

Message from the President

Aiming to achieve the medium-term management plan 2025 by creating both, an economic value and a social value; and playing an integral role in supporting a connected world

TAIYO YUDEN Vision

In 2021, when we kicked off the medium-term management plan 2025, which we are still working towards achieving, we depicted a vision for 2030: The arrival of a connected world. As we review this vision today, our direction remains unchanged. In the automotive industry, CASE technologies is continuing to gain traction; and the recent rapid evolution of generative AI technology is driving changes in society. The evolution of electronics technology, which is integral to the

realization of a “connected world,” requires more advanced semiconductors. It is passive components, like capacitors, that support the function of advanced semiconductors.

TAIYO YUDEN will continue to help bring about a future society by leveraging its cutting-edge technological capabilities to supply high-end electronic components, particularly multi-layer ceramic capacitors (MLCCs), for which there is significant growth in demand in various sectors.

Summary of Year Three of the Medium-term Management Plan 2025

In FY2023, the third year of our five-year medium-term management plan, the electronic components market was challenged by the impacts of lower production volumes and inventory adjustments, primarily in the information equipment and IT infrastructure/industrial equipment sectors. In terms of our financial results, sales were up, but profit was down; net sales were ¥322.6 billion (up 1.0% YoY) and operating profit was ¥9.0 billion (down 71.6%). These numbers are a reflection of the lower selling prices and reduced capacity utilization due to inventory adjustments.

On the other hand, we executed capital investments as planned and we continue to press ahead with preparations so that we can respond to demand growth in the future. We invested heavily in MLCCs to boost production capacity by approximately 10%–15% compared to the previous year. In addition, we expanded the production capacity of metal power inductors and conductive polymer hybrid aluminum electrolytic capacitors. Along with these investments, we are also pursuing investments in environmental measures, IT, and in the creation of safe and comfortable workplaces. In line with this, and to

meet the demand for funds called for in the medium-term management plan 2025, we issued ¥50 billion in convertible bonds with share acquisition rights in October of 2023. Due to the impact of a market adjustment phase from the second half of FY2022 through to FY2023, cash inflows fell short of plan. However, we decided that steadily carrying out capital investments was precisely what was needed to generate the underlying capital for future growth.

As for shareholder returns, since FY2022 we have maintained a dividend payout ratio well above our target of 30%. This is primarily due to the decline in profits caused by stagnant demand. We consider this slump in demand to be temporary, and a result of the market correction. Thus, we decided to leave the FY2023 cash dividend per share unchanged at ¥90, the same as in FY2022.

In FY2024, we anticipate that inventory adjustments will wind down. We expect to see a full-fledged recovery in demand. Accordingly, we forecast an 8.5% year-over-year increase in net sales to ¥350 billion; and a 120% increase in operating profit to ¥20 billion.

Katsuya Sase

Representative Director,
President and CEO

Message from the President

Business Strategies

Pioneering Focus Markets

Given their future growth potential, we see the automobiles and IT infrastructure/industrial equipment markets to be our “focus” markets. Therefore, we have aimed to increase our sales composition ratio in these markets to 50%. Because they have few seasonal factors and tend to demonstrate relatively stable demand, we believe they will contribute to a steady

growth in earnings. The percentage of sales to these markets in FY2023 was 48%. In fact, it has been close to our target of 50% over the past few years. Going forward, we will work on bolstering our product capabilities to drive up sales and profits from highly reliable and high-end products in our so-called focus markets where TAIYO YUDEN's strengths can shine.

Product Strategies

We have four product categories, each with its own business strategy: capacitors, inductors, integrated modules & devices, and “others.”

For capacitors, specifically MLCCs, based on our industry-leading technological expertise, we are increasing our product capabilities and augmenting production capacity. The goal is to manufacture both, highly reliable products and large-sized products, that meet the needs of customers in the automobile and IT infrastructure/industrial equipment sectors, where growth in demand is expected to continue through to 2030. In FY2023, we commenced operations at our new plants in China and Malaysia.

In the inductors category, we are expanding our business with a particular focus on power inductors. In addition to communication equipment like smartphones, our products are used in smartwatches, wireless earphones, and other wearable devices, as well as in memory modules. We will continue to enhance our lineup of high-performance metal inductors and expand sales to the automobile and IT infrastructure/industrial equipment sectors. At the same time, we will look to improve profitability by scaling back, or discontinuing, the production of items with no potential for sales growth or margin improvement.



As for communication devices, the main products in the integrated modules & devices category, we are harnessing new technologies such as the element technology of TLSAW™ and the packaging technology of HPDP, to develop products that meet market demand for miniaturization, thinness, high integration, and other characteristics. In addition to the smartphone market, we are also increasing our efforts to offer products for applications in telematics, M2M, IoT, and base station communication equipment.

In the “others” product category, our aluminum electrolytic capacitors account for a large portion of our sales. Our focus is on conductive polymer hybrid aluminum electrolytic capacitors. We are working on expanding our product lineup and increasing production capacity to accommodate the growing demand for automotive applications, driven mainly by the transition to EVs, powertrain electrification, and increasingly sophisticated ADAS.

Sustainability Initiatives

Corporate Governance

TAIYO YUDEN was previously a company with an Audit & Supervisory Board, but following the approval of a resolution at the 83rd Annual General Meeting of Shareholders in June 2024, we have now transitioned to being a company with an Audit & Supervisory Committee. For approximately three years, the ideal structure of the Board of Directors and matters of institutional design were key topics, especially regarding evaluating the effectiveness of the Board. It was suggested that authority over the day-to-day business execution should be delegated to the executive directors, and that the Board should focus on discussions with a longer-term perspective. We reached this conclusion after engaging in extensive discussions evaluating the kind of management structure that would be most suitable for the Company.

Going forward, we believe that by delegating a great deal of authority for short-term decision making to the executive side of the business, we can achieve faster and more efficient decision making. Meanwhile, we think the Board can now focus more on medium-to-long-term discussions, such as the Company's business portfolio for the next five to ten years. By having more time to discuss medium-to-long-term issues, we believe the Board can delve deeper into each issue and discuss topics with an entirely new perspective.

In addition, the directors that are members of the Audit & Supervisory Committee now have Board voting rights, which will strengthen the Board's supervisory function and further enhance the Company's corporate governance and internal control systems.

Response to Climate Change

In the medium-term management plan 2025, we set targets for reducing GHG emissions, waste, and water usage; and we continue to implement tougher measures to achieve these targets.

As of FY2023, we have managed to achieve the water usage reduction target levels corresponding to the third year of the plan, but progress on waste has fallen behind schedule. As we continue to adhere to the principle of zero waste in manufacturing, we also continue to review and improve our waste disposal processes in an aim to meet our targets by addressing each challenge individually.

Efforts to reduce our GHG emissions have been spearheaded by the Environmental Promotion Committee. We have been able to reduce our emissions by 13.5% compared to FY2020. In FY2023, we installed solar power generation equipment at our R&D Center and at the premises of our

subsidiary, Sun Vertex, and by FY2024, we had transitioned to 100% renewable energy for our electricity usage through the creation of energy and by switching to renewable energy-derived power sources. By FY2025, we plan to be using 100% renewable energy at our headquarters, the Takasaki Global Center.

In FY2023, we were selected for the second consecutive year in the Climate Change A List (the top level) by the Carbon Disclosure Project (CDP). The CDP is an international environmental non-profit organization that recognizes companies that excel in climate change measures, strategies, and information disclosure. We will continue to drive efforts centered on energy saving, energy creation, and renewable energy while also being mindful of improving our reputation with external assessment organizations.

Message from the President

Human Resources Strategy

At TAIYO YUDEN, we prioritize “employee well-being” is one aspect of our management philosophy and human resources initiatives. This initiative is based on the thinking that employees are the source of the Company's value creation. In the medium-term management plan 2025, we set targets for female participation and advancement in the Company, as well as for work engagement.

In promoting the advancement of women, in FY2023, we established the Diversity Development Department and have begun addressing some of the larger issues that we believe should be resolved as soon as possible. More specifically, we are continuing to maintain a new female graduate hiring ratio of over 30% while expanding our recruiting base. We are also developing systems for training and planned promotions after hiring, reviewing policies to ensure the workplace is inclusive for all genders, and running training sessions to foster a culture where all employees can play an active role based on their ambitions and abilities. As a result, the female manager ratio has steadily increased from 4.2% in the previous fiscal year to 5.9% as of April 1, 2024, a rise of 1.7 percentage points.

Work engagement is a management indicator that measures the energy employees gain from their work and whether the Company is a place where they can work healthily and with enthusiasm. At TAIYO YUDEN, we aim to achieve

a work engagement score of at least 2.5. In this regard, we have identified factors hindering the increase in the work engagement score by quantitatively and qualitatively analyzing employee surveys related to work engagement conducted up until last fiscal year. We continue to take measures to address these issues.

In addition, we are continually rolling out initiatives to improve employee capabilities, create a safe workplace, and promote health management. In doing so, we aim to create a workplace environment in which every employee can unleash their full potential.



To Our Stakeholders

One year has now passed since June of 2023 when I took office as president. Since 2020 when the world shifted to online communication because of the COVID-19 pandemic, we have seen a noticeable increase in opportunities to meet face-to-face with investors and customers from within Japan and overseas. Also, during my visits to our production sites, I have often had the opportunity to represent the Company as president, and meet with local government leaders and local media, as well as other members of the community. By talking with many stakeholders about a wide range of topics, I now have an even greater awareness of the heightened expectations placed on the Company and the significant responsibilities we must fulfill.

TAIYO YUDEN aims to be a company that enjoys the trust and highest regard from all stakeholders. To be evaluated in this way by our stakeholders, it is essential that we embody the values of our management philosophy: (1) employee well-being; (2) betterment of local communities; and (3) responsibility to provide returns to shareholders. I believe this is possible by achieving the KPIs called for in the medium-term

management plan 2025. As I mentioned last year, my focus as the head of the management team is to make sure that we achieve the goals outlined in the medium-term management plan 2025. As an electronic components manufacturer, we are committed to achieving the plan and realizing our management philosophy by leveraging the wonders of science—i.e., our strengths in material technology and the various elemental technologies we have honed since the time of our founding, such as multilayer technology. At the same time, we value dialogue with our shareholders, customers, employees, the local community, and all other stakeholders and aim to grow together with them. I look forward to your continued support.

Representative Director,
President and CEO