our success in capacitors, with sales of metal power inductors and other high-end products on the rise. Meanwhile, we also believe it is important to make appropriate investments and improve the profitability of our business through selection and concentration, and ROIC is used as one means of making such decisions. In FY2021, we transferred the wireless module portion of our integrated modules & devices business.

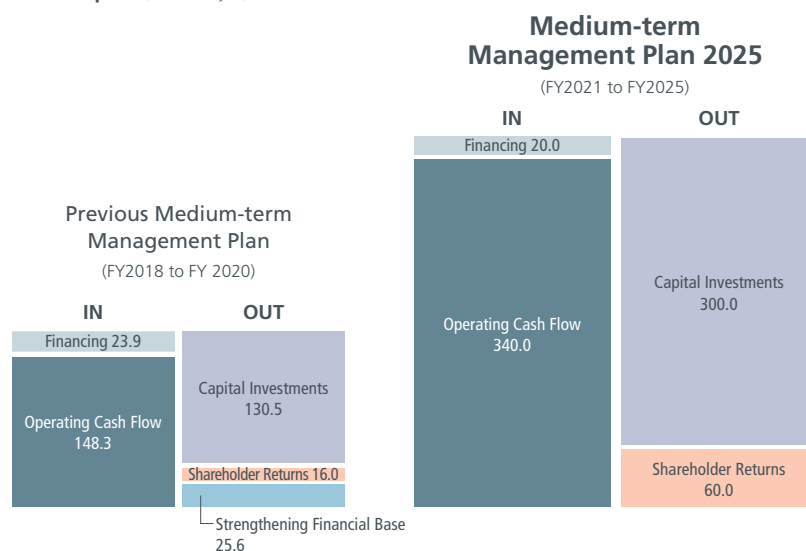
On top of this, we intend to continue with our efforts to raise our total asset turnover ratio by improving productivity and maintain proper inventory levels reflecting changing conditions, including the demand outlook and the stock needed for our business continuity plan. Moving forward, our basic aim is to achieve both our ROE and ROIC targets by improving profitability through growth.

**Growth Investment, R&D Expenses, M&A**

We plan to make capital investments totaling ¥300 billion over five years through FY2025 as growth investment. In FY2021, the first year of the plan, we invested ¥34 billion and are scheduled to invest ¥60 billion in FY2022, which will include the construction of a new factory in Japan. Moreover, our new multilayer ceramic capacitor (MLCC) factories in China and Malaysia are scheduled to be completed in FY2023. We have structured our investment plan so that our capital investments are higher over the middle portion of the medium-term plan. We also plan to focus our investments into MLCCs and inductors on increasing the production of highly reliable products and high-end products targeting the automotive and IT infrastructure/industrial equipment markets. In particular, we will work to strengthen our MLCC production capabilities by 10-15% every year.

In addition, we have allocated 10% of the ¥300 billion to investments that meet environmental targets and IT investments that will improve the efficiency of business operations. In terms of investments into environmental measures, preparatory construction work to shift our R&D Center to 100% renewable energy as previously announced is set to begin in FY2022, and we expect it to be fully powered by renewables by FY2024.

Our policy on R&D expenses, meanwhile, is to continuously make investments centered on the sophistication of elemental technologies, such as material technology, the creation of solutions, etc. The amount of these investments currently stands at 4% of net sales. Though we believe we are capable of achieving the medium-term management plan 2025 through organic growth, we are always keeping an eye out for M&A opportunities for consideration based on our needs in executing our business strategy as a means of furthering our growth.

**Allocation of Capital** (Billions of yen)

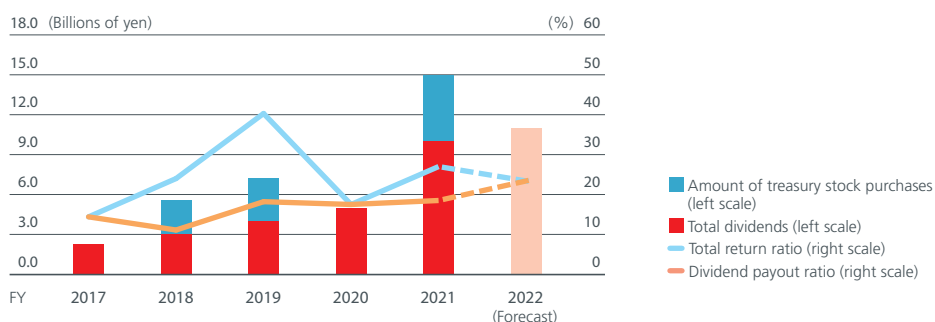
## Message from the Officer in charge of Finance

### Shareholder Returns

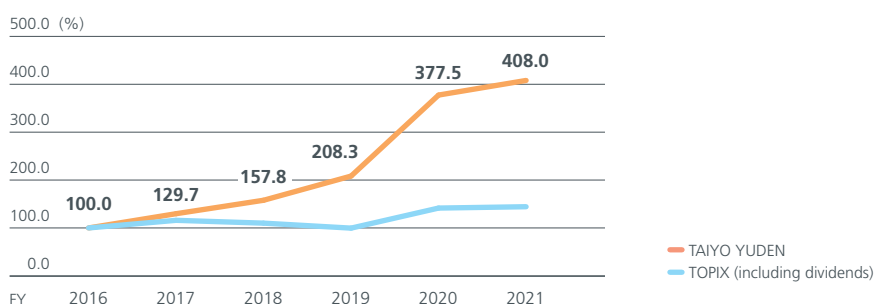
TAIYO YUDEN has set “responsibility to provide returns to shareholders” as one of its management philosophies. We have increased distributions continuously over recent years to fulfil this responsibility, raising the annual dividend per share from ¥20 in FY2017 to ¥80 in FY2021. Going forward, we plan to increase dividends in a stable manner as we strike a balance between growth investment and shareholder returns. Our dividend payout ratio for FY2021 was 18.5%, but the Company plans to aim to realize a dividend payout ratio of 30% once the prospects for any major investments are relatively clear, such as the construction of new factories.

It is our belief that TSR (Total Shareholder Return), a major topic in recent years, is important from an investor’s perspective. The Company will focus on profit growth, which will lead to capital gains, and increasing our free cash flow, which will lead to income gains. We will prioritize investments necessary for growth while also working to improve our productivity so as to enhance the efficiency of our investments. At the same time, we take initiatives based on stock market conditions, including the possibility of opportunistic treasury stock buybacks. The medium-term management plan 2025 also includes KPIs for increasing not just economic value but social value in an aim to boost the overall corporate value of the Company. Through these efforts, we hope to achieve more stable growth, meet stakeholder expectations, and ultimately improve TSR.

### Returning Profits to Shareholders



### Total Shareholder Return (TSR)



We are currently in the second year of the medium-term management plan 2025, and there is a need for us to identify early signs of changes in the business environment and business conditions, those that are unfavorable in particular, so that we may take the most appropriate measures. If the role of the CEO is to push the Company forward toward its goals, the role of the chief financial officer is to increase the Company’s sensitivity to change and implement measures in response, encouraging stable growth aimed at achieving those goals. As the Company’s chief financial officer, I plan to support the execution of the medium-term management plan 2025 by serving as a keen observer attuned to the various changes happening in the market environment as well as our Company’s standing.

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).

Building on our management systems for occupational health and safety, quality, environment and other aspects, we will use smart production processes and product manufacturing to offer greater economic value and social value and, as a result, increase our corporate value.

<b>High quality</b>	Products satisfying customer requests with high reliability
<b>Low power consumption</b>	Products delivering superior performance without consuming vast amounts of electricity
<b>Downsizing</b>	Products delivering high performance with few materials and thus contributing to end products fitting high functionality into a compact package
<b>Abolishing use of toxic substances</b>	Products not containing toxic substances
<b>Safety first</b>	Production processes designed with safety in mind allow operators to work free from <i>muri</i> (overburden).
<b>Following rules</b>	Operating in accordance with standardized procedures holds the key to minimizing irregularities between items.
<b>More efficient use of energy</b>	We minimize the energy used in manufacturing products.
<b>100% yields</b>	Stable production of high-quality products requires not allowing rejects and other forms of <i>muda</i> (wastefulness) to arise.
<b>Reuse and recycle</b>	Whenever possible, we use reused and recycled goods as materials for production.
<b>Minimizing emissions</b>	Wherever possible, our production processes strive for zero levels for emissions and other forms of <i>muda</i> (wastefulness).

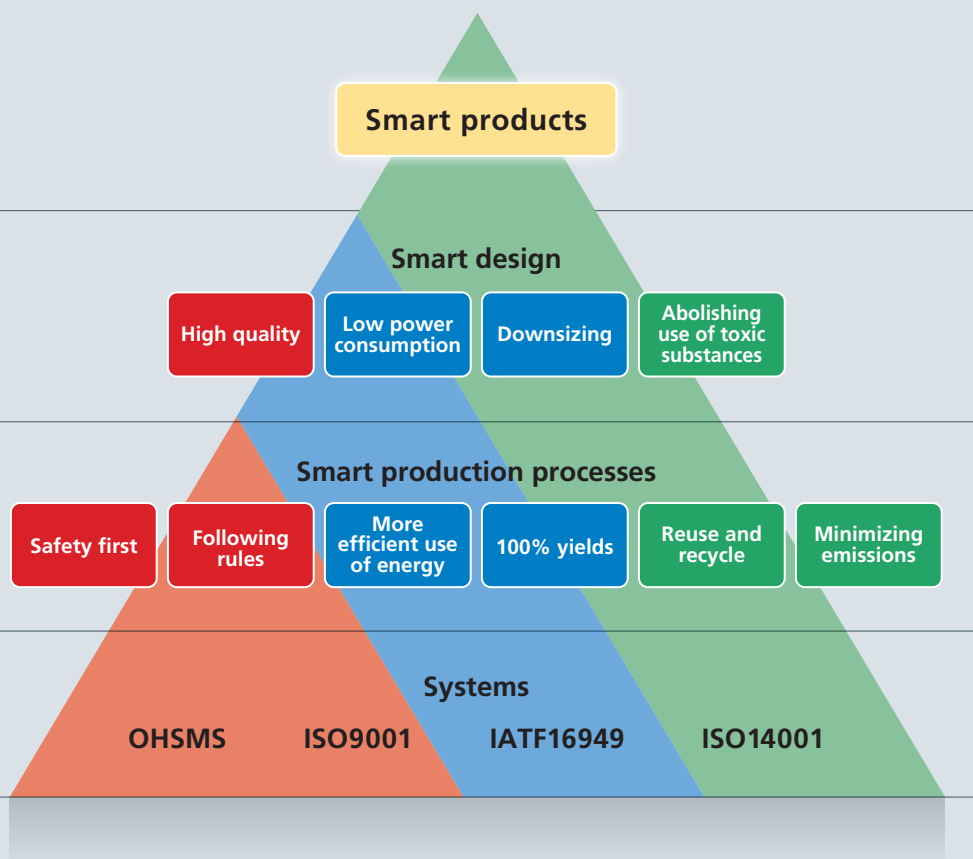
TAIYO YUDEN utilizes management systems that cover such areas as occupational health and safety, quality, and environment as the basis for its business operations in providing smart products. These management systems conform to OHSMS, ISO9001, IATF16949, and ISO14001.

The TAIYO YUDEN vision is to be an excellent company that provides society with Smart Products, and enjoys the trust and highest regard from all its stakeholders. By delivering Smart Products, we aim first to meet the expectations and earn the trust of our stakeholders, and then to bring excitement into their lives.

We define Smart Products as products that are not only environmentally friendly when in use, but eliminate what in Japanese are called “the three M’s”—*muda* (wastefulness), *mura* (inconsistency), and *muri* (overburden)—over the course of their entire life cycles, from design and production, to sales, incorporation into the final product, and final disposal. Such products provide value to our customers, to local communities, and to our employees, and also contribute to SDGs.

### TAIYO YUDEN VISION

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



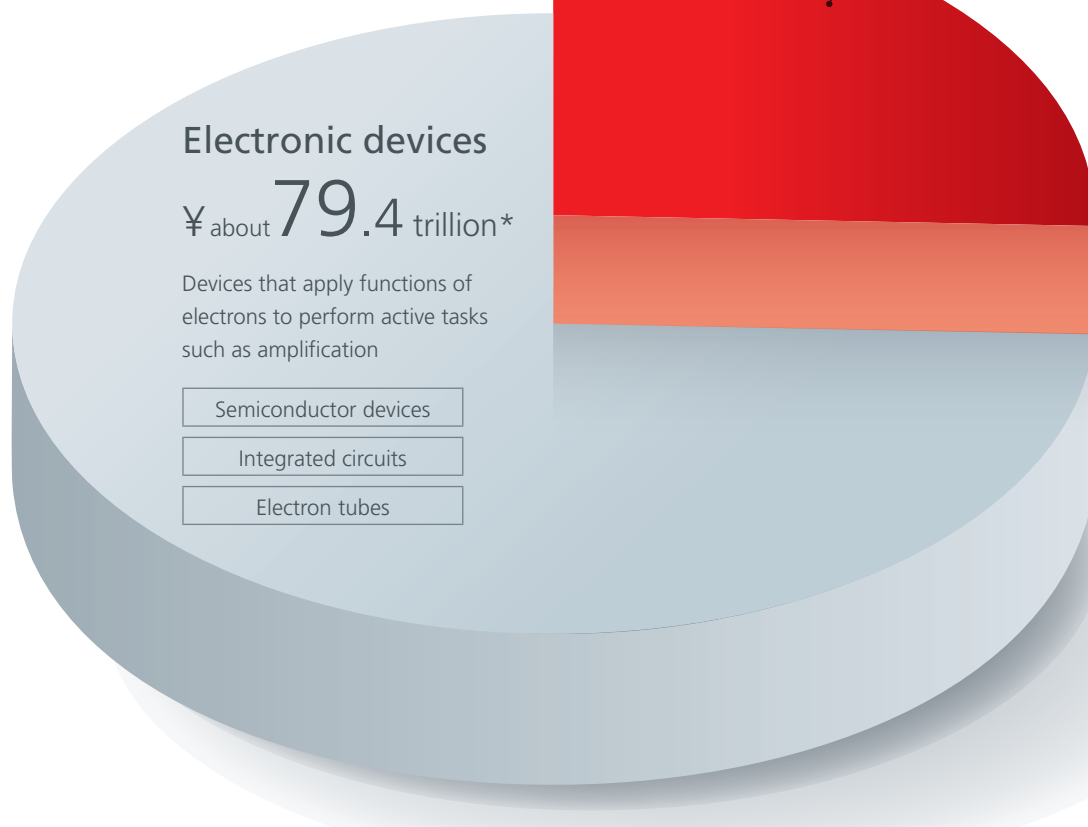
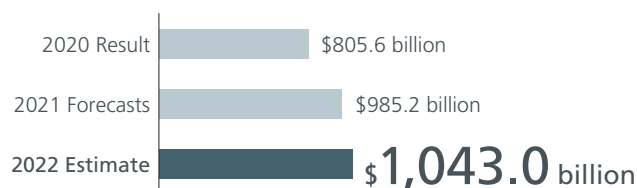
## Market Environment and Business Development

# Continued growth in needs as a result of greater electronics use

Due to the proliferation of smartphones and to the electrification of automobiles and various other products, the need for electronic components is expanding. While actual demand for such components fluctuates, it is exhibiting an upward trend.

### Market Conditions for Electronic Components and Devices (Calendar year)

¥ about **107.0** trillion\*



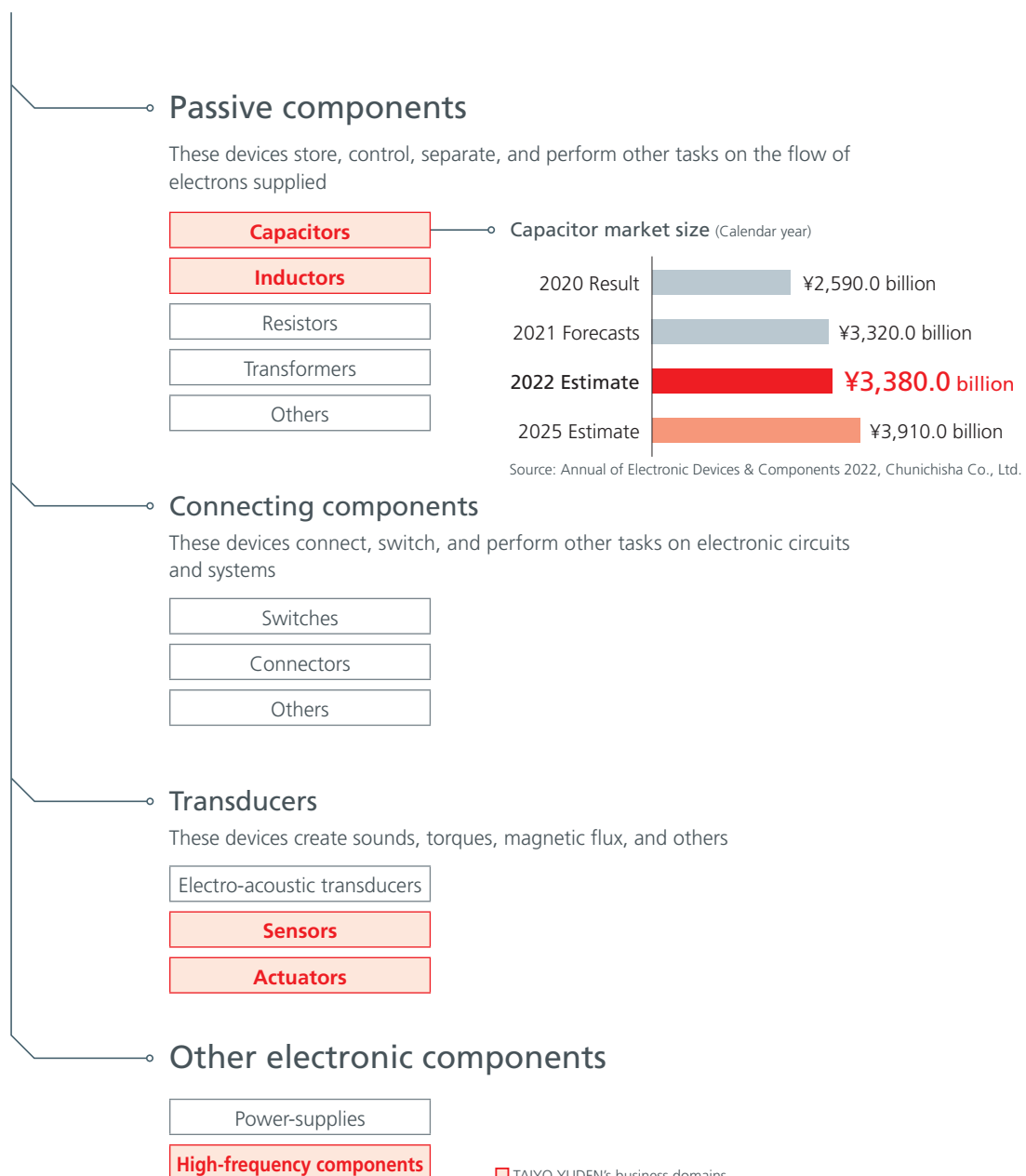
\* The forecasts as of 2021 (dollar-based) calculated using the average exchange rate for 2021 (1 dollar = ¥108.6).

Note: Figures from 2021 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 classification of global electronic component shipments

## General electronic components

¥about **27.6** 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

(FY2021)



#### Financial capital

Total assets **¥474.5 billion**  
Equity ratio **63%**



#### Intellectual capital

R&D expenses **¥13.0 billion**



#### Manufacturing capital

Number of production bases **18**



#### Human capital

Number of employees (consolidated) **22,312**



#### Social/related capital

Number of years since founding **72**  
Number of years since public listing **52**



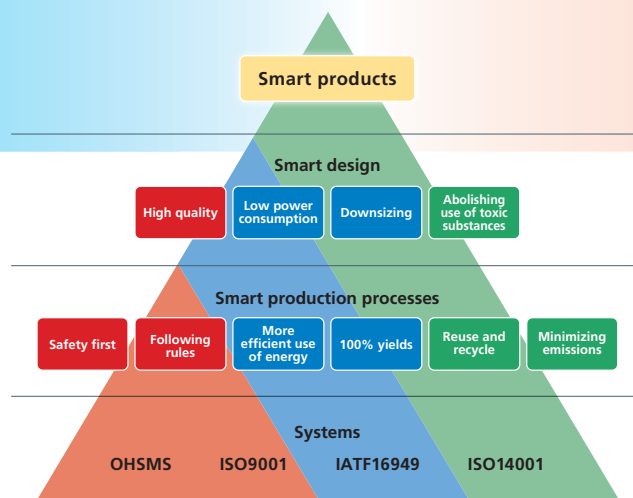
#### Natural capital

Energy (electricity) consumption **954,088 MWh**  
Water use **4,027,000 m³**

### Leverage from business activities

### Vision

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



TAIYO YUDEN's business activities are rooted in the management philosophy it has inherited from its founder, and in the mission it has formulated as it enters a new era: "Stronger and more socially aware through the wonders of science." Through our operations, we strive to contribute both to the resolution of social issues, and to the realization of a safe, comfortable, and convenient society.

Recent years have seen seismic shifts—also known as "megatrends"—in domains such as technology, the environment, and public health. By revising our business strategies, R&D strategies, and human resources strategies flexibly in line with these changes, our goal is to offer greater economic and social value, and to grow sustainably hand-in-hand with society.

bility to provide returns to shareholders

YUDEN

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

Creating value through business activities

Economic  
value

Social  
value

- E** Response to climate change
- S** Achieve health-oriented management and work style reforms at safety first workplace
- G** Improve management quality

## Outcome

### Medium-term management plan 2025

#### [ Financial ]

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

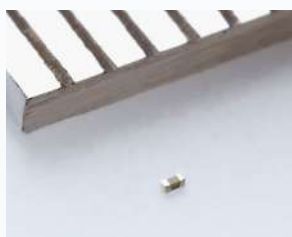
#### [ Non-Financial ]

- GHG emissions
- Absolute amount FY2030 **42%** reduction (compared with FY2020)
- Waste / water usage
- 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
  - Female manager ratio FY2030 **10%** or higher

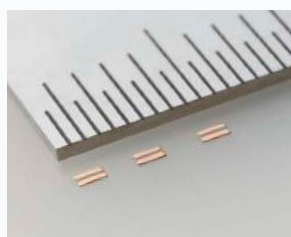
## At a Glance

### Capacitors

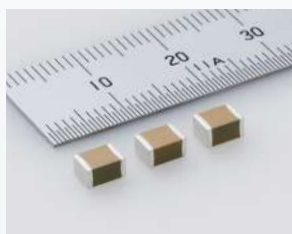
#### Multilayer ceramic capacitors



0201 size (0.25mmx0.125mm)  
ultra-small multilayer ceramic capacitors



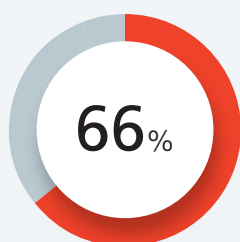
Ultra-thin multilayer ceramic capacitors  
(0.6mmx1.0mm) with 0.064mm  
thickness



4532 size (4.5mmx3.2mm)  
small high-capacitance multilayer ceramic  
capacitors with 1,000µF capacitance

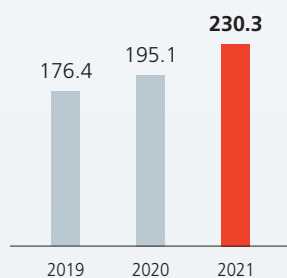
#### Net Sales Breakdown by Product Classifications

(FY2021)



#### Net Sales

(Billions of yen)



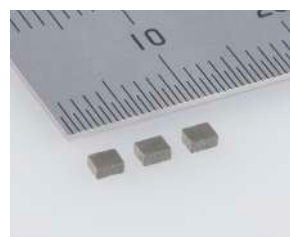
We are focusing on the development of multilayer ceramic capacitors that are small and thin with high capacitance and high reliability. We are also continuing the development of cutting-edge multilayer ceramic capacitors by advancing our dielectric materials technologies, thin-film and high-capacitance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

In FY2021, sales in all market sectors increased compared with the previous fiscal year, including for consumer equipment, information equipment, communication equipment, automobile, and IT infrastructure/industrial equipment. As a result, net sales increased 18.0% year on year to ¥230,383 million.

### Inductors

#### Wire-wound inductors

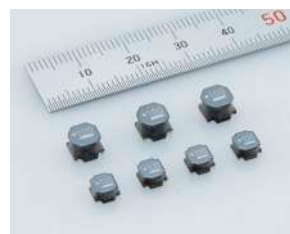
#### Multilayer Inductors



Wire-wound metal power inductors  
MCOIL™



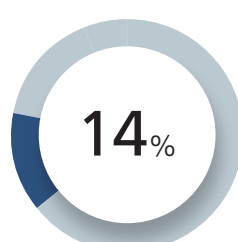
Multilayer metal power inductors  
MCOIL™



Wire-wound ferrite power inductors

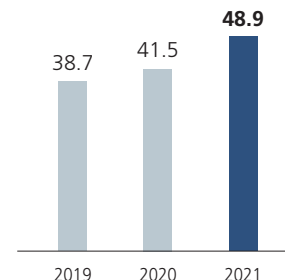
#### Net Sales Breakdown by Product Classifications

(FY2021)



#### Net Sales

(Billions of yen)

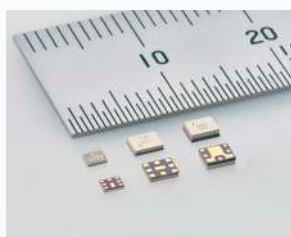


In addition to small, thin inductors with high current, we are working on the development of large, high-reliability inductors targeted at automotive and IT infrastructure applications. We are also developing competitive products by bringing about even greater sophistication in our development of metal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

In FY2021, while year-on-year sales for consumer equipment decreased, sales for information equipment, communication equipment, automobile, and IT infrastructure/industrial equipment all increased. As a result, net sales increased 17.7% year on year to ¥48,925 million.

## Integrated Modules & Devices

- FBAR/SAW devices for mobile communications
- Circuit modules



FBAR/SAW devices  
for mobile communications



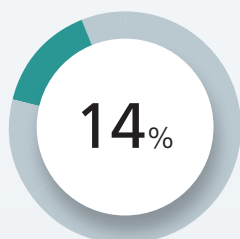
Multilayer ceramic filters



Regenerative electric assist system  
(for electric assist bicycles)

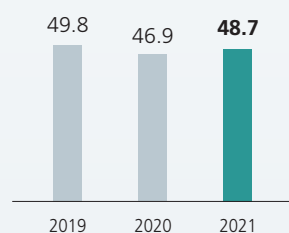
### Net Sales Breakdown by Product Classifications

(FY2021)



### 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 and improved multilayer ceramic filter technologies, the development of next-generation products for fifth-generation (5G) mobile communications systems, and the development of solutions-based products intended for focus markets that combine TAIYO YUDEN's core technologies.

In FY2021, sales of circuit modules, etc., increased compared with the previous fiscal year. As a result, net sales increased 4.0% year on year to ¥48,799 million.

## Others

- Aluminum electrolytic capacitors
- Power storage devices



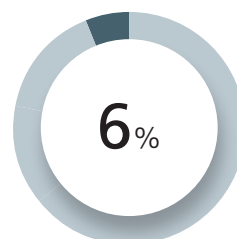
Conductive polymer hybrid  
aluminum electrolytic capacitors



Electric double-layer capacitors

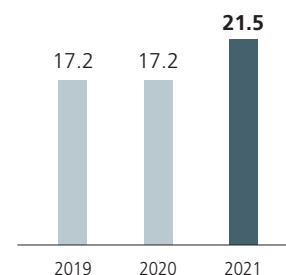
### Net Sales Breakdown by Product Classifications

(FY2021)



### 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 FY2021, we recorded increased year-on-year sales of aluminum electrolytic capacitors, primarily for automobile use. As a result, net sales increased 25.0% year on year to ¥21,527 million.

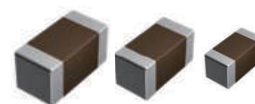
**Feature 1:****Product-driven Advances in Digital Transformation (DX)**

# Business strategy for MLCCs in continuously growing demand

Demand for multilayer ceramic capacitors (MLCCs) is growing across the globe on the back of increasingly “Connected,” “Autonomous,” “Shared & Services,” and “Electric” (CASE) automobiles, and the advance of DX in wide-ranging fields. In the face of this rising demand, TAIYO YUDEN is focused on initiatives aimed at expanding its supply capacity and optimizing the distribution of its production sites for MLCCs.

## Growing demand for MLCCs

MLCCs are found in all manner of electronics, with around 1,300 units used in a single high-end smartphone and some 10,000 units used in a single electric vehicle. Going forward, demand for MLCCs will continue to grow, both due to the increasing sophistication of smartphones and the accelerating electrification of automobiles; indeed, demand volumes are forecast to grow by 10% or so per year, with total demand for MLCCs in FY2025 expected to number around 6.5 trillion capacitors—1.6-times higher than in FY2020. In particular, there has already been significant growth in demand from high-end and high-reliability products—and responding to this increased demand is of the greatest urgency.



Demand forecast for MLCC (Volume)



\*According to in-house research

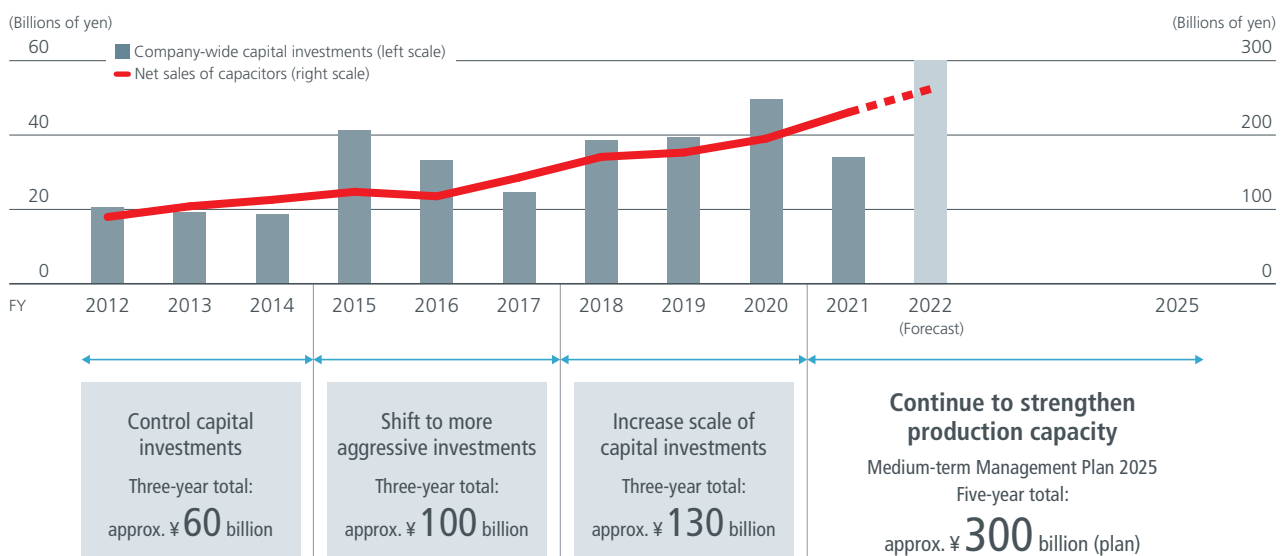
## 01

## Capital investments centered on high-end and high-reliability products

TAIYO YUDEN continues to make active investments to meet growing demand for MLCCs across the globe. We are focusing our investments on cutting-edge, high-end products and on high-reliability products for automotive use, and we intend to increase our production capacity by between 10 and 15% every year. To this end, we have planned for company-wide capital investments totaling ¥300 billion over the five years from FY2021 to FY2025.

Since there are only a few MLCC manufacturers capable of delivering a stable supply of MLCCs for cutting-edge, high-end products and for high-reliability products for automotive use, there are market concerns about whether supply will be able to keep up with demand. We believe that by making capital investments in response to growing demand, we will not only strengthen our production capacity, but also improve our competitiveness.

### Company-wide Capital Investments and Net Sales of Capacitors



## Feature 1:

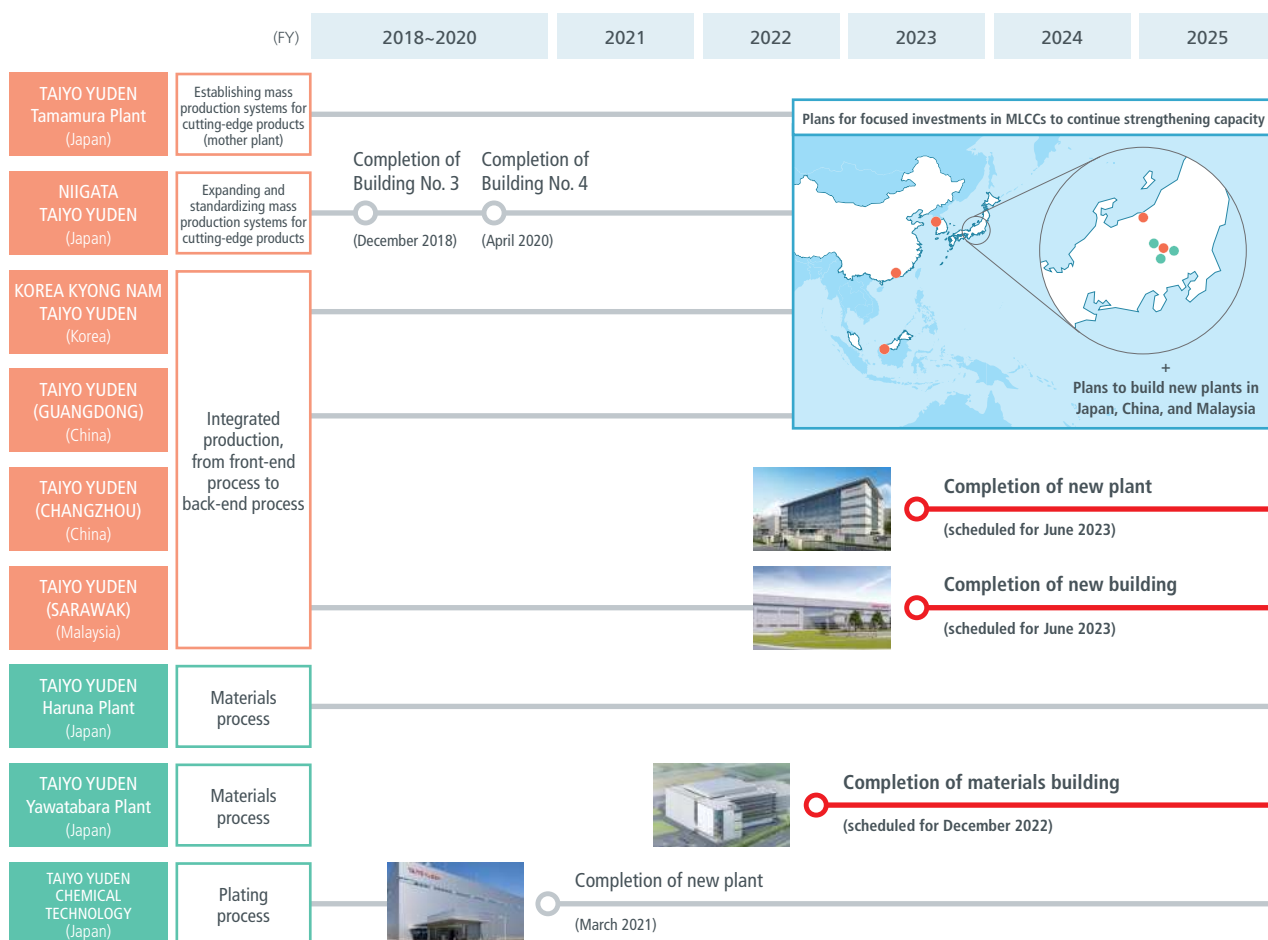
## Product-driven Advances in Digital Transformation (DX)

## 02

## Expansion plans that aim to realize distributed production and smooth increases in capacity

The TAIYO YUDEN Group has produced MLCCs overseas for many years and, at present, it operates production sites in Japan, Korea, China, and Malaysia. Rolling our operations out across multiple countries and regions is a strategy for distributing risk, and enables us to limit the dependence we have on any single country or region. In our medium-term management plan 2025, we continue to adhere to this policy of restricting our dependence on any single country or region, as we plan to establish new plants in three countries—Yawatabara Plant in Japan, TAIYO YUDEN (CHANGZHOU) in China, and TAIYO YUDEN (SARAWAK) in Malaysia. While we endeavor to distribute risk by ensuring our operations span multiple regions, when choosing for new sites, we deliberately choose locations that neighbor our existing regions of operations. This allows the new sites to receive support from nearby existing worksites, and helps ensure that everything from plant construction to full-scale production proceeds smoothly.

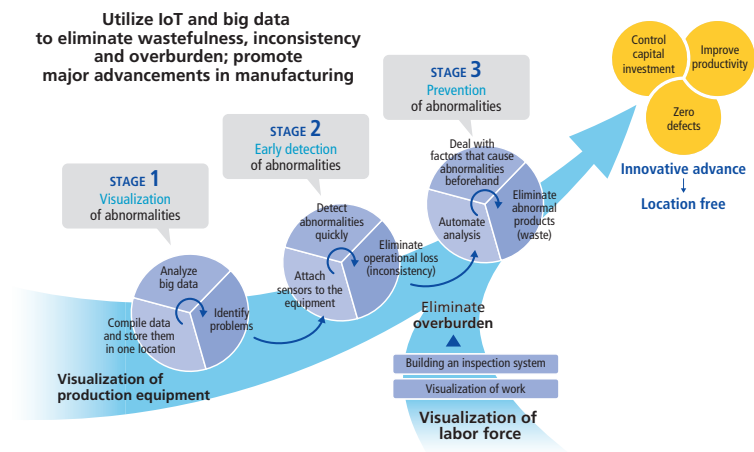
## TAIYO YUDEN Group MLCC Production Sites



## 03

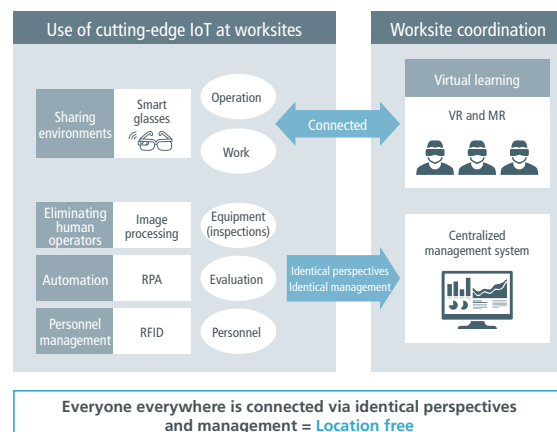
## Strengthening manufacturing capabilities through “smart.E” productivity improvement activities

If we wish to increase our MLCC production capacity, we believe that in addition to strengthening our plant capacity through investments, it is vital we also work to reduce losses and improve yield through productivity improvements. At TAIYO YUDEN, we launched the smart.E project for productivity improvement activities in 2016 and, since then, we have continued working to improve yield by eliminating inconsistencies in our equipment and workforce. Our goal is to achieve zero defects, so that our customers can use TAIYO YUDEN products with peace of mind at all times. To this end, we have enlisted AIs to continually monitor the state of our “3Ms”—of man, machine, and material—for abnormalities during production, and to prompt facility managers to carry out maintenance before abnormalities occur. The progress of our “smart.E” activities has led to improvements in manufacturing at all our plants around the world, and we are moving closer to a truly borderless production system. By strengthening our production capacity and improving our productivity, we intend to enhance our overall manufacturing capabilities, and so ready ourselves to respond to explosive increases in demand.



### Example Initiatives in FY2021

- In FY2021, we largely succeeded in executing our initiatives as planned.
- In our production activities, we introduced cutting-edge IoT technologies, and focused on establishing systems for identifying effective initiatives within our different locations and rolling them out across the entire TAIYO YUDEN Group. We intend to build a database of effective methods and procedures that can be referred to at all times.



## Feature 2:

## Solutions to Solve Social Issues

# Expanding our solutions business for disaster prevention and energy

One of TAIYO YUDEN's materiality for generating economic value is to "create solutions to solve social issues." We strive to take unprecedented approaches to creating solutions in the belief this will lead to the resolution of social issues.

TAIYO YUDEN  
Solutions

01

## River water level monitoring system



### Preparing for natural disasters through disaster-prevention and mitigation initiatives

As trains of torrential rain occur with greater frequency, so flooding of rivers and urban areas is becoming more common. TAIYO YUDEN's river water level monitoring system uses cloud servers to gather real-time data from water level gauges, monitoring cameras, and overflow sensors, and is designed to provide stable streams of data even when disasters are in progress. We provide this gathered information via a service that charges a fixed fee for data usage only. This reduces the burden on the customer for installing, operating, and maintaining sensors, and so contributes to the creation of safer and more secure towns.

#### Target SDGs

Goal 11 Sustainable Cities and Communities  
Goal 13 Climate Action



### Realizing a decarbonized society through new forms of mobility

Electric assisted bicycles are receiving attention as a form of zero-emissions mobility. TAIYO YUDEN's regenerative electric assist system generates electricity from a motor during braking or when the pedals are not being rotated, which is then used to charge the battery. The system significantly reduces the frequency with which the battery has to be charged externally, and thereby helps to increase the operational efficiency of share bicycles, and contributes to the creation of environmentally friendly towns.

#### Target SDGs

Goal 3 Good Health and Well-being  
Goal 7 Affordable and Clean Energy



TAIYO YUDEN  
Solutions

02

## Regenerative electric assist system



TAIYO YUDEN  
Solutions

03

### Bridge monitoring system



### Detecting minute displacements to monitor traffic and infrastructure

The deterioration of bridges, roads, water supply and sewage systems, and other forms of social infrastructure has become a major social issue. TAIYO YUDEN's optical displacement sensors, which have been developed using proprietary technologies, can detect nanometer-scale displacements in various structures. These optical displacement sensors can be placed in concrete bridges to monitor traffic conditions—such as how many vehicles have passed, and how heavy they were—and can also be used to analyze the behavior of high-rise buildings. Data from these sensors can be used to carry out efficient maintenance and repairs, which leads to the creation of safer and more secure communities.

#### Target SDGs

Goal 9 Industry, Innovation and Infrastructure  
Goal 11 Sustainable Cities and Communities



### Contributing to labor savings and improved productivity at plants

soliot™ is a data management engine that utilizes TAIYO YUDEN's proven short-range wireless communication technologies to gather a variety of data from small sensor tags via small-scale gateways, then visualizes this data in an optimal manner. The locations of the sensor tags can be calculated by analyzing the strength of the radio waves received by the gateways, and be used for visualization purposes. This location detection system can be used to improve the efficiency of various worksites, such as by increasing the efficiency of triage processes in hospitals, and by boosting productivity at plants through the management of person and object location information.

#### Target SDGs

Goal 8 Decent Work and Economic Growth  
Goal 9 Industry, Innovation and Infrastructure

TAIYO YUDEN  
Solutions

04

### soliot™ IoT engine location detection system



## R&D

### Message from the Officer in charge



### *Taking on innovative advances in R&D through the wonders of science*

Shoichiro Hirakuni

Operating Officer  
Laboratory Manager,  
Research and Development Laboratory

Research and development serves as the universal origin of TAIYO YUDEN's competitiveness. What distinguishes us is our commitment to quality in materials, characterized by the integration of everything from materials R&D to product development. This commitment helps us create competitive products as well as refine and accumulate core technologies needed to make new products. As a result, these technologies, which are capable of bringing out the full potential of a material's unique properties, serve as one of the Group's greatest strengths.

In 2021, TAIYO YUDEN adopted a mission of becoming "stronger and more socially aware through the wonders of science," aiming for sustainable growth and the creation of a prosperous society. "The wonders of science," which open the door to the future through exciting experience, unexpected discoveries and surprises, and the development of new fields are the very source of TAIYO YUDEN's corporate value enhancement.

For these wonders of science to materialize, cooperation between people and technology is imperative. I believe it is important that we adeptly utilize the discontinuous, free, and unexpected ideas, conceptions, and flashes of genius unique to human beings, as well as the comprehensive nature and efficiencies of the latest digital technologies and AI in order to uncover new solutions. In fact, in recent years we have begun to achieve significant results in the form of innovative advances that have stemmed from discoveries made thanks to the extensive knowledge and past experience of our researchers, collaboration, etc. between engineers working in different fields at our Research and Development Laboratory, and so on. These achievements have all been triggered by serendipity, a uniquely human experience, and I see this belief in "the wonders of science" steadily taking hold amongst our employees.

On the other hand, however, engineers tend to become absorbed in the technologies they are in charge of or

interested in. Getting engrossed in your work is vital in order to solve technical issues at hand, and expertise is, of course, necessary to do so, but it can narrow one's perspective and limit testing to a scope that is based on one's own past experience, which could potentially cause the optimal solution to be missed. To avoid falling prey to this trap, we train our researchers to view things from a diverse range of perspectives and established the Shin-Kawasaki Center SOLairoLab to facilitate active interaction between our researchers and those outside of the Group.

Another issue to consider, especially in fields closely related to the development process, is the tendency to forecast and think about how we can improve upon what we already have. To combat this, I have encouraged our team members involved in R&D to take a backcasting stance, envisioning ten years from now, depicting five years from now, and setting concrete goals to be realized three years from now. It is important that we define what we should become and what we want to be, identify the gaps with where we are today, and use that to draw a timeline and roadmap to reaching our goals. "Ten years from now, the world will be like this. So five years from now, we will need a device like this. We should thus aim to hit this bar in three years' time." This is the type of thinking I hope to see our employees develop so that we can create technologies unlike anything seen before and that can help solve major social issues.

Moving forward, TAIYO YUDEN will work to break free of the specialization trap through future-oriented initiatives as we remain committed to material technology, one of our core technologies, and we hope to maintain our position as a top organization that possesses the technologies needed in the coming new era.

➔ [p.32 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

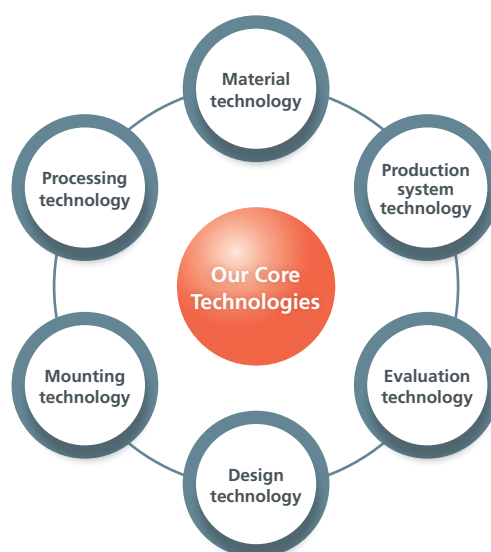
Logically verify the reproducibility of the technology we develop

##### 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

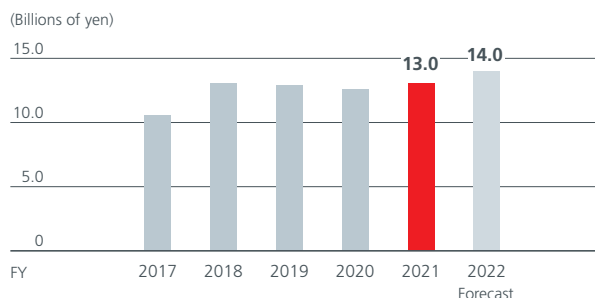
### Achievement of Our Vision through Development of Smart Products

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. As such, in recent years we have continuously invested a fixed amount into R&D activities.



## R&D

### R&D Themes

At the Research and Development Laboratory, the center of TAIYO YUDEN's R&D activities, 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." Our development activities are underpinned by two basic policies: 1. Developing outstanding material technologies to become a No. 1 player; and 2. Proposing solutions that meet the needs of society.

Our current research themes include the development of dielectric materials for multilayer ceramic capacitors and new materials for our metal power inductor MCOIL™. We are also stepping up our initiatives that address research themes which contribute to the creation of new value through items

including all solid-state batteries and smell sensors as well as research themes related to the SDGs, particularly the environment.

To strengthen the core technologies (material technology and process technology) that form the foundation of our business, we draw up research themes based on our roadmap and operate an oversight system that takes a unique twist on the phase-gate process. We have also established a new functional organization within the Research and Development Laboratory to serve as the foundation for TAIYO YUDEN's technological capabilities, such as benchmarking of things like intellectual assets, digital technologies centered around simulations, and measurement technologies in anticipation of 6G.

### Research Personnel

TAIYO YUDEN is currently promoting an educational program designed to cultivate research personnel capable of backcasting. We train our researchers to be able to develop technological strategies from a long-term perspective by, for example, drawing roadmaps for future R&D activities with an eye to major technological trends. We are also making attempts to broaden our researchers' perspectives by, for example, holding guest lectures by experts and specialists in fields not directly tied to R&D, such as design and the social sciences. With these efforts, we aim to develop personnel capable of backcasting from our vision for what we should be in the future and solving social issues unfettered by the constraints of their particular

field of expertise during their R&D activities.



A training session on the decision-making process and mindset for creating markets

### TAIYO YUDEN's Research Facility



R&D Center

We are committed to upholding our claim to be "the TAIYO YUDEN of technology and the TAIYO YUDEN of development." Based on this, we opened the R&D Center (Takasaki

City, Gunma Prefecture, Japan) in 1998 with the aim of continuing to create the world's best products. Establishing the R&D Center has accelerated our R&D activities and still drives the development and technological progress of TAIYO YUDEN today, taking a role of a foundation of creativity focusing on the future.

In November 2020, we also opened the Shin-Kawasaki Center SOLairoLab (Kawasaki City, Kanagawa Prefecture, Japan) as a satellite base closer to the market. Moving forward, we plan to take advantage of its location at Shin-Kawasaki Sozo no Mori ("Forest of Creation") where a large number of research institutes and start-ups have congregated to strengthen our information gathering and marketing functions as well as our application and solution development capabilities.

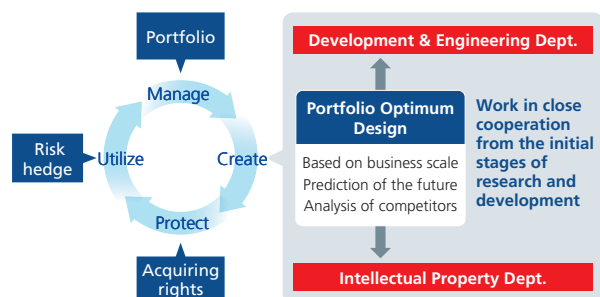
## Activities on Intellectual Property Rights

### 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.



### Number of Patents Held

TAIYO YUDEN has been acquiring the patent rights needed to conduct its business activities both in Japan and overseas, with

the number of patents held increasing year over year (Fig. 1). Broadly speaking, we file two types of patent applications, striking a balance between them: those meant to strengthen our core technologies in line with our product roadmap, and those meant to supplement areas in which we lack when looking at other companies' behavior. Maintaining these patents is not without cost, but I believe this to be a necessary investment to ensure a degree of freedom in our business. We also review the patents we hold when appropriate and stop maintaining our rights to obsolete technologies in order to reallocate funds to applications that will bolster our new technologies.

On the other hand, there are certain technical fields in which we deliberately do not apply for patents in order to avoid our technologies being disclosed to the public. We register this sort of know-how internally for use within the Group as a form of intellectual property and are working to encourage the creation of such intellectual property by providing incentives to those who invent it in the same way we do for patents.

### Blocking Competitor Patent Applications

Patent applications are examined by the Japan Patent Office (JPO). The rate at which TAIYO YUDEN's patents are cited when other companies' applications are examined (the rate at which our patents help prevent competitors from obtaining patent rights) exceeds the industry average (Fig. 2). This indicates that we are successfully improving our competitive advantage by making appropriate patent applications in terms of both content and timing.

Fig. 1 Number of Patents Held

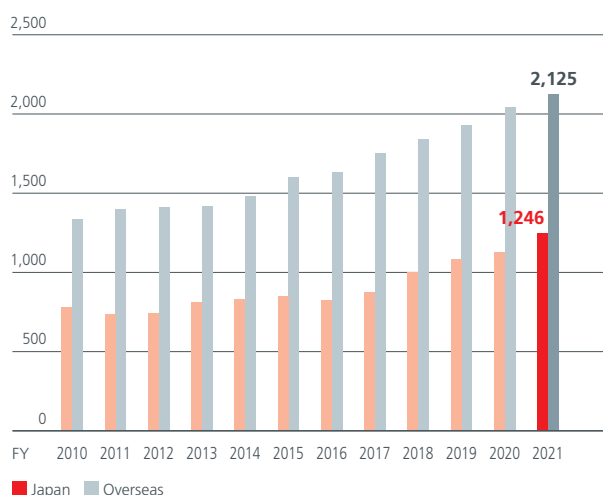
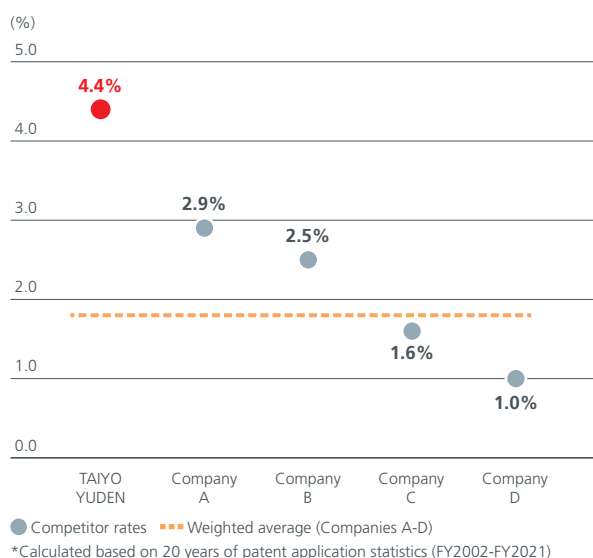


Fig. 2 Rate at which Competitor Patent Applications are Blocked



## Section

## 3

# FOUNDATION UNDERPINNING VALUE CREATION



There are mounting expectations on companies to contribute to the resolution of various social issues, such as by helping achieve SDGs that aim to solve issues on a global scale. At the same time, there are growing demands for companies to engage in sustainable corporate activities that place emphasis on Environment, Social and Governance (ESG) concerns. The TAIYO YUDEN Group recognizes that ESG-related issues present both business opportunities and risks; as such, it seeks to contribute to the resolution of social issues through its business activities and, in so doing, strengthen its ESG-related foundations for value creation.



**Back row, from left:**

Seiichi Koike, Outside Director  
 Masashi Hiraiwa, Outside Director  
 Toshio Mishuku, Audit & Supervisory Board Member  
 Kazuyuki Oshima, Audit & Supervisory Board Member  
 Hajime Yoshitake, Outside Audit & Supervisory Board Member

**Front row, from left:**

Emiko Hamada, Outside Director  
 Tomomitsu Fukuda, Director and Executive Operating Officer  
 Shinji Masuyama, Director and Executive Vice President  
 Shoichi Tosaka, President and Chief Executive Officer  
 Katsuya Sase, Director and Senior Executive Operating Officer  
 Tomomi Fujita, Outside Audit & Supervisory Board Member

## Roundtable Discussion with the Outside Directors

# *Striving to Further TAIYO YUDEN's Governance in Step with Its Growth*



Masashi  
Hiraiwa  
Outside Director

Outside Dir

TAIYO YUDEN is working to optimize its corporate governance structure in an aim 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 the current state of TAIYO YUDEN's corporate governance and the results of their discussions on the change to the social value targets in the medium-term management plan 2025.

### Current State of TAIYO YUDEN's Corporate Governance

**Hiraiwa** I feel TAIYO YUDEN is incredibly sincere and honest in its corporate governance initiatives. The Company has been working promptly to adhere to Japan's revised Corporate Governance Code, and I believe it can be said that it is making solid progress strengthening its corporate governance. Discussions and deliberations are underway to find concrete ways to comply with the three main pillars of the 2021 revised Code: Enhancing Board Independence, Promoting Diversity, and Attention to Sustainability and ESG.

**Koike** We have also been steadily working to address issues that have been identified in our effectiveness evaluations. Launching the Sustainability Committee, which meets to share sustainability-related issues and deliberate measures to resolve them, is one of the steps we took in response to an issue from the FY2020 evaluation. We also have five sub-committees on environmental, social and governance (ESG) concerns we have bundled underneath it, and I think they work extremely well together. The Sustainability Committee communicates what has been reported and deliberated at its meetings to the Board of Directors, so the committee's structure allows for deep, fertile discussion on essential topics. We hope to see these committees well-managed so that their efforts can take root.

→ [p.56 Corporate Governance](#)



**Seiichi Koike**  
Outside Director

**Emiko Hamada**  
Outside Director

# ectors Discussion

**Hiraiwa** The Sustainability Committee has already met several times and I feel it is off a smooth start in terms of operations, but its feedback on reports from the sub-committees is not really showing as much progress as I would like. To put it differently, sustainability is such a huge topic that the committee is not yet able to quickly set a direction for the course of action the Company should take after receiving reports. That being said, the committee has only just gotten its start, I think it is important not to rush and to look at things from a medium-term perspective.

**Hamada** It is truly commendable how even though the Sustainability Committee holds such a wide range of discussions, its members are able to take personal responsibility for sustainability-related issues and discuss them in the context of work. I feel that the committee is gradually diving deeper in terms of the content of these discussions, and I hope that this will lead to further initiatives in the future.

## Progress on the Medium-term Management Plan 2025 (Economic Value and Social Value)

**Hiraiwa** TAIYO YUDEN's financial results for FY2021 were excellent, hitting its targets for operating income, ROE and ROIC. I think it is important that the Company continues to achieve its stated goals even in the face of change in the external environment, be it tense international affairs or the macroeconomic slowdown.

While the Company's economic value is improving, there are still challenges related to social value. I think there is a lot of work to be done to meet the Company's human resource targets in particular.

**Hamada** When it comes to diversity, TAIYO YUDEN has set a goal to achieve a female manager ratio of at least 10% by FY2030 on top of its target 30% or higher rate of newly recruited female graduates. Achieving this goal is no easy task. It most certainly means having to reconsider everything from the ground up, starting with things like the evaluation system and career planning.

## Roundtable Discussion with the Outside Directors

I also think the Company needs to develop systems that embrace a truly diverse workforce rather than focusing solely on gender. Fortunately, TAIYO YUDEN has a track record of recruiting a relatively large number of mid-career hires. I believe that TAIYO YUDEN can leverage this experience to expand hiring overseas and further increase the number of mid-career hires, or even take more drastic steps such as recruiting exceptional young personnel and offering them higher positions. Doing so will create an environment in which diverse talent can succeed, ultimately resulting in a higher rate of newly recruited female graduates and a higher female manager ratio.

**Koike** I agree with Ms. Hamada's opinion that the human resources issue is not just about women participating, but a broader diversity issue, and the Company needs to encourage more foreign nationals and young people to play an active role. TAIYO YUDEN has a large number of bases overseas that have been around for over 20 years, and I think the Company needs to be bold and appoint and promote more local personnel.



**Hiraiwa** One of the key themes of the medium-term management plan 2025 is tackling environmental issues, and the Company has made a major change as to the plan by revising the greenhouse gas (GHG) emissions reduction target originally set last year when the plan began. It raised the target from a 25% reduction in GHG emissions compared with FY2020 by FY2030 to a 42% reduction, stemming from the international agreement made at the 26th Conference of the Parties (COP) to the United Nations Framework Convention on Climate

Change in 2021 to strive toward limiting the increase in average temperatures from pre-industrial levels to 1.5°C. This significant upward revision to catch up with global trends means that proper discussions are being held on materiality led by the Sustainability Committee, and the Company's decision-making is functioning properly in response.



**Hamada** Reducing GHG emissions is an immense task that is notably difficult to achieve. Frankly, even if you look to the current global landscape surrounding energy issues for answers, there is no clear roadmap to follow to reliably reduce emissions. Under such circumstances, the Company must voluntarily set its own firm goals and work to achieve them. Doing so is not simple.

But we have seen concrete efforts getting underway on the ground, with each site and business unit conscious of what they ultimately want to achieve, like the R&D Center's decision to switch to being powered by 100% renewable energy.

We caught glimpses of some candid opinions at first saying it would be an impossible task, so it has been a pleasant surprise seeing how much has changed over the past year.

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### Remuneration Initiatives

**Koike** I serve as chair of the Remuneration Committee, and in FY2021 we looked into a remuneration system for corporate officers consistent with the Company's corporate strategy that we then reported on to the Board of Directors. TAIYO YUDEN's previous remuneration system was well-structured in line with

the Company's policy on determining remuneration, but internal and external conditions have changed since it was originally designed, so the Remuneration Committee sorted out the issues for review.

The new system maintains the 4:4:2 ratio of basic remuneration, performance-based bonus and stock compensation-type stock options while creating a system that provides incentives based on how well the medium-term management plan has been achieved. For example, we added degree of achievement against the medium-term management plan 2025 social value KPIs to the individual performance indicators for bonuses and linked a portion of stock remuneration to ROE, one of the plan's economic value KPIs.

According to an external research agency, the average ratio of basic remuneration, performance-based bonus and stock compensation-type stock options of 928 companies in Japan in FY2020 was 57:26:17. This shows that the proportion of fixed remuneration offered at TAIYO YUDEN is low.

**Hiraiwa** I think the current 4:4:2 ratio is appropriate. The Company is currently in its growth stage, and I would very much like for it to be conscious of incentives as a way to improve financial results. Moreover, going forward, if the Company hopes to hire outstanding talent both in Japan and abroad to diversify its human resources, I think the higher ratio of variable remuneration will be effective.

### Medium- to Long-term Initiatives Regarding the Composition and Nomination of the Board of Directors

**Koike** Having a highly competent CEO is a pivotal factor in determining a company's future, and I even believe that selecting and nurturing such a CEO is the cornerstone of corporate governance. The Nomination Committee serves a very important role in that sense, though I feel there is room for further improvement in the growth situation of successors to management and in the criteria and process used to appoint the next CEO.

**Hiraiwa** I chair the Nomination Committee, and as Mr. Koike said, the CEO successor plan must surely be improved. This is an issue that needs to be tackled in cooperation with the executive directors, the Committee Secretariat, and other

relevant stakeholders.

**Hamada** It is also important that the Nomination Committee discusses what qualities the members who make up the Board of Directors should possess. The skills matrix that has been disclosed is fit for TAIYO YUDEN as of today, but I would like to deepen the discussion on what kinds of skills and experience are needed from Directors when what the Company should become in the future is considered. This is an issue that was also raised during last fiscal year's effectiveness evaluation. I think a process needs to be established to draw out the big picture of what the Company should look like moving forward, define the skills and experience needed to make it a reality, and appoint candidates for Director who possess them.



**Hiraiwa** The medium- to long-term composition of the Board of Directors was identified as an issue in the effectiveness evaluation last fiscal year. At the risk of repeating myself, the Company is currently in its growth stage, and just like how you swap out your clothes with the right size as you grow, a company's Board of Directors needs a composition that is optimal for its level of growth. Alongside factors like gender, nationality and age, diversity of experience is also key. It is important that the Company keeps that in mind as it holds repeated discussions on the skills matrix and the composition of the Board of Directors.

## ESG

# G Corporate Governance

## Basic Policy for Corporate Governance

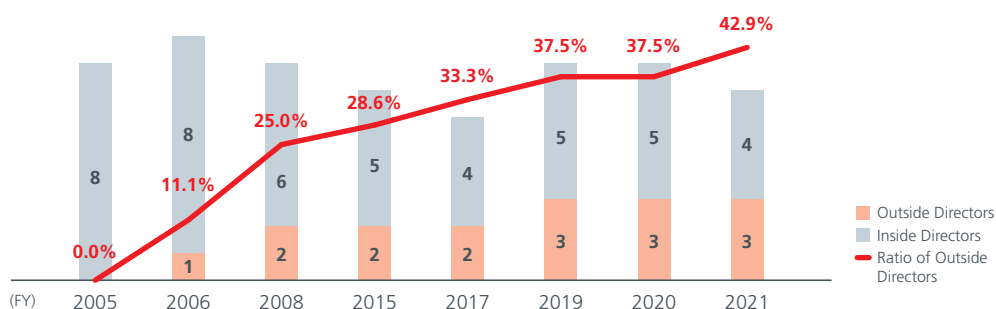
Moving toward the practice and realization of the corporate mission, management philosophy, and vision, TAIYO YUDEN believes in corporate social responsibility and the mission of management to develop businesses on an ongoing basis while fulfilling sociality, public interest and public nature of the Company from a global viewpoint. Based on this belief, with an emphasis on transparency and fairness of corporate

management, TAIYO YUDEN is making efforts to enhance corporate value by improving 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	2016	Implementation of Evaluation of Board of Directors' Effectiveness
2006	Appointment of One Outside Director	2018	Formulation of successor plan of the Chief Executive Officer and etc.
2008	Appointment of Two Outside Directors Board of Directors Term of Office Changed to 1 Year	2019	Appointment of Three Outside Directors (two men, one woman) (Bringing the ratio of Outside Directors to over one third)
2010	Establishment of Nomination Committee (Voluntary) Establishment of Remuneration Committee (Voluntary)	2020	Utilization of an outside organization to evaluate the effectiveness of the Board of Directors
2013	Establishment of Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members	2021	Revision of corporate governance structure (Internal Control Committee repositioned under executive functions; Sustainability Committee established)
2015	Establishment of Basic Policy for Corporate Governance		

### Changes in the Composition of the Board of Directors

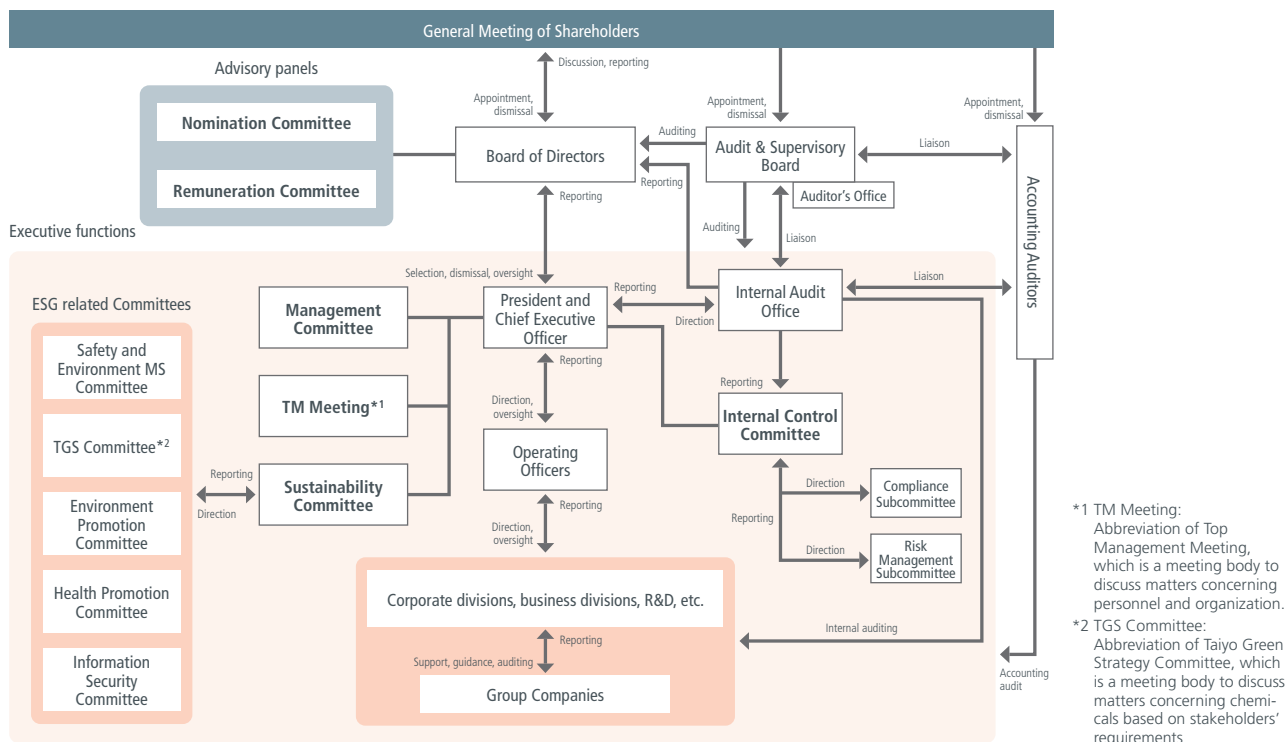


## Structure of Corporate Governance

TAIYO YUDEN is a company with an Audit & Supervisory Board and has the Board of Directors, the Audit & Supervisory Board, and the Accounting Auditors as governing bodies. The Company has voluntarily established a Nomination Committee and Remuneration Committee in order both to strengthen the independence and objectivity of the Board of Directors with regard to the nomination and remuneration of Corporate Officers, and to ensure its accountability. In addition, in order to effectively utilize the functions of the Audit & Supervisory Board Members and enhance their oversight of Company

management, TAIYO YUDEN has adopted a corporate governance structure under which all Outside Corporate Officers are designated as Independent Officers with no possibility of conflicts of interest with general shareholders, and under which all Outside Corporate Officers work closely with the Audit & Supervisory Board and the Internal Audit Office. To clarify management responsibilities during a given fiscal year and increase shareholders' confidence, Directors' term of office is one year.

## Structure of Corporate Governance (As of July, 2022)



### Board of Directors

The Board of Directors formulates basic policies for management strategies and oversees the proper execution of these management strategies by Company business departments; it is also responsible for creating internal control systems, promoting compliance, and carrying out risk management. In addition, in order to ensure the Board of Directors carries out effective decision-making, it has transferred some authority to the Management Committee and to the TM Meeting.

### Audit & Supervisory Board

Audit & Supervisory Board members attend important meetings of the Board of Directors and the Management Committee. They also collaborate with Accounting Auditors and the Internal Audit Office, and carry out visiting audits of Group companies in Japan and overseas. In this way, they execute highly effective audits.

### Nomination Committee

The Nomination Committee is chaired by an Independent Outside Director and composed of the President and Chief Executive Officer, all Independent Outside Directors, and an Audit & Supervisory Board Member, and its majority is composed of Independent Outside Directors. The Committee deliberates on, among others, the nomination of candidates for Directors and Audit & Supervisory Board Members (including candidates for reappointment), the selection/appointment and dismissal of Representative Directors and Operating Officers, 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.

### Remuneration Committee

The Remuneration Committee is chaired by an Independent Outside Director and composed of the President and Chief Executive Officer, all Independent Outside Directors, and an Audit & Supervisory Board Member, and its majority is composed of Independent Outside Directors. The Committee deliberates on remuneration plans for Directors and Operating Officers as well as the contents of remuneration paid to each Director and reports the deliberation results to the Board of Directors.

### Management Committee

The President and Chief Executive Officer chairs the Management Committee, which is composed of all Operating Officers. In addition, Outside Directors and Audit & Supervisory Board Members attend the Committee as observers. It deliberates on policy matters of the Group such as basic policy on business and sales strategies and investments, and resolves on matters delegated by the Board of Directors.

### TM (Top Management) Meeting

The President and Chief Executive Officer chairs the TM Meeting, which is composed of Executive Directors, Chiefs of Headquarters, and heads of other equivalent organizations. In addition, an Audit & Supervisory Board Member attends the Meeting as an observer. It deliberates on matters concerning personnel, organization and remuneration of the Group, and resolves on matters delegated by the Board of Directors.

### Internal Control Committee

The President and Chief Executive Officer chairs the Committee, which consists of Executive Directors, Operating Officers holding the position of Chief of Headquarters, and the Operating Officer in charge of personnel and legal affairs. In addition, Outside Directors and Audit & Supervisory Board Members attend the Committee as observers. Based on the "Basic Policy on Internal Control System," the 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 President and Chief Executive Officer chairs the Committee, which consists of Executive Directors, Operating Officers holding the position of Chief of Headquarters, and the Operating Officer in charge of sustainability. In addition, Outside Directors and Audit & Supervisory Board Members attend the Committee as observers. The 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.

## ESG

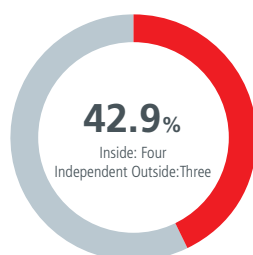
## Skills Matrix (Composition and main areas of expertise and experience of the Directors and Audit &amp; Supervisory Board Members)

Name		Main areas of expertise and experience							Nomination Committee	Remuneration Committee
		Corporate management	Technology/ R&D	Sales/ marketing	International experience	Finance/ accounting	Legal	ESG and sustainability		
Directors	Shoichi Tosaka	●	●					●	●	●
	Shinji Masuyama	●	●	●		●		●		
	Katsuya Sase	●	●	●				●		
	Tomomitsu Fukuda	●			●	●		●		
	Masashi Hiraiwa Outside Independent				●		●		● Chairperson	●
	Seiichi Koike Outside Independent	●	●		●				●	● Chairperson
	Emiko Hamada Outside Independent		●	●				●	●	●
Audit & Supervisory Board Members	Toshio Mishuku	●			●					●
	Kazuyuki Oshima	●		●	●					
	Hajime Yoshitake Outside Independent	●			●	●		●	●	
	Tomomi Fujita Outside Independent						●	●		

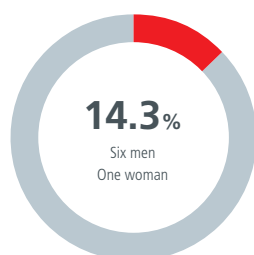
Note: Note that the table above does not necessarily show all experience and knowledge that the officers have.

## Composition of the Board of Directors

Ratio of independent  
Outside Directors

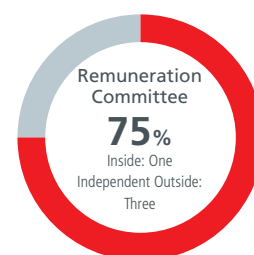
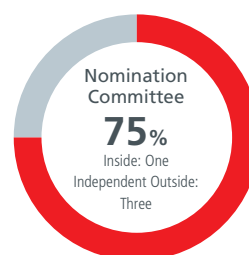


Ratio of  
female Directors



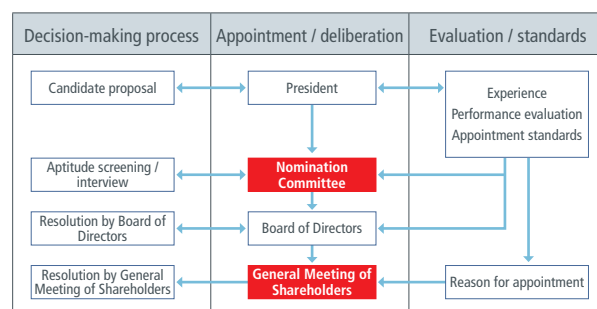
## Composition of Nomination Committee and Remuneration Committee

Ratio of independent Outside Directors



## Nominating Corporate 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, TAIYO YUDEN has established the "Skills Matrix," and appoints Directors in line with the "Officer Appointment and Dismissal Standards." The Company only selects candidates for Outside Directors and Outside Audit & Supervisory Board Members who meet the independence criteria prescribed by the Tokyo Stock Exchange.



## Corporate Officer Remuneration System

TAIYO YUDEN introduced a new Corporate Officer Remuneration System in April 2022 to raise motivation for achieving the economic value and social value goals described in the medium-term management plan 2025.

The basic principles of the new Corporate Officer Remuneration System are outlined below.

- (1) Remuneration plans shall emphasize the linkage with remuneration and the Group's sustainable growth and medium- to long-term corporate value, and be designed to share the same value with shareholders.
- (2) Remuneration shall be set at levels that can attract and retain excellent human resources with global perspective.

- (3) The process to determine remuneration shall be highly transparent and objective.

In order to encourage Corporate Officers to execute management that prioritizes medium- and long-term improvements in corporate value, the Company has introduced a stock compensation-type stock options plan which links a part of Corporate Officer compensation to performance. The Company has also revised its performance indicators for performance-based bonuses; by additionally incorporating indicators related to the achievement of the social value goals described in the medium-term management plan 2025, the Company ensures that its ESG initiatives are reflected in Corporate Officer compensation.

### Overview of the Corporate Officer Remuneration System

	Basic remuneration	Performance-based bonus	Stock compensation-type stock options
Payment type	Fixed	Payment amount decided according to responsibilities and position	Position-based Fixed: A certain amount of stock acquisition rights are awarded every year, according to position
	Variable	—	Performance-based: An amount of stock acquisition rights that varies according to achievement of ROE goals outlined in the medium-term management plan
Performance indicators and criteria	—	Consolidated profit and individual goal achievement	Consolidated ROE
Coefficients and payment rates	—	Individual performance coefficients range from 75% to 125%, and are decided according to individual goal achievement	Payment rates for performance-based stock options range from 0% to 300%, and are decided according to achievement of ROE goals
Timing of payment	Monthly	Yearly (July)	Yearly (July)
Performance assessment period	—	One year	One year
Corporate Officers eligible to receive payment	Directors Audit & Supervisory Board Members Operating Officers	Directors (excluding Outside Directors) Operating Officers	Directors (excluding Outside Directors) Operating Officers

### Remuneration Composition Percentages of Directors (As per Design)

Basic remuneration 40%	Performance-based bonus 40%	Stock compensation-type stock options Position-based Fixed 10%    Performance based 10%
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### Corporate Officer Compensation for FY2021

	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)	9 (3)	596 (25)	9 (3)	163 (25)	6 (—)	301 (—)	6 (—)	131 (—)
Audit & Supervisory Board Members (Of which Outside Audit & Supervisory Board Members)	4 (2)	79 (30)	4 (2)	79 (30)	— (—)	— (—)	— (—)	— (—)
Total	13	676	13	243	6	301	6	131

Notes:

1. The "Number of persons" refers to the number of persons subject to remuneration for the fiscal year under review, not the number of persons in office.
2. Figures are rounded down to the nearest million yen.
3. Compensation amounts for FY2021 were paid according to the previous Corporate Officer Remuneration System.

### Renumeration of Corporate Officers for FY2021

Name (position)	Total Remuneration (Millions of yen)	Remuneration by Type		
		Basic remuneration	Performance-based bonus	Stock compensation-type stock options
Shoichi Tosaka (President and Chief Executive Officer)	194	48	99	46
Shinji Masuyama (Director and Executive Vice President)	142	34	74	32
Katsuya Sase (Director and Senior Executive Operating Officer)	121	28	65	28

Note 1:  
Only persons who received a total remuneration of more than ¥0.1 billion are listed.

## ESG

## Evaluation of the Effectiveness of the Board of Directors

The Company conducts the evaluation of the effectiveness of the Board of Directors once a year to improve the effectiveness of the Board of Directors and enhance its corporate value. For the evaluation in FY2021, we reflected the perspective of an external evaluation agency in the questionnaire and had the external evaluation agency be in charge of the administration from the distribution of the questionnaire to the aggregation of answers to increase the objectivity and transparency of the evaluation process. The evaluation process and results are as follows.

Evaluation process	Step 1: Questionnaire using an external evaluation agency	
	Relevant officers	Directors and Audit & Supervisory Board Members (including Outside Officers)
	Evaluation items	(1) The operation and composition of the Board of Directors (2) Management strategies and sustainable growth initiatives (3) Corporate ethics and risk management, monitoring, and dialogue with shareholders, etc. (4) Nomination Committee and Remuneration Committee
	Step 2: Discussion at analysis and evaluation meetings and Board of Directors meetings	
	Analysis and evaluation meetings were conducted first separately by Operating Officers and Non-operating Officers based on the results of the questionnaire in Step 1. After that, a discussion is conducted at a Board of Directors meeting based on the results of those meetings as well as the evaluation and findings of the external evaluation agency.	
Evaluation results	The Board of Directors as a whole functions properly and its effectiveness has generally been ensured	
	Evaluation by the external evaluation agency	<ul style="list-style-type: none"> <li>■ 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.</li> <li>■ There were questions whose evaluation improved from the questionnaire results of the previous fiscal year, which suggests that the efforts on the issues identified in the previous fiscal year appeared to be positively evaluated in a straightforward manner.</li> <li>■ The Company has enhanced the disclosure of the evaluation of the effectiveness of the Board of Directors through dialogue with institutional investors in Japan.</li> </ul>
Issues to be addressed	<p>In the FY2021 evaluation, the Company has identified the two points listed below as issues to be addressed from now on. The Board of Directors will endeavor to maintain and enhance its effectiveness by continuing to address these issues systematically.</p> <ul style="list-style-type: none"> <li>■ "Discussion on investments in human capital that are linked to the management strategy"</li> <li>■ "Discussion on what the composition (skills and diversity) of the Board of Directors from the medium- to long-term perspective"</li> </ul>	

### Initiatives to Increase the Effectiveness of the Board of Directors

In order to strengthen the independence and objectivity of the Board of Directors with regard to the nomination and remuneration of Directors and Operating Officers, TAIYO YUDEN has voluntarily established a Nomination Committee and Remuneration Committee, both of which consist of a majority of Independent Outside Directors. The activities of each Committee are as follows.

#### Nomination Committee Activities

The Committee held three meetings during FY2021 to deliberate and report mainly on the following matters.

- Nomination of candidates for Directors and Operating Officers
- What the Board of Directors should become in the future

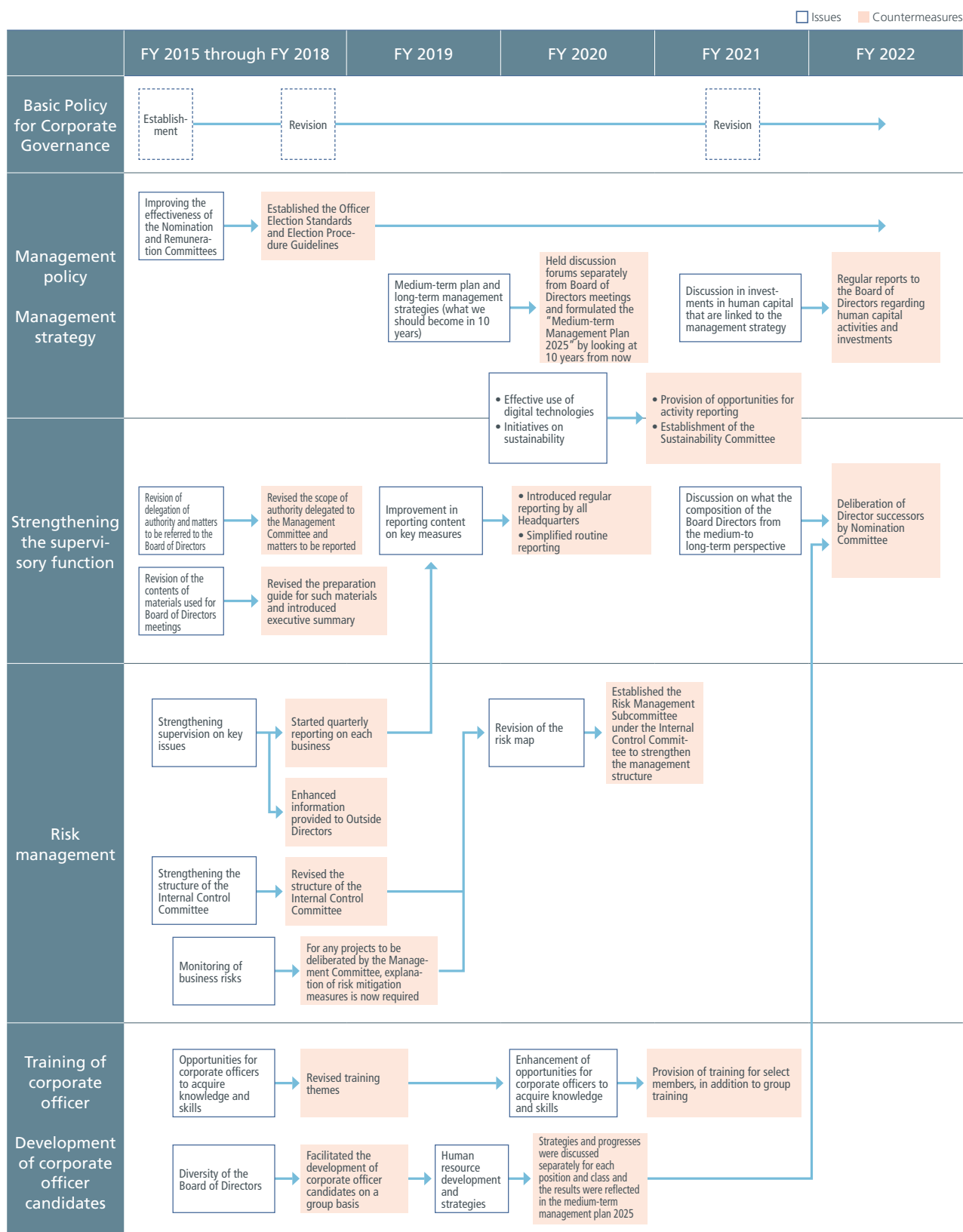
#### Remuneration Committee Activities

The Committee held five meetings during FY2021 to deliberate and report mainly on the following matters.

- Review of the Policy to Determine the Contents of Remuneration Paid to Corporate Officers
- Standards for evaluation of performance-based bonus
- Introduction of stock compensation-type stock options plan
- Revision of internal regulations related to remuneration paid to Corporate Officers

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

The major issues and countermeasures in the past effectiveness evaluation of the Board of Directors are as follows.



## ESG

## Compliance and Risk Management

## Basic Policy

## Action Guidelines

## CSR Charter

In order to realize sustainable corporate growth, TAIYO YUDEN believes it is important to broadly earn the trust of society by fulfilling its social responsibilities: these include meeting the needs and expectations of its stakeholders, properly managing anticipated risks, and contributing to society's development.

For this reason, we have designated compliance and risk

management activities that conform to the CSR Charter and CSR Code of Conduct as "CSR activities," and we work to carry them out in a Group-wide manner.

## 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/>

## Promotion Framework

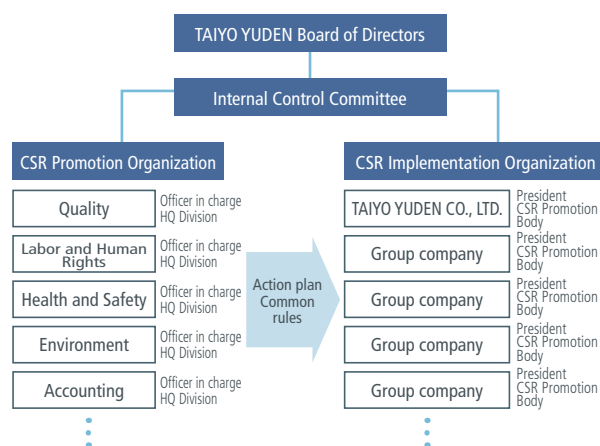
## CSR Activities Promotion Framework

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 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.

## Promotion Framework Revisions

In order to further improve the effectiveness and efficiency of our CSR management, we have revised our promotion framework. Specifically, we have established the Compliance Subcommittee and the Risk Management Subcommittee, two new organizations that are subordinate to the Internal

Control Committee. This new system was implemented at the start of FY2022\*.



\*For the revised promotion framework, please see the diagram entitled "Structure of Corporate Governance" on p.57

## Compliance

## Compliance Goals

We aim to ensure full compliance by identifying all relevant laws, regulations, and rules, and by properly understanding our compliance status.

## Disseminating the CSR Code of Conduct throughout the TAIYO YUDEN Group

To further deepen our workers' understanding of the CSR Code of Conduct, we provide the CSR Code of Conduct Handbook, which has simple explanation and illustration of the code in six languages (Japanese, English, Simplified Chinese, Traditional Chinese, Korean, and Malay), to all executives and workers. When enter the company and get promoted, the

related workers have group training, and also all workers have e-Learning on an annual basis. In FY2021, e-learning was carried out once; e-learning classes were held for each article of the Code of Conduct.

Furthermore, the executive management regularly has a seminar by an external lecturer.

## Whistleblowing System

At TAIYO YUDEN we have introduced a whistleblowing system aimed at quickly discovering and correcting any behavior in the workplace that either violates or threatens to violate laws or internal regulations; it is available in numerous languages, including Japanese, English, and Chinese. The system protects whistle-blowers, prohibiting treatment that penalizes the

whistleblower for reporting improper behavior, for example; it also allows whistleblower anonymity. The whistleblowing

system is communicated via internal posters, leaflets, and annual training for all workers.

## Risk Management

### Risk Management Goals

We identify risks related to all aspects of company management and evaluate the likelihood of occurrence and the potential impact of these risks; according to the severity of these risks, we then establish effective measures both for preventing their occurrence and responding to risks that eventualize. In so doing, we seek to minimize losses and maximize profit and corporate value.

### Visualizing Risks through “Risk Mapping”

The laws and regulations that require compliance are listed along with the risks that might adversely affect business, and regulatory compliance procedures and risk mitigation measures are drafted and implemented. 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 year. We are making thorough efforts to achieve regulatory compliance and prevent the occurrence of and minimize risks.

In order to strengthen our risk management systems, in FY2021 we revised the evaluation standards we use for risk mapping. We also revised our assessments of the likelihood of occurrence and potential impact of various risks and established new evaluation criteria.

		Large ← Impact on operations → Small		
		A	B	C
High ← Likelihood of occurrence → Low	1	A1	B1	C1
	2	A2	B2	C2
	3	A3	B3	C3

### Business Continuity Plan and Business Continuity Management

The goals of our Business Continuity Plan (BCP) and Business Continuity Management (BCM) are to guarantee the safety of our employees, to prevent damage to local communities, to safeguard the quality of our products, to ensure we fulfill our responsibility to provide our customers with stable supplies and, finally, to minimize losses to our business operations. To this end, we have formulated a clear business continuity policy, system, and execution procedure, which are continually being improved to ensure they function effectively in minimizing damage.

### < Key Risks and Countermeasures >



Natural  
disasters

TAIYO YUDEN recognizes the possibility that natural disasters—including earthquakes, typhoons, and floods—and accidents may result in suspensions of operation and/or significant damage to its production facilities. By carrying out mainly the following three initiatives, and by asking our suppliers to do likewise, we are working to establish both stable supply systems and a BCP system that covers our entire supply chain:

**1. Ensuring sufficient inventory to last until production lines recommence operations; 2. Ensuring global distribution of production bases; and 3. Ensuring diversification of materials suppliers**



Infectious  
diseases

TAIYO YUDEN has established the Business Continuity Planning Committee to take a lead in determining and implementing measures for preventing the spread of infectious diseases. To prevent the spread of COVID-19, we have implemented a variety of measures according to the infection status of local communities based on the Guidelines for Preventing the Spread of Novel Coronavirus Disease: employees are required to wear masks, measure their body temperatures, and create records of their movements; limits have been imposed on business trips, while both teleworking and staggered working-hour systems have been implemented; partitions have been installed, spacing between seats has been increased, and regular disinfections are carried out in our canteens, meeting rooms, and other communal areas; visitors are required to check their body temperatures when entering our worksites. To prevent the spread of influenza, we have instigated workplace vaccination programs and offer subsidies to enable employees to receive vaccines at low costs. In the event an employee is infected, we place the highest priority on the health and safety of our stakeholders; at the same time, we execute our business continuity plans and any other actions required to fulfill our responsibilities to ensure a stable supply of products and to maintain our supply chain.



Information  
security

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.

## ESG

Executives As of June 29, 2022

## Directors



President and Chief Executive Officer

**Shoichi Tosaka**

Mar. 1979 Joined the Company  
 Jun. 2006 Director and Senior Operating Officer of the Company  
 Jul. 2010 Director and Senior Executive Operating Officer of the Company  
 Nov. 2015 President and Chief Executive Officer (to the present)



Director and Executive Vice President

**Shinji Masuyama**

Mar. 1980 Joined the Company  
 Jan. 2004 Operating Officer of the Company  
 Jun. 2013 Director and Senior Operating Officer of the Company  
 Jun. 2020 Director and Executive Vice President (to the present)



Director and Senior Executive Operating Officer

**Katsuya Sase**

Apr. 1986 Joined the Company  
 Jun. 2013 Operating Officer of the Company  
 Jun. 2016 Director and Executive Operating Officer of the Company  
 Jun. 2018 Director and Senior Executive Operating Officer of the Company (to the present)



Director and Executive Operating Officer

**Tomomitsu Fukuda**

Apr. 1990 Joined the Company  
 Jun. 2013 Operating Officer of the Company  
 Jun. 2021 Director and Senior Operating Officer of the Company  
 Jun. 2022 Director and Executive Operating Officer of the Company (to the present)



Outside, Independent Director

**Masashi Hiraiwa**

Apr. 1981 Registered as attorney (to the present)  
 Apr. 1981 Joined OHHARA LAW OFFICE (to the present)  
 Aug. 2005 Supervisor of LCP, Inc.  
 Oct. 2012 Supervisor of Japan Logistics Fund, Inc.  
 Jun. 2016 Outside Director of the Company (to the present)



Outside, Independent Director

**Seiichi Koike**

Apr. 1980 Joined Toyo Kogyo Co., Ltd. (Currently Mazda Motor Corporation)  
 Mar. 1982 Joined Honda R&D Co., Ltd.  
 Apr. 2004 General Manager, Automobile R&D Center Brazil of Honda R&D Co., Ltd.  
 Apr. 2008 Executive Officer, General Manager, Development Engineering Headquarters of Honda Foundry Co., Ltd.  
 Jun. 2011 Director of Honda Foundry Co., Ltd.  
 Jun. 2012 Director of Metts Corporation  
 Jun. 2013 Audit & Supervisory Board Member of Metts Corporation  
 Audit & Supervisory Board Member of Honda Foundry Co., Ltd.  
 Jun. 2018 Outside Director of the Company (to the present)



Outside, Independent Director

**Emiko Hamada**

Apr. 1984 Joined the Company  
 Dec. 2001 General Manager of R Technology Department, Overall Technology & Quality Assurance Management, Technology Group of the Company  
 Sep. 2003 Chief Researcher of Basic Research and Development Department, Research Institute, Technology Group of the Company  
 Apr. 2007 Left the Company  
 Nov. 2008 Associate Professor of Center for Social Contribution and Collaboration of Nagoya Institute of Technology  
 Apr. 2011 Professor (Techno-Business Administration) of Graduate School at Center for Social Contribution and Collaboration of Nagoya Institute of Technology  
 Apr. 2012 Professor of Center for Research on Assistive Technology for Building a New Community of Nagoya Institute of Technology

May 2015 Third Sector Program Officer of Adaptable and Seamless Technology transfer Program through target-driven R&D of Japan Science and Technology Agency

Jul. 2016 Part-time Lecturer of Nagoya Institute of Technology

Aug. 2016 Visiting Professor of Nagoya University  
 Jun. 2017 Outside Director of NGK INSULATORS, LTD. (to the present)

Jun. 2019 Outside Director of the Company (to the present)  
 Mar. 2021 Member of Low Carbon Society Strategic Promotion Committee, Center for Low Carbon Society Strategy through target-driven R&D of Japan Science and Technology Agency (to the present)

For the career summaries of Directors and Audit & Supervisory Board Members, please refer to the Executives page on the Company's website.  
<https://www.yuden.co.jp/or/company/officer/>



## Audit & Supervisory Board Members



Audit & Supervisory Board Member

### Toshio Mishuku

Mar. 1980 Joined the Company  
Jul. 2007 Operating Officer of the Company  
Apr. 2016 Senior Operating Officer of the Company  
Jun. 2019 Audit & Supervisory Board Member of the Company (to the present)



Audit & Supervisory Board Member

### Kazuyuki Oshima

Mar. 1980 Joined the Company  
Jul. 2010 Operating Officer of the Company  
Apr. 2016 Senior Operating Officer of the Company  
Jun. 2020 Audit & Supervisory Board Member of the Company (to the present)



Outside, Independent Audit & Supervisory Board Member

### Hajime Yoshitake

Apr. 1979 Joined The Kyowa Bank Ltd. (currently Resona Bank, Limited.)  
Apr. 1991 Manager, New York Branch, The Kyowa Saitama Bank, Ltd.  
Apr. 2002 Joined Nihon Unisys, Ltd. (currently BIPROGY Inc.)  
Oct. 2007 Concurrently Appointed Lecturer at Professional Graduate School of Meiji University (to the present)  
Jun. 2008 Member of Board of Directors, The Institute of Internal Auditors-Japan (to the present)  
Jun. 2009 Executive Officer, General Manager, Internal Audit Division, Resona Holdings, Inc.  
Jun. 2011 Audit & Supervisory Board Member, Saitama Resona Bank Limited  
Apr. 2013 Part-time Lecturer, College of Law of Nihon University  
Jun. 2016 Outside, Independent Audit & Supervisory Board Member of the Company (to the present)



Outside, Independent Audit & Supervisory Board Member

### Tomomi Fujita

Apr. 2003 Registered as attorney (to the present)  
Oct. 2004 Associate of Kitahama Partners  
Jan. 2012 Partner of Kitahama Partners  
Apr. 2016 Partner of Innoventier (to the present)  
Apr. 2018 Assistant Lecturer of KYOTO UNIVERSITY LAW SCHOOL  
Jun. 2019 Outside Director (Audit & Supervisory Committee Member) of TAKUMA CO., LTD. (to the present)  
Jun. 2019 Outside, Independent Audit & Supervisory Board Member of the Company (to the present)  
Feb. 2020 Vice President of Licensing Executives Society Japan (to the present)  
Apr. 2022 Visiting Professor of KYOTO UNIVERSITY LAW SCHOOL (to the present)

## Operating Officers



President  
**Shoichi Tosaka**



Executive Vice President  
**Shinji Masuyama**  
in charge of 1st Business



Senior Executive Operating Officer  
**Katsuya Sase**  
in charge of Management Planning and New Business Planning and Development



Executive Operating Officer  
**Tomomitsu Fukuda**  
in charge of Public Relations, Management Planning, Accounting, Management Information System and Sustainability



Executive Operating Officer  
**Toshimitsu Honda**  
in charge of Quality Assurance



Executive Operating Officer  
**Shunji Murai**  
in charge of Electronic Components Business Planning and Management



Senior Operating Officer  
**Susumu Higuchi**  
in charge of Global SCM Development Division



Senior Operating Officer  
**Mitsuo Takagi**  
in charge of 2nd Business



Senior Operating Officer  
**Hirokazu Chazono**  
in charge of Electronic Components



Senior Operating Officer  
**Shinya Miyazawa**  
in charge of 3rd Business



Senior Operating Officer  
**Toshiyuki Watanabe**  
in charge of Sales



Senior Operating Officer  
**Osamu Ikata**  
in charge of RF Device Business



Operating Officer  
**Iwao Fujikawa**  
in charge of Intellectual Property, Legal



Operating Officer  
**Osamu Haruyama**  
in charge of Quality Assurance Division



Operating Officer  
**Shoji Shibasaki**  
in charge of Electronic Components



Operating Officer  
**Shoichiro Hirakuni**  
in charge of Research and Development Laboratory



Operating Officer  
**Satoshi Yamazaki**  
in charge of Human Resources, General Affairs

## ESG

# Sustainability

## Fundamental Stance

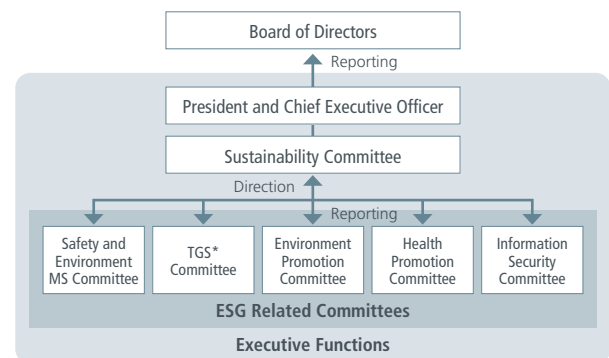
TAIYO YUDEN's mission is to become "stronger and more socially aware through the wonders of science." Our aim is to pursue sustainable growth for the Group, safe, secure, comfortable, and convenient lives for people, and sustainable growth for humanity as a whole through our business by demonstrating creativity and innovation to revolutionize society. This stance is in line with the TCFD recommendations

which the TAIYO YUDEN Group endorses, as well as the Sustainable Development Goals (SDGs) adopted at the United Nations.

In order to achieve this mission, we have identified our more important issues as materiality and are moving forward with initiatives based on specific measures and numerical targets laid out in the medium-term management plan 2025.

## Sustainability Promotion Structure

The Sustainability Committee convenes a quarterly to discuss solutions to sustainability issues, including materiality. We receive activity reports from ESG-related committees (Safety and Environment MS, TGS, Environment Promotion, Health Promotion, and Information Security) and deliberate on them. These contents will be reported to the Board of Directors by the President and Chief Executive Officer, who is the Chairperson of the Sustainability Committee, and will be deliberated appropriately.



\*TGS Committee : Abbreviation of Taiyo Green Strategy Committee, which is a meeting body to discuss matters concerning chemicals based on stakeholders' requirements

## Employee Awareness

We regularly carry out awareness-raising activities on the concept of sustainability, the key issues we have identified as materiality, as well on social issues we as a corporate group should address based on the belief that employee understanding is essential to resolving these issues. In addition to training new employees on the SDGs, we also offer e-learning programs and group training sessions for existing and temporary staff, as well as training for Corporate Officers.

# E Environment Activities

## Fundamental Stance on Environmental Activities

TAIYO YUDEN aims to be a corporate group that fulfills its corporate social responsibility and continues to develop in perpetuity. We recognize that tackling environmental issues represents one of the most important social responsibilities that the Group must uphold. As such, we are working to reduce our environmental impact from a global perspective

based on our Fundamental Principle of the Environment: "To hand over this precious Earth to the future generation, environmental burden in every business activity in research, development and design of the product, procurement of parts and materials manufacture, sales and associated services shall be reduced."

## Environmental Impact of Corporate Activities

The TAIYO YUDEN primarily produces electronic components for delivery to our customers, set manufacturers. These electronic components have a life cycle with only a small environmental impact during use. The bulk is during production, with the main environmental impact arising from energy and water consumption, emissions (including CO<sub>2</sub>) in the course of manufacture, waste and wastewater.

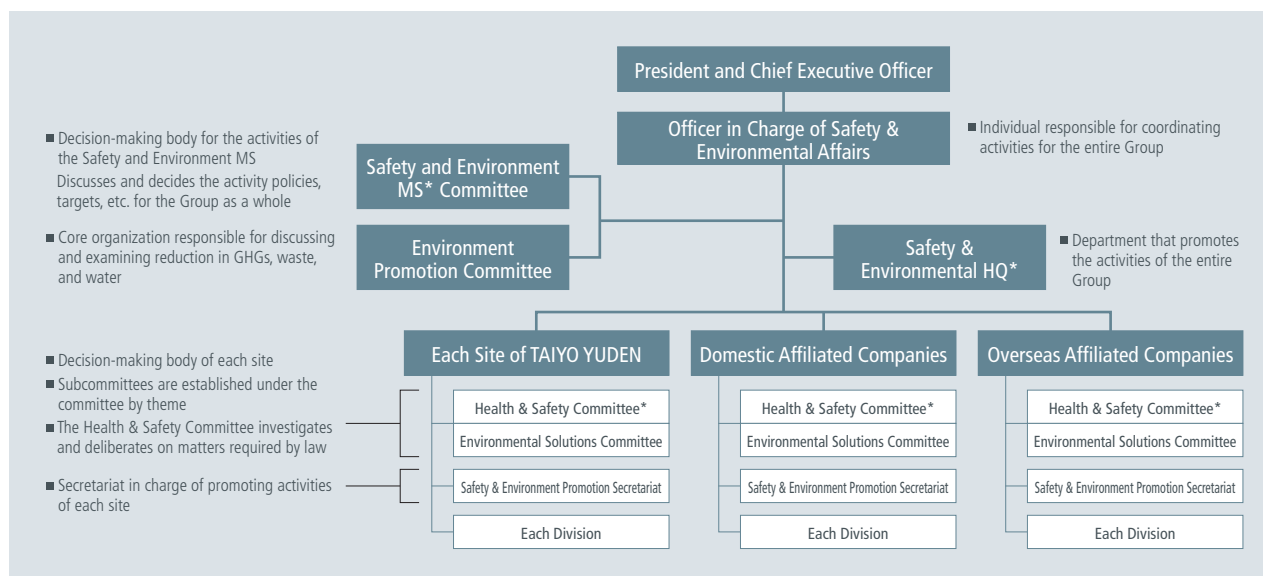
The TAIYO YUDEN is striving to improve our environmental impact by first identifying and analyzing in detail this

environmental impact and then taking such measures as minimizing the resources applied and conserving other energy and resources by improving production processes. The TAIYO YUDEN products are used in electrical and electronic equipment, automobiles, and other products which become waste once their product lifetime is over. We are therefore also striving to remove hazardous substances from these products.

## Framework for Promoting Safety and Environmental Affairs

TAIYO YUDEN has established and operates a framework for promoting its Safety and Environmental Management system, the overall responsibility for which lies with the officer in charge of safety and environmental affairs appointed by the President. Safety and Environment MS Committee, the

Environment Promotion Committee debate and decide policies and issues to be addressed. Each manager of sites then converts his/her decisions into actual plans matching the characteristics of each site, and takes charge of publicizing, enforcing and promoting these concrete targets.



\* MS stands for the management system.

\* HQ stands for Headquarters.

\* The Health & Safety Committee consists of representatives selected from among management and employees.

## Medium-Term Environmental Targets

TAIYO YUDEN has identified “strengthening responses to climate change” and “efficiently using resources and helping to build a recycling-based society” as materiality (key issues) related to environmental efforts. Especially for climate change, a global issue, we have set medium-term environmental targets to achieve carbon neutrality by 2050. To achieve these targets,

we will be diligent at saving, generating, and re-using the energy that drives our manufacturing based on the principle of decarbonization.

### Achievement Levels for Medium-Term Environmental Targets

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

## ESG

## Efforts to Address Climate Change

TAIYO YUDEN aims to contribute to the achievement of the international environmental goals set forth in the SDGs and the Paris Agreement, we also recognize the importance of climate-related financial disclosure, endorse the TCFD recommendations, and are working to disclose related information.

### Efforts to Address TCFD

As the impact on society of climate-related physical risks, such as frequent storms and floods is increasing, the role of companies in achieving a carbon-free society is becoming more important. We consider that strengthening the implementation of climate adaptation measures is one of the most important business challenges.

To tackle the global issue of climate change, TAIYO YUDEN thoroughly promotes planning and working on energy

efficiency & conservation, energy creation, and the utilization of renewable energy through manufacturing based on the decarbonization concept to achieve carbon neutrality by 2050. We have set a reduction target of absolute GHG emissions based on the Science Based Targets (SBT) initiative. We aim to contribute to the achievement of the international goals and are taking steps to reduce our emissions in collaboration with a wide range of stakeholders.

### Governance

The TAIYO YUDEN Group considers climate change to be one of the most important business challenges. In April 2021, we established the Sustainability Committee with the aim of promoting company-wide efforts on sustainability issues through business activities.

The Sustainability Committee, chaired by our President and Chief Executive Officer, sets key issues as materiality, shares issues, and deliberates measures to resolve them, reporting to

the Board of Directors. In addition, the Environmental Promotion Committee, a sub-committee of the Sustainability Committee, monitors steps taken against quantitative targets for climate change and the status of their achievement. If the targets prove difficult, the Environmental Promotion Committee will request that additional measures be put in place and issue a directive for corrective action.

### Strategy

#### (1) Identification of risks and opportunities

TAIYO YUDEN used climate scenarios such as the IEA and the IPCC to identify them, qualitatively evaluated their characteristics, and conducted scenario analysis. Moving forward, we will analyze these risks and opportunities we have identified.

Division	Assumed items	Climate-related risks and opportunities	Degree of financial impact (Profit basis)
Transition risks	Introducing and raising carbon prices	Increasing of operation costs due to introducing of carbon prices	Major
	Strengthening environment-related regulations	Increasing of costs for measures due to strengthening of GHG emission reduction targets and energy efficiency improvement targets	Medium
		Increasing of costs due to compliance with domestic and overseas environmental regulations	Medium
Physical risks	Intensifying extreme wind and flood damages	Intensified wind and flood damages to sites	Minor - Medium
Opportunities	Acceleration of EV shift	Increasing in sales of electronic components for the electric vehicle market due to the global shift to EVs	Major

Degree of financial impact: Minor=JPY 1.5 billion or less; Medium=JPY 1.5 to 6 billion; Major=JPY 6 billion or more

## (2) Setting the scenario analysis theme

TAIYO YUDEN carried out a scenario analysis on the following themes evaluated as “highly important risks and opportunities” based on the degree of impact on our business, the relevance to our business strategies, and the degree of stakeholder interest.

### Transition risks / Opportunities

#### Target business / Analysis theme

Common to all businesses

Financial impact of introducing carbon prices on operating costs

#### External information referred to in the analysis

	1.5°C scenario	4°C scenario
Key reference scenarios* <sup>1</sup>	SDS (Sustainable Development Scenario)	STEPS (Stated Policies Scenario)
View of the world	<ul style="list-style-type: none"> <li>■ As of mid- 2021, each country had achieved their Net 0 commitments, and the average global temperature rose between 1.5°C and 1.65°C around 2100 compared to before the industrial revolution.</li> <li>■ As each country shifts to renewable energy, prices of fossil resources tend to decrease.</li> </ul>	<ul style="list-style-type: none"> <li>■ As of mid- 2021, each country had partially carried out policies and implementation measures affecting the energy market adopted in mid-2021, and the average global temperature rose between 2.6°C and 4°C around 2100 compared to before the industrial revolution.</li> <li>■ As each country depends on fossil resources, prices of fossil resources tends to rise.</li> </ul>

\*1 The analysis is based on the scenarios published in the World Energy Outlook 2021, the annual report by the IEA (International Energy Agency).

### Physical risks

#### Target business / Analysis theme

Common to all businesses

Impact of intensified extreme weather disasters on sites (floods and storm surges)

This data covers the 18 sites in Japan and 7 sites outside Japan.

We assessed physical impacts at the baseline (current), and at the middle and end of this century.

#### External information referred to in the analysis

Information provider	Reference
Ministry of Land, Infrastructure, Transport and Tourism	Flood hazard map
WRI (World Resources Institute)	Aqueduct Floods Hazard Maps, Inundation depth in meters for coastal and riverine floods
IPCC (Intergovernmental Panel on Climate Change)* <sup>2,3</sup>	AR6 Climate Change 2021: The Physical Science Basis

\*2 We assessed physical impacts based on the climate scenarios SSP1-2.6 and SSP5-8.5 used in the IPCC AR6.

\*3 The SSP1-2.6 and SSP5-8.5 scenarios correspond to the RCP2.6 and RCP8.5 climate scenarios used in AR5.

## ESG

## (3) Scenario analysis results

## Transition risks: Financial impact of introducing carbon prices on operating costs

Risk	Impact of carbon prices on operating costs in 2030 and 2050																																
Our climate scenario analysis prerequisites	Assuming that a carbon price of 13,200 yen will be imposed on each ton of GHG emissions in 2030 and 22,000 yen in 2050, we forecast the effects on carbon prices. Carbon prices are set based on IEA World Energy Outlook 2021 (Sustainable Development Scenario, Stated Policies Scenario).																																
Analysis result	<p>We forecast future GHG emissions trends and the financial impact on operating costs if carbon prices were introduced. Under the 1.5°C scenario, if GHG emissions reduction measures were implemented, costs would have been reduced by about 5.1 billion yen as of 2030 and by 16.4 billion yen as of 2050 compared with the scenario where no measures are taken (see G1). Even if the power is 100% renewable energy, the remaining SCOPE 1 in the 1.5°C scenario is 260 kt-CO2e (see G2), and the effect of carbon prices is estimated to be about 5.4 billion yen.</p> <div><div><h3>G1: Carbon Price Effect</h3><table><caption>G1: Carbon Price Effect (million yen)</caption><thead><tr><th>Scenario</th><th>FY</th><th>2030</th><th>2050</th></tr></thead><tbody><tr><td>4°C scenario</td><td>~6,000</td><td>~8,000</td><td>~22,000</td></tr><tr><td>1.5°C scenario</td><td>~6,000</td><td>~8,000</td><td>~22,000</td></tr><tr><td>1.5°C scenario (after emission reduction measures)</td><td>~6,000</td><td>~2,900</td><td>~5,600</td></tr></tbody></table></div><div><h3>G2: GHG Emissions Trends</h3><table><caption>G2: GHG Emissions Trends (×10³(t-CO2e))</caption><thead><tr><th>Scenario</th><th>FY</th><th>2030</th><th>2050</th></tr></thead><tbody><tr><td>4°C scenario</td><td>~1,300</td><td>~1,000</td><td>~3,000</td></tr><tr><td>1.5°C scenario</td><td>~1,300</td><td>~1,000</td><td>~1,300</td></tr><tr><td>1.5°C scenario (after emission reduction measures)</td><td>~1,300</td><td>~300</td><td>~260</td></tr></tbody></table></div></div>	Scenario	FY	2030	2050	4°C scenario	~6,000	~8,000	~22,000	1.5°C scenario	~6,000	~8,000	~22,000	1.5°C scenario (after emission reduction measures)	~6,000	~2,900	~5,600	Scenario	FY	2030	2050	4°C scenario	~1,300	~1,000	~3,000	1.5°C scenario	~1,300	~1,000	~1,300	1.5°C scenario (after emission reduction measures)	~1,300	~300	~260
Scenario	FY	2030	2050																														
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1.5°C scenario	~6,000	~8,000	~22,000																														
1.5°C scenario (after emission reduction measures)	~6,000	~2,900	~5,600																														
Scenario	FY	2030	2050																														
4°C scenario	~1,300	~1,000	~3,000																														
1.5°C scenario	~1,300	~1,000	~1,300																														
1.5°C scenario (after emission reduction measures)	~1,300	~300	~260																														
Strategy	In order to reduce energy consumption, we believe that it is necessary to improve production efficiency by reviewing our production processes, focusing on our core products, along with promoting the introduction of renewable energy. In addition, we plan to consider measures to reduce the remaining SCOPE 1 toward the achievement of carbon neutrality in 2050.																																

## Physical risks: Impact of intensified extreme weather disasters on sites (Floods and Storm Surges)

Risk	Impact of increased weather disasters associated with climate change on our manufacturing sites at the middle and end of this century																																																								
Our climate scenario analysis prerequisites	We assessed 25 sites inside and outside Japan based on public hazard information and various information obtained for climate change impact assessment.																																																								
Analysis result	<p>We assessed the potential for manufacturing site damage due to intensifying extreme floods and storm surges, and screened sites that require priority investigation of the impact of physical risks. We independently graded baseline (current) flood and storm surge risks and assessed the changes in the current to midcentury or end-of-century grades based on the RCP2.6 and RCP8.5 climate scenarios.</p> <p>At present, there is one site in Japan and one site outside considered to be at high risk of flooding. But there has been no grade change in the future. Regarding storm surges, one site outside Japan is assessed to have an increased risk compared to the baseline by the middle and the end of the 21st century.</p> <div><table><tr><th rowspan="3">Flood risk</th><th colspan="5">Number of Sites Rated as Major Hazard (Grade A)</th></tr><tr><th>2005</th><th colspan="2">2050</th><th colspan="2">2085</th></tr><tr><th>—</th><th>RCP2.6</th><th>RCP8.5</th><th>RCP2.6</th><th>RCP8.5</th></tr><tr><td>Japan (18 sites)</td><td>1 site</td><td>1 site</td><td>1 site</td><td>1 site</td><td>1 site</td></tr><tr><td>Outside Japan (7 sites)</td><td>1 site</td><td>1 site</td><td>1 site</td><td>1 site</td><td>1 site</td></tr></table><table><tr><th rowspan="3">Storm Surges risk</th><th colspan="5">Number of Sites Rated as Major Hazard (Grade A)</th></tr><tr><th>2010</th><th colspan="2">2050</th><th colspan="2">2090</th></tr><tr><th>—</th><th>RCP2.6</th><th>RCP8.5</th><th>RCP2.6</th><th>RCP8.5</th></tr><tr><td>Japan (18 sites)</td><td>0 site</td><td>0 site</td><td>0 site</td><td>0 site</td><td>0 site</td></tr><tr><td>Outside Japan (7 sites)</td><td>0 site</td><td>1 site</td><td>1 site</td><td>1 site</td><td>1 site</td></tr></table></div>	Flood risk	Number of Sites Rated as Major Hazard (Grade A)					2005	2050		2085		—	RCP2.6	RCP8.5	RCP2.6	RCP8.5	Japan (18 sites)	1 site	1 site	1 site	1 site	1 site	Outside Japan (7 sites)	1 site	1 site	1 site	1 site	1 site	Storm Surges risk	Number of Sites Rated as Major Hazard (Grade A)					2010	2050		2090		—	RCP2.6	RCP8.5	RCP2.6	RCP8.5	Japan (18 sites)	0 site	0 site	0 site	0 site	0 site	Outside Japan (7 sites)	0 site	1 site	1 site	1 site	1 site
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Japan (18 sites)	0 site	0 site	0 site	0 site	0 site																																																				
Outside Japan (7 sites)	0 site	1 site	1 site	1 site	1 site																																																				
Strategy	In the future, we will investigate in detail the sites that have been assessed as being at high risk based on the results of this analysis and take preventive measures such as installing equipment to minimize flooding on site and ensuring the installation height of the power supply system if deemed necessary. In addition, we will establish a stable product supply system based on our Business Continuity Plan(BCP), which will enable us to resume business activities as soon as possible in the event of a business continuity problem such as a shutdown.																																																								

## Risk Management

TAIYO YUDEN has assigned the Director and Executive Vice President in charge of safety and environmental affairs to be responsible for climate-related risks, who reports and deliberates these issues at the Internal Control Committee through the Compliance Subcommittee and the Risk Management Subcommittee in accordance with the group management

system. We refer to social analysis, interviews with customers and suppliers, and ESG engagement with investors as tools for identifying climate-related risks. The impact of these risks has been assessed in relation to their financial impact and management strategy.

## Indicators and Targets

### GHG emissions

TAIYO YUDEN has set targets for GHG emissions; a 42% reduction by FY2030 compared to FY2020 to achieve carbon neutrality by 2050. In order to achieve these targets, we will steadily promote efforts to reduce GHG emissions through measures

such as the use of renewable energy and the improvement of production efficiency. As part of our measures, we will convert 100% of the electricity used at our R&D center to renewable energy in FY2024.

#### Target and Result regarding GHG emissions

	FY2020 Achievement	FY2021 Achievement	FY2030 Targets
GHG emissions* (10 <sup>3</sup> t-CO <sub>2</sub> e)	484 (Reference year)	459 (Compared to FY2020 ▲5.2%)	281 (Compared to FY2020 ▲42%)

\*SCOPE 1+SCOPE 2

## Results of Efforts to Reduce Greenhouse Gases and Energy Consumption

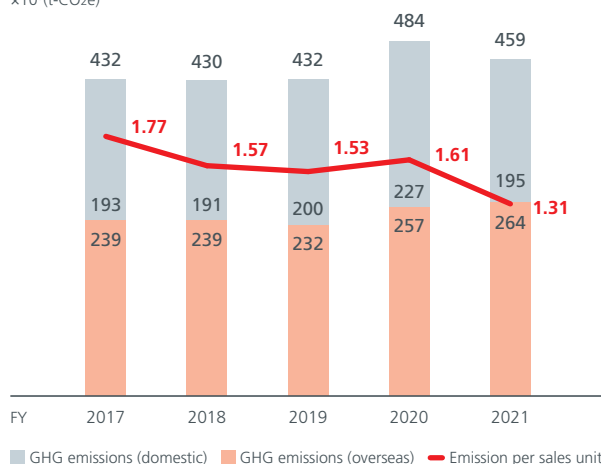
In FY2021, the amount of GHGs emitted by the entire TAIYO YUDEN Group decreased by 25,000 t-CO<sub>2</sub>e compared to FY2020. Although our domestic sites reduced their emissions, our overseas sites increased theirs. The amount of energy used by the entire TAIYO YUDEN Group was 265,000 kL crude oil equivalent.

We will continue to review our production processes, with a focus on our core products, to further improve production efficiency and reduce energy use. Furthermore, we have been promoting the incorporation of renewable energy as part of our efforts to combat global warming. The renewable energy used in FY2021 was 87,179 MWh.

\*The following conversion factors were used for these calculations. [Electric power] Japan: factors released by the Ministry of the Environment; overseas: factors provided by the International Energy Agency (IEA); [Fuel] Japan/overseas: factors released by the GHG Protocol.

### G1: GHG Emissions (calculated from total energy consumption)

×10<sup>3</sup>(t-CO<sub>2</sub>e)



GHG Emissions (×10 <sup>3</sup> t-CO <sub>2</sub> e)	
SCOPE 1	44
SCOPE 2	415

## ESG

## Efforts on Indirect Emissions Other than from Energy Use (SCOPE 3)

In recent years, there has been an increasing demand from our stakeholders to disclose information on SCOPE3 emissions, in addition to information on SCOPE1 and SCOPE2 emissions. In order to respond to such a demand, we are striving to keep track of our SCOPE3 emissions.

(unit: t-CO <sub>2</sub> e)			(unit: t-CO <sub>2</sub> e)		
category1	Purchased Goods and Services	379,879	category9	Transportation and delivery (downstream)	Not applicable
category2	Capital goods	83,697	category10	Processing of sold products	17
category3	Fuel- and energy-related activities (not included in SCOPE 1 or SCOPE 2)	75,642	category11	Use of sold products	Not applicable
category4	Upstream transportation and distribution	47,668	category12	End-of-life treatment of sold products	244
category5	Waste generated in operations	21,235	category13	Leased assets (downstream)	Not applicable
category6	Business travel	570 domestic sites	category14	Franchise	Not applicable
category7	Employee commuting	9,060 domestic sites	category15	Investments	Not applicable
category8	Upstream leased assets	0 Included in SCOPE2			

## Use of Renewable Energy

The TAIYO YUDEN Group has been installing solar panels as part of our efforts to combat global warming. After establishing the group's first power-generating site, Hongo Photovoltaic Power Plant in 2013, others have been built as well, and there are currently six power-generating sites in Japan and overseas.



FUKUSHIMA TAIYO YUDEN



WAKAYAMA TAIYO YUDEN



TAIYO YUDEN Mobile Technology



TAIYO YUDEN (PHILIPPINES)



Hongo Photovoltaic Power Plant



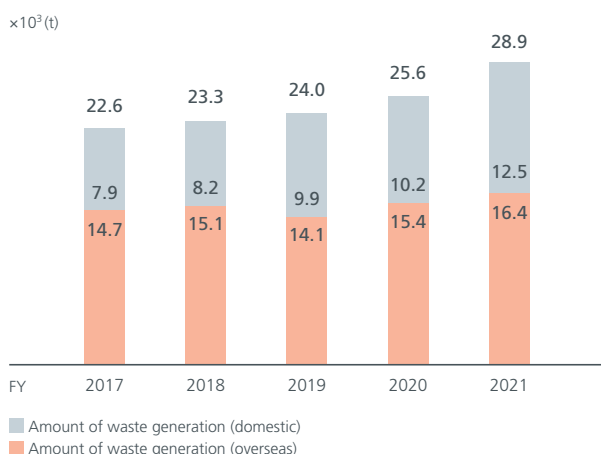
ELNA

## Efficiently Using Resources and Helping to Build a Recycling-Based Society

### Waste Management Initiatives

The amount of waste generated in FY2021 by the entire TAIYO YUDEN Group increased to 28,900 tons from 25,600 tons in FY2020. This increase was due to an increase in production volume and other factors. The waste, including valuables, mainly consisted of waste plastic, waste oil, and sludge. The TAIYO YUDEN Group will continue working to reduce waste volumes, boost in-house recycling rates, and recycle waste into resources at our overseas sites.

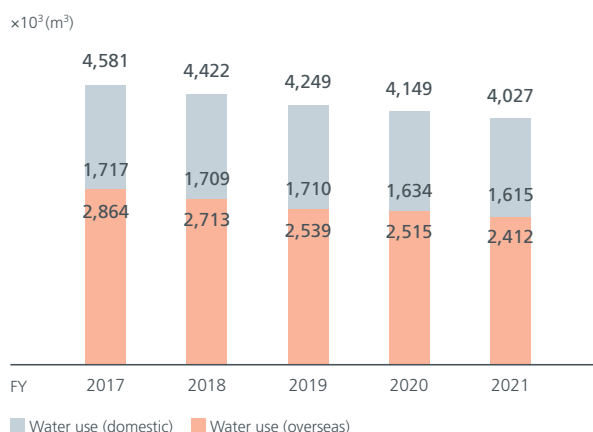
#### Amount of Waste Generation



### Water Resource Initiatives

The entire TAIYO YUDEN Group's water usage fell from 4,149,000 m<sup>3</sup> in FY2020 to 4,027,000 m<sup>3</sup> in FY2021. Sites both in Japan and outside Japan were able to reduce the amount of water used. Meanwhile, the amount of water taken was 3,668,000 m<sup>3</sup> from municipal water supplies (or other water supply facilities), and 359,000 m<sup>3</sup> from freshwater and underground water. The amount of water recycled was 561,000 m<sup>3</sup>.

#### Water Use



Quantity of water taken (×10 <sup>3</sup> m <sup>3</sup> )	
Municipal water supply (or other water supply facilities)	3,668
Freshwater/ underground water	359

#### Examples of FY2021 Initiatives

##### Reduction of waste by changing surface treatment methods

###### [TAIYO YUDEN CHEMICAL TECHNOLOGY]

Chemicals are used in some manufacturing processes that treat the surface of electronic components, and the used chemicals are processed appropriately as waste. By fundamentally reviewing surface treatment methods to adopt those that do not use chemicals, we achieved a significant reduction in chemical waste. The reduction in waste emissions was 416 tons per year.

##### Water conservation in plating processes

###### [TAIYO YUDEN (PHILIPPINES)]

Water is used in various processes when plating electronic components. Solenoid valves are used to adjust the volume of water supplied to the manufacturing line at automated plating processes. By investigating and optimizing valve opening and closing, we reduced the volume of water use.

The reduction in water was 9,300 tons per year.

## ESG

## S Social Activities

TAIYO YUDEN has designated the most important social issues as “materiality”—or “key issues”—and endeavors to contribute to the realization of sustainable social infrastructure.

### Human Rights

#### Human Rights and Labor Policy

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

#### Human Rights Due Diligence

Companies are expected to carry out human rights due diligence in line with the UN Guiding Principles on Business and Human Rights. In order to strengthen its initiatives for respecting human rights, TAIYO YUDEN has defined the departments and persons responsible for handling labor, human rights, discrimination, and harassment issues; it has also established and operates a labor human rights management system that includes regular internal audits, and that conforms to the Responsible Business Alliance (RBA) Code of Conduct, and so seeks to become a company that is trusted by society. Since FY2020, we have participated in the Human Rights Due Diligence and SDGs Working Groups hosted by the Global Compact Network Japan. At our Japanese and overseas Group companies, we also sign human rights and labor agreements with staffing agencies and on-site contractors—including on-site security, catering, and cleaning companies—and require them to cooperate with regular audits and assessments, and to implement corrective measures as necessary.

##### Example Initiatives in FY2021

- We ran regular e-learning courses that covered topics including harassment prevention, human rights policies, and sexual orientation for employees at our Japanese bases; we shared these learning materials—including an English version—with all our bases.
- We conducted regular specialized training through e-learning for employees working at labor and human rights departments at our Japanese bases.

### 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 targets for the incidence rate of injuries and illness and the accident frequency rate to numerically evaluate the results of such efforts.

#### Medium-term Occupational Health and Safety Targets

Results and Targets		5Ms for Medium-term Targets	
Incidence rate of injuries and illness	Accident frequency rate	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
FY2025 Targets			
Less than 0.016	Less than 0.08		
FY2021 Results			
0.021	0.10		

## Materials Procurement Activities

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

### Initiatives for CSR Procurement

#### CSR Procurement Policy

The TAIYO YUDEN Group established the “CSR Charter” and the “CSR Code of Conduct” and promotes CSR activities in order to fulfill corporate social responsibility. We endeavor to carry out socially responsible procurement that complies with both the CSR Charter and the CSR Code of Conduct. We also share our procurement initiatives with our suppliers, providing them with “CSR Procurement Guidelines” that outline the items we require them to comply with, obtaining their consent to the compliance items, and carrying out transactions. Our policy for socially responsible procurement is to ensure that every part of the supply chain complies with our CSR Procurement Guidelines, including the business partners of our suppliers. In order to assess these initiatives, we also regularly distribute “CSR Self-check Sheets” to our suppliers, and use the results to gauge how socially responsible our procurement is. Where necessary, we work together with our suppliers to implement improvements.

#### Responsible Minerals Procurement Policy

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. Furthermore, TAIYO YUDEN Group requests suppliers to procure minerals from the refiners/smelters approved by globally recognized frameworks such as RMI.

## 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.

#### RBA-VAP Audit

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

## 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.

### Examples of FY2021 Initiatives

#### Science Class for Children

These employee-run workshops provide children with opportunities to learn about and increase their interest in science. In FY2021, TAIYO YUDEN CO., LTD. employees held science class on how electricity is created, which were open to elementary school children and their parents.



#### Women’s Softball Team Children’s Coaching

Established in 1984, TAIYO YUDEN SOLFILLE is a women’s softball team that has consistently produced athletes that go on to represent Japan, with some even participating in the Olympics. The team regularly holds softball classes for children around Japan and, in FY2021, it provided instruction at the Gunma Junior High School Physical Culture Association’s Winter Training Sessions, and held ball-throwing classes at several elementary schools.



#### The Social (S) website:

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

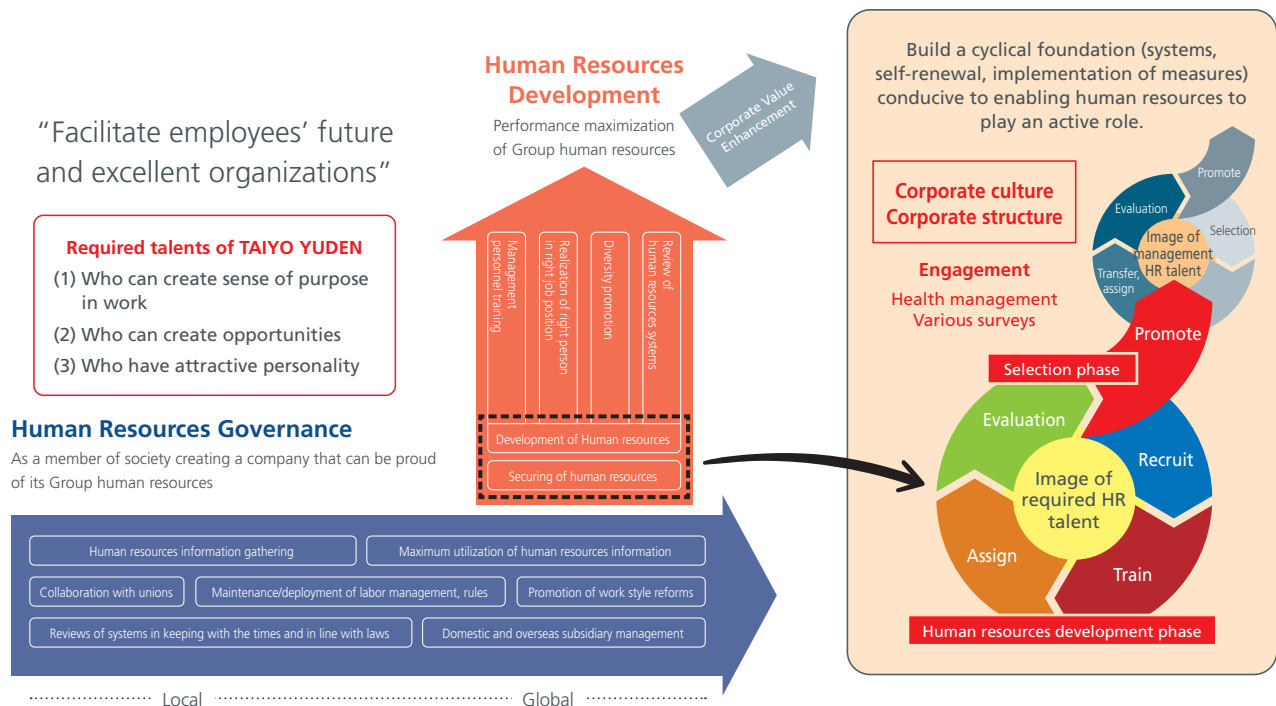
## ESG

## Human Resources Strategy

## Fundamental Stance

In keeping with its founding philosophy, TAIYO YUDEN understands the importance of workforce diversity and encourages individual employees to express their unique character and personality, hoping to help them lead an enriched life. Bearing the above in mind, we build and implement ongoing human resources development strategies, focusing on two areas: globalization skills for implementing management strategies based on experience of different cultures; and innovation capabilities for creating new value to contribute to society by exercising strengthened professional expertise and creativity.

Also, seeking to perform our HR mission to “facilitate employees’ future and excellent organizations,” we are striving to create an environment that encourages all individuals and organizations within the Group to fulfill their potential and accelerate HR development efforts. As a member of society, our human resources governance is designed to create a company that employees can be proud of, and our human resources development aims to maximize the performance of Group employees. In this way, we aim to facilitate the personal growth of each employee and increase our overall corporate value.



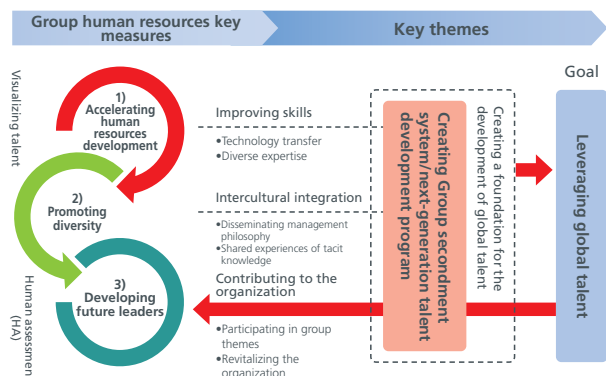
## Work Engagement

In its medium-term management plan 2025, TAIYO YUDEN has set a target work engagement score of 2.5. Work engagement is an indicator of an employee’s state of mind, and measures the extent to which they feel a sense of pride and fulfillment in their work. Every year, we carry out an 80-question Stress Check for each of our employees, and the work engagement score is based on answers to two of these questions. In FY2021, the average employee work engagement score was 2.25. We use this score to ensure our human resources development and workplace improvements enable employees to maximize their potential and improve productivity.

## Example Measures in FY2021

- We introduced the work-interval system and trialed the work-from-home system in normal times.
- We defined and commenced initiatives for the Focus 5 health indicators.
- For employees required to teach their subordinates, we strengthened and implemented our programs for various forms of training—including harassment training, management training, and coaching training—to improve their teaching skills.
- For supervisors of production departments, we carried out training for teaching and supporting subordinates, creating positive workplaces, and management.

## Key Measures



### 1. Accelerating Human Resources Development

In order to ensure a healthy balance of young employees in our workforce, we continue to operate a policy of recruiting approximately 100 young employees per year, regardless of the state of the economy. After they have joined our company, we carry out various forms of training and instruction to ensure these young employees develop the talents required by the Human Resources Department—namely, who can create sense of purpose in work, who can create opportunities, and who have attractive personality. We also carry out training programs to further extend the strengths of our company, and cover for its weaknesses.

### Training Systems

Position Level	Development of Manufacturing Talents			Position Level-Specific Training	Selective Training	Self-Development Support	Career Design	
Management Level	Quality Education	SS	Statistics	Training for Newly Appointed Subsidiary MD	Global Leader Training	Acquisition of Qualifications	Career Plan Training	
Middle Level				Management Training	Leader Training			Working Doctors Scheme/Study Abroad
Junior Level				Business Administration				
				Logical Thinking				
				Financial Accounting				
				Quality Control				
Entry Level	Fundamental Knowledge Establishment Training	Selective Training for Junior Staff						
	Factory On-Job Training							
	New Employee Training							

### Employee Training Expenses in FY2021 (TAIYO YUDEN CO., LTD.)

Total training expenses	¥182,307,000
Training expenses per employee	¥62,600

### Examples of Training Carried Out in FY2021



Statistics Training



New Employee Training



Leader Training

## ESG

## 2. Promoting Diversity

In order to ensure its sustainable development even as society changes, TAIYO YUDEN believes it is vitally important to embrace diversity in its workforce with regard to individual differences in background and personal attributes, such as nationality, culture, gender, age, and career, and is seeking to invent completely new concepts and ideas from diversity-driven dynamic interactions.

In order to create a work environment that enables ambitious women to flourish, we have formulated and are now executing the Action Plan for Women's Empowerment. In the medium-term management plan 2025, one of our KPIs for materiality related to social value was a recruitment rate for

new female graduates of 30% or higher. In FY2022, we also established a new target for the proportion of women in managerial positions of 10% or higher by FY2030.

### Example Initiatives in FY2021

- Held company information sessions for women
- Held round-table discussions with women promoted to managerial positions

### Action Plan for Women's Empowerment:

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

(TAIYO YUDEN CO., LTD.)

	FY2019	FY2020	FY2021	FY2022	
<b>Female manager ratio</b> (as of April 1)					
Ratio of females in managerial roles*	1.8%	2.5%	2.4%	3.7%	We are striving to create work environments in which ambitious women can flourish. In the medium-term management plan 2025, we set a target for the proportion of women in managerial positions of 10% or higher by FY2030.
Ratio of female managerial roles among female employees	0.8%	1.1%	1.0%	1.6%	
<b>Number of new graduates</b> (as of April 1)					In order to secure and develop diverse human resources capable of leading the company in the future, we continue to recruit approximately 100 new graduates per year. In the medium-term management plan 2025, we set a target recruitment rate for new female graduates of 30% or higher.
Male	61	58	88	80	
Female	35	43	34	49	
Percentage of female	36.5%	42.6%	27.9%	38.0%	
<b>Non-Japanese Employees</b> (as of March 31)	21	23	23	—	

\*Due to changes in how the denominator is defined for calculations, we have adjusted past values.

## 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. We have set a medium-term target of developing 200 future leader candidates.

### Examples of Training Carried Out in FY2021

- 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. In FY2021, we reformed our working systems with the goal of improving employee work-life balance, and both trialed and introduced new work systems.

### Main Systems Introduced in FY2021

#### Work-interval system

This system ensures a certain amount of "rest time"—or "interval"—is guaranteed between the end of work on one day and the beginning of work on the following day. We have adopted an 11-hour interval, which is the same as required by law in the European Union. The introduction of this system has resulted in improved productivity, reduced overtime, and better labor management standards.

#### Work-from-home system

In major metropolitan regions where large numbers of people have been infected with COVID-19, according to the circumstances we established rules to prevent the spread of infections and introduced work-from-home and staggered-work-hour systems; even in other regions, we are trialing the work-from-home system for use in the COVID and post-COVID eras.

(TAIYO YUDEN CO., LTD., as of March 31)

		FY2019	FY2020	FY2021
Average length of service				
	Male	18.2	18.9	17.9
	Female	18.3	18.7	17.5
Utilization rate of childcare leave / special paid holiday (when spouse gives birth)				
	Male	85.5%	90.2%	89.2%
	Female	100.0%	100.0%	100.0%
Average number of paid leave days taken		14.4	12.7	14.8

So that each and every employee can demonstrate their performance to the maximum extent, the Company is working to create comfortable work environments.

## Health-Oriented Management

TAIYO YUDEN continues to engage in the creation of workplaces that support the mental and physical health of its employees. By increasing the energy and productivity of our organizations, we intend to increase our corporate value. To this end, we have designated the President as Chief Healthcare Officer (CHO) and issued the TAIYO YUDEN Group: Health-Oriented Management Declaration, which seeks both to help employees improve their health and to raise their health awareness through the establishment of Group-wide systems.

In order to promote strategic and systematic efforts to improve employee health, we have established lifestyle habit KPIs, and categorized them under one of five themes collectively named "Focus 5": diet, non-smoking, exercise, sleep, and stress. We have been able to verify a correlation between improved Focus 5 performance and reduced rates of abnormal findings at health checks. Consequently, we are working on projects to encourage employees to acquire as many positive Focus 5 lifestyle habits as possible.

### Example Measures in FY2021

#### Measures to improve sleep

Since only a small proportion of our employees claim to receive adequate rest through sleep, we held seminars for new employees entitled "The Importance of Sleep" and seminars for shift workers entitled "Improving Sleep Quality."



Sleep seminars for shift workers

#### Measures to reduce stress

As part of our systematic support for new employees, we launched a "Brother-and-Sister Support System," in which new recruits can seek work-related advice from senior colleagues who are close to them in age. In addition, we also held "Line Care Training" for production site managers and supervisors, to encourage interest in their own mental health and that of their subordinates, and to create workplace environments that are easier both mentally and physically to work in.



### Focus 5: Goals (FY2025) and Current State (FY2021)

	Definition	Target	Current state
Diet	Ratio of employees with BMI 18.5 or more and less than 25	65.3%	64.9%
Non-smoking	Ratio of employees with no smoking habits	83.3%	81.3%
Exercise	Ratio of employees with exercise habits	28.7%	25.3%
Sleep	Ratio of employees able to take enough rest by sleeping	78.3%	61.9%
Stress	Ratio of employees not applied for "High stress"	86.3%	82.3%

\*For all five themes, the higher the proportion the better

## ESG

## Message from the Officer in charge



## *Promoting a human resources strategy to revolutionize society*

**Satoshi Yamazaki**

Operating Officer  
in charge of Human Resources, General Affairs

TAIYO YUDEN's basic policy is to enhance its corporate value by increasing its economic value as a company that continuously grows based on "the wonders of science," which serves as the source of this value enhancement, and by increasing its social value as one that contributes to achieving a better society. Demonstrating creativity and innovation, that is to say revolutionizing society, is also expected of us in order to achieve the Sustainable Development Goals (SDGs) and solve a wide range of other social issues that have emerged in recent years. I believe it is necessary to promote a human resources strategy that is fit for this expectation. In light of this, the Human Resources Department has made it its mission to "facilitate employees' future and excellent organizations."

To achieve this mission, we have established a human resources management system under the fundamental premise of respecting human rights. At its core are human resources governance, aimed at creating a company that Group employees can be proud of as a member of society, and human resources development, aimed at maximizing the performance of Group personnel. In terms of human resources development, we are working to expand our pool of future leaders necessary to grow net sales and increase our production capabilities in order to achieve our targets set out in the medium-term management plan 2025. On top of the education and training we provide for each class of employee, we offer selective leadership training, programs for improving management skills, etc. We also intend to increase the amount of our investments in human capital over the medium- to long-term.

Moreover, we set a new social (S) KPI from FY2022 related to our social value materiality of reaching a 10% or higher female manager ratio by FY2030 in order to enrich the diversity of our human resources. As of April 1, 2022, TAIYO YUDEN CO., LTD. had 11 women at management position, a ratio of 3.7%. In order to first secure a pool of candidates, we are stepping up our recruitment activities by aiming to ensure

that at least 30% of our new graduate intake are women and further providing support for career development.

Comfortable work environments and good health are also key elements for diverse workforces to be able to thrive and fully demonstrate their abilities. When it comes to the former, we are aiming to improve work-life balance through work system reform. We are also stepping up our training for employees who are in a position to instruct others beneath them as it has become clear that supervisors' words and actions have a significant impact on whether employees' motivation and job satisfaction improve. Moreover, we are restructuring our offices and factories at our bases in Japan. This is a project I am spearheading. We will work on systematically demolishing and reconstructing buildings erected prior to 1981 under the old seismic code and ensuring we have the space necessary to expand our business. I believe that being able to work in a safe, secure, and comfortable environment, both physically and psychologically, leads to greater employee satisfaction and engagement, and this will continue to be a focus of our efforts.

When it comes to health-oriented management, we plan to continue providing support for improving employee health and raising health consciousness through an organizational system of promoting health under the leadership of the President and Chief Executive Officer, who serves as CHO: Chief Healthcare Officer.

We at the Human Resources Department will help increase TAIYO YUDEN's corporate value by supporting the growth of each and every one of our employees and developing talent who are more scientific, rational, organized in their actions, and capable of demonstrating leadership and revolutionary breakthroughs in this era of rapid change, so that the Company may continue to serve as a corporation that makes a contribution to society.

# External Evaluation

(As of June 2022)

## ESG Indices Selected by GPIF

TAIYO YUDEN seeks to improve both its economic value and its social value and, for this reason, it has set and is working to achieve ESG targets related to social value. In recognition of these initiatives, we have been selected to each of the five ESG indices for Japanese stocks used by the Government Pension Investment Fund (GPIF) for ESG investment.



FTSE Blossom Japan Index



FTSE Blossom Japan Sector Relative Index



S&amp;P/JPX Carbon Efficient Index

### 2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

MSCI Japan ESG Select Leaders Index

### 2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

MSCI Japan Empowering Women Index (WIN)

## Other ESG Indices



### 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.



### 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



### Selection of Health & Productivity Stock, White 500

TAIYO YUDEN appointed a Chief Healthcare Officer (CHO) and has set up a "Health Promotion Committee" and is working to promote the health of its employees. "Certified Health & Productivity management Organization (White 500)" is given to companies by the Ministry of Economy, Trade and Industry of Japan and the Nippon Kenko Kaigi.



### Sports Yell Company 2022

Certified by the Japan Sports Agency as a company that promotes exercise in the workplace.



### Eruboshi Certification

TAIYO YUDEN has been certified Eruboshi certification.



### Kurumin Certification

We obtained "Kurumin" certification. This certification is given to companies that make excellent efforts to nurture the next generation.

# 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	2012	2013	2014	2015
<b>Business results</b>					
Net sales		183,795	192,903	208,222	227,095
Operating income (loss)		(8,010)	4,850	11,358	13,153
Ordinary income (loss)		(9,070)	7,118	12,192	15,653
Net income (loss) attributable to owners of the parent company		(21,599)	1,867	6,989	10,919
Total assets		208,461	225,991	247,596	265,454
Net assets		104,400	115,814	128,556	150,856
Cash flows from operating activities		5,534	19,496	29,724	24,896
Cash flows from investing activities		(28,945)	(18,157)	(18,947)	(20,964)
Free cash flows		(23,411)	1,339	10,777	3,932
Cash flows from financing activities		11,388	2,334	8,404	(21,249)
Cash and cash equivalents at end of year		26,671	33,280	54,611	41,476
R&D expenses		8,068	6,840	7,353	8,237
Capital investment		26,764	20,702	19,126	18,773
Depreciation and amortization		19,250	19,832	20,750	21,813

(Yen)

## Per share data

Net assets per share	884.70	981.92	1,090.26	1,278.07
Basic net income (loss) per share	(183.70)	15.88	59.38	92.74
Diluted net income per share	—	15.85	58.09	85.51
Cash dividends per share	5.00	10.00	10.00	10.00

(%)

## Financial indicators

Equity ratio	49.9	51.1	51.8	56.7
Return on Equity [ROE]	(18.7)	1.7	5.7	7.8
Return on Assets [ROA]	(4.2)	3.3	5.1	6.1
Return On Invested Capital [ROIC]	(12.9)	1.1	3.7	5.4

## Non-financial indicators

Number of employees [consolidated]	16,194	15,915	16,435	18,262
Number of employees [non-consolidated]	2,977	2,632	2,572	2,577
Greenhouse gas emissions (10 <sup>3</sup> t-CO <sub>2</sub> e)	—	368	382	426
(Emissions per sales unit)	—	(1.91)	(1.83)	(1.88)
Incidence rate of injuries and illness	—	N.A.	0.020	0.030
Accident frequency rate	—	0.09	0.10	0.15

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

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)

2016	2017	2018	2019	2020	2021	2022
240,385	230,716	244,117	274,349	282,329	300,920	349,636
23,370	12,385	20,221	35,237	37,176	40,766	68,218
22,263	11,200	20,553	34,351	35,165	41,247	72,191
14,751	5,428	16,355	23,687	18,022	28,615	54,361
268,380	271,149	287,170	328,861	343,122	404,642	474,522
153,381	154,150	170,118	205,953	210,454	243,941	300,286
38,278	29,692	33,944	42,967	52,434	52,882	67,315
(35,374)	(28,806)	(26,918)	(33,581)	(40,874)	(42,218)	(50,622)
2,904	887	7,026	9,386	11,560	10,664	16,693
(2,050)	(4,342)	953	(1,603)	(4,851)	12,604	(14,711)
39,944	36,094	43,837	51,654	57,285	81,785	88,609
9,024	10,008	10,574	13,039	12,921	12,550	13,099
41,261	33,161	24,549	38,570	39,365	49,699	34,023
23,767	24,908	25,589	26,547	27,022	29,256	31,287

(Yen)

1,299.75	1,305.96	1,440.79	1,609.72	1,672.40	1,937.86	2,403.20
125.27	46.08	138.80	189.93	143.04	227.99	433.46
115.54	42.43	127.88	185.87	142.67	227.32	432.19
15.00	20.00	20.00	21.00	26.00	40.00	80.00

(%)

57.1	56.8	59.1	62.5	61.2	60.1	63.1
9.7	3.5	10.1	12.6	8.7	12.6	20.0
8.3	4.2	7.4	11.2	10.5	11.0	16.4
7.2	2.6	7.6	9.8	6.8	9.8	15.7

18,810	18,753	19,011	21,300	21,723	22,852	22,312
2,618	2,586	2,590	2,681	2,785	2,837	2,873
424	422	432	430	432	484	459
(1.76)	(1.83)	(1.77)	(1.57)	(1.53)	(1.61)	(1.31)
0.030	0.035	0.028	0.015	0.008	0.015	0.021
0.15	0.18	0.14	0.08	0.04	0.08	0.10

## Financial Review

### Outline of Business Performance

During the fiscal year ended March 31, 2022, the business environment surrounding TAIYO YUDEN continued to show no signs of the end of the pandemic, as although the severe restrictions on movement to prevent the spread of COVID-19 have eased in many countries and regions, large-scale lockdowns continue to be implemented in others. The global economy is beginning to recover, but risk factors such as rising raw material and distribution costs resulting from heightened geopolitical risk have grown prominent. Looking ahead, we expect this trend toward economic recovery to continue, but we must sufficiently monitor any upticks in infectious diseases, international affairs, trade issues in individual countries, and fluctuations in financial and capital markets.

TAIYO YUDEN is aiming to increase its proportion of sales in focus markets, primarily automotive and IT infrastructure/industrial equipment, to 50% in order to achieve the goals set forth in the medium-term management plan 2025. Moreover, we will create high value-added electronic components centered on high-end and high-reliability products, and in addition, we will grow the MLCC business and strengthen our inductor and communication device products to turn them into core businesses. Further, on top of continuously expanding production capacity to meet increases in demand for electronic components, we intend to aggressively implement environmental measures and IT upgrades, with ¥300 billion in capital investment planned over a five year period.

TAIYO YUDEN has also been implementing various measures based on its business continuity plan (BCP) in response to the spread of COVID-19, taking into consideration the health and safety of its employees, business partners, and all other stakeholders. At our production bases in Japan and overseas, we follow the directives and guidance given by the government and local authorities in each country, ensuring that thorough preventative measures are in place before resuming our production activities. In addition, employees outside of our production divisions are working to carry out their duties while reducing the risk of infection by working remotely in line with case numbers in their respective regions and in accordance with the relevant directives and requests of governments and local authorities.

In the fiscal year ended March 31, 2022, sales and profit increased due to an expansion in demand centered around products for use in automobiles and IT infrastructure/industrial equipment, despite COVID-19 causing restraints on operations at a production subsidiary in Malaysia in the second quarter.

As a result, consolidated net sales for the fiscal year ended March 31, 2022 totaled ¥349,636 million, which is an increase of 16.2% compared with the previous fiscal year.

The average foreign currency exchange rate for the fiscal year ended March 31, 2022 was US\$1: ¥111.56. This is a depreciation of ¥5.59 compared with the average realized in the previous fiscal year of ¥105.97.

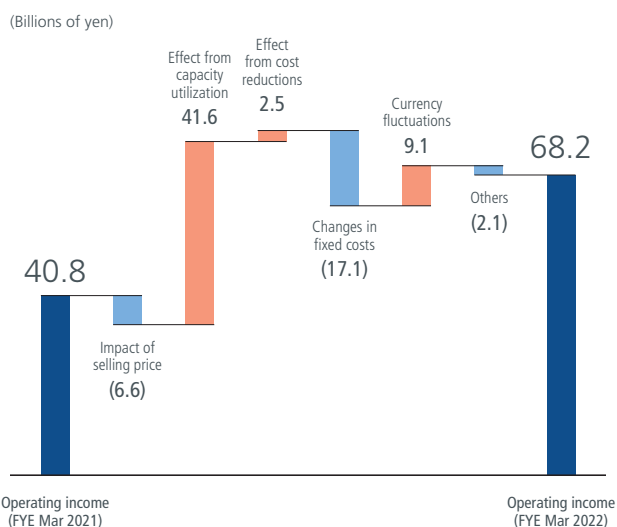
### Selling, General and Administrative Expenses

In the fiscal year ended March 31, 2022, selling, general, and administrative (SG&A) expenses increased ¥8,574 million compared with the previous fiscal year to ¥56,763 million. The main components of SG&A expenses for the fiscal year ended March 31, 2022 were R&D expenses of ¥13,099 million and employee salaries and allowances of ¥12,846 million. Accounting for these and other factors, operating income jumped 67.3% year on year to ¥68,218 million.

### Non-operating Income (Expenses)

Non-operating income in the fiscal year ended March 31, 2022 was ¥4,593 million, an increase of ¥3,015 million compared with the previous fiscal year. On the other hand, non-operating expenses decreased ¥477 million compared with the previous fiscal year to ¥620 million due in part to the fact that there was no equity in losses of affiliates as there was in the previous fiscal year. As a result, ordinary income increased 75.0% year on year to ¥72,191 million.

### Factors behind Operating Income in FYE March 2022



**Extraordinary Gains (Losses)**

Due to ¥497 million in gain on sales of investment securities, extraordinary gains in the fiscal year ended March 31, 2022 amounted to ¥689 million, an increase of ¥98 million compared with the previous fiscal year. Despite recording loss on disaster, extraordinary losses decreased ¥3,820 million year on year to ¥1,008 million. This was mainly due to the substantial downturn in impairment loss as well as the absence of loss on devaluation of shares of subsidiaries and associates and loss by COVID-19 at overseas subsidiaries. As a result, net income attributable to owners of the parent company increased 90.0% year on year to ¥54,361 million.

**Financial Position****Assets**

Total assets as of the end of the fiscal year ended March 31, 2022 stood at ¥474,522 million, up ¥69,879 million from the end of the previous fiscal year. Current assets increased ¥45,008 million. This increase in current assets was mainly due to increases in work in process of ¥14,060 million, merchandise and finished products of ¥9,654 million, and cash and deposits of ¥8,273 million. Fixed assets increased ¥24,871 million owing to an upswing in property, plant and equipment of ¥25,763 million.

**Liabilities**

Total liabilities stood at ¥174,235 million as of the end of the fiscal year ended March 31, 2022. This was ¥13,534 million higher than the end of the previous fiscal year primarily to due increases in income taxes payable of ¥8,164 million, long-term borrowings of ¥6,961 million, short-term borrowings of ¥1.7 billion, and a decrease in current portion of long-term borrowings of ¥9,426 million.

**Net Assets**

Net assets stood at ¥300,286 million as of the end of the fiscal year ended March 31, 2022, up ¥56,344 million compared with the end of the previous fiscal year. Principal movements in net assets were an increase in retained earnings of ¥46.2 billion and an increase in foreign currency translation adjustments of ¥14,916 million.

**Status of Cash Flows**

Net cash flow provided by operating activities in the fiscal year ended March 31, 2022 came to ¥67,315 million, up 27.3% compared with the previous fiscal year. The contributing factors were income before income taxes of ¥71,872 million, depreciation and amortization of ¥31,287 million, increase in inventories of ¥24,214 million, and income taxes (paid) of ¥9,893 million.

Net cash used in investing activities amounted to ¥50,622 million, a 19.9% increase in outlays compared with the previous fiscal year. The major expenses were purchases of property, plant and equipment of ¥51,551 million.

Net cash used in financing activities was ¥14,711 million compared with net cash provided by financing activities of ¥12,604 million in the previous fiscal year. The main factors were proceeds from long-term borrowings of ¥11.0 billion, payments of cash dividends of ¥8,146 million and repayments of long-term borrowings of ¥13,465 million.

Accounting for each of these activities, cash and cash equivalents stood at ¥88,609 million as of the end of the fiscal year ended March 31, 2022, an increase of ¥6,823 million compared with the end of the previous fiscal year.

Financing from external sources as of March 31, 2022 consisted of ¥20.2 billion in short-term borrowings, ¥4,035 million in current portion of long-term borrowings, and ¥48,749 million in long-term borrowings. In principle, borrowings are procured within Japan at fixed interest rates. Moreover, to ensure financial stability, TAIYO YUDEN has also established a commitment line of ¥30.0 billion effective for three years. The Group has not utilized the commitment line as of the March 31, 2022 fiscal year-end.

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

# Consolidated Financial Statements

## Consolidated Balance Sheet

TAIYO YUDEN CO., LTD. and Subsidiaries

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>ASSETS</b>		
Current assets:		
Cash and deposits	84,297	92,570
Trade notes and accounts receivable	78,738	86,585
Merchandise and finished products	19,849	29,504
Work in process	30,183	44,243
Raw materials and supplies	17,902	23,033
Other	6,876	6,981
Allowance for doubtful receivables	(247)	(311)
Total current assets	237,599	282,607
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	115,053	120,596
Machinery and equipment	304,632	335,309
Tools, furniture and fixtures	30,849	33,773
Land	14,752	15,179
Construction in progress	10,824	28,603
Accumulated depreciation	(316,940)	(348,527)
Net property, plant and equipment	159,172	184,936
Intangible fixed assets:		
Other	1,371	1,340
Total intangible fixed assets	1,371	1,340
Investments and other assets:		
Investment securities	2,405	1,505
Net defined benefit asset	55	70
Deferred tax assets	2,144	2,536
Other	1,891	1,525
Total investments and other assets	6,498	5,637
Total fixed assets	167,042	191,914
Total assets	404,642	474,522

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>LIABILITIES</b>		
Current liabilities:		
Trade notes and accounts payable	31,728	32,828
Short-term borrowings	18,500	20,200
Current portion of long-term borrowings	13,462	4,035
Accrued amounts payable	15,907	15,613
Income taxes payable	5,803	13,967
Accrued bonuses for employees	5,132	5,890
Accrued bonuses for directors and corporate auditors	388	679
Other	11,555	13,798
Total current liabilities	102,477	107,013
Long-term liabilities:		
Long-term borrowings	41,788	48,749
Deferred tax liabilities	3,828	3,835
Accrued retirement benefits for directors and corporate auditors	43	31
Net defined benefit liability	5,105	5,315
Other	7,458	9,291
Total long-term liabilities	58,223	67,222
Total liabilities	160,701	174,235
<b>NET ASSETS</b>		
Shareholders' equity:		
Common stock	33,575	33,575
Capital surplus	49,903	49,908
Retained earnings	174,977	221,178
Treasury stock	(8,576)	(13,454)
Total shareholders' equity	249,879	291,207
Accumulated other comprehensive income		
Net unrealized holding gains on securities	1,090	518
Deferred gains (losses) on hedges	(106)	(190)
Foreign currency translation adjustments	(6,669)	8,246
Remeasurements of defined benefit plans	(960)	(321)
Total accumulated other comprehensive income	(6,646)	8,252
Stock acquisition rights	708	826
Total net assets	243,941	300,286
Total liabilities and net assets	404,642	474,522

# Consolidated Financial Statements

## Consolidated Statement of Income

TAIYO YUDEN CO., LTD. and Subsidiaries

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Net sales	300,920	349,636
Cost of sales	211,965	224,654
Gross profit	88,955	124,981
Selling, general and administrative expenses	48,188	56,763
Operating income	40,766	68,218
Non-operating income:		
Interest income	118	275
Dividend income	53	24
Gain on foreign exchange	197	3,295
Subsidy income	1,021	568
Other	186	429
Total non-operating income	1,578	4,593
Non-operating expenses:		
Interest expense	368	390
Equity in losses of affiliate	283	-
Depreciation of inactive noncurrent assets	276	80
Other	168	148
Total non-operating expenses	1,097	620
Ordinary income	41,247	72,191
Extraordinary gains:		
Gain on sales of property, plant and equipment	57	99
Gain on sales of investment securities	466	497
Other	67	91
Total extraordinary gains	591	689
Extraordinary losses:		
Loss on disposal and sales of property, plant and equipment	624	506
Impairment loss	1,084	180
Loss on devaluation of shares of subsidiaries and associates	258	-
Business structure improvement expenses	439	-
Loss on disaster	-	291
Loss by COVID-19	2,098	-
Other	322	28
Total extraordinary losses	4,828	1,008
Income before income taxes	37,010	71,872
Income taxes - current	8,546	17,682
Income taxes - deferred	(151)	(172)
Total income taxes	8,395	17,510
Net income	28,615	54,361
Net income attributable to owners of the parent company	28,615	54,361

## Consolidated Statement of Comprehensive Income

TAIYO YUDEN CO., LTD. and Subsidiaries

	(Millions of yen)	
	Year ended March 31, 2021	Year ended March 31, 2022
Net income	28,615	54,361
Other comprehensive income		
Net unrealized holding gains (losses) on securities	670	(572)
Deferred gains (losses) on hedges	(24)	(83)
Foreign currency translation adjustments	8,250	14,916
Remeasurement of defined benefit plans	(139)	639
Total other comprehensive income (loss)	8,757	14,898
Comprehensive income	37,372	69,260
(Breakdown)		
Comprehensive income attributable to shareholders	37,372	69,260

# Consolidated Financial Statements

## Consolidated Statement of Changes in Equity

TAIYO YUDEN CO., LTD. and Subsidiaries

Prior fiscal year (April 1, 2020 - March 31, 2021)

(Millions of yen)

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

	Accumulated other comprehensive income					Stock acquisition rights	Total net assets
	Net unrealized holding gains on securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income		
Balance at the beginning of the year	430	(82)	(14,779)	(824)	(15,255)	563	210,454
Changes of items during the year							
Dividends from surplus							(3,765)
Net income attributable to owners of the parent company							28,615
Purchase of treasury stock							(9)
Disposal of treasury stock							28
Increase (decrease) resulting from change in fiscal period of consolidated subsidiaries							(135)
Net change of items other than shareholders' equity during the period	660	(24)	8,109	(136)	8,609	144	8,753
Total changes of items during the year	660	(24)	8,109	(136)	8,609	144	33,486
Balance at the end of the year	1,090	(106)	(6,669)	(960)	(6,646)	708	243,941

Current fiscal year (April 1, 2021 - March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	33,575	49,903	174,977	(8,576)	249,879
Changes of items during the year					
Dividends from surplus			(8,161)		(8,161)
Net income attributable to owners of the parent company			54,361		54,361
Purchase of treasury stock				(5,008)	(5,008)
Disposal of treasury stock		4		131	136
Increase (decrease) resulting from change in fiscal period of consolidated subsidiaries					-
Net change of items other than shareholders' equity during the period					
Total changes of items during the year	-	4	46,200	(4,877)	41,328
Balance at the end of the year	33,575	49,908	221,178	(13,454)	291,207

	Accumulated other comprehensive income					Stock acquisition rights	Total net assets
	Net unrealized holding gains on securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income		
Balance at the beginning of the year	1,090	(106)	(6,669)	(960)	(6,646)	708	243,941
Changes of items during the year							
Dividends from surplus							(8,161)
Net income attributable to owners of the parent company							54,361
Purchase of treasury stock							(5,008)
Disposal of treasury stock							136
Increase (decrease) resulting from change in fiscal period of consolidated subsidiaries							-
Net change of items other than shareholders' equity during the period	(572)	(83)	14,916	639	14,898	117	15,016
Total changes of items during the year	(572)	(83)	14,916	639	14,898	117	56,344
Balance at the end of the year	518	(190)	8,246	(321)	8,252	826	300,286

# Consolidated Financial Statements

## Consolidated Statement of Cash Flows

TAIYO YUDEN CO., LTD. and Subsidiaries

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
<b>Operating activities:</b>		
Income before income taxes	37,010	71,872
Depreciation and amortization	29,256	31,287
Impairment loss	1,084	180
Business structure improvement expense	439	-
Loss on disaster	-	291
Loss by COVID-19	2,098	-
Increase (decrease) in allowance for doubtful receivables	(278)	37
Increase (decrease) in accrued bonuses for employees	423	720
Increase (decrease) in accrued bonuses for directors and corporate auditors	155	290
Increase (decrease) in accrued retirement benefits for directors and corporate auditors	(7)	(12)
Interest and dividend income	(172)	(299)
Interest expense	368	390
Equity in earnings of affiliate	283	-
(Gain) loss on disposal and sales of property, plant and equipment	567	407
(Gain) loss on sales of investment securities	(461)	(469)
Subsidy income	(684)	(258)
Loss on devaluation of shares of subsidiaries and associates	258	-
(Increase) decrease in trade receivables	(9,783)	(1,148)
(Increase) decrease in inventories	(2,610)	(24,214)
Increase (decrease) in trade payables	4,466	571
Other	375	(2,157)
Subtotal	62,791	77,490
Interest and dividends received	173	291
Interest paid	(351)	(384)
Business structure improvement expense paid	(199)	-
Payments associated with disaster loss	-	(187)
Anti-monopoly Act related loss paid	(2,823)	-
Loss by COVID-19 paid	(1,803)	-
Income taxes (paid) refunded	(4,903)	(9,893)
Net cash provided by operating activities	52,882	67,315
<b>Investing activities:</b>		
Purchases of property, plant and equipment	(43,908)	(51,551)
Proceeds from sales of property, plant and equipment	135	230
(Increase) decrease in time deposits	33	(1,018)
Proceeds from sales of investment securities	1,026	885
Receipt from subsidy income	384	458
Purchase of shares of subsidiaries and associates	(92)	-
Other	202	373
Net cash used in investing activities	(42,218)	(50,622)

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
<b>Financing activities:</b>		
Net increase (decrease) in short-term borrowings	(750)	1,700
Proceeds from long-term borrowings	20,500	11,000
Repayments of long-term borrowings	(2,666)	(13,465)
Purchases of treasury stock	(9)	(5,008)
Payments of cash dividends	(3,760)	(8,146)
Repayments of lease obligations	(701)	(791)
Other	(8)	(0)
Net cash provided by (used in) financing activities	12,604	(14,711)
Effect of exchange rate changes on cash and cash equivalents	2,386	4,841
Net increase (decrease) in cash and cash equivalents	25,654	6,823
Cash and cash equivalents at beginning of period	57,285	81,785
Increase (decrease) in cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	(1,154)	-
Cash and cash equivalents at end of period	81,785	88,609

# ESG Data

Items linked to TAIYO YUDEN's medium-term management plan 2025 targets

				Period/ As-of-Date	Coverage	FY2018	FY2019	FY2020	FY2021	FY2022	Unit	
Environ- ment	Greenhouse gas (GHG)	GHG emissions (SCOPE 1+SCOPE 2)		Full year	Consolidated	430,000	432,000	484,000	459,000	—	t-CO2e	
	Medium-term manage- ment plan 2025 Target GHG absolute emissions Reduction by 42%* in FY2030 *compared with FY2020	SCOPE 1		Full year	Consolidated	36,000	39,000	42,000	44,000	—	t-CO2e	
		SCOPE 2		Full year	Consolidated	394,000	393,000	442,000	415,000	—	t-CO2e	
		SCOPE 3	1. Purchased goods and services		Full year	Consolidated	345,000	311,000	392,102	379,879	—	t-CO2e
			2. Capital goods		Full year	Consolidated	—	—	122,262	83,697	—	t-CO2e
			3. Fuel- and energy-related activities		Full year	Consolidated	—	—	19,286	75,642	—	t-CO2e
			4. Upstream transportation & distribution		Full year	Consolidated	39,517	38,868	42,950	47,668	—	t-CO2e
			5. Waste generated in operations		Full year	Consolidated (Japan)*	5,651	6,343	7,559	21,235	—	t-CO2e
			6. Business travel		Full year	Consolidated (Japan)	462	462	340	570	—	t-CO2e
			7. Employee commuting		Full year	Consolidated (Japan)	7,608	7,614	7,656	9,060	—	t-CO2e
			8. Upstream leased assets		Full year	Consolidated	—	—	0	0	—	t-CO2e
			10. Processing of sold products		Full year	Consolidated	—	—	11	17	—	t-CO2e
		12. End-of-life treatment of sold products		Full year	Consolidated	—	—	158	244	—	t-CO2e	
		GHG emissions (sales unit)		Full year	Consolidated	1.57	1.53	1.61	1.31	—	—	
	GHG emissions reduction ratio (absolute amount) *compared with FY2020		Full year	Consolidated	—	—	(Reference year)	-5.2	—	%		
	Energy (Manufacturing)	Non-renewable electricity purchased		Full year	Consolidated	817,560	828,500	919,484	954,088	—	MWh	
		Total renewable energy purchased or generated		Full year	Consolidated	—	294	730	87,179	—	MWh	
	Water	Total net fresh water consumption		Full year	Consolidated	4,422	4,249	4,149	4,027	—	thousand m³	
	Target Average water use per unit (sales quantity) FY2025 10% reduction *compared with FY2020		Withdrawal: Total municipal water supplies (or from other water utilities)		Full year	Consolidated	3,967	3,914	3,808	3,668	—	thousand m³
			Withdrawal: Fresh groundwater		Full year	Consolidated	455	335	341	359	—	thousand m³
		Water usage reduction ratio (sales unit) *compared with FY2020		Full year	Consolidated	—	—	(Reference year)	-2.8	—	%	
	Waste	Total waste generated		Full year	Consolidated	23.3	24.0	25.6	28.9	—	kt	
	Target Average waste genera- tion per unit (sales quantity) FY2025 10% reduction *compared with FY2020		Total waste recycled		Full year	Consolidated	21.5	22.0	23.4	26.6	—	kt
			Final disposal of waste		Full year	Consolidated	1.8	2.0	2.2	2.3	—	kt
			Recycling rate		Full year	Consolidated	92.2	91.7	91.4	92.0	—	%
		Waste reduction ratio (sales unit) *compared with FY2020		March 31	Consolidated	—	—	(Reference year)	12.8	—	%	
		Social	Human rights and labor	Compliance rate of ban on child labor and forced labor		March 31	Consolidated	100	100	100	100	—
Work engagement	Target Work engagement 2.5 or higher	Work engagement		March 31	Non-consolidated	—	—	2.27	2.25	—	—	
			Survey response rate	March 31	Non-consolidated	—	—	93.3	92.7	—	%	
Human resource development	Number of level-specific training (new employee training, promotion training, etc.)		March 31	Non-consolidated	—	—	583	589	—	Persons		
	Number of leader training recipients (leader training, selective training for junior level, etc.)		March 31	Non-consolidated	—	—	77	77	—	Persons		
	Number of career development support training recipients (career plan training, etc.)		March 31	Non-consolidated	—	—	198	339	—	Persons		
	Number of theme based training (quality training, 5S training, statistics training, etc.)		March 31	Non-consolidated	—	—	1,392	1,303	—	Persons		
	Diversity	Number of employees (consolidated)		March 31	Consolidated	21,300	21,723	22,852	22,312	—	Persons	
	Number of employees (non-consolidated)		March 31	Non-consolidated	2,681	2,785	2,837	2,873	—	Persons		
		Male	March 31	Non-consolidated	2,128	2,182	2,183	2,211	—	Persons		
		Female	March 31	Non-consolidated	553	603	654	662	—	Persons		
	Ratio of females		March 31	Non-consolidated	20.6	21.7	23.1	23.0	—	%		

\* The coverage of calculations is consolidated from FY2021.

Detailed data can be viewed on our website.

- ESG Data <https://www.yuden.co.jp/or/company/sustainability/misc/sdata/>
- Environment Performance <https://www.yuden.co.jp/or/company/sustainability/environment/performance/>
- Diversity <https://www.yuden.co.jp/or/company/sustainability/society/diversity/>

			Period/ As-of-Date	Coverage	FY2018	FY2019	FY2020	FY2021	FY2022	Unit
Social	Diversity	Number of managerial positions	April 1	Non-consolidated	280	278	286	287	295	Persons
		Male	April 1	Non-consolidated	276	273	279	280	284	Persons
		Female	April 1	Non-consolidated	4	5	7	7	11	Persons
		Ratio of females in managerial roles	April 1	Non-consolidated	1.4	1.8	2.5	2.4	3.7	%
		Ratio of female managerial roles among female employees	April 1	Non-consolidated	0.7	0.8	1.1	1.0	1.6	%
		Length of service	March 31	Non-consolidated	18.3	18.2	18.8	17.8	—	Years
		Male	March 31	Non-consolidated	18.2	18.2	18.9	17.9	—	Years
		Female	March 31	Non-consolidated	19.0	18.3	18.7	17.5	—	Years
		Number of new graduates	April 1	Non-consolidated	72	96	101	122	129	Persons
		Male	April 1	Non-consolidated	51	61	58	88	80	Persons
		Female	April 1	Non-consolidated	21	35	43	34	49	Persons
		Rate of newly recruited female graduates	April 1	Non-consolidated	29.2	36.5	42.6	27.9	38.0	%
		Average number of paid leave days taken	March 31	Non-consolidated	15.2	14.4	12.7	14.8	—	Days
		Utilization rate of childcare leave / special paid holiday (when spouse gives birth)	March 31	Non-consolidated	92.9	88.1	91.8	88.9	—	%
		Male	March 31	Non-consolidated	93.3	85.5	90.2	89.2	—	%
		Female	March 31	Non-consolidated	90.0	100.0	100.0	100.0	—	%
		Ratio of employees who return to work after childcare leave (Female)	March 31	Non-consolidated	100	100	100	100	—	%
	Occupational health and safety	Incidence rate of injuries and illness	March 31	Consolidated	0.015	0.008	0.015	0.021	—	—
		Accident frequency rate	March 31	Consolidated	0.08	0.04	0.08	0.10	—	—
Governance	The Board of Directors	Chairperson	July 1	Non-consolidated	President					—
		Terms of Directors	July 1	Non-consolidated	1	1	1	1	1	Years
		Directors	July 1	Non-consolidated	6	8	8	7	7	Persons
		Inside Directors	July 1	Non-consolidated	4	5	5	4	4	Persons
		Outside Directors	July 1	Non-consolidated	2	3	3	3	3	Persons
		Ratio of Outside Directors	July 1	Non-consolidated	33.3	37.5	37.5	42.9	42.9	%
		Female Directors	July 1	Non-consolidated	0	1	1	1	1	Persons
		Ratio of female Directors	July 1	Non-consolidated	0.0	12.5	12.5	14.3	14.3	%
		Inside Directors Audit & Supervisory Board Members	July 1	Non-consolidated	2	2	2	2	2	Persons
		Outside Audit & Supervisory Board Members	July 1	Non-consolidated	2	2	2	2	2	Persons
		Ratio of Outside Audit & Supervisory Board Members	July 1	Non-consolidated	50.0	50.0	50.0	50.0	50.0	%
		Female Audit & Supervisory Board Members	July 1	Non-consolidated	0	1	1	1	1	Persons
		Ratio of female Audit & Supervisory Board Members	July 1	Non-consolidated	0.0	25.0	25.0	25.0	25.0	%
	Nomination Committee	Chairperson	July 1	Non-consolidated	Outside Director					—
		Nomination Committee members	July 1	Non-consolidated	4	5	5	5	5	Persons
		Outside Directors	July 1	Non-consolidated	2	3	3	3	3	Persons
	Remuneration Committee	Chairperson	July 1	Non-consolidated	Outside Director					—
		Remuneration Committee members	July 1	Non-consolidated	4	5	5	5	5	Persons
		Outside Directors	July 1	Non-consolidated	2	3	3	3	3	Persons
	Operating Officers	Operating Officers (including those concurrently serving as Director)	July 1	Non-consolidated	16	16	15	13	17	Persons
		Male	July 1	Non-consolidated	16	16	15	13	17	Persons
		Female	July 1	Non-consolidated	0	0	0	0	0	Persons

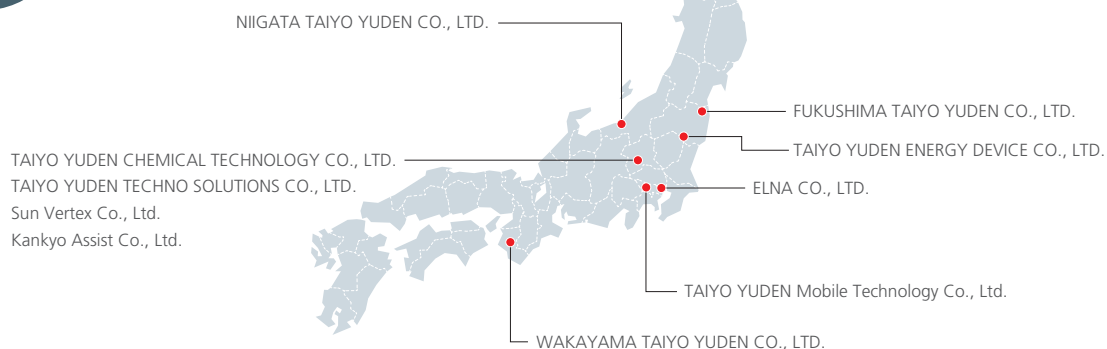
## Corporate Data

As of September 20, 2022

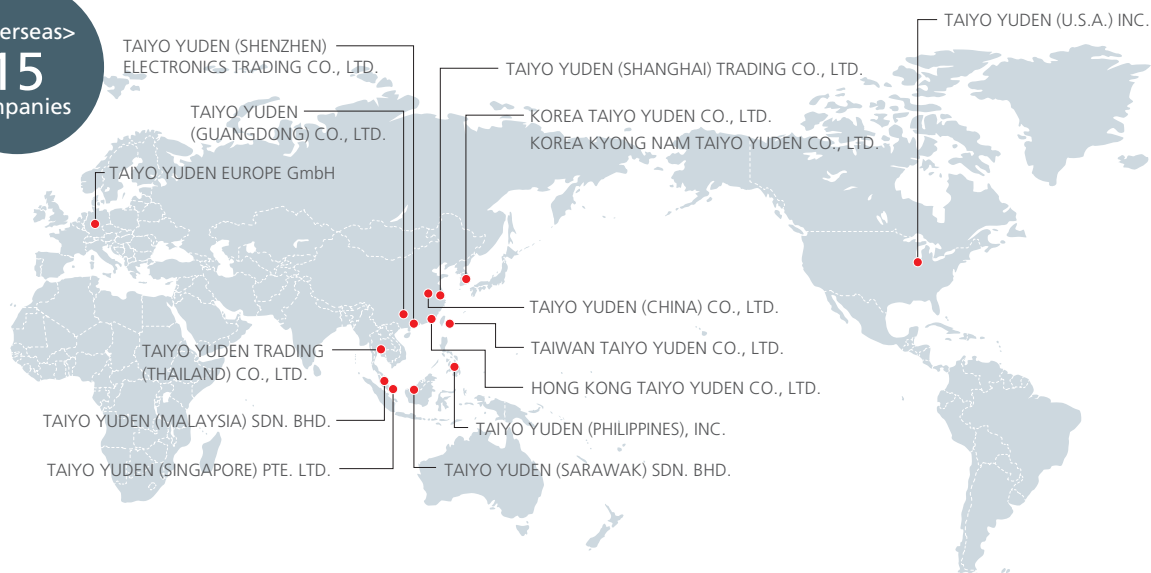
Company name	TAIYO YUDEN CO., LTD.	Number of employees	22,312 (Consolidated) 2,873 (Non-consolidated) (as of March 31, 2022)
Head office	2-7-19, Kyobashi, Chuo-ku, Tokyo 104-0031, Japan	Main products	Multilayer ceramic capacitors, Inductors, FBAR/SAW devices for mobile communications, Circuit modules, Aluminum electrolytic capacitors, Power Storage Device
Tel	+81-3-6757-8310	URL	<a href="http://www.ty-top.com/">http://www.ty-top.com/</a>
President and Chief Executive Officer	Shoichi Tosaka		
Date of establishment	March 23, 1950		
Paid-in capital	¥33,575 million (as of March 31, 2022)		

### TAIYO YUDEN Group (Major Subsidiaries)

<Japan>  
**10**  
companies



<Overseas>  
**15**  
companies



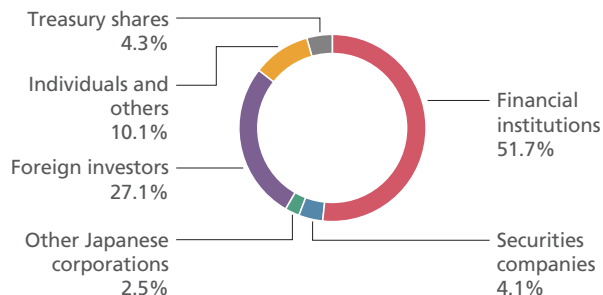
# Stock Information

As of March 31, 2022

## Stock Information

Securities code	6976
Stock exchange listing	Tokyo Stock Exchange
Unit of trading	100 shares
Common stock	Authorized: 300,000,000
	Issued: 130,218,481 (Including 5,609,656 shares of treasury shares)
Number of shareholders	30,056

## Composition of Shareholders



\*Figures are rounded down to one decimal place.

## Composition of Shareholders

Name	Number of shares (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	37,146,100	29.8
Custody Bank of Japan, Ltd. (Trust Account)	15,105,400	12.1
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	3,617,100	2.9
The Iyo Bank, Ltd.	2,000,100	1.6
Sumitomo Mitsui Banking Corporation	2,000,000	1.6
BNYM TREATY DTT 15	1,978,351	1.5
Sato Traffic Orphan Welfare Fund	1,916,640	1.5
STATE STREET BANK WEST CLIENT-TREATY 505234	1,741,400	1.3
Nippon Life Insurance Company	1,666,450	1.3
BBH BOSTON CUSTODIAN FOR NEXT GENERATION CONNECTIVITY FUND A SERIES TRUST 620818	1,510,800	1.2

Notes 1. The Company holds 5,609,656 shares of treasury shares, but it is excluded from the above-mentioned major shareholders.

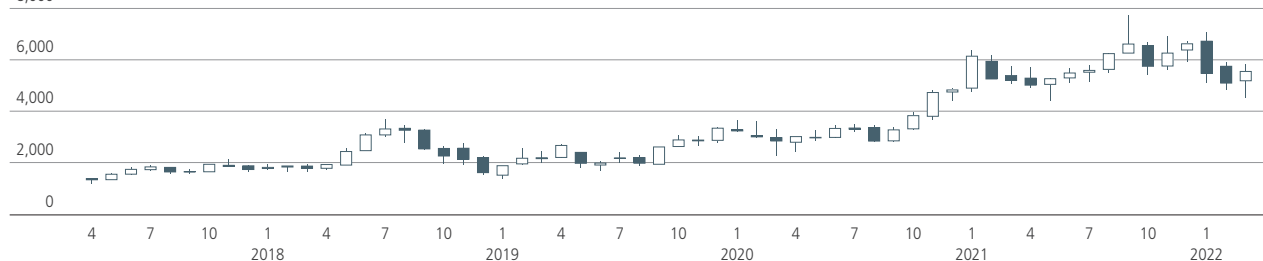
2. Shareholding ratio is calculated excluding the number of treasury shares.

3. Figures are rounded down to one decimal place.

## Stock Price/Trading Volume

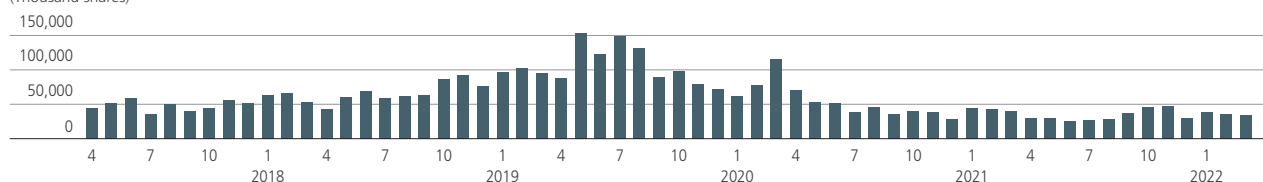
### Stock price

(Yen)



### Trading volume

(Thousand shares)



**TAIYO YUDEN CO., LTD.**

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