

Preparing for 2030: Driving future growth based on our technological capabilities

CEO MESSAGE

TAIYO YUDEN's Vision

Contribute to a Sustainable Society with Science and Technology

This year we celebrate our 75th anniversary. To this day we have continued to uphold the values of the management philosophy passed down to us from the Company's founder—employee well-being, betterment of local communities, and the responsibility to provide returns to shareholders—and we have aspired to be a company that enjoys the trust and highest regard from all stakeholders. The management philosophy strongly reflects the founder's wish for the Company to not only pursue profits, but also bring about happiness among people and in society. We are committed to realizing that vision. The essence of our management philosophy can be expressed in today's terms as "sustainable well-being." As a company, the stream of electronic components and solutions that continuously support people's safe, secure, comfortable, and convenient lives is placed at the center of everything we do. The foundation for realizing this is articulated in our mission with the words "the wonders of science." It is very exciting and moving to witness the evolution of technology through the power of science. The curiosity born from that has led to an innovative evolution of products and a commitment to tackling social issues. It has become our driving force as we seek to contribute to a sustainable world and enhance our own corporate value.

TAIYO YUDEN's Value Creation and Competitive Advantage

Our Value Creation Supports a Connected Society

As a manufacturer of electronic components that contributes to the evolution of electronic devices, TAIYO YUDEN plays an integral role in supporting the digitalization of society and, ultimately, the society where everything is connected from the ground up. Our flagship products are passive components, such as capacitors and inductors. Their role is to store electricity and eliminate noise, making them indispensable to the proper functioning of all kinds of electronic devices around us, including smartphones, computers, automobiles, and AI servers. If we were to compare them to the human body, the power supply that provides electricity is the heart, and the semiconductor that controls information processing is the brain. In this analogy, passive components can be seen as playing a vital supportive role to ensure smooth blood flow to the brain.

In addition to the development of capacitors and other electronic components, our technologies can be used to address social issues. One example of a solution that has already been commercialized is



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Representative Director,
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the regenerative electric assist system for electric assist bicycles. We are also working on several other solutions, including a system that can remotely monitor river conditions during

torrential rainfall, collaborating with mainly local governments to conduct repeated demonstration tests in order to confirm the system’s usefulness in society.

Our Competitive Advantage Is Built on Technologies and On-Site Capabilities

The manufacturing of passive components like multilayer ceramic capacitors (MLCCs) requires comprehensive capabilities that vertically integrate proprietary development and technology, as well as production and quality control, across all processes from material synthesis to finished product inspection. For example, in the manufacturing of MLCCs, advanced knowledge is required in each stage. We must continue to develop technology to synthesize raw materials to produce the desired characteristics, and the production process technology, to consistently achieve the targeted quality. These technologies are called elemental technologies, and it is said that there are over 1,000 of them. In addition to the fact that they cannot be mastered overnight, the need for high-level fine-tuning techniques means that we have evolved our own elemental technologies by accumulating the know-how over a long period of time on-site. We also design and develop our

own production equipment to achieve production conditions that maximize the properties of materials. These factors make it extremely hard for other companies to imitate us. Additionally, the key to remaining a leading player in a market characterized by a high level of technical difficulty, is to continue developing cutting-edge products with an eye to the future is also key. In fact, 10 years ago we developed a high-capacitance MLCC with a capacitance exceeding 100μF, but demand did not pick up immediately. In recent years, and with the emergence of high-performance chips for AI servers, that demand has surged rapidly. By leveraging many of the elemental technologies we established in the past, we have been able to supply this high-capacitance MLCC. This is an example that demonstrates the importance of technological foresight and continuous investment.

TAIYO YUDEN's Business Strategies

Business Portfolio Optimization with a Focus on Growth Markets

In the 2000s, we focused on small, high-capacitance high-end MLCCs for mobile phones and smartphones, honing our technological capabilities and the ability to remain competitive in the market. With a strong determination to never lose our foothold in the high-end sector, we pursued miniaturization and high performance and established a solid position within the industry. Since the 2010s, we designated new growth markets focusing on automobiles, IT infrastructure, and industrial equipment. Our objective was to steadily gain recognition and market share in these sectors. By balancing

the markets we operate in, we aim to optimize our business portfolio, reduce risks associated with fluctuations in demand, and stabilize earnings. Going forward, we will further focus on the high value-added zones of each market and look to improve profit margins and our competitive advantage. We will leverage our technological competitiveness to improve profitability in cutting-edge fields where our rivals will struggle to keep up. These areas are highly reliable products for automotive applications and large-sized high-capacitance MLCCs for AI servers.

The Next Stage of Growth with a View to 2030

— Medium-Term Management Plan 2025 and Direction of the Next Plan

This fiscal year marks the final year of the medium-term management plan 2025. Since assuming the role of President and CEO in 2023, I have prioritized the attainment of the plan’s targets above all else. Regrettably, we are unlikely to meet the targets of ¥480 billion in net sales, an operating margin of 15% or higher, an ROE of 15% or higher, and an ROIC of 10% or higher. The reasons were the supply chain disruptions caused by the COVID-19 pandemic and geopolitical risks, and prolonged

inventory adjustments. While the impact of inventory adjustments subsided in FY2024, the recovery in demand is moving at a moderate pace. The rebound has been considerably slower compared to past recessions, such as during the global financial crisis triggered by the collapse of Lehman Brothers. Another factor is opportunity losses due to lackluster product offerings and supply capacity running short. We were unable to adequately supply the growing demand for large-sized products in the automobile and IT infrastructure/industrial

equipment markets due to shortages in both product lineup and production capacity. Also, our investors were concerned about our continued upfront investments during phases of sluggish demand, including the construction of new plants. However, we executed these plans strategically with an eye on the demand forecast for 2030. As a result, in terms of QCD, by FY2024 we had successfully completed investments in strengthening D (supply capacity) without any significant delays. This established the framework we needed. In FY2025, the final year of the medium-term management plan, we will go about streamlining fixed costs and restructuring unprofitable businesses. In the next medium-term management plan, starting in FY2026, we plan to bolster Q (development capability) to enhance our product lineup in high value-added sectors and improve C (profitability).

In formulating the next plan, all directors, including outside directors, have been involved in the discussions. The medium-term management plan 2025 is the first half of a 10-year plan (FY2021 through FY2030), and the next medium-term management plan will represent the second half. Therefore, rather than making any major course corrections, we will further strengthen our two pillars of capacitors and inductors with the aim of enhancing profitability and stability. We failed to achieve significant success with the new businesses we pursued under the medium-term management plan 2025, as none of them became a core business pillar. Going forward, we will press ahead with business selection by harnessing our technologies and emphasizing not only profitability but also social significance.

KPIs in Medium-Term Management Plan 2025

Blue: Achieved, Red: Expected to be unachieved

KPIs		2021	2022	2023	2024	2025 forecast	Medium-Term Management Plan 2025 Target
Economic Value	Net sales (¥ in billion)	349.6	319.5	322.6	341.4	340.0	480.0
	Operating margin	19.5%	10.0%	2.8%	3.1%	4.7%	15% or higher
	ROE	20.0%	7.5%	2.6%	0.7%	2.5%	15% or higher
	ROIC	15.7%	5.9%	1.9%	0.5%	1.7%	10% or higher
Social Value (E: Environmental)	GHG emissions	(5.2)%	(18.2)%	(13.5)%	(20.9)%	—	FY2030 (42)% ((4.2)%/year)
	Waste	(3.4)%	+12.8%	+2.0%	(0.3)%	—	(10)% ((2)%/year)
	Water usage	(17.2)%	(4.5)%	(7.6)%	(10.2)%	—	(10)% ((2)%/year)
Social Value (S: Social)	Accident frequency rate	0.10	0.07	0.10	0.13	—	<0.08
	Work engagement	2.25	2.28	2.30	2.28	—	2.5 or higher
	Rate of newly recruited female graduates	27.9%	38.0%	35.3%	32.6%	36.4%*	30% or higher
	Female manager ratio	2.4%	3.7%	4.2%	5.9%	6.5%*	FY2030 10% or higher
* As of April 1							
Capital investment (¥ in billion)		34.0	50.5	92.2	64.2	46.0	Total of 300.0
		286.9					

Sustainability Initiatives

Evolution of Our Governance Structure to Enhance Management Transparency and Strategic Capability

In FY2024, we made a change in institutional design and became a company with an Audit & Supervisory Committee. The aim was to further enhance the governance structure primarily by strengthening the supervisory function. Amendments were also made to the Company’s Articles of Incorporation and Board regulations so as to clearly separate the roles

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of supervision and execution, establishing a framework that allows the Board of Directors to focus on medium-to-long-term management issues.

Now, one year later, this change in institutional design has provided us with the opportunity to deepen the involvement of outside directors. The proportion of outside directors is now above 50%, and there have been more opportunities for them to speak not only at the meetings of the Board, but

also during other meetings. The broader range of perspectives is now being reflected in our management decisions. As mentioned already, various opinions have been received from the outside directors as part of the formulation process for the next medium-term management plan, and we intend to continue raising the quality of management through such lively discussions.

(▶ [p.52 President and Outside Director in Conversation](#))

Steadily Working Towards Our Targets and Assuming Responsibility for GHG Reductions

At TAIYO YUDEN, we recognize the reduction of greenhouse gas (GHG) emissions to be a matter of corporate responsibility, and we are continuously working on reducing our GHG emissions in our mainstay manufacturing operations. Even in the medium-term management plan 2025, we set ourselves a reduction target for FY2030, and we have made steady progress towards that goal.



Moving forward, our plan is to work on reducing GHG emissions across the entire supply chain. As part of this effort, in FY2024 we also set a reduction target for Scope 3, which had been a challenge for us. Our Scope 1, 2 and 3 targets have been recognized to be based on scientific evidence, and we have obtained SBT accreditation.

Environmental action is not a one-off trend. It is important that we adopt a sustained approach as a corporation. During rapidly changing markets and policies, and as future production expands, we will aim to strike a balance between reducing our environmental footprint and enhancing our corporate value. We have been selected as a “CDP Climate Change A List” company (the highest ranking) for our actions on climate change for the last three years. We are also implementing climate change measures by utilizing external evaluations, such as obtaining ZEB Ready certification during the construction of new plants. We hope to make steady progress towards achieving our FY2030 targets.

To Remain a Trusted Corporation into the Future

As we celebrate 75 years since our founding in 1950, I would like to express my heartfelt gratitude to all the stakeholders who have supported TAIYO YUDEN. As we explore what kind of corporation TAIYO YUDEN should aspire to be in the next quarter century, I maintain the view that striving to realize our management philosophy is at the core of who we are. Building on our technological capabilities as an electronic components manufacturer, we aim to create an environment where each and every employee can grow and reach their full potential with pride and curiosity. Through this, we aim to deliver sustainable well-being for people and society, and we want to continue being a company that supports safe, secure, comfortable, and convenient lives.

Even though we have struggled to meet the financial targets of the medium-term management plan 2025, we have steadily laid the groundwork for the future, mainly by

securing supply capacity through upfront investments and shifting our focus towards high value-added areas. These actions will be the driving force for generating results during the next demand recovery phase. We will continue to take on the challenge of creating new values, including solutions to social issues, by leveraging our elemental technologies. As we continue to engage in dialogue with stakeholders, we will set our sights on achieving further growth. I look forward to your continued support.

Representative Director,
President and CEO