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 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.

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.

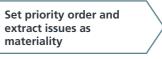| Step 3	Gauge the demands and expectations of stakeholders

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.

Materiality and Priority Measures

Category		Materiality (Key Issues)	SDGs Targets	Medium-term Management Plan 2025 Priority Measures	Medium-term Management Plan 2025 KPIs			Example Initiatives in FY2023	Related Pages
					Item	Target	FY2023 Actual		
Economic Value		Strengthen core technologies to make our core business grow	Goal 7: Affordable and Clean Energy / Goal 9: Industry, Innovation and Infrastructure	■ Product Strategy Further grow the MLCC business and strengthen inductor and communication device products to turn them into core businesses				Initiatives for the development and stable supply of high-quality smart products that reduce environmental impact ■ Capacitors: Strengthened the product appeal and expanded the supply capacity of high-reliability and large-sized products ■ Inductors: Expanded our lineup of power inductors and improved our item mix ■ Communication devices: Developed new technologies essential for the evolution of equipment, and expanded the market	▶ p.36 At a Glance
				■ Market Strategy Increase the proportion of sales in focus markets, primarily automotive and IT infrastructure/industrial equipment, to 50%	Net sales	480.0 billion yen	322.6 billion yen	■ Expanded our supply capacity by increasing production capacity, and expanded sales for automobiles ■ The proportion of sales in focus markets: 48%	▶ p.18 Medium-term Management Plan 2025
					Operating margin	15% or higher	2.8%		
					ROE	15% or higher	2.6%		
				■ Financial Strategy Continuously expand production capacity to meet increase in demand for electronic components	ROIC	10% or higher	1.9%	■ Completed construction and commenced operation of new plants to increase multilayer ceramic capacitors (MLCC) production capacity in China and Malaysia ■ Increased MLCC production capacity by 10–15% compared to the previous year	—
		Create solutions to solve social issues		—				■ Developed regenerative electric assist system that enables travel of up to 1,000 km on a single charge[1] ■ Proposed river water level monitoring system and one-coin flood sensor	▶ p.14 Business Activities that Provide Value
Social Value	(E) Environment	Strengthen measures to address climate change	Goal 6: Clean Water and Sanitation / Goal 12: Responsible Consumption and Production / Goal 13: Climate Action	■ Accelerate our efforts with numerical targets to improve our social value	GHG emissions (FY2030) *Absolute amount, compared with FY2020	42% reduction	13.5% reduction	■ Improved energy-efficiency for production and infrastructural equipment and expanded introduction of renewable energy (conversion to using renewable energy to cover all power consumption at the R&D Center since April 2024) ■ Increased information disclosure in line with TCFD (Safety & Environmental Report 2024, Integrated Report 2024, etc.) ■ Certified as an A List company, the highest evaluation, in the area of climate change for the second consecutive year by international environmental non-profit organization CDP	▶ p.72 Environmental Activities
		Use resources effectively and contribute to create recycling society			Waste Water usage *Basic unit, compared with FY2020	10% reduction 10% reduction	1.9% increase 7.6% reduction	■ Reduced waste at production bases through revisions to production methods ■ Reduced water consumption at production bases through optimization of facilities that supply water	
	(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 / Goal 8: Decent Work and Economic Growth		Incidence rate of injuries and illness Accident frequency rate	< 0.016 < 0.08	0.020 0.10	■ Promoted health and safety activities for each of the 5Ms of man, machine, method, material, and measurement based on the medium-term occupational health and safety targets (FY2022 to FY2025) ■ Reviewed and revised organic solvents and production methods used, and shifted to less harmful substances	▶ p.82 Social Activities
					Work engagement	2.5 or higher	2.30	■ Increased management training, harassment training, etc. ■ Promoted initiatives for each of the Focus 5 health indicators of diet, non-smoking, exercise, sleep, and stress	
		Train and develop human resources based on the diversity policy			Rate of newly recruited female graduates	30% or higher	33%[2]	■ Hosted company information sessions and 1-day work experiences for women ■ Participated in recruitment events for female students	▶ p.87 Human Resources Strategy
					Female manager ratio (FY2030)	10% or higher	5.9%[2]	■ Implemented diversity training (for all employees) ■ Opened a cafe and bakery in the company for the purposes of employing disabled people and enhancing employee welfare	
	(G) Governance	Improve management quality to support business growth	Goal 11: Sustainable Cities and Communities / Goal 16: Peace, Justice, and Strong Institutions	—	—	—	—	■ Started efforts to acquire ISO27001 certification, which certifies compliance with international standards for information security	▶ p.70 Information Security Policy
								■ Made lists of laws/regulations and risks by organizational unit, and drafted and implemented mitigation measures	
		Establish and evolve BCM for disaster and infectious disease						■ Reviewed and improved the specific standards of conduct in the event of a disaster (including notification in the event of an emergency) and the Group Business Continuity Provisions ■ Provided priority telephone links in the event of disaster for each site in Japan ■ Checked and reviewed hazards at each site ■ Established, accelerated and systematized collaboration between organizations for responding to BCP inquiries from customers	▶ p.67 Risk Management and Compliance

*1 Measurement pattern according to JIS (JIS D9115:2018) for prototype bicycles. (Eco Mode 1,000 km, Middle Mode 200 km, High Mode 100 km)
*2 As of April 1, 2024