Business Overview

Message from the Officer in Charge of the Sales Headquarters



Toshiyuki Watanabe
Director and Executive Operating Officer
in Charge of Sales Headquarters

Boosting Profitability Through High-End and Long-Tail Strategies

TAIYO YUDEN commenced the Medium-Term Management Plan 2030 in FY2026, the fiscal year ending March 31, 2027. In anticipation of future growth in demand, under the Medium-Term Management Plan 2025 we had been continuously promoting capital investments, including the launch of new plants, while establishing a stable supply system globally. Amid an ongoing increase in our supply capacity in the coming years, as the Sales Headquarters we will employ a high-end strategy that leverages our technological advantages in cutting-edge fields and a long-tail strategy that delivers products to a wide range of customers worldwide, thereby contributing to enhanced profitability.

Responding to Market Trends and Technological Innovation

Technical requirements for electronic components are expected to become increasingly sophisticated as semiconductors evolve. The role of the Sales Headquarters is to identify and anticipate trends two to five years ahead and, while fulfilling its leadership role with the Research and Development Laboratory and business divisions, to deliver the necessary products to customers at the right time. To improve the accuracy of demand forecasting, TAIYO YUDEN is building and analyzing a database that integrates historical trends, customer data, and trends in orders received. We are also building a system that utilizes AI to estimate customer inventory levels and thereby minimizing lost sales and curbing excess inventory.

AI server performance is advancing rapidly. As AI servers become more powerful and highly integrated, the electronic components installed in them will be required to be smaller while supporting higher capacities. In addition, as power consumption increases in the years ahead, the importance of embedded designs—in which components are embedded directly in circuit boards to reduce power loss in wiring—is expected to grow further. The Company possesses advanced technological capabilities and a strong sales track record in electronic components compatible with substrate embedding. Including TAIYO YUDEN, only a handful of companies worldwide are supplying such high-end products. We will aim to capture a significant market share in high value-added areas.

Evolution of Sales and Marketing Strategies

The Sales Headquarters is promoting a long-tail strategy that covers an extensive customer base and tens of thousands of companies. Until now, our sales efforts have focused primarily on direct sales to major customers that purchase high volumes, meaning we have not adequately catered to those with small lot demand. However, in addition to our existing worldwide distributor network, under the Medium-Term Management Plan 2025 we concluded agreements with major global distributors. We thereby put in place a system capable of ensuring a stable supply to meet long-tail and small-lot demand for high-end products.

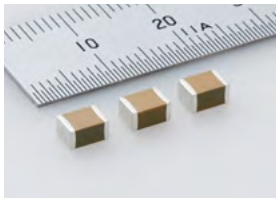
By utilizing AI to analyze the customer contact reports that are accumulated on a daily basis, we are also strengthening our systems for identifying potential demand and issues at an early stage and rapidly feeding that information back to development departments. We also conduct regular customer satisfaction surveys covering quality, cost, delivery, technology, services, and sustainability activities. Customer feedback and requests are shared across the Company and used to drive improvements in each department.

Contributions to Sustainable Society and Pursuit of Corporate Value

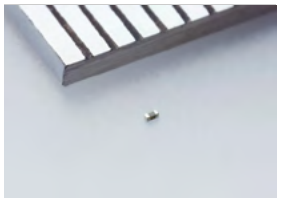
Although our electronic components that support device functionality from within are largely unseen, they contribute to the enhanced performance and greater energy efficiency of equipment by means of ongoing miniaturization and greater capacity. Product miniaturization leads directly to reduced waste and lower power consumption during manufacturing, thereby making a tangible contribution to reducing environmental impact, such as the lowering of CO_2 emissions. By delivering the value inherent in high-end products, we aim for sustainable growth and value creation as a company that helps enable a connected society.

Capacitors

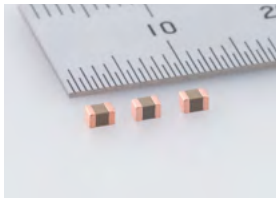
In addition to compact, thin, and high-capacitance products, we are focusing efforts on the development of highly reliable multilayer ceramic capacitors (MLCCs), including high-voltage-resistant products for which applications are expanding. By advancing our dielectric materials technologies, thin-layer and high-capacitance technologies, and production technologies for ultra-small products, we continuously engage in the development of cutting-edge MLCCs.



High-capacitance multilayer ceramic capacitors



Ultra-small multilayer ceramic capacitors

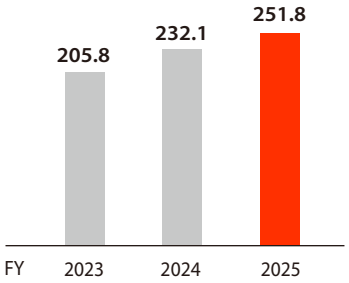


Embeddable multilayer ceramic capacitors

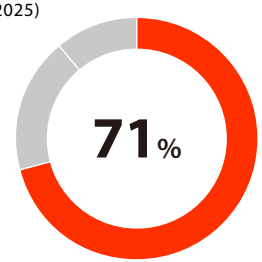
FY2025 Financial Results

Net sales reached a new record high of ¥251.8 billion. Sales increased for IT infrastructure/industrial equipment, including AI servers, switches, routers, and other network devices, as well as for automobiles. The growth in sales was also driven by strong demand for AI servers in the second half of the fiscal year. This year was marked by a steady shift to high-value-added areas, centered on large-size, high-capacity MLCCs, for which we have strengthened our supply capabilities.

Net Sales
(Billions of yen)



Net Sales Breakdown by Product Classifications
(FY2025)



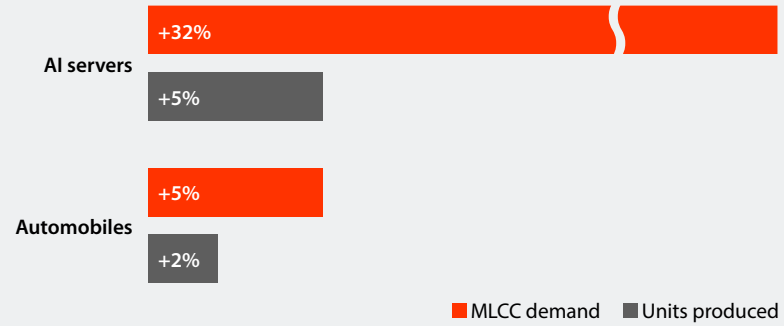
Strengths

- **High performance (compact, high-capacity)**
  We possess proprietary, in-house developed small, uniform particle dielectric materials technologies. Using an advanced multilayer technology to layer more than 1,000 dielectric sheets of 1 µm or less with zero misalignment, we achieve outstanding miniaturization and high capacitance.
- **Diversified production system**
  We have established a production network comprising four countries: Japan, South Korea, China, and Malaysia. Having a system prepared for geopolitical risks ensures a stable supply of products.

Market Opportunities

- **AI servers**
  As the use of AI expands, the performance of semiconductors used in AI servers is improving. The number of MLCCs mounted per vehicle/server is increasing faster than growth in the number of servers, accelerating the need for high-end products.
- **Automobiles**
  The number of in-vehicle MLCCs is increasing due to the shift to xEVs, advances in ADAS, and progress in SDVs. The market for high-temperature-resistant, highly reliable products capable of withstanding harsh environments is expanding.

FY2030 Demand Forecast (TAIYO YUDEN Estimates)



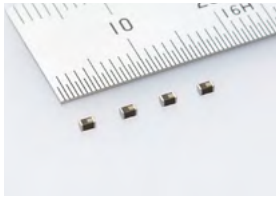
* Each figure represents CAGR starting in FY2025.

Growth Strategies

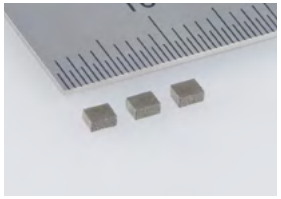
- **Focus on high-value-added zones**
  We aim to improve profitability by concentrating management resources in cutting-edge, compact, high-capacity areas and highly reliable product markets, including AI servers and automobiles, where competitors cannot easily catch up.
- **Continue expanding production capacity**
  To meet strong demand, we plan to increase production capacity by slightly more than 10% in FY2026, then by 10–15% in FY2027. A new plant is scheduled for construction in FY2028.

Inductors

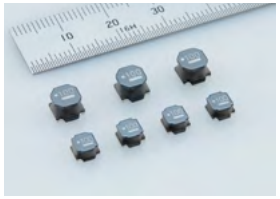
In addition to small, thin, high-current-capable products, we are working to develop large-size, high-reliability products, mainly for automotive and IT infrastructure/industrial equipment applications. Through the development of materials, including metallic magnetic materials, and advances in our winding and multilayer process technologies, we are developing competitive products.



Multilayer metal power inductors
MCOIL™



Wire-wound metal power inductors
MCOIL™

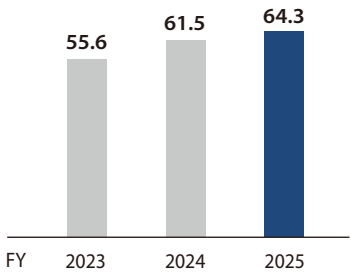


Ferrite power inductors

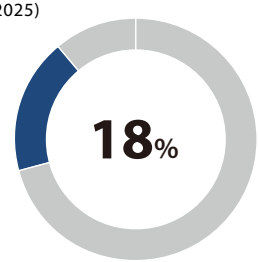
FY2025 Financial Results

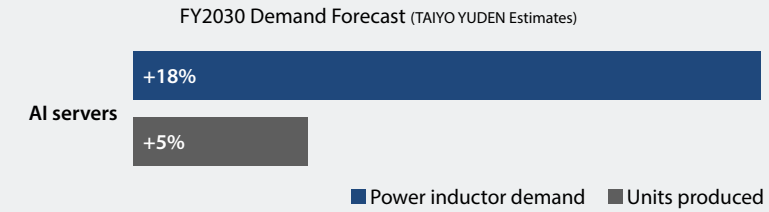
Net sales reached ¥64.3 billion, a new record high. Sales of memory modules and other products for information equipment remained strong. Sales also increased for consumer products, including game consoles, as well as for IT infrastructure/industrial equipment. The increased proportion of metal-based power inductors using our proprietary metal-based magnetic material technologies improved our product mix and increased profitability. The expansion of applications beyond smartphones is contributing to earnings growth.

Net Sales
(Billions of yen)



Net Sales Breakdown by Product Classifications
(FY2025)



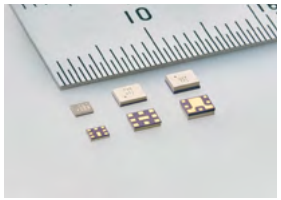
Strengths	● **Proprietary metallic magnetic material technologies** Our proprietary metallic magnetic material combines nanoscale interface control with high-density filling technology, achieving both high-current capability and low loss. ● **Capabilities in both winding and multilayer processes** With advanced winding and multilayer process technologies, we can propose products optimized for size and performance and meet next-generation design requirements, including integrated substrates.
Market Opportunities	● **AI servers** Reducing power loss in data centers has become an urgent priority, leading to changes in power delivery methods. Demand is expected to grow for high-current-capable, low-loss power inductors that support improvements in AI processing capabilities. ● **Automobiles** With the shift to xEVs, advances in ADAS, and progress in SDVs, demand is growing for inductors capable of withstanding high temperatures and handling large currents.  * Each figure represents CAGR starting in FY2025.
Growth Strategies	● **Focus on high-value-added zones** We will expand our lineup of high-value-added products capable of handling high currents in response to changes in power delivery methods for AI servers, thereby accelerating improvements in our product mix. ● **Expand our portfolio by application** We are leveraging the strengths of our materials technologies cultivated for smartphones in automotive and IT infrastructure/industrial equipment applications. We aim to achieve stable growth that is not dependent on any specific market.

Others

We are expanding our business in hybrid aluminum electrolytic capacitors (hybrid capacitors), for which demand is growing in line with the shift toward xEVs, and communication devices that enable high-speed communications, while also pursuing new business opportunities such as smell sensors. We aim to achieve sustainable improvements in profitability by creating high-value-added products that apply elemental technologies.



Conductive polymer hybrid aluminum electrolytic capacitors



Communication devices

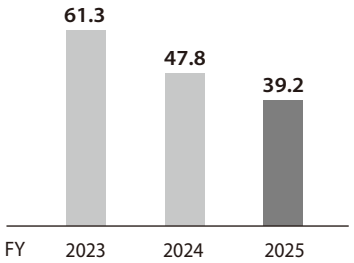


Regenerative electric assist system

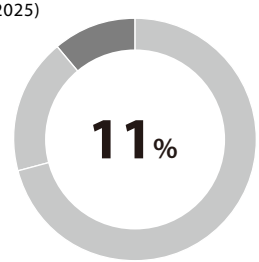
FY2025 Financial Results

Sales in the Others category, comprising Integrated Modules & Devices and other products, amounted to ¥39.2 billion. Sales declined in both circuit modules, for which the transfer or withdrawal of the relevant products has been completed, and communication devices, for which demand from Chinese smartphone manufacturers remains sluggish. At the same time, sales of hybrid capacitors for automobiles remained strong. In the communication devices business, we are implementing structural reforms, including fixed-cost reductions and the scaling back of unprofitable items, to optimize the scale of our operations and improve profitability through product-mix improvements.

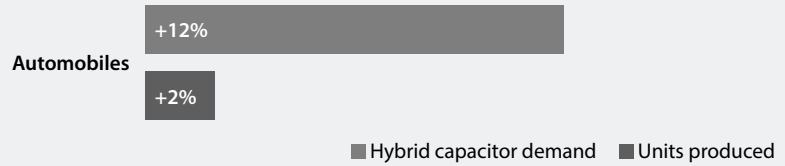
Net Sales
(Billions of yen)



Net Sales Breakdown by Product Classifications
(FY2025)



Note: Includes former Integrated Modules & Devices and Others categories.

Strengths	● **Highly reliable technologies in the automotive market** Hybrid capacitors, for which demand is increasing as the shift toward xEVs progresses, achieve both high performance and high reliability by using a conductive polymer and an electrolyte. Their quality enables stable operation even under harsh conditions. ● **New business: versatile applications of elemental technologies** We are applying our accumulated expertise in materials and multilayer technologies to all-solid-state batteries and SOFCs. By combining various elemental technologies, we are creating new businesses that directly contribute to solving next-generation social issues.
Market Opportunities	● **Higher power-supply efficiency driven by the shift toward xEVs** Demand for high-performance hybrid capacitors is increasing due to the shift to 48V in-vehicle power systems and the electrification of powertrains. ● **Rise of next-generation energy, power generation, and storage needs** New business opportunities for the Company are increasing in response to a wide range of power generation and storage needs, including those associated with all-solid-state batteries and SOFCs. These opportunities will contribute to the development of sustainable social infrastructure. FY2030 Demand Forecast (TAIYO YUDEN Estimates)  * Each figure represents CAGR starting in FY2025.
Growth Strategies	● **Expand hybrid capacitors for automobiles** To meet the growing demand for automotive hybrid capacitors driven by the shift to xEVs, we will increase the proportion of high-margin products to improve profitability. ● **Expand sales of communication devices in high-value-added zones** Through structural reforms implemented from FY2024 through FY2025, we scaled back unprofitable items. We aim to expand sales into high-value-added zones including automobiles and communication base stations.