TAIYO YUDEN

TAIYO YUDEN CO., LTD.

INTEGRATED REPORT 2024





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.

Net sales

¥ **322.6** billion

(FY2023)

Overseas sales ratio

91.6%

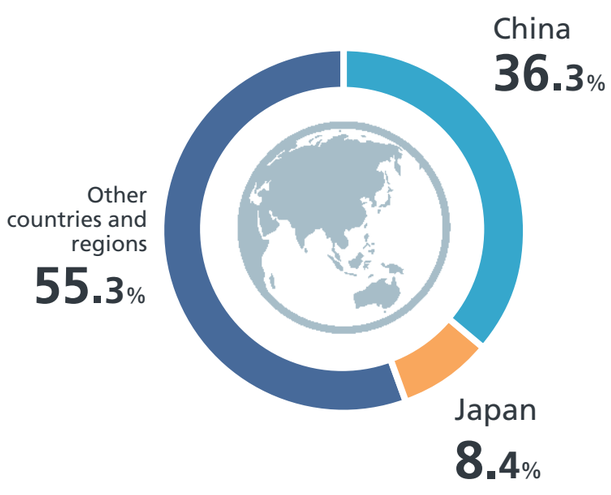
(FY2023)

Ratio of overseas production

66.0%

(FY2023)

Sales composition ratio by region (FY2023)



Multilayer ceramic capacitor (MLCC)

Global market share

No.3

(As of FY2023 (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 2023 (According to in-house research))

Per smartphone*

Approx. **1,500**

*High-end model

Per electric vehicle

Approx. **10,000**

Operating profit

¥ **9.0** billion

(Operating margin 2.8%)

(FY2023)

GHG absolute emissions reduction rate

(Compared to FY2020)

–13.5%

(FY2023)

Accident frequency rate*

0.10

(FY2023)

*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 FY2023 was 1.29

Rate of newly recruited female graduates

33%

(As of April 1, 2024)

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Notes

- In this report, the fiscal year will be displayed as follows.
  Example: April 1, 2023 to March 31, 2024 FY 2023 or fiscal year ended March 2024
- 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 27, 2024. Some of the content includes information from after that date.
- The company names, system names and product names described in this report are trademarks or registered trademarks of the respective companies.

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.



22 Message from the President



27 Message from the Officer in charge of Finance



36 Message from the Officer in charge of Sales Headquarters



54 Roundtable Discussion with the Outside Directors

On the Publication of the Integrated Report 2024

TAIYO YUDEN began its five-year medium-term management plan 2025 in FY2021 and currently we are now in the fourth year of the plan. Following the change in TAIYO YUDEN's presidency in June 2023, we continue to work toward achieving this plan under a new management structure.

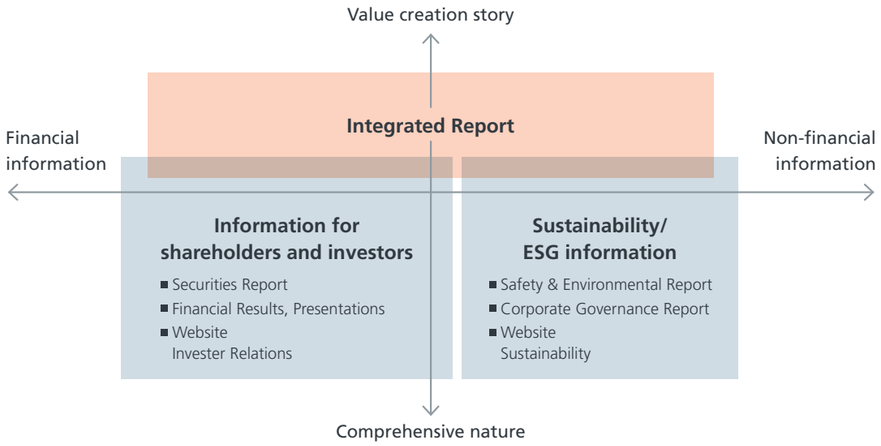
In the Integrated Report, we outline our medium-term management plan 2025 and other value-creation activities, along with specific strategies and measures. Through that plan, we aim to enhance our corporate value, both economically and socially. This year, based on feedback received through dialogue with our stakeholders, we have enriched the content of the report, expanding the sections on our intellectual property activities and human rights, among other topics. Furthermore, we introduce our efforts to create environmental value through product design and production, supported by examples. In preparing the report, the President and Chief Executive Officer, the officer of the Management Planning Headquarters, and other members of management, along with each division, collaborated to ensure that the processes were properly followed. We encourage you to learn more about the TAIYO YUDEN Group through this report.

We will continue to place value on the dialogue we have with our stakeholders and strive to enhance both our information disclosure and transparency.

October 2024
Director, Executive Operating Officer
Tomomitsu Fukuda

Departments involved in the publication of the Integrated Report 2024 (in alphabetical order)
TAIYO YUDEN CO., LTD.
Accounting Department, Diversity Development Department, General Affairs Department, Global Logistics Department, Human Resources Department, Human Resources Planning Department, Intellectual Property Department, Quality Assurance Department, Legal Department, Management Information System Department 2, President's Office, Procurement Management Department, Public Relations Department, and Research and Development Laboratory

Information Disclosure Structure



Scope of Report
This report covers (as of March 31, 2024) 30 companies, comprising TAIYO YUDEN, 9 domestic subsidiaries and 20 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 Comparison Table can be viewed on our website:
https://www.yuden.co.jp/en/sustainability/misc/GRI/

For details on TAIYO YUDEN's financial and non-financial information, please visit our website at:

Investor Relations
https://www.yuden.co.jp/en/ir/

Sustainability
https://www.yuden.co.jp/en/sustainability/

Section 1

OUR STORY

[Value Creation Story]

Since its founding 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.

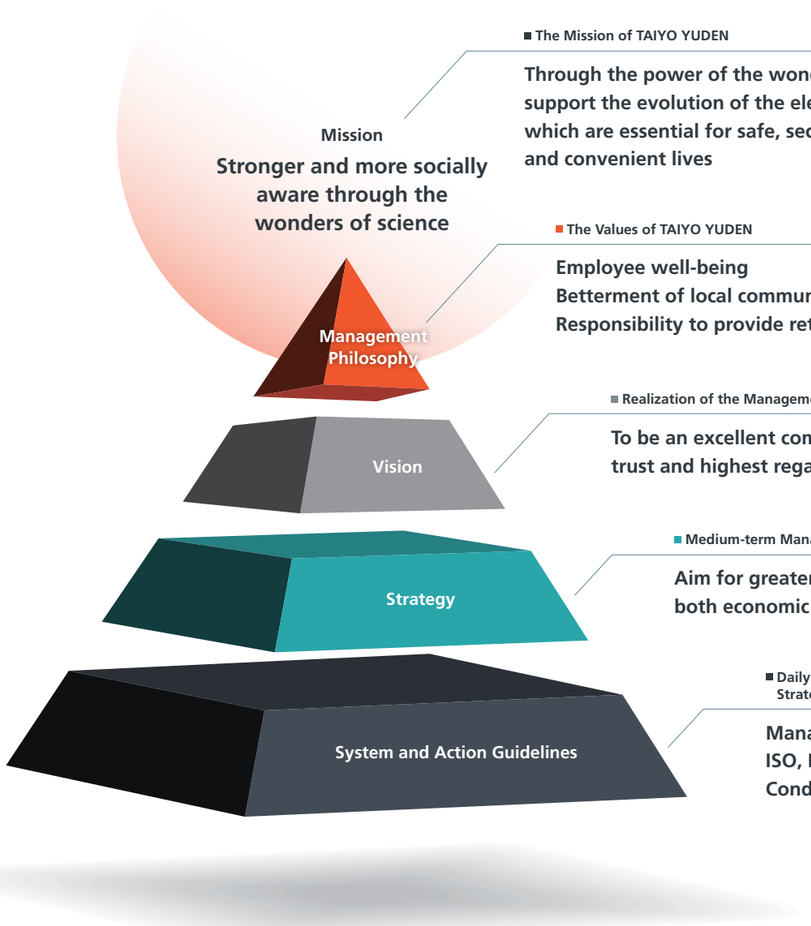
Mission, Management Philosophy, Vision

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.

We will provide electronic components to the world and 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.



■ The Mission of TAIYO YUDEN

Through the power of the wonders of science, support the evolution of the electronics technologies which are essential for safe, secure, comfortable, and convenient lives

■ The Values of TAIYO YUDEN

Employee well-being
Betterment of local communities
Responsibility to provide returns to shareholders

■ Realization of the Management Philosophy

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

■ Medium-term Management Plan

Aim for greater corporate value through both economic value and social value

■ Daily Standards of Conduct for Strategy Execution

Management systems such as ISO, IATF, etc., the CSR Code of Conduct, etc.

Management Philosophy of TAIYO YUDEN

Employee well-being
Betterment of local communities
Responsibility to provide returns to shareholders

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.


Founder Hikohachi Sato

The beliefs and philosophy of Mr. Sato live on as the underlying spirit of TAIYO YUDEN.


Murota Plant in the early days of its establishment

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

1980s

Portable CD players, car phones and other devices make their appearance

Electronic devices become increasingly compact and lightweight

–2010

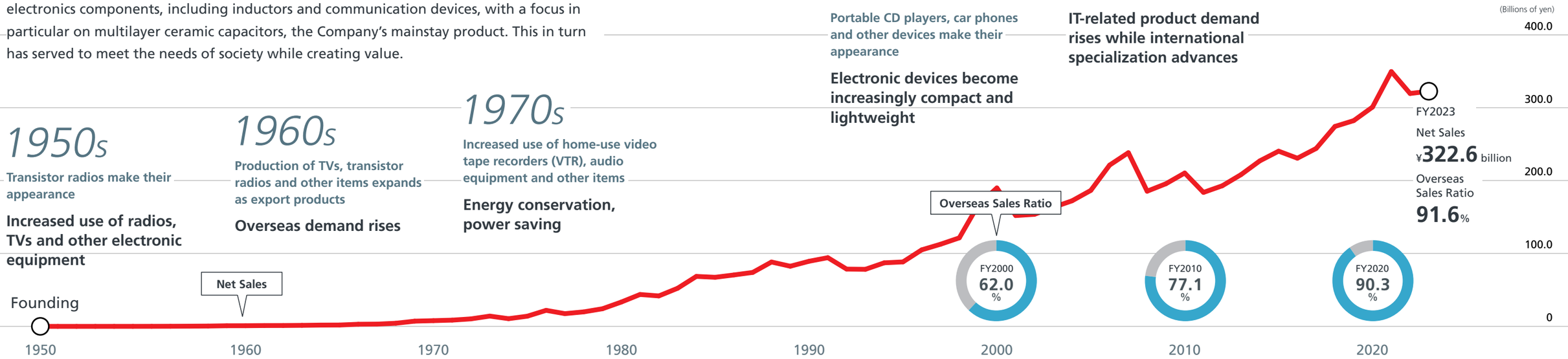
Increased use of home video games, mobile phones, PCs and other devices

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



The Value Provided by TAIYO YUDEN

Sept. 1950
Sales of Rutilcon, 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

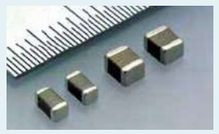
July 1976
The world's first commercialization of axial leaded ceramic capacitors began



Oct. 1977
Developed world's first tubular chip type ceramic capacitors



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



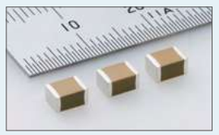
TAIYO YUDEN (SARAWAK)

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

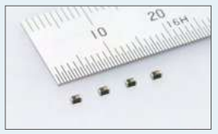
Apr. 2018
ELNA CO., LTD. became a subsidiary

May 2018
Developed the world's first multilayer ceramic capacitors with a capacitance of 1,000μF



4532 size (4.5mm×3.2mm) with 1,000μF capacitance

Mar. 2020
The world's first commercialization of automotive multilayer metal power inductors



Multilayer metal power inductor "MCOIL™ MC Series" (1.6mm×0.8mm×1.0mm, 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's products are used across a wide range of fields. For example, our multilayer ceramic capacitors, a mainstay product, are used in common everyday products such as smartphones, PCs, tablet devices, game consoles, wireless earphones, etc. In recent years, the impact of generative AI and other digitally transformative technologies have been spreading to our daily lives, as automobiles and other various products become computerized and electrified. This trend is promoting the expansion of the scope in which we provide value as a company that develops essential products for such technological advancement.

TAIYO YUDEN Main Products

▶ p.36 At a Glance

Sales Composition by Market Sector
(FY2023)



Others 8%

TAIYO YUDEN offers aluminum electrolytic capacitors that are optimal for mounting on automobiles that increasingly incorporate electronic systems.

Capacitors 64%

Capacitors are used in a wide variety of electronic equipment to temporarily store electricity and remove electronic noise. TAIYO YUDEN excels in producing leading-edge, highly-reliable multilayer ceramic capacitors which are best suited to cutting-edge electronic devices including smartphones and automobiles, and large numbers of multilayer ceramic capacitors are loaded into such devices.

Integrated Modules & Devices 11%

The Integrated Modules & Devices classification's main products are FBAR/SAW devices for communications, which are used primarily in smartphones to enable high-speed and high-quality data communications.

Inductors 17%

Inductors are used in electronic equipment power and high-frequency circuits for blocking alternating current while allowing direct current to pass through.

CASE

Contributing to a New Era in Motorization

The advancement of four megatrends in the mobility revolution, or CASE* 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.

* Connected, Autonomous, Shared & Services, Electric

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.

Sales Composition by Market Sector
(FY2023)

Automotive 30%
- Advanced driver assistance systems (ADAS)
- Meter clusters
- Electronic control units

IT infrastructure / Industrial equipment 18%
- Servers
- Base station communication device
- Security cameras

Communication equipment 31%
- Smartphones

Information equipment 14%
- Tablet devices
- PCs
- HDD/SSD

Consumer products 7%
- Game consoles
- Smartwatches
- Wireless earphones

Business Activities that Provide Value

TAIYO YUDEN's Initiatives to Promote Connectivity

Innovative connectivity technologies such as Web 3.0, generative AI, and digital twins are bringing about significant changes in economic activities and social life. TAIYO YUDEN will continue to promote connectivity through our core electronic components, as well as solutions that leverage these products.





Regenerative Electric Assist System FEREMO™

- A human- and eco-friendly mobility solution capable of traveling up to 1,000 km* on a single charge.
- During braking or controlling speed while going downhill, the motor generates electricity and charges the battery.
- On downhill slopes, regenerative braking is utilized to prevent excessive speed.

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



Bridge Monitoring System

- A monitoring system that uses optical displacement sensors capable of measuring minute displacements.
- By installing the system on bridges, it can assess the weight of passing vehicles and traffic volume, and predict the bridge's durability.
- Helps develop more optimized repair and reinforcement plans for bridges.

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

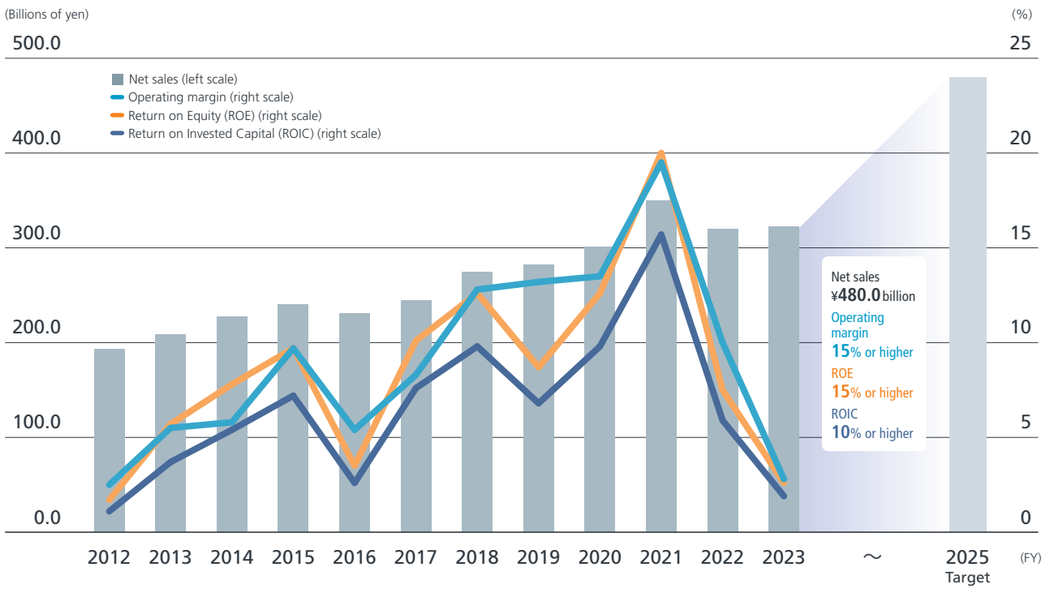
Category		Materiality (Key Issues)	SDGs Targets	Medium-term Management Plan 2025 Priority Measures	Medium-term Management Plan 2025 KPIs: Item	Target	FY2023 Actual	Example Initiatives in FY2023	Related Pages
Economic Value		Strengthen core technologies to make our core business grow	Goal 7: Affordable 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 Operating margin ROE ROIC	480.0 billion yen 15% or higher 15% or higher 10% or higher	322.6 billion yen 2.8% 2.6% 1.9%	■ 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
				■ Financial Strategy Continuously expand production capacity to meet increase in demand for electronic components				■ 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	▶ p.87 Human Resources Strategy
		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	
					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	▶ p.67 Risk Management and Compliance
		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	

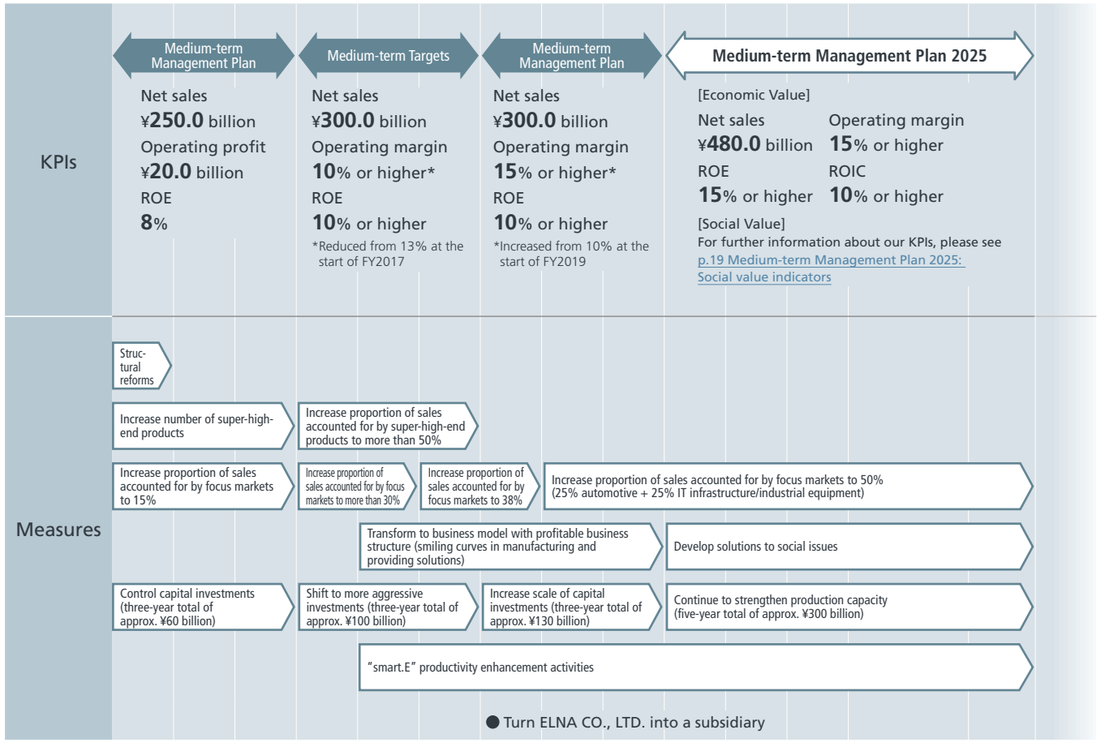
*1 Measurement pattern according to JIS (JIS D9115:2018) for prototype bicycles. (Eco Mode 1,000 km, Middle Mode 200 km, High Mode 100 km)
*2 As of April 1, 2024

Medium-term Management Plan 2025 (FY2021–FY2025)

Trends and Targets of the KPIs

Economic value indicators

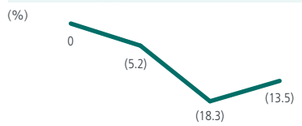




Social value indicators

GHG emissions

Target for FY2030
Reduce absolute amount by 42%
(on a single-year basis (4.2)% equivalent)



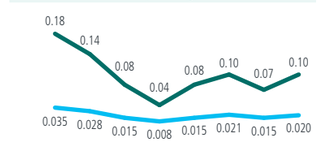
Waste, Water usage

Target for FY2025
Reduce by 10% (basic unit)
(on a single-year basis (2.0)% equivalent)



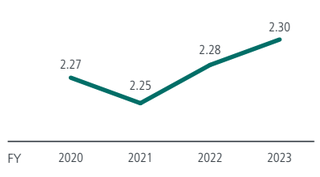
Incidence rate of injuries and illness Accident frequency rate

Targets
Incidence rate <0.016
Accident frequency rate <0.08



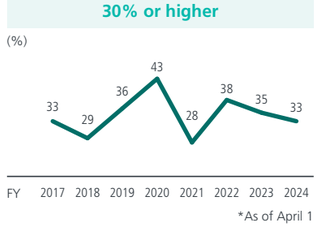
Work engagement

Target
2.5 or higher



Rate of newly recruited female graduates*

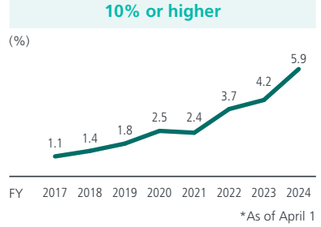
Target
30% or higher



*As of April 1

Female manager ratio*

Target for FY2030
10% or higher



*As of April 1

Medium-term Management Plan 2025: Progress and Issues

In the medium-term management plan 2025 (FY2021 to FY2025), we defined the automotive market and the IT infrastructure/industrial equipment market—two markets for which stable growth can be anticipated—as "focus markets" and while working to increase sales centered on these markets, we are aiming to enhance corporate value through the combination of 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 are also advancing a capital investments plan of ¥300 billion over the five years from FY2021, the first fiscal year of the plan. We will use this money to strengthen our production capacity in readiness for future increases in demand centered on demand for automobiles and to make more proactive capital investments in environmental measures and IT facilities.

In FY2021, against the backdrop of favorable market conditions, we exceeded our final targets for operating margin, ROE, and ROIC, whereas in FY2022 the demand environment for electronic components went into decline and each of the KPIs deteriorated. The information equipment, IT infrastructure/industrial equipment markets did not recover in FY2023, resulting in a continued decline in operating margin, ROE, and ROIC.

The percentage of sales accounted for by our focus markets in FY2023 was 48%, falling short of the target of 50%, as a result of the decreased demand in the IT infrastructure/industrial equipment markets. We anticipate that in FY2024, the market will recover from the decline it experienced towards the second half of the year, and we will continue to maintain our commitment to the final targets of the medium-term management plan 2025 in our business activities.

Further, out of the KPIs concerning social value, we have achieved our target for the percentage of newly recruited female graduates, as we did in the previous year. Regarding the other indicators, GHG emissions, the incidence rate of injuries and illness and the accident frequency rate were worse than the previous year's levels, whereas the waste volumes, water usage, work engagement and percentage of female managers improved. We will continue to keep pushing to achieve our KPIs. Moreover, our climate actions, which include initiatives to save, generate and reuse energy, and joint efforts with suppliers across the supply chain, have been well received by CDP, an international non-profit organization that runs a global environmental disclosure system, and we have been named as an A List company (highest rating) in climate change and Supplier Engagement Leader, following on from the previous year.

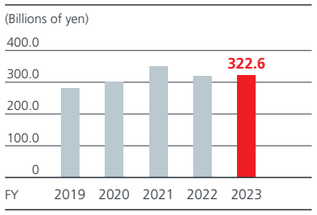
Financial and Non-financial Highlights

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 p.98 Consolidated Financial Statements and in the Investor Relations of our website.

[Financial]

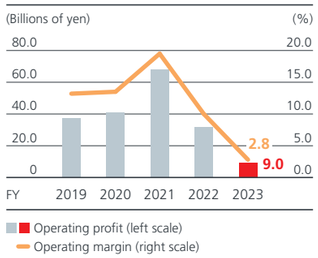
Net sales ¥322.6 billion
1.0% up (YoY)



Sales increased compared to the previous fiscal year. Looking at market sectors, sales for the communications equipment and automotive sectors increased. As for sales by product line, there was an increase in sales for inductors and integrated modules & devices.

Operating profit ¥9.0 billion
71.6% down

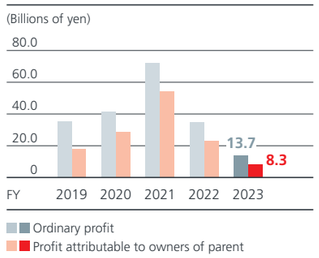
Operating margin 2.8%
7.2pt down



Profits fell on the back of the impact on prices of changes in customer mix associated with fluctuations in demand, alongside a decline in capacity utilization due to inventory adjustments. As a result, both operating profit and profit margin declined from the previous fiscal year.

Ordinary profit ¥13.7 billion
60.5% down

Profit attributable to owners of parent ¥8.3 billion
64.2% down

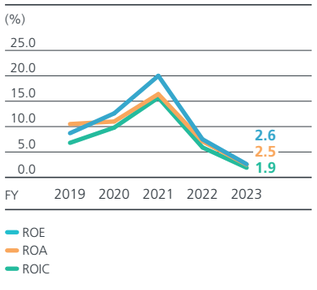


Ordinary profit and profit attributable to owners of parent decreased from the previous fiscal year due to a decrease in operating profit, despite foreign exchange gains arising from yen depreciation.

ROE 2.6%
4.9pt down

ROA 2.5%
4.6pt down

ROIC 1.9%
4.0pt down

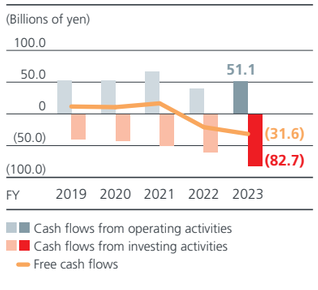


Although sales for automobiles increased and we continued to implement productivity improvement activities, ROE, ROA, and ROIC declined due to a decrease in operating profit.

Cash flows from operating activities ¥51.1 billion
29.5% up

Cash flows from investing activities ¥(82.7) billion
37.0% down

Free cash flows ¥(31.6) billion
51.1% down

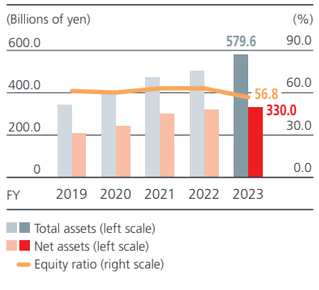


Cash flows from operating activities increased due to a decrease in inventories. On the other hand, cash flows from investing activities increased as we continued to make vigorous capital investments with a focus on large-scale products for the automotive sector and other market sectors that are expected to see future growth in demand.

Total assets ¥579.6 billion
15.1% up

Net assets ¥330.0 billion
3.6% up

Equity ratio 56.8%
6.3pt down

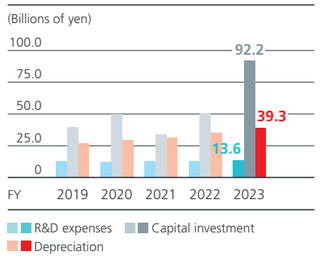


Total assets increased due to the continuing expansion of our business scale, including ongoing vigorous capital investment. Meanwhile, equity ratio declined from the previous fiscal year.

R&D expenses ¥13.6 billion
8.0% up

Capital investment ¥92.2 billion
82.6% up

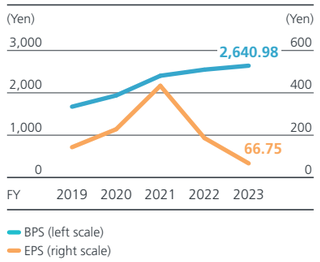
Depreciation ¥39.3 billion
12.9% up



Anticipating an increase in demand in our focus markets, we are advancing a vigorous capital investment plan to inject ¥300 billion over the five-year period leading up to FY2025. In FY2023, we constructed new plants in China and Malaysia. We are also continuing to invest in R&D to energize new business and new product development.

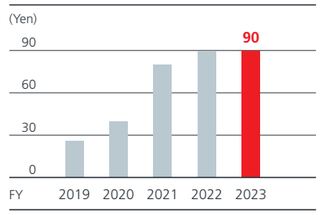
BPS ¥2,640.98
3.6% up

EPS ¥66.75
64.2% down



BPS increased due to an increase in net assets resulting from the impact of foreign currency translation adjustments due to yen depreciation. On the other hand, EPS decreased due to a decrease in profit attributable to owners of parent.

Cash dividends per share ¥90
unchanged

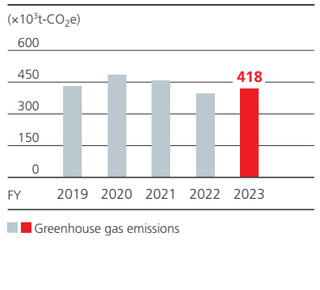


Having stated "Responsibility to Provide Returns to Shareholders" as one of our Management Philosophies, we aim to achieve a stable dividend payout ratio of 30%. Profits decreased in FY2023, but there is no change to the future growth outlook, so we have maintained the dividend per share of ¥90, the same level as the previous fiscal year.

[Non-financial]

Greenhouse gas (GHG) emissions* 418 $\times 10^3$t-CO_2e
5.6% up

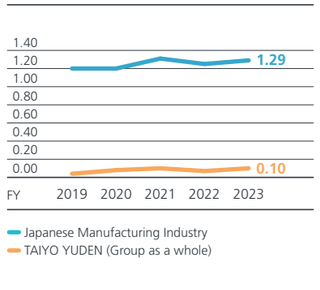
*Scope1 (direct emissions from the use of energy), Scope2 (indirect emissions from energy use) in total



We are endeavoring to reduce our greenhouse gas (GHG) emissions through initiatives such as energy conservation in our production facilities and infrastructure facilities, and expanded deployment of renewable energy. In FY2023, our GHG emissions increased from the previous fiscal year due to the start of operations at new plants. However, we are making steady progress in reducing emissions in accordance with our plan, thanks to the introduction of a cogeneration system and the expansion of solar power generation facilities.

Accident frequency rate* 0.10
0.03pt up

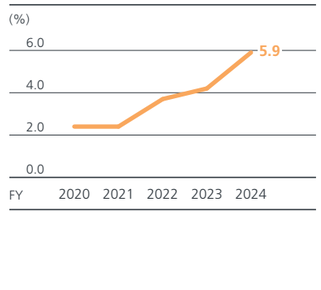
*Accident frequency rate = (Number of the victims of occupational injury (at least one workday lost) / Total actual number of hours worked by registered workers) x 1,000,000



We are continuously promoting measures to prevent the occurrence of work-related accidents. Efforts include promoting health and safety activities in each of the 5M categories (man, machine, method, material, and measurement) based on the medium-term occupational health and safety targets (FY2022 to FY2025), and implementing priority measures for the most recent issues. The accident frequency rate in FY2023 was 0.10, staying well below the average for the manufacturing industry.

Female manager ratio* 5.9%
1.7pt up

*As of April 1, 2024



In order to ensure there are female candidates for management positions, we are carrying out measures such as stepping up our recruitment of women and providing support for their career development. Furthermore, we also implement workshops related to the promotion of women's participation and advancement in the workplace, diversity training for the top management and other employees, and other measures. In FY2023, we newly established the Diversity Development Department. We are strengthening our systems to achieve the target female manager ratio of 10% for FY2030.

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



Katsuya Sase
Representative Director,
President and CEO

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.

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.

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



Tomomitsu Fukuda
Director, Executive Operating Officer
in charge of Management Planning
Headquarters

Promoting a financial strategy that is mindful of management efficiency and supports our business strategies

FY2023 Summary

FY2023 was the third year of the medium-term management plan 2025 and I sensed it would be a crucial 12 months for achieving the targets in the plan. However, operating profit fell sharply to ¥9.0 billion (down 71.6% YoY), despite an increase in net sales to ¥322.6 billion (up 1.0%).

The factors behind this were the longer-than-expected inventory adjustments in various markets, which depressed sales volumes. Also, in response to the prolonged market downturn, we curtailed production to reduce our own inventory, which dragged down our capacity utilization rate. Profit was also weighed down by the impact of selling prices due to changes in the customer mix.

Despite the challenging conditions for earnings, we believe medium-term demand growth for semiconductors, driven mainly by AI servers, remains firm, along with sustained demand for passive components, our mainstay products. For these reasons, we proceeded as planned with future-oriented investments in production capacity expansion and human capital.

FY2024 Outlook

In FY2024, we expect to see a market recovery; we forecast net sales of ¥350 billion (up 8.5% YoY) and operating profit of ¥20 billion (up 120%). We think contributions to sales growth will come from the winding down of inventory adjustments in each market, as well as a recovery in demand for information devices—chiefly tablets and PCs—and also for IT infrastructure/industrial equipment, such as AI servers.

Furthermore, we expect to rebuild our inventory (which we reduced in FY2023) by approximately ¥10 billion in FY2024, in line with a market recovery, which we believe will contribute to profit improvement through higher capacity utilization. Based on the above, we forecast an increase in sales and sharp profit growth in FY2024.

Message from the Officer in charge of Finance

ROIC Improvement Measures

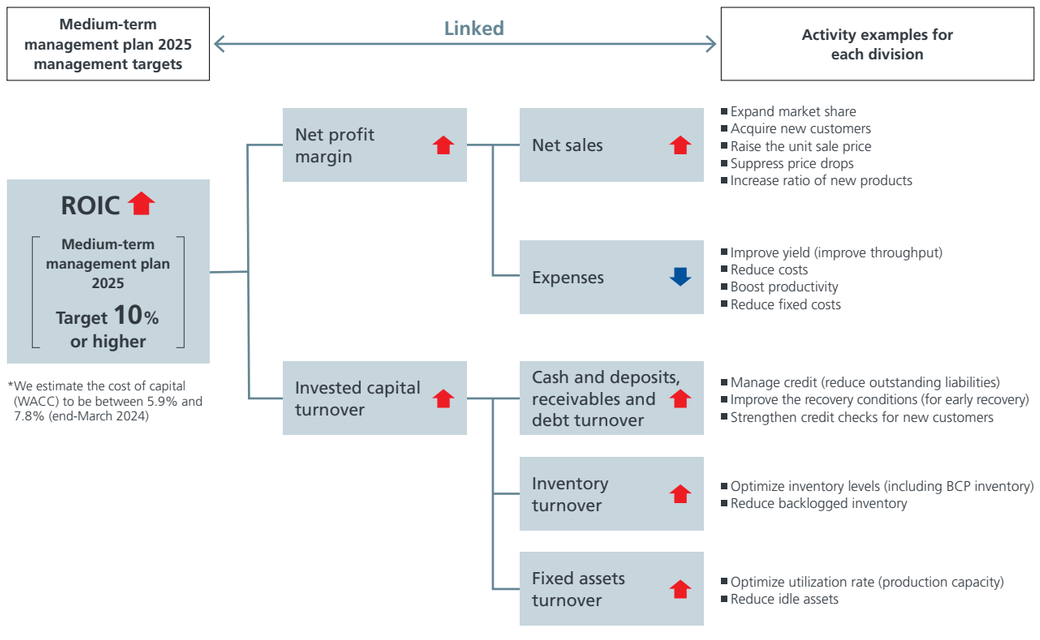
To enhance corporate value over the medium-to-long term, it is essential that we have a metric to measure whether we are heading in the right direction. We stress the importance of ROIC as a key metric, so in our medium-term management plan that concludes in FY2025, we are targeting an ROE of 15% or higher and an ROIC of at least 10%. In FY2023, both the operating margin and invested capital turnover declined, which meant that we fell short of our ROE and ROIC targets. I should also add that we periodically review the cost of capital—as of the end of March 2024, we estimate the cost of shareholders' equity to be between 7.7% and 11.2%, and the weighted average cost of capital (WACC) between 5.9% and 7.8%.

When it comes to ROIC, we need to do more than just target 10%. We must break down the factors that contribute to the achievement of such a goal and engage the entire Company, including business divisions and sales departments, in addressing each of these factors. As illustrated in the diagram below, activity goals have been established in each division and their KPIs are managed for the purpose of checking whether improvements in management efficiency are being realized in each division. While each business division is responsible for setting their own KPIs, I feel that an awareness of management efficiency and asset efficiency has taken hold throughout the Company, and efforts aimed at improving ROIC, even on the production frontlines, are progressing well.

Going forward, we plan to steadily implement the key measures outlined in the medium-term management plan 2025 (product strategy, market strategy, financial strategy, and ESG initiatives) so as to enhance corporate value with an optimal balance of both economic and social value, while also working to improve ROE and ROIC.



ROIC Tree



Progress of the Medium-term Management Plan 2025

FY2024 will be the fourth year in our five-year medium-term management plan. After kicking off the plan in FY2021, we unavoidably recorded profit declines in FY2022 and FY2023 due to the impacts of global supply chain disruptions and a market downturn triggered by the COVID-19 pandemic. Now that we have finally broken free of the shackles from that period, net sales are heading for a recovery, with profits to follow suit. Our current outlook is that earnings will improve this fiscal year and in the next. Our net sales target of ¥480 billion for FY2025, the final year of the plan, is ambitious, but we will press ahead with measures geared towards achieving the medium-term management plan 2025.

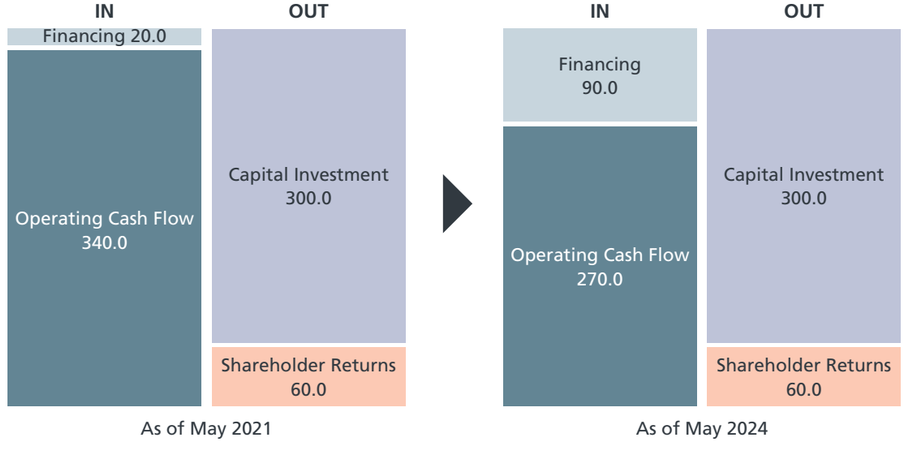
Capital Allocation

The basic policy of our financial strategy is to balance the execution of growth investments with financial soundness. To that end, we aim to maintain an equity ratio of around 60% while executing growth investments. Based on this approach, for capital allocation, we generate cash for growth-related investments and shareholder returns primarily from operating cash flow. We had planned to allocate operating cash flow of ¥340 billion and ¥20 billion in funds raised to finance capital investments of ¥300 billion and shareholder returns of ¥60 billion in the medium-term management plan 2025.

However, as I have already explained, because we booked lower profits in FY2022 and FY2023, we anticipate that cumulative operating cash flow will fall short of our estimate. At the same time, putting off production capacity expansion plans, particularly for MLCCs for which demand continues to grow, is not an option for us if we are to generate medium-to-long-term growth.

We do not hold any strategic shareholdings or idle assets such as unused real estate, while in terms of cash and deposits, we maintain a lean structure with enough liquidity on hand to ensure stable business operations. Therefore, to raise the funds needed for growth investments and the like, in October of last year we raised ¥50 billion by issuing convertible bonds with share acquisition rights. I recognize that this method of financing offers few benefits to existing shareholders, but given the future likelihood of unforeseen geopolitical risks akin to the situation between Russia and Ukraine, along with rising interest rates driven by inflation, as well as the uncertain outlook for the future, we made this decision to mitigate financial risks as much as possible. I hope you understand the rationale behind this decision.

Capital Allocation in the Medium-term Management Plan 2025 (Billions of yen)



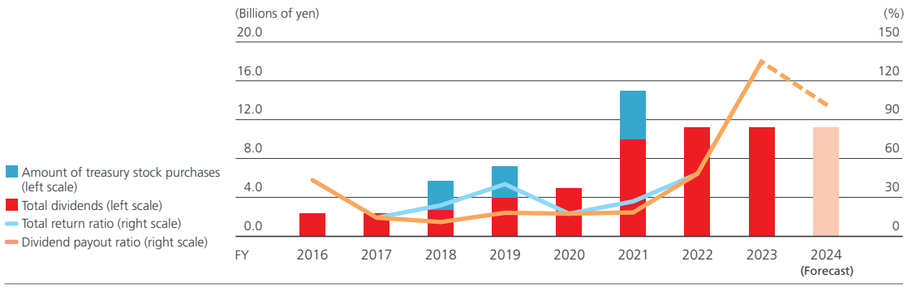
Message from the Officer in charge of Finance

Shareholder Returns

Even though we fell short of our initial profit forecast in FY2023, we still paid an annual dividend of ¥90 as originally planned. We also plan to pay the same dividend amount in FY2024 as in the previous fiscal year. The dividend payout ratio has remained above our medium-term management plan target of 30% due to a lower profit level, but because we consider this profit level to be temporary, we have left the annual dividend intact at ¥90. For now, our goal of maintaining a stable dividend payout ratio of 30% remains unchanged, but we will consider the introduction of new indicators that are less susceptible to fluctuations in earnings.



Returning Profits to Shareholders



	2016	2017	2018	2019	2020	2021	2022	2023	2024 (Forecast)
Annual cash dividends per share (yen)	20	20	21	26	40	80	90	90	90
Basic earnings per share (yen)	46.08	138.80	189.93	143.04	227.99	433.46	186.32	66.75	88.26

I believe the role of our financial strategy is to support the business strategies with a view to achieving the targets of the medium-term management plan 2025, centered on our growth strategy. Even though new technologies like generative AI are giving rise to growth opportunities, we are also seeing an increase in external environmental factors that are hard to judge, including widening market cycle fluctuations and geopolitical risks. However, in my capacity as the officer in charge of finance, I will ensure that TAIYO YUDEN properly uses a metric to secure returns that exceed the cost of capital, while pressing ahead with a financial strategy to achieve the goals of the medium-term management plan 2025.

Section 2

STRATEGIES

[Strategies for the Creation of Value]

TAIYO YUDEN creates value with its business through the development of Smart Products. Toward the realization of such value, we execute strategies to bolster our strengths and establish a competitive advantage.

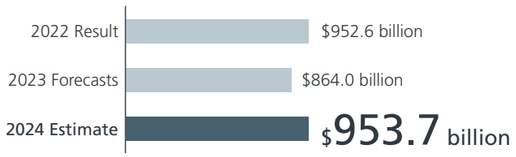
Market Environment and Business Development

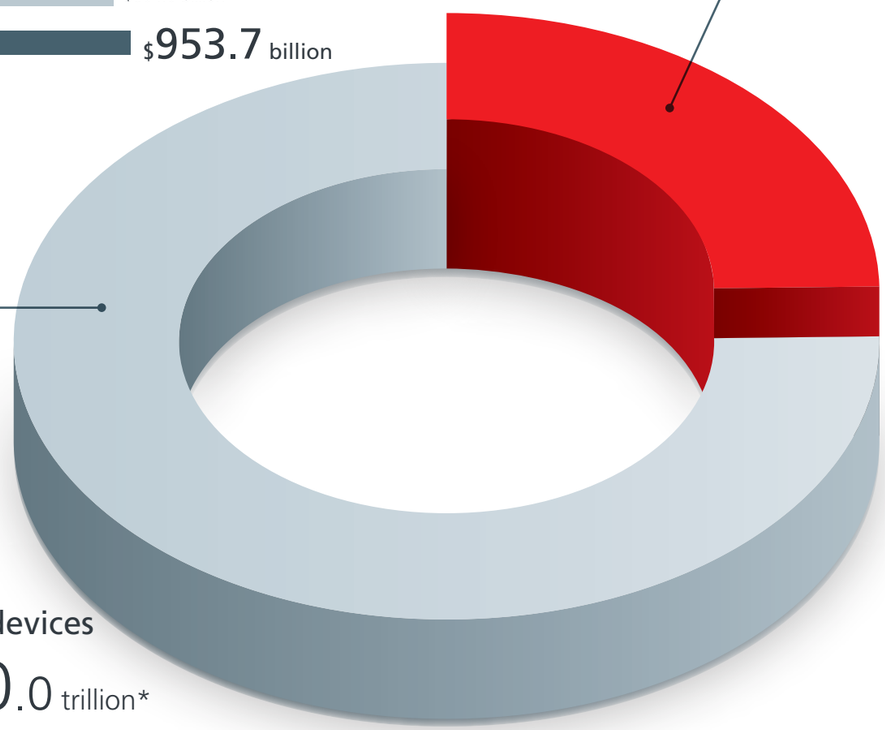
Continued growth in needs resulting from the trend of greater electronics use

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 119.8 trillion*





Electronic devices

¥ about 90.0 trillion*

Devices that apply functions of electrons to perform active tasks such as amplification

- Semiconductor devices
- Integrated circuits
- Electron tubes

*The forecasts as of 2023 (dollar-based) calculated using the average exchange rate for 2023 (1 dollar = ¥138.6).

Note: Figures from 2023 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 29.7 trillion*

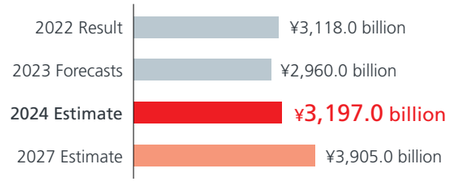
Components that work with and supplement electronic devices

Passive components

These devices store, control, separate, and perform other tasks on the flow of electrons supplied

- Capacitors
- Inductors
- Resistors
- Transformers
- Others

Capacitor market size (Calendar year)



Source: Annual of Electronic Devices & Components 2024, Chunichisha Co., Ltd.

Connecting components

These devices connect, switch, and perform other tasks on electronic circuits and systems

- Switches
- Connectors
- Others

Transducers

These devices create sounds, torques, magnetic flux, and others

- Electro-acoustic transducers
- Sensors
- Actuators

Other electronic components

- Power-supplies
- High-frequency components

□ TAIYO YUDEN's business domains

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

SUSTAINABLE DEVELOPMENT GOALS

Changes in the macro-environment

- Climate change
- Tightening environmental regulations
- International trade friction
- Threats of natural disaster and infectious disease
- Resource depletion
- Geopolitical risk

TAIYO YUDEN considers the management philosophy it has inherited from its founder to be its shared values and is striving to contribute to the realization of a secure, safe, comfortable, and convenient society through the “wonders of science” set forth in its mission.

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.

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

Management Philosophy | **Employee well-being, Betterment of local communities, Responsi bility to provide returns to shareholders**

Business operations at TAIYO YUDEN

Investment capital (FY2023)

Financial capital
- Total assets ¥579.6 billion
- Equity ratio 56.8%

Intellectual capital
- R&D expenses ¥13.6 billion

Manufacturing capital
- Number of production bases 21

Human capital
- Number of employees (consolidated) 21,823

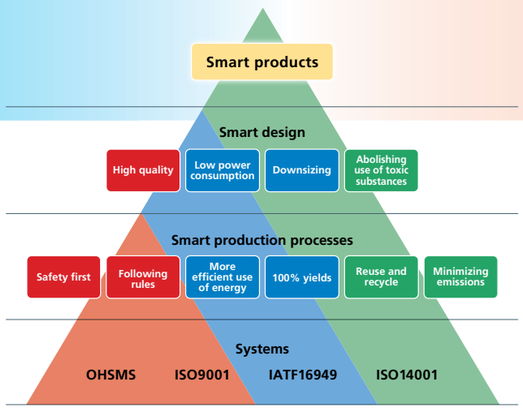
Social/related capital
- Number of years since founding 74
- Number of years since public listing 54

Natural capital
- Energy (electricity) consumption 949,085 MWh
- Water use 3,764,000 m³

Leverage from business activities

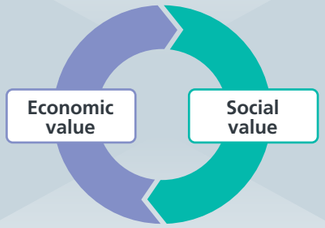
Vision

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



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

Creating value through business activities



- 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 (production volume) 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

Message from the Officer in charge



We promote digital transformation and customer-centric sales strategies

Toshiyuki Watanabe
Director and Senior Operating Officer in charge of Sales Headquarters

Since I joined TAIYO YUDEN as a sales representative in 1985, I have been dedicated to growing its business for the past 39 years, during which I was seconded internationally three times. In the past decades, the Company has significantly expanded its geographical presence, with international sales accounting for 90% of its current revenue, and the scope of applications expanding to include consumer, information and communication equipment, as well as automobiles and IT infrastructure/industrial euipment.

Formulating and Executing Sales Strategies as the Sales Headquarters

TAIYO YUDEN does not have a sales organization as part of each product business unit. Instead, it has a Sales Headquarters as an independent organization with its own Marketing Division and Sales and Business Development Division. The former develops sales strategies, whereas the latter carries out promotional activities. The Sales Headquarters works closely with the business units to align business and sales strategies and provide simple and convenient customer experiences through a single point of sales contact. We intend to flexibly adjust our organizational structure to changing external needs.

Mastering Customer Centricity

One of the main things that the Sales Headquarters is responsible for is technical marketing. We focus on analyzing trends in equipment and semiconductors that use our products to indicate the path that the Company should follow. As a technology-enabled manufacture, it is prone to prioritize development and products over customer needs. Therefore, I believe that we need to weigh the business unit's product-centric perspective and the Sales Headquarters' customer-centric point of view in building roadmaps for our products.

Promoting Digital Transformation and Customer Satisfaction to Create Value for the Future

The Sales Headquarters is currently promoting digital transformation and customer satisfaction. To increase the accuracy of demand predictions enabled by digital technology we are working on building a system for analyzing findings derived from dialogue between our sales representatives and customers and various macroeconomic indicators inserted into the database. Our ongoing promotion of digital transformation has produced some results; for one thing, we now have more streamlined operations in the Sales Headquarters and for another, the organizational system is coming together to analyze the trends of forecasts, and modify the business and sales plans at an early stage as needed.

Meanwhile, regarding customer satisfaction, we utilize the data scorecard to quantify the level of satisfaction for each transaction and ask our customers to rate our services to inform our improvement efforts.

Serving as the Company's Antenna

The Sales Headquarters combines the Company's business and sales strategies. Metaphorically speaking, we are both the company's antenna and its hinge. The world is seeing emergence of new technologies such as generative AI, which are gradually transforming our economic activities and lifestyles. The Sales Headquarters will continue to maintain our commitment to TAIYO YUDEN's goal, which is to support connectivity among people by providing its core electronic products and solutions enabled by them.

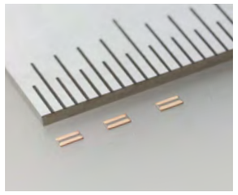
Capacitors

Major Products

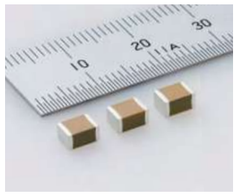
Multilayer ceramic capacitors



0201 size (0.25mm×0.125mm) ultra-small multilayer ceramic capacitors



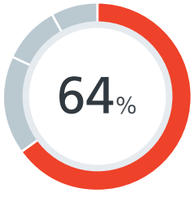
Ultra-thin multilayer ceramic capacitors (0.6mm×1.0mm) with 0.064mm thickness



4532 size (4.5mm×3.2mm) high-capacitance multilayer ceramic capacitors

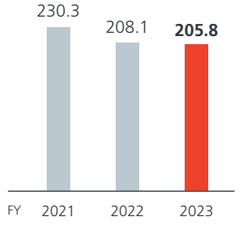
Net Sales Breakdown by Product Classifications

(FY2023)



Net Sales

(Billions of yen)



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

In FY2023, sales for communication equipment and automobiles increased compared with the previous fiscal year, but sales for consumer equipment, information equipment, and IT infrastructure/industrial equipment decreased. As a result, net sales decreased 1.1% year on year to ¥205,829 million.

Market Needs

- The increase in demand for high reliability products and large-sized products for automobiles and IT infrastructure/Industrial equipment accelerated

Strengths of TAIYO YUDEN Group

High reliability	**Downsizing**
Front runner in high capacitance products	**Decentralization of production bases**

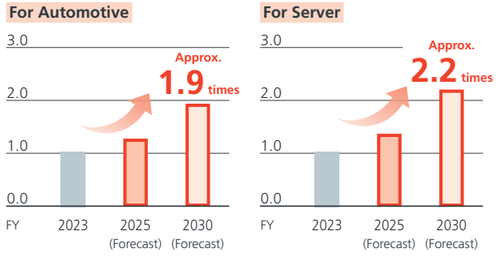
Growth Strategies

Focus on high-value-added zones by drawing on industry-leading technological expertise

Strengthen the product appeal of high-reliability products and large-sized products

- Product development to meet the needs of automobiles and IT infrastructure/Industrial equipment

Demand forecast for MLCC (Volume) *Estimated by the Company



Expand production capacity in response to medium-term demand

- In FY2023, completed the construction of new plants and started operation in China and Malaysia
- Expansion of supply capacity, focusing on high-reliability products and large-sized products



TAIYO YUDEN (CHANGZHOU)



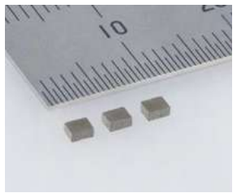
TAIYO YUDEN (SARAWAK)

At a Glance

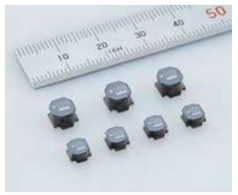
Inductors

Major Products

Wire-wound inductors

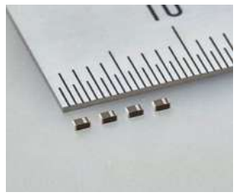


Wire-wound metal power inductors
MCOIL™



Wire-wound ferrite power inductors

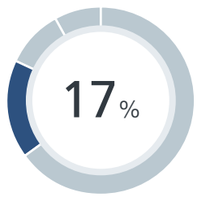
Multilayer Inductors



Multilayer metal power inductors
MCOIL™

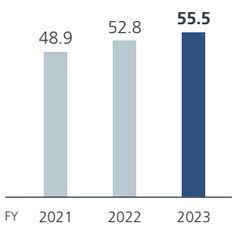
Net Sales Breakdown by Product Classifications

(FY2023)



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 FY2023, while year-on-year sales for consumer equipment and IT infrastructure/industrial equipment decreased, sales for information equipment, communication equipment, and automobiles all increased. As a result, net sales increased 5.1% year on year to ¥55,566 million.

Market Needs

- The demand for inductors compatible with large currents increased as a consequence of the improved performance of electronic equipment and electrification of and installation of electrical equipment in automobiles

Strengths of TAIYO YUDEN Group

An abundant lineup of power inductors built on advanced elemental technologies

Growth Strategies

Increase competitive advantage in power inductors
Improve profitability by improving item mix

Diversify our markets and customer base

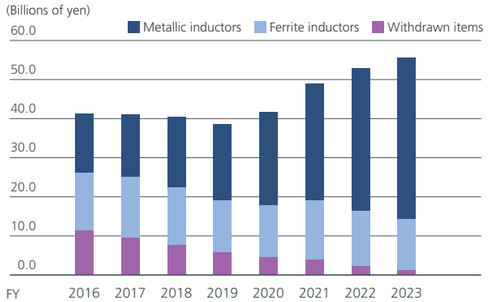
- Expanding into the fields of smartphones, IoT, automotive, and IT infrastructure/industrial equipment
- Increased sales of inductors using metal materials

Material	Structure: Multilayer	Structure: Wire-wound
Metal (MCOIL™)	Smartphone Smart watch PC/Tablets **Smaller products by our original metal and multilayer technology** **Expand into ADAS**	Smartphone PC/Tablets HDD/SSD **Expand sales due to increased demand for memory module/DDR5**
Ferrite	↑ (Shift to metal)	Automotive IT infrastructure/ Industrial equipment **Expand sales in high reliability market**

Improve product mix and shift to a more profitable structure

Net Sales

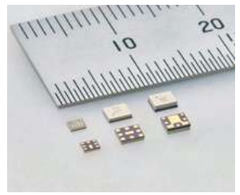
(Billions of yen)



Integrated Modules & Devices

Major Products

Communication devices



FBAR/SAW devices for communications



Multilayer ceramic filters

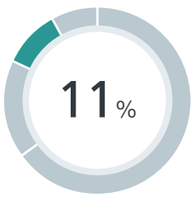
Circuit modules



Regenerative electric assist system
"FEREMO™" for electric assist bicycles

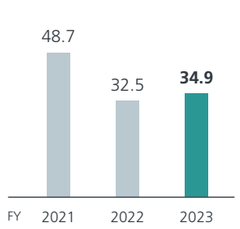
Net Sales Breakdown by Product Classifications

(FY2023)



Net Sales

(Billions of yen)



We are promoting the development of broadband-compatible devices for communications and the development of next-generation products suitable for higher frequencies.

In FY2023, although year-on-year sales of circuit modules decreased, sales of FBAR/SAW devices for communications increased. As a result, net sales increased 7.2% to ¥34,934 million.

Communication devices

Market Needs

- In addition to smartphones, our main market, expand adoption in telematics, machine-to-machine (M2M), and the IoT

Connected car
e-Call (automated emergency call system), etc.

Smart meter

Security equipment

POS system

Strengths of TAIYO YUDEN Group

Ensure excellent high-reliability characteristics with element material technology and robust package structure

Growth Strategies

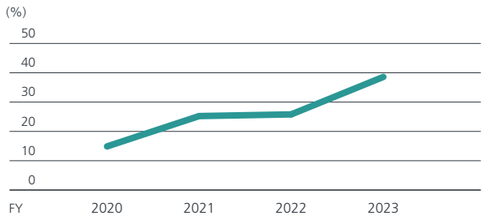
Pursue high-value-added businesses by making use of original technologies

Meet the high-level technical requirements essential for the evolution of mobile devices

- TLSAW™ (Element technology)···· Low loss, wide band, and high suppression
- HPDP (Packaging technology) ···· Ultra-thin and high reliability

Increase ratio of new products due to development of new technologies

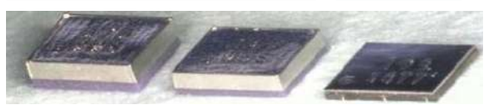
Ratio of new products in Communication devices (monetary basis)



Providing high value-added products and development in new markets

- Meet the requirements of miniaturization, thinning and high integration

Previous Package → HPDP



Sample image of new "HPDP" technology for packaging

Others

Major Products

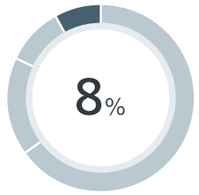
Aluminum electrolytic capacitors



Conductive polymer hybrid aluminum electrolytic capacitors

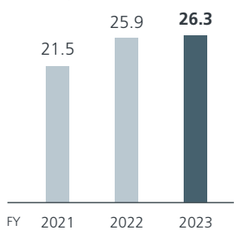
Net Sales Breakdown by Product Classifications

(FY2023)



Net Sales

(Billions of yen)



We are concentrating our efforts on the development of conductive polymer hybrid aluminum electrolytic capacitors for the focus markets, and on boosting production capacity.

In FY2023, we recorded an increase in the year-on-year sales of aluminum electrolytic capacitors. As a result, net sales increased 1.4% year on year to ¥26,317 million.

Market Needs

—Conductive polymer hybrid aluminum electrolytic capacitors—

- Demand for automobiles is growing rapidly due to the adoption of xEVs, electrification of powertrains, and advancement of ADAS

Strengths of TAIYO YUDEN Group

—Conductive polymer hybrid aluminum electrolytic capacitors—

Meet customer needs with a wide range of product lineup

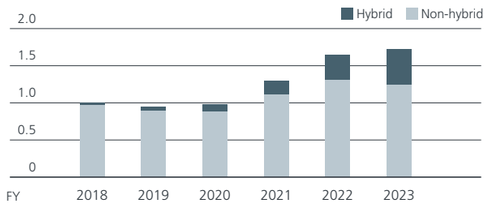
- High reliability, large current, and low noise
- A wide range of large-sized and high-capacity products

Growth Strategies

—Conductive polymer hybrid aluminum electrolytic capacitors—

Expand sales in high-value-added markets, especially automobiles

Focus on high-performance conductive polymer hybrid aluminum electrolytic capacitors to increase profitability

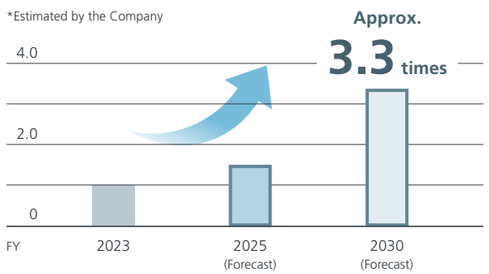


Increase production capacity to meet growing demand in automotive market

- Build an efficient integrated domestic system from product development to production to increase production capacity

Demand forecast for conductive polymer hybrid aluminum electrolytic capacitors (Volume)

*Estimated by the Company



R&D

Message from the Officer in charge



We will continue to engage in technological and product development to impact the world 10 years from now

Shoichiro Hirakuni
Operating Officer in charge of Research and Development Laboratory

Research and Development at TAIYO YUDEN

Deriving Optimal Solutions for the Entire Process from Material Development to Mass Production

The Research and Development Laboratory applies its basic philosophy, "leveraging its material technology and deploying diverse core technologies to take on challenges for the development of next-generation devices and providing solutions," to technological research and development at TAIYO YUDEN.

In product development, we mainly use such technologies in the areas of materials, processing, evaluation, design, and mounting, the first of which is the most essential. We are proud of our ability to handle the entire process, from material development to product development, and consider it one of our strengths. We take a high-level view to optimize the end-to-end process through to mass production, including product design and manufacturing, not only to produce the best possible, cutting-edge materials but also to bring out their full potential.

Role of the Research and Development Laboratory

Practicing Research to Help Achieve Goals of the Next Medium-term Management Plan and Beyond

At TAIYO YUDEN, the business divisions and the Research and Development Laboratory work closely together, with the former engaging in commercial product development and the latter handling medium-to-long-term R&D projects. As such, the Research and Development Laboratory formulates a roadmap by imagining how the world will be 10 years from now and how our products will help people there, under the motto, "envisioning ten years from now, depicting five years from now, and setting concrete goals to be realized three years from now." Therefore, as we push forward with our medium-term management plan, which lays out our goals for FY2025, the Laboratory is moving ahead with its research initiatives with the intention of creating technologies that will serve as the basis for generating revenue under not only the current plan but also the next medium-term plan, and the one after that as well.

Today, technologies are evolving so rapidly that it is not easy to specifically imagine what kind of products will be needed 10 years from now. However, we believe that our research and development initiatives can have an impact on the future if we continue to pursue groundbreaking and exceptional performance and specifications, in accordance with our R&D slogan, "Innovative advance."

Utilizing Shin-Kawasaki Center SOLairoLab

New Development Themes Emerging from Active Discussions

Launched for the purpose of promoting co-creation with external parties, Shin-Kawasaki Center SOLairoLab has recently been actively engaging with external stakeholders, after a couple of years of interaction being limited by the COVID-19 pandemic, which struck shortly after its opening. In FY2023, SOLairoLab accepted over 700 participants. As the participants discuss various topics, some of them are already starting to identify new development themes.

In other developments with research and development organizations, we spun off the Basic Technology Center and Material Science Laboratory into independent organizations in FY2023. Under the new organizational structure, business divisions are more actively utilizing the Basic Technology Center, which manages various simulation projects, and are starting to see positive outcomes, such as shorter product development periods and lower costs. Similarly, the Material Science Laboratory, which handles computational science, informatics and advanced analysis technology, is serving as a bridge in an increasing number of cross-department projects, such as projects involving the material development and product development departments. We hope to further promote cooperation between the business divisions and research and development organizations.

In recent years, we have been working on raising environmental awareness under the motto, "Greener and Smarter." We will continue to uphold our commitment to impacting the world 10 years from now in our research and development activities by prioritizing both performance and environmental protection, in turn creating both economic and social value.

R&D

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 —

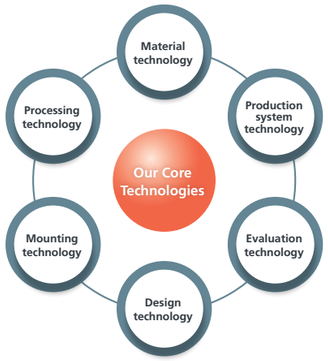
"Innovative advance"

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

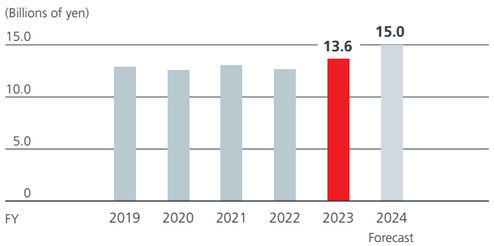
Achievement of Our Vision through Development of Smart Products

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, rather than making major adjustments based on the financial results.



R&D Themes

At the Research and Development Laboratory, the center of TAIYO YUDEN's R&D activities, we share the roles with the business departments on a medium- to long-term perspective and leverage the core technologies we have so far cultivated to develop new materials and new processes. We are expanding various inspirations through ideas from different fields, co-creation with outside talents, etc., and taking on challenges in manufacturing and providing solutions without fearing failure. We are stepping up our initiatives that address themes which contribute to the creation of new value through items including all solid-state batteries, fuel cells and smell sensors as well as themes related to the SDGs and the environment.

To strengthen the core technologies for the creation of new products, we draw up research themes based on the development strategy roadmap and operate a system that takes a unique twist on the phase-gate process in order to improve the success rates, completion rates, and speed of product development.

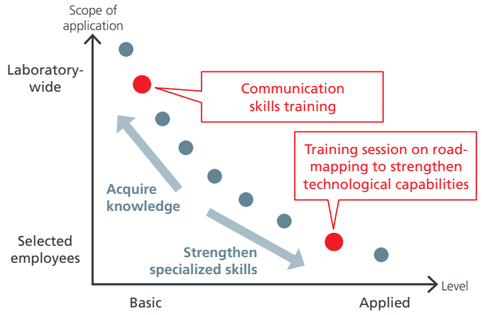
Research Personnel

The Research and Development Laboratory focuses on policies for strengthening our human resources to develop a more innovative organization and talents.

Since FY2021, we have been pushing ahead with a three-year plan to improve our employees' communication skills to boost psychological safety and build a workplace culture that encourages people to take on challenges. As of FY2023, approximately 50% of the Laboratory employees had attended the communication training, as part of the efforts to embed psychological safety in the organization. We will continue to maintain our commitment to improving our employees' interpersonal communication skills through FY2024.

Approximately 30% of the employees at the Research and Development Laboratory have completed the ongoing training on formulating long-term R&D strategies by working backward from major social trends to develop research and development roadmaps for the future, among other topics. We will continue to help our employees improve their roadmapping skills by having third-parties conduct evaluations to rate and measure their skills.

Image of Human Resources Development Program at the Research and Development Laboratory





Lecture on latest technologies

TAIYO YUDEN's Research Facility

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 today it serves as a source of development and technological progress, and a foundation of creativity focusing on the future.

In 2020, we opened the Shin-Kawasaki Center SOLairoLab as a place to co-create at innovative speed and at innovative level by interacting with outside talents without persisting in in-house development. The Shin-Kawasaki Sozo no Mori ("Forest of Creation") area where the Center is located has a large number of research institutes and startups that have congregated. We are taking advantage of this location to strengthen our marketing function and application and solution development capabilities through interactions with people outside the Company. We are actively utilizing the Shin-Kawasaki Center SOLairoLab to promote co-creation.

In FY2023, we invited over 700 people to the center to exchange views. We are also accelerating our efforts to create new markets and solve social issues by sharing resources with startups to drive innovation.



AIRBIC, a building where the Shin-Kawasaki Center SOLairoLab is located



Ceremony that celebrates completion of a student seminar on solving social issues

R&D

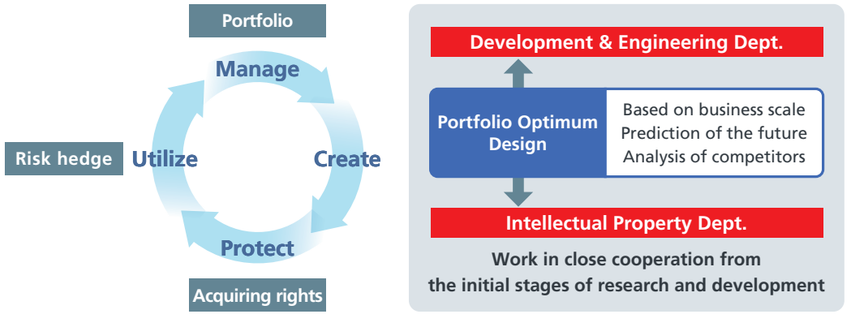
Activities on Intellectual Property Rights

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.

Creating, Protecting and Leveraging Intellectual Properties

The Intellectual Property Department works closely with the Development and Engineering Department from the early stages to promote the creation of intellectual properties. We aim to embody "the wonders of science," as declared in our mission, by conducting pioneering research and development activities. Through these efforts, we strive to maintain the superiority of our technology and acquire influential intellectual property rights that will give us an edge over our competitors. In addition, we manage the process of creating, protecting, and leveraging our intellectual properties through a unique management approach that is optimized for each business unit.



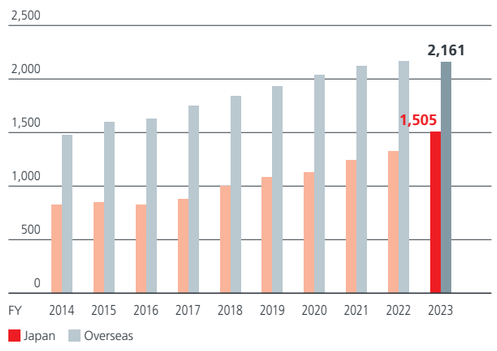
Number of Patents Held

TAIYO YUDEN continuously secures the patents necessary for its business activities both inside and outside Japan (Fig. 1). For sustainable business growth, it is essential to continuously consider the future and apply for patents that focus on technological superiority, technological applicability, and necessity. In addition to forecasting based on current challenges, we also place importance on a backcasting approach to guide innovations that will help address future issues.

Although maintaining patents involves incurring costs, we consider it a necessary investment to maintain the balance of power with our competitors and secure freedom in business operations. We continuously monitor other companies' activities, while reviewing our patents at the appropriate times. For outdated technologies, we cancel the patents and use the resources saved to strengthen our rights for new technologies. This way, we effectively manage costs while renewing and revitalizing our intellectual property portfolio.

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. Still, 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.

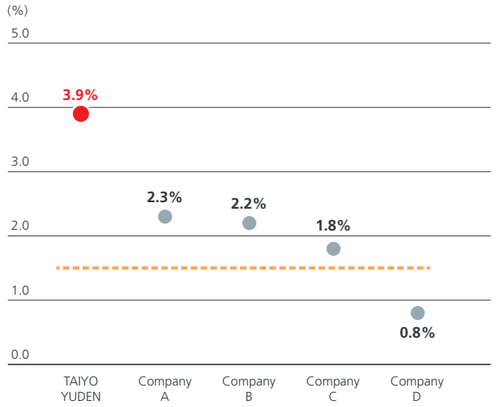
Fig. 1 Number of Patents Held



Blocking Competitor Patent Applications

Patent applications are examined at 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 peer group competitors from obtaining patent rights) exceeds peer average (Fig. 2). By making appropriate patent applications in terms of both content and timing, we strive to ensure our competitive advantage. With this, we are improving the intellectual property capabilities of our core technologies and supporting the initiatives towards achieving the materiality, to "strengthen core technologies to make our core business grow," thereby contributing to increasing our economic value.

Fig. 2 Rate at which Competitor Patent Applications are Blocked

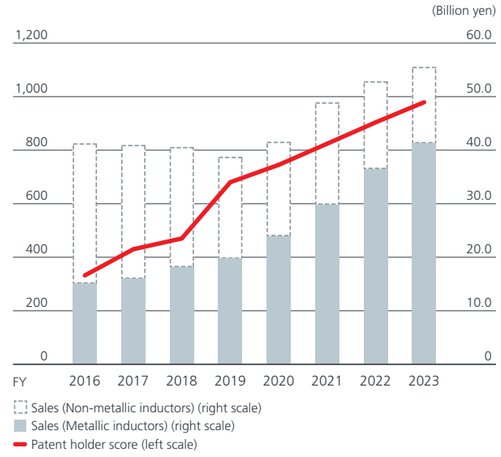


*Calculated based on 20 years of patent application statistics (FY2004-FY2023)

Examples of Strengthening Intellectual Property Capabilities

TAIYO YUDEN's efforts to strengthen its intellectual property capabilities have also contributed to the growth of the metal power inductor MCOIL™, which is its core business expected to drive future growth. In 2009, we began the product development stage for MCOIL™ after coming up with the idea for the innovative new material, and in 2010, we filed the first patent application. Since then, we have continuously secured related patents both inside and outside Japan. According to the patent holder scores from Patent Result Co., Ltd., in recent years, business sales have increased in proportion to the rising scores of the preceding patent family (Fig. 3).

Fig. 3 Patent Holder Score for MCOIL™ Patent Family



Focusing on distinct technologies to build a portfolio of intellectual properties that will contribute in the future to the company and society

A key feature of our intellectual property initiatives is that they are focused on technologies that are unique and distinctive, and not found in other companies. We constantly consider how TAIYO YUDEN's products will be utilized in future society, and we aim to continuously secure intellectual property rights for forward-thinking technologies that are superior, technologically applicable, and necessary.

Additionally, to ensure freedom of research and development, we rigorously manage our intellectual property portfolio. These efforts also lead to blocking the patenting activities of other companies. By systematizing our patents, know-how, and other intellectual assets, and comparing them with those of our competitors, we manage risks through a standardized and balanced process.

Our intellectual property initiatives lay the foundation for our journey to our vision. We hope to contribute to the future of our company and society by building a portfolio of intellectual properties that will help us achieve sustainable growth and promoting innovative research, development and other activities.



Iwao Fujikawa
Operating Officer
in charge of Intellectual Property,
Legal, Internal Audit Office

Feature 1 **Environmental Value Created by TAIYO YUDEN**

Achieving both social and economic values through uncompromising design and production processes

TAIYO YUDEN upholds a vision of "To be an excellent company that enjoys the trust and highest regard from all stakeholders." To achieve this, we are determined to ensure an integrated development process from materials to final products while fostering continuous economic growth through innovations in research, development and production. Equally important is responding to social demands and contributing to the resolution of social issues. By aiming to create both economic and social values, we continue our various initiatives to reduce environmental impact during product design and production, ultimately contributing to a safe, secure, comfortable, and convenient lifestyle.

Realizing the management philosophy
"Employee well-being"
"Betterment of local communities"
"Responsibility to provide returns to shareholders"

TAIYO YUDEN VISION

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

Maximize profit

Stable supply

Smart products

Smart design

Initiatives in **product design**

- High quality
- Low power consumption
- Downsizing
- Abolishing use of toxic substances

Smart production processes

Initiatives in **production**

- Safety first
- Following rules
- More efficient use of energy
- 100% yields
- Reuse and recycle
- Minimizing emissions

Systems

OHSMS ISO9001 IATF16949 ISO14001

Combine environmental initiatives and production transformation

- Procurement
- Material development
- Product design
- Quality assurance
- Productivity improvement
- Production method transformation

Environmental Value Created by TAIYO YUDEN



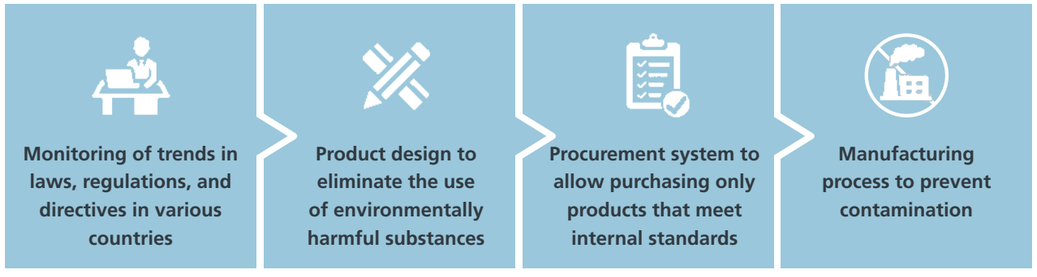
Reducing the environmental impact in product design

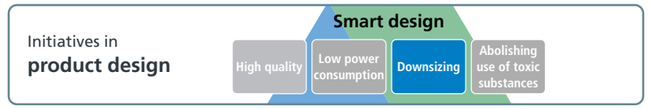
We are continuously striving to reduce environmental impact throughout the entire product life cycle by pursuing high quality, lower power consumption, and downsizing our products. In the downsizing process, we leverage a wide range of technologies, including material synthesis and particle control, to deliver cutting-edge products to the market. Additionally, we are committed to developing high-value-added products by actively reducing or banning the use of environmentally harmful substances contained in products.

Abolishing the Use of Toxic Substances

As a globally operating company, TAIYO YUDEN constantly monitors the laws and regulations of various countries (including RoHS and REACH), customer demands, and industry standards to identify the latest trends. We utilize these findings to inform our internal standards, actively working to reduce and ban the use of environmentally harmful substances contained in our products.

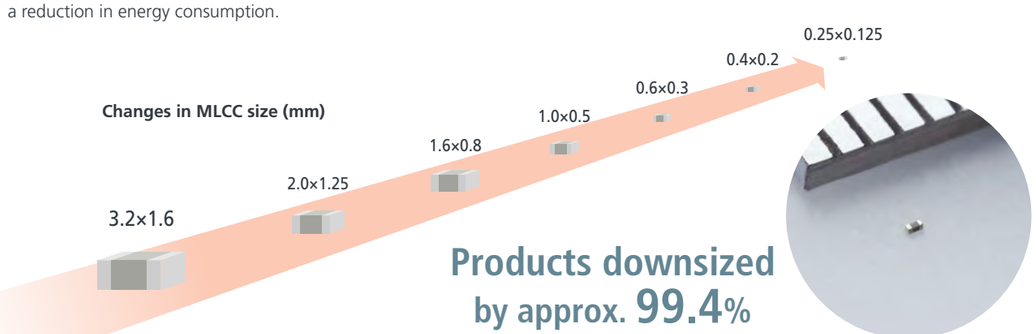
We believe that addressing chemicals in products (CiP) is our responsibility towards creating a sustainable society, which will, therefore, enhance our competitive advantage. In addition to providing legal compliance, we will continue striving to improve both customer satisfaction and environmental protection, consistently producing high-quality products as the industry's leading company.





Evolution of Product Downsizing

By advancing product downsizing, we can reduce not only the amount of raw and packaging materials used but also the energy required during manufacturing. For example, in the production of multilayer ceramic capacitors (MLCCs), a significant amount of energy is consumed during the firing process, where ceramic and internal electrodes are integrated by firing them at high temperatures. However, downsizing allows us to shorten the firing time or increase the number of units per firing furnace, leading to a reduction in energy consumption.



Technology That Enables Product Downsizing

TAIYO YUDEN has secured a competitive advantage by establishing an integrated production system that handles everything in-house, from material development to final product manufacturing. By utilizing various technologies, such as raw material synthesis and particle control, we develop high-performance ceramic materials that form the foundation for the continuous development of cutting-edge products. Additionally, we achieve downsizing through uniform printing technology and advanced multilayer technology.

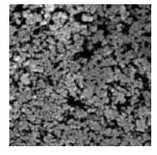
Material synthesis technology

Barium titanate is a MLCC dielectric material made by combining titanium oxide with barium carbonate. TAIYO YUDEN possesses technologies for synthesizing internally optimal barium titanate tailored to product characteristics.



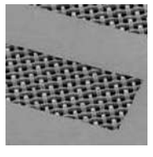
Particle control technology

Barium titanate particle that is uniform in shape and size is extremely important for realizing desirable characteristics. Barium titanate particles are small at just around 15nm, and we have technologies that can maintain uniform control at even such a small particle size.



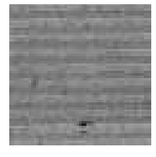
Uniform printing technology

MLCCs are made by printing electrodes on to thin dielectric layers, which are then layered together. As products are very small, even a slight printing flaw will result in product defects. TAIYO YUDEN undertakes high-precision printing using technologies that prevent oozing and blurring in printing.



Accurate layering technology

A single MLCC layer is thin at just around 300nm. The layering of many thin layers enables MLCCs to store a greater volume of electricity, so technology that layers thin sheets without deviation has become extremely important. TAIYO YUDEN has enhanced the sophistication of this multilayer technology, offering products with multilayer structures of 1,000 layers or more.



Environmental Value Created by TAIYO YUDEN

Reducing the environmental impact of production

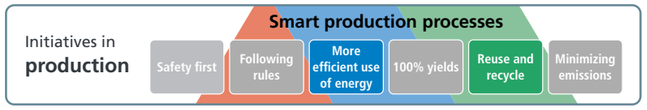
With employee safety as our top priority, we implement manufacturing initiatives that focus on standardized workflows, such as minimizing energy consumption, steadily producing high-quality products, and utilizing waste-free resources. Specifically, we review and upgrade our equipment to enhance energy efficiency while promoting the reuse and recycling of components and materials. By improving productivity, we aim to use resources and energy efficiently, thereby ensuring the stable production of reliable, high-quality products.











Reducing the Energy Loss with the Cogeneration System

(TAIYO YUDEN Mobile Technology)

We have introduced a cogeneration system that efficiently recovers waste heat generated during power production and effectively utilizes it as energy. The system generates steam from the recovered waste heat, which is then used for air conditioning. This reduces the amount of municipal gas consumed by the existing boilers and decreases CO_2 emissions.

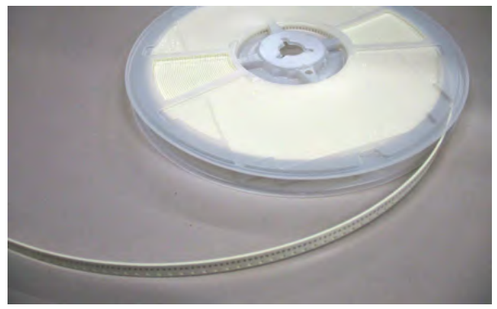


Cogeneration system

Reusing Components and Materials Used in Business Activities

Solvent A, which is the most frequently used solvent in our business activities, is recycled from waste solvent, and regenerated solvent accounts for 42% of its usage.

The reels that are used to package electronic components undergo strict quality checks, and 17% of the reels used are reused.



Reels



Improving productivity

In parallel with enhancing our capabilities by increasing continuous capital investment, TAIYO YUDEN promotes productivity improvements to drastically raise production output while reducing losses. We aim to improve yields by eliminating variations among machines and workers to ensure consistent performance.

Examples

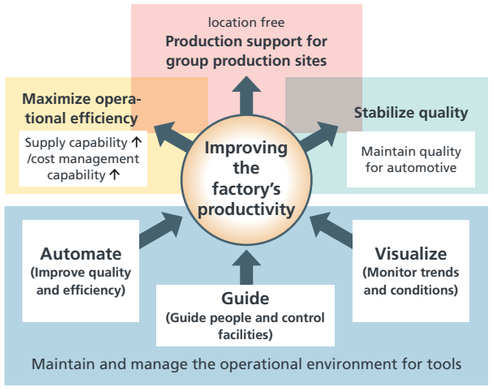
Initiatives at WAKAYAMA TAIYO YUDEN

— A cutting-edge factory for productivity improvement that supports the Group's production facilities

WAKAYAMA TAIYO YUDEN is enhancing productivity improvements focused on visualization, automation, and guidance, which help maximize operational efficiency and stabilize product quality. In addition, it shares the know-how that it gains with other production facilities within the Group, contributing to productivity improvements across the entire TAIYO YUDEN Group.

— Achieving uniform quality and efficient production

We achieve a uniform and efficient production by digitizing and automating manual production tasks while ensuring the effective implementation of 4M (Man, Machine, Material and Method) measures. These efforts have contributed to reducing both the energy consumption per unit of product and the amount of waste generated.



V O I C E

Eliminating management defects through visualization, automation, and guidance

At WAKAYAMA TAIYO YUDEN, we release a new model of the metal power inductor MCOIL™ each year despite the high manufacturing difficulty, leading to an increase in the variety of manufacturing processes and management items. In addition, the frequent changes in task routes and condition settings aimed at improving the production process have made error prevention in these increasingly complex processes a significant challenge. To address this, we have strengthened efforts to visualize and monitor the processes, automate the condition settings, and prevent human errors by guiding workers, which has significantly reduced management defects.

We will continue to advance automation, share our expertise and support other production facilities in and outside Japan, contributing to improved production efficiency across the Group.



WAKAYAMA TAIYO YUDEN CO., LTD.
Address: 4026-22, Inanbara, Inami-cho, Hidaka-gun, Wakayama, Japan
Number of employees: 238 (as of March 31, 2024)
Production items: Metal power inductor MCOIL™

Section 3

FOUNDATION

[Foundation Underpinning Value Creation]

There are mounting expectations on companies to contribute to the resolution of social issues, such as by helping achieve SDGs that aim to solve issues on a global scale. Companies are also accelerating sustainable corporate activities that place emphasis on Environment, Social and Governance (ESG) concerns. The TAIYO YUDEN Group seeks to contribute to the resolution of social issues through its business activities and at the same time is promoting ESG-related corporate activities as the foundation underpinning value creation.

Front row, from left:
Emiko Hamada, Outside Director
Tomomitsu Fukuda, Director, Executive Operating Officer
Katsuya Sase, Representative Director, President and CEO
Shoichi Tosaka, Chairperson and Director
Toshiyuki Watanabe, Director, Senior Operating Officer
Tomoko Tsunoda, Outside Director, Audit & Supervisory Committee Member

Back row, from left:
Seiichi Koike, Outside Director
Masashi Hiraiwa, Outside Director
Toshimitsu Honda, Director, Audit & Supervisory Committee Member (Fuii-time)
Tomomi Fujita, Outside Director, Audit & Supervisory Committee Member

Feature 2 Roundtable Discussion with the Outside Directors



Seiichi Koike
Outside Director



Emiko Hamada
Outside Director

—Discussion Theme—

Towards the sustainable enhancement of TAIYO YUDEN's value

TAIYO YUDEN aims to achieve sustained growth and enhance corporate value over the medium-to-long term and is therefore continuing to strengthen its corporate governance structure. Outside directors Masashi Hiraiwa, Seiichi Koike, Emiko Hamada, and Tomomi Fujita recently sat down to discuss the Company's transition to a company with an Audit & Supervisory Committee, its initiatives on human capital, and the progress of the medium-term management plan 2025.



Tomomi Fujita
Outside Director
Audit & Supervisory Committee Member



Masashi Hiraiwa
Outside Director

Transition to a company with an Audit & Supervisory Committee

Discussions leading up to the transition and changes in governance thereafter

Hiraiwa This year, the Company transitioned from being a company with an Audit & Supervisory Board, to one with an Audit & Supervisory Committee. We started talking about the change in institutional design in around FY2021 when the current medium-term management plan 2025, which calls for net sales of ¥480 billion, kicked off.

When a company grows larger, a different style of corporate governance that is more suitable is naturally required. As outside directors, we discussed on many occasions that it would probably not be good to continue with the previous structure. Also, as a sign of the changing times, there have been increasingly stronger calls for companies to shift from a "management" model in which a company's board of directors is seen as the highest decision-making body when it comes to business execution, to a "monitoring" model, where the board serves as a supervisory body overseeing business execution.

The governance structure of "a company with Nomination Committee, etc." was also an option, but given that Japan is currently grappling with a shortage of outside directors, it was decided that the best solution to meet the needs of the Company at this point would be to transition to a company with an Audit & Supervisory Committee.

Hamada As with many traditional Japanese companies, TAIYO YUDEN had operated under the so-called "management" model, so I also think that adopting the governance structure of "a company with an Audit & Supervisory Committee," under which the balance between oversight and execution can be set more flexibly, is more suited to the Company than the Nomination Committee-based structure, where oversight and execution are clearly separated. From now on, we will aim to have the Board of Directors be more "monitoring" oriented by promoting the delegation of authority. In my view, we are currently at the stage of shaping a Board structure that is best for the Company to make further progress.

Koike During the discussions about this change in institutional design, we were able to debate various points related to governance, starting with the purpose of transitioning to a company with an Audit & Supervisory Committee, the role of the Board of Directors, and the Board's skills matrix. I think it was meaningful for the Company that we were given an opportunity to reflect on the basics of corporate governance.

Since the change, the Board's independence and diversity has increased, with outside directors now making up 50% of the Board and women comprising 30%. I also think the nature of discussions at Board meetings will change significantly up ahead. I hope that the Board will now be able to thoroughly discuss a wide range of issues for which previously there was not enough time available for deliberation.

Hiraiwa In order to further streamline management, which was one of the objectives of the change in institutional design, amendments were made to the Company's Articles of Incorporation and Board regulations so that decision-making authority on important matters of business execution could be delegated to the executive directors. Discussions and resolutions regarding delegated matters will now be addressed at Management Committee meetings, TM (Top Management) meetings, and other meeting bodies, which allows the Board of Directors to focus more on discussions about the Company's basic policies and management strategies.

On the other hand, how we go about supervising the content of delegated authority will present a new challenge to us as outside directors. To properly supervise from a distance the matters that used to be discussed at Board meetings, we will need to demonstrate even greater sensitivity than before. In that sense, of all the outside directors, the role has changed the most for those who serve as members of the Audit & Supervisory Committee, including Ms. Fujita.

Fujita With this transition, my position has shifted from being an Audit & Supervisory Board member to being a director who also serves as an Audit & Supervisory Committee member. As part of this, there have been two major changes.

The first is the way in which I engage with the Board of Directors. Previously, my role as an Audit & Supervisory Board member was to audit the execution of business operations, and while I participated in Board meetings, I had no voting rights. In my new position, however, I now hold voting rights as a director and participate in Board resolutions, while also taking on the added responsibility of overseeing the execution of business operations.

The other change is in the way audits are conducted. Having switched from being a sole auditor (Audit & Supervisory Board member) to a member of the Audit & Supervisory Committee, I now need to perform organizational audits. Going forward, each member of the Audit & Supervisory Committee will no longer be conducting their own audits separately. Instead, all of us on the Committee will need to collaborate closely with business divisions, the Internal Control Committee, and the Internal Audit Office to ensure that the entire organization is operating smoothly. In addition, we plan to establish a system for collaborating with the auditors of the Company's subsidiaries when undertaking audits. I hope to explore ways to maintain close communication with various departments and organizations in a bid to discover better auditing methods.

Roundtable Discussion with the Outside Directors

Evaluation of the effectiveness of the Board of Directors

Investments in human capital tied to management strategy

Hamada At TAIYO YUDEN, the effectiveness of the Board of Directors is evaluated with the use of a questionnaire. Looking back, I believe the effectiveness of the Board has been improving, because we have been able to confirm how the PDCA cycle has been implemented for the topics discussed by the Board every year.

A topic that we have continually discussed in recent years is investments in human capital tied to management strategy. In FY2023 too, we discussed this topic from various angles.

Koike More specifically, we have referenced certain data to advance discussions on such matters as employee training, the latest information about the succession plan for directors and officers, work engagement issues, progress on appointing female managers, and investments in human capital. I believe we have made steady progress on discussing issues related to human capital.

Hiraiwa These days, companies are being urged to disclose information about human capital in various situations. For example, the disclosure of sustainability information is now required in securities reports. Accordingly, the Company considers climate change and human capital to be important issues and recognizes human capital as one of the indispensable elements in its sustainable development.

So, what can be done to strengthen human capital? For TAIYO YUDEN right now, the most important thing is to add depth to its human capital. Currently, the Company has a shortage of young employees. As a measure to address this, it continues to hire a certain number of new graduates each year. The next thing is that it needs candidates with the potential to join the senior management team in the future, so to that end, the Company is running executive candidate training for about 300 people across the entire Group. It is my understanding that the building of a sustainable foundation by first strengthening the layers of human capital is the cornerstone of TAIYO YUDEN today. This is the first step to enhancing human capital and an approach that is progressing steadily. On the other hand, we will need to deepen our discussions about how all of this connects to the Company's management strategies.

Hamada I think it is fair to say that the Company has been able to nurture human resources linked to its business strategies by doing what Mr. Hiraiwa just mentioned—hiring new graduates and developing executive candidates. If the direction of management continues as a natural line of extension seen thus far, it may be deemed sufficient.

That said, when viewed from the perspective of management strategy rather than business strategy, it is an entirely different matter. There are some key points that need to be considered in this regard. Namely, does the Company have the capacity to overcome significant changes in the external environment? Does it have the resources to establish new pillars of business? For instance, does it have the personnel capable of successfully executing M&As to acquire new management resources? As we look ahead to the next medium-term management plan, as well as 10 years from now and even beyond that, how the Company readies itself with human capital will continue to be a theme that ought to be discussed.

Value creation in the medium to long term

Progress of the medium-term management plan 2025

Koike In its medium-term management plan 2025, the Company set the following economic value-related KPI targets: net sales of ¥480 billion; operating margin of 15% or higher, ROE of 15% or higher, and ROIC of at least 10%. The final year of the plan, FY2025, is just around the corner, and achieving these targets will prove challenging. On the other hand, I think the Company is making relatively solid progress on the KPIs related to social value that it set for the purpose of enhancing sustainability, specifically the indicators mainly for GHG emissions and the female manager ratio.

Hamada I dare say that when looking at the indicators related to economic value, the actual results in FY2023 were very underwhelming. One reason for that was the tougher-than-expected external environment. However, we should not blame the poor performance in FY2023 entirely on external factors. For example, if the Company could catch the signs of a changing tide earlier, or if it could further break down the needs of each market to identify issues and take action accordingly, it might be able to alleviate the impact of external factors. The Company's executives have reflected on this, recognized the challenges, and are working on the measures required, so I have high hopes they will be able to minimize the negative impacts from the external environment in the future.

Fujita Regardless of the direction of future technological advancements, I believe the electronic components manufactured by the Company are indispensable to society and that the business itself offers society a lot of value. While the conditions are tough, I believe TAIYO YUDEN will implement measures for achieving the medium-term management plan 2025, and even beyond that, it will set its sights on being a company that contributes to society by making high-quality products.

Hiraiwa During the period of the medium-term management plan 2025, numerous unforeseen events occurred, such as the COVID-19 pandemic and the situation between Russia and Ukraine. On top of that, the Company experienced a crisis during which growth in its mainstay product of multilayer ceramic capacitors stagnated due to a worsening external environment. Nevertheless, facing that crisis forced the Company to adapt its response to the external situation, and we could say that it gained valuable experience in doing so within a tight timeframe.

How we leverage this experience going forward will be key. In the process of developing the next medium-term management plan, it will be important for the Company to anticipate the future and take action through collaboration across the whole organization, not just within departments, so that this experience does not go to waste, mainly by working out how to respond if similar situations arise and how much it can evolve its ability to read the market.

The Board of Directors will also make the necessary preparations for the Group to advance to the next stage. The structure of the Board has been largely transformed by the change in institutional design, but what is important is what lies beyond that. As outside directors, we will continue to pursue the most optimal governance structure for the Group in order to achieve the goals of the medium-term management plan 2025 and to prepare for the start of the next plan.



Executives

(As of July 1, 2024)

Directors



Representative Director, President and CEO

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
Jun. 2023 Representative Director, President and CEO of the Company (to the present)



Chairperson and Director

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 CEO of the Company
Jun. 2023 Chairperson and Director of the Company (to the present)



Director, 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
Jun. 2024 Director and Executive Operating Officer, in charge of Management Planning Headquarters, Chief of Management Planning Headquarters of the Company (to the present)



Director, Senior Operating Officer

Toshiyuki Watanabe

Apr. 1985 Joined the Company
Apr. 2016 Operating Officer of the Company
Jun. 2021 Senior Operating Officer of the Company
Jun. 2024 Director and Senior Operating Officer, in charge of Sales Headquarters, Chief of Sales Headquarters of the Company (to the present)



Outside Director

Masashi Hiraiwa

Apr. 1981 Registered as attorney (to the present) 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)
Apr. 2024 Director of SAZABY LEAGUE, Ltd. (to the present)



Outside 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 of Automobile R&D Center Brazil of Honda R&D Co., Ltd.
Apr. 2008 Executive Officer and General Manager of 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)
Apr. 2019 Outside Audit & Supervisory Board Member of Pixie Dust Technologies, Inc. (to the present)



Outside 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
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)

For the career summaries of Directors,
please refer to the Executives page on the Company's website.
https://www.yuden.co.jp/en/company/officer/



Director, Audit & Supervisory Committee Member (Full-time)

Toshimitsu Honda

Mar. 1981 Joined the Company
Apr. 2016 Operating Officer of the Company
May 2018 Senior Operating Officer of the Company
Jun. 2020 Executive Operating Officer of the Company
Jun. 2023 Full-time Audit & Supervisory Board Member of the Company
Jun. 2024 Director of the Company (Audit & Supervisory Committee Member (Full-time)) (to the present)



Outside Director, Audit & Supervisory Committee Member

Tomoko Tsunoda

Oct. 2001 Joined Tohmatsu & Co. (Currently Deloitte Touche Tohmatsu LLC)
Oct. 2006 Established a personal accounting office
Dec. 2007 Registered as a certified public accountant (to the present)
Oct. 2008 Joined Deloitte Touche Tohmatsu LLC
Feb. 2014 Established Tomoko Tsunoda Certified Public Accountant Office
Representative of Tomoko Tsunoda Certified Public Accountant Office (to the present)
Jun. 2018 Outside Director of Housecom Corporation (to the present)
Aug. 2018 Representative Director of Lumiere Ltd. (to the present)
Jun. 2021 Outside Audit & Supervisory Board Member of KATITAS Co., Ltd. (to the present)
Jun. 2024 Outside Director of the Company (Audit & Supervisory Committee Member) (to the present)



Outside Director, Audit & Supervisory Committee Member

Tomomi Fujita

Oct. 2004 Registered as attorney (to the present) Associate of Kitahama Partners
Jan. 2012 Partner of Kitahama Partners
Apr. 2016 Partner of Innoventier (to the present)
Jun. 2019 Outside Audit & Supervisory Board Member of the Company
Outside Director (Audit & Supervisory Committee Member) of TAKUMA CO., LTD.
Feb. 2020 Vice President of Licensing Executives Society Japan (to the present)
Apr. 2022 Visiting Professor of KYOTO UNIVERSITY LAW SCHOOL
Jun. 2023 Registered as attorney in the State of California, USA (to the present)
Apr. 2024 Outside Audit & Supervisory Board Member of STYLEM TAKISADA-OSAKA CO., LTD. (to the present)
Jun. 2024 Outside Director of the Company (Audit & Supervisory Committee Member) (to the present)

Operating Officers



President and CEO
Katsuya Sase



Executive Operating Officer
Tomomitsu Fukuda
in charge of Management Planning Headquarters



Executive Operating Officer
Shunji Murai
in charge of 1st Business Headquarters



Senior Operating Officer
Toshiyuki Watanabe
in charge of Sales Headquarters



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



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



Senior Operating Officer
Osamu Ikata
in charge of RF Device Business



Operating Officer
Iwao Fujikawa
in charge of Intellectual Property, Legal, Internal Audit Office



Operating Officer
Osamu Haruyama
in charge of Quality Assurance Division



Operating Officer
Shoji Shibasaki
in charge of Multilayer Capacitor Business



Operating Officer
Shoichiro Hirakuni
in charge of Research and Development Laboratory



Operating Officer
Satoshi Yamazaki
in charge of Human Resources and General Affairs



Operating Officer
Kenichi Suzuki
in charge of Sales and Business Development Division



Operating Officer
Yukihiro Konishi
in charge of Multilayer Capacitor Business



Operating Officer
Nobuhiro Sasaki
in charge of Quality Assurance Division



ESG

G 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.

Transition to a Company with an Audit & Supervisory Committee

During the effectiveness evaluation of the Board of Directors, the composition of the Board from a medium- to long-term perspective was identified as an area of concern. In response, we began reviewing the company's organizational structure in 2022 and then transitioned to a company with an Audit & Supervisory Committee in June 2024. This transition has enabled us to delegate authority to executive directors for important business operations, thereby accelerating and streamlining the decision-making. Additionally, with the Audit & Supervisory Committee members having voting rights, we aim to strengthen the supervisory function. This enhanced governance framework and internal control system are designed to continue improving the corporate value.

To increase fairness, transparency and objectivity in the appointment and remuneration of the Directors and ensure the Board's independence and accountability, we have established voluntary Nomination and Remuneration Committees. The term of office for Directors who are not Audit & Supervisory Committee members has been set to one year, allowing shareholders more opportunities to vote on the members' performance.

Initiatives Aimed at Strengthening Corporate Governance

2001 Introduction of Operating Officers System

2006 Appointment of One Outside Director

2008 Appointment of Two Outside Directors
Board of Directors Term of Office changed to one year

2010 Establishment of Voluntary Nomination Committee and Remuneration Committee

2013 Establishment of Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members

2015 Establishment of Basic Policy for Corporate Governance

2016 Implementation of Evaluation of Board of Directors' Effectiveness

2018 Formulation of successor plan of the Chief Executive Officer and etc.

2019 Appointment of Three Outside Directors
(Bringing the ratio of Outside Directors to over one third)

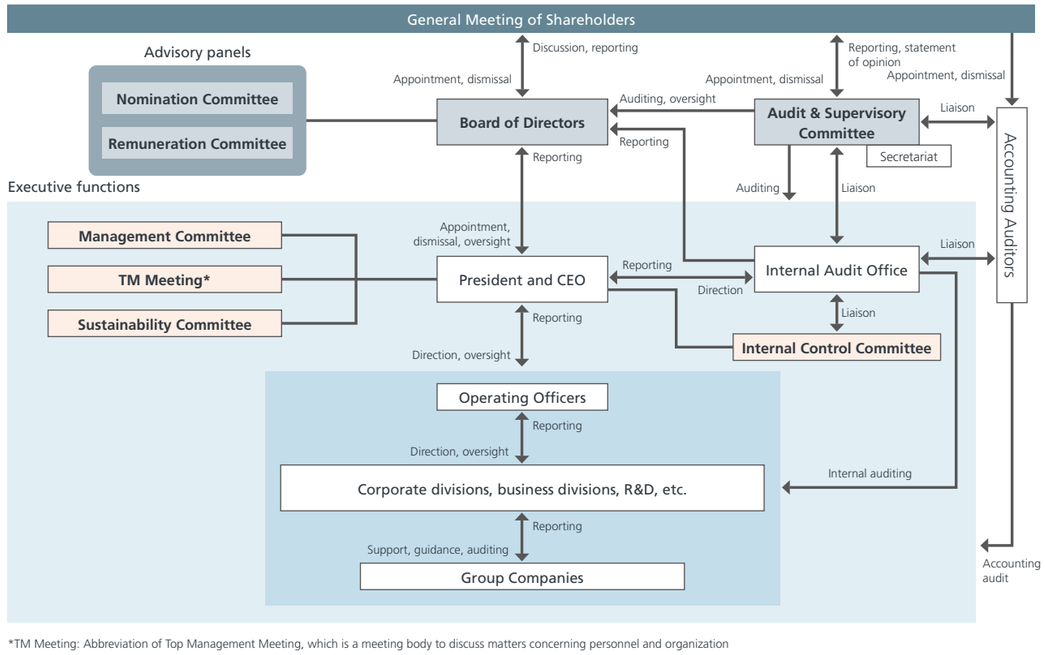
2020 Utilization of an outside organization to evaluate the effectiveness of the Board of Directors

2021 Revision of corporate governance structure (Internal Control Committee repositioned under executive functions; Sustainability Committee established)

2023 Appointment of a Non-Executive Director as the Chair of the Board of Directors

2024 Transition to a Company with an Audit & Supervisory Committee
Five Outside Directors (Ratio of Outside Directors 50%)
Three female Directors (Ratio of female Directors 30%)

Governance Structure (As of June 27, 2024)



*TM Meeting: Abbreviation of Top Management Meeting, which is a meeting body to discuss matters concerning personnel and organization

Board of Directors

The Board of Directors, presided over by the Chair, consists of 10 members, including five Outside Directors. The Board formulates legal matters, management strategies and other basic policies, receives reports on matters delegated to executive directors, and supervises the execution of business operations. The Board also maintains an internal control system to promote compliance and manage risks.

Audit & Supervisory Committee

The Audit & Supervisory Committee, presided over by an Outside Director, consists of three members, including two Outside Directors. The Directors who are members of the Audit & Supervisory Committee attend the Nomination Committee, the Remuneration Committee and other important internal meetings while also working closely with the Accounting Auditors, the Internal Audit Office, and the Audit and Supervisory Board of Group companies to ensure highly effective auditing.

Nomination Committee

The Nomination Committee, presided over by an Independent Outside Director, consists of all the Independent Outside Directors who are not Audit & Supervisory Committee members, along with the President and Chief Executive Officer. For auditing purposes, one member appointed by the Audit & Supervisory Committee attends the Nomination Committee's meetings. The Committee deliberates on the nomination of Director candidates, the appointment and dismissal of the President and Chief Executive Officer, and disciplinary matters, and it then reports its findings to the Board of Directors.

Remuneration Committee

The Remuneration Committee, presided over by an Independent Outside Director, consists of all the Independent Outside Directors who are not Audit & Supervisory Committee members, along with the President and Chief Executive Officer. For auditing purposes, one member appointed by the Audit & Supervisory Committee attends the Remuneration Committee's meetings. The Committee deliberates on remuneration plans for Directors and Operating Officers as well as the contents of remuneration paid to each Director, and it then reports the deliberation results to the Board of Directors.

Management Committee

The Management Committee, presided over by the President and Chief Executive Officer, is composed of all Operating Officers. Non-Executive Directors attend the Committee's meetings as observers. The Committee deliberates on the Group's policy matters, such as basic policy on business, sales strategies and investments, and it then resolves matters delegated by the Board of Directors.

TM (Top Management) Meeting

The TM Meeting, presided over by the President and Chief Executive Officer, is composed of Executive Directors and the Operating Officers who are Chiefs of Headquarters. For auditing purposes, one member appointed by the Audit & Supervisory Committee attends the Meetings. The Meeting deliberates on matters concerning personnel, organization and remuneration of the Group, and it then resolves matters delegated by the Board of Directors.

Internal Control Committee

The Internal Control Committee, presided over by the President and Chief Executive Officer, consists of Executive Directors. The Non-Executive Directors, the Operating Officers who are Chiefs of Headquarters, and the head of the Internal Audit Office attend the Committee meetings as observers. Based on the "Basic Policy on Maintenance of 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 Sustainability Committee, presided over by the President and Chief Executive Officer, consists of the Operating Officers who are Chiefs of Headquarters and the Operating Officer in charge of sustainability. In addition, Directors who are not members attend the Committee's meetings 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 / Governance

Activities of the Board of Directors

Matters to be submitted to the Board of Directors are determined in the Regulations of the Board of Directors and are appropriately deliberated and resolved. The Board of Directors regularly deliberates on, among others, reporting in the Management Committee and the TM Meeting, management reports by Executive Directors, reports from Executive Directors and Operating Officers for their areas of responsibility, and the issues identified in the evaluation of the effectiveness of the Board of Directors.

This fiscal year, the Board of Directors held 18 meetings, mainly deliberating the following matters.

Main deliberation content (FY2023)

Board of Directors	Governance	■ Change of the organizational structure (transition to a Company with an Audit & Supervisory Committee) ■ Selection of candidates for Directors ■ Change of the corporate officer remuneration plans (implementation of restricted stock remuneration) ■ Conduction of an evaluation of the effectiveness of the Board of Directors and determination of counter-measures for issues from the previous fiscal year
	Management strategy	■ Deliberation on business strategies and capital investments based on the medium-term management plan ■ Approval of business plan and confirmation of progress
	Sustainability	■ Deliberations on the report from the Sustainability Committee ■ Deliberations on human capital

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. In addition to revising the evaluation items and questionnaire content, based on the suggestions of an external evaluation agency, we 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 for the current fiscal year are as follows.

1. Evaluation process

(1) Consider the evaluation methods and questionnaire content for the current fiscal year, based on the suggestions and advice of the external evaluation agency, and report to the Board of Directors.
(2) The external evaluation agency conducts a (anonymous) questionnaire to evaluate the effectiveness of all Directors and all Audit & Supervisory Board Members.
(3) The external evaluation agency compiles the results of the questionnaire described in (2) above, extracts issues and opinions that need to be addressed, and reports them to all Directors and Audit & Supervisory Board Members.
(4) Analysis and evaluation meetings were conducted based on the results of the questionnaire in (3) above.
(5) Opinions and issues that come up in analysis and evaluation meetings will be discussed by the Board of Directors to determine any issues to be addressed.

2. Evaluation (Questionnaire) items

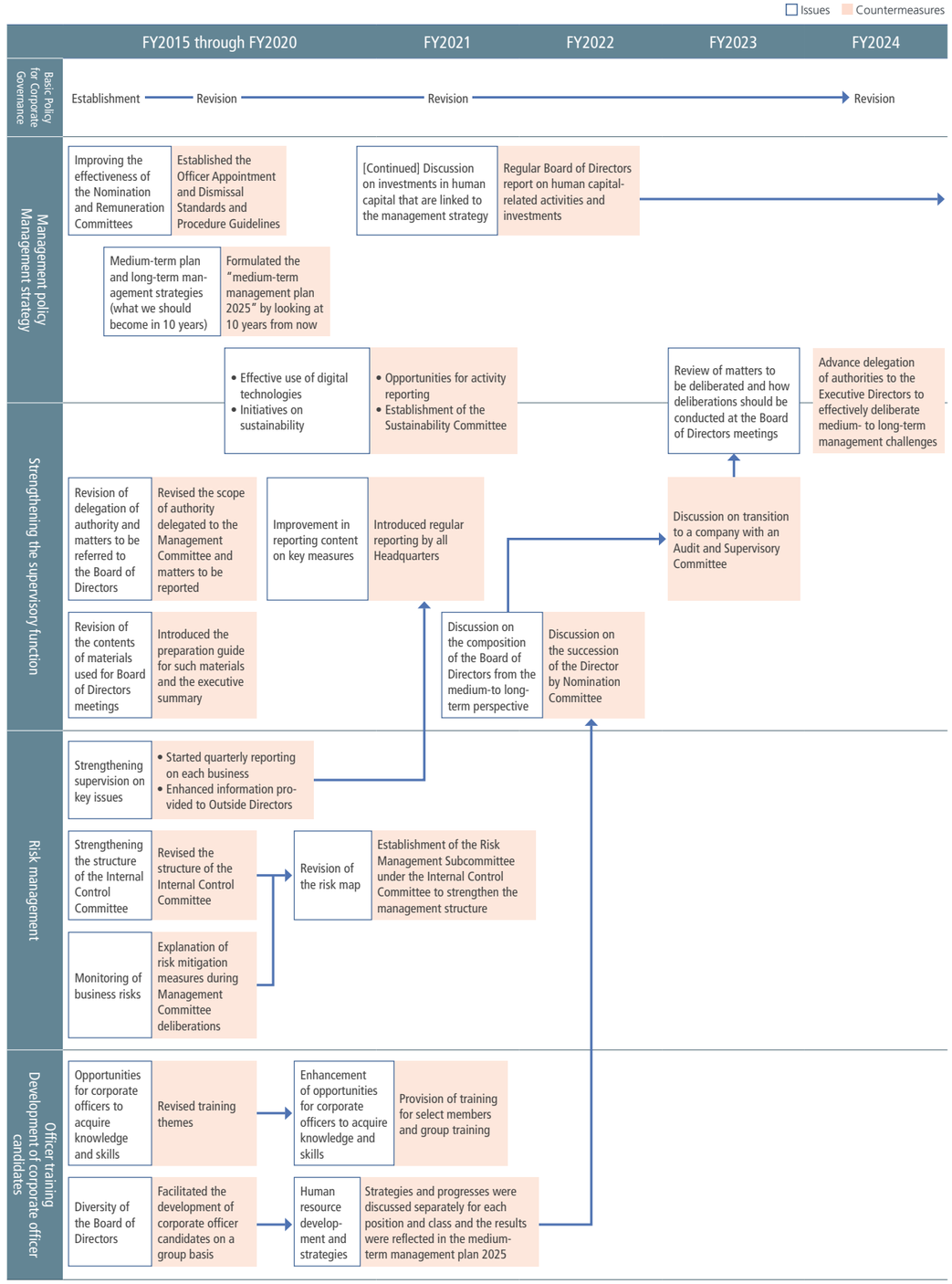
- Operation of the Board of Directors
- Composition/skills of the Board of Directors
- Management strategy initiatives
- Sustainable growth initiatives
- Corporate ethics and risk management
- Monitoring
- Dialogue with shareholders
- Nomination Committee and Remuneration Committee

3. Evaluation results and issues to be addressed

Based on their evaluation, the external evaluation agency found that 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. On the other hand, the "discussion on investments in human capital that are linked to the management strategy," which was previously recognized as an issue to be addressed, will continue to be recognized as an issue to be addressed since it will take time to improve upon the evaluation. In addition, in conjunction with the transition to a Company with an Audit & Supervisory Committee, "review of matters to be deliberated and how deliberations should be conducted at the Board of Directors meetings" was newly recognized as an issue to be addressed. The Company will endeavor to maintain and enhance its effectiveness of the Board of Directors by addressing these issues systematically.

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 / Governance

Activities of the Advisory Panels

To strengthen transparency and objectivity in the appointment and remunerations of Directors, we have established voluntary Nomination and Remuneration Committees. The majority of both committees are Independent Outside Directors (excluding Audit & Supervisory Committee members). Each committee's activities in this fiscal year are as follows.

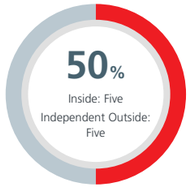
	Frequency of meetings	Key agenda items
Nomination Committee	Nine times	■ Discussion regarding the composition of the Board of Directors after the transition to a company with an Audit & Supervisory Committee ■ Nomination of Director candidates and appointment of Operating Officers, etc.
Remuneration Committee	Five times	■ Remuneration levels for Directors after the transition to a company with an Audit & Supervisory Committee ■ Decision-making policies regarding individual Director remuneration ■ Revision of the stock remuneration system for Executive Directors

Nomination of Directors

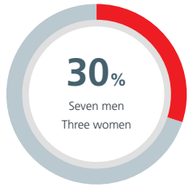
When selecting Director candidates, we take into account each candidate's skills to ensure balance and diversity across the Board of Directors, including the Audit & Supervisory Committee.

Composition of the Board of Directors

Ratio of independent Outside Directors



Ratio of female Directors



Message from a newly appointed Director (Audit & Supervisory Committee Member)



Tomoko Tsunoda

Outside Director (Audit & Supervisory Committee Member)

At the Annual General Shareholders' Meeting in June of this year, I was appointed as an Outside Director and a member of the Audit & Supervisory Committee.

TAIYO YUDEN is a highly attractive company with a strong market share in the multilayer ceramic capacitor (MLCC) sector. It is expected to continue growing in fields, such as electric vehicles and information infrastructure. I am delighted to be involved as an Outside Director in this company, which significantly contributes to societal value through its business operations. At the same time, I recognize the increasing changes in the environment surrounding listed companies and, given recent trends toward strengthening corporate governance, the growing importance of protecting the interests of various stakeholders.

To enhance corporate governance, ensuring the effectiveness of the Board of Directors is essential. Following this year's General Shareholders' Meeting, the company transitioned to add an Audit & Supervisory Committee, and with Outside Directors now comprising half of the Board, its independence has been further strengthened. Additionally, with female Directors now accounting for 30% of the Board, the diversity has also increased. I believe that these initiatives represent significant progress. I look forward to seeing more active discussions within the Board and will closely monitor these changes as an Outside Director.

With my expertise and understanding of market and societal changes, I am determined to enhance the corporate value of the TAIYO YUDEN Group.

Skills Matrix (main areas of expertise and experience of the Board of Directors) (As of July, 2024)

◎ Committee Chair ○ Members △ Present due to audit

	Main areas of expertise and experience							Nomination Committee	Remuneration Committee
	Corporate management	Technology/ R&D	Sales/ Marketing	International experience	Finance/ Accounting	Legal	ESG/ Sustainability		
Katsuya Sase	●	●	●				●	○	○
Shoichi Tosaka	●	●					●		
Tomomitsu Fukuda	●			●	●		●		
Toshiyuki Watanabe	●		●	●					
Masashi Hiraiwa Outside Independent				●		●		◎	○
Seiichi Koike Outside Independent	●	●		●				○	◎
Emiko Hamada Outside Independent		●	●				●	○	○
Toshimitsu Honda (Audit & Supervisory Committee Member)	●			●					
Tomomi Fujita (Audit & Supervisory Committee Member) Outside Independent						●	●	△	
Tomoko Tsunoda (Audit & Supervisory Committee Member) Outside Independent	●				●		●		△

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

Skills	Reasons for selecting these skills
Corporate management	To formulate and execute management strategies and supervise management to enhance our corporate value sustainably.
Technology/R&D	To create high-value electronic components, focusing on high-end and highly reliable products, and secure market dominance.
Sales/Marketing	To formulate and implement appropriate strategies with the aim of adapting to the diverse and rapidly changing business environment.
International experience	To appropriately supervise the formulation and execution of strategies and business operations in our globally active Group, where a high percentage of sales comes from overseas markets.
Finance/Accounting	To develop financial strategies and capital policies that align with management strategies and to carry out IR activities, taking into account demands from capital markets.
Legal	To ensure compliance with applicable laws and corporate ethics, to meet the trust of all stakeholders, and to build and implement a system that enables healthy, proper, and efficient business execution.
ESG/Sustainability	To recognize that ESG factors can present both opportunities and risks for management and to contribute to creating a sustainable society by addressing social issues through business activities.

Corporate Officer Remuneration System

TAIYO YUDEN's remuneration plans for directors (and other officers) shall be designed to raise motivation for the achievement of the goals for the economic value and social value of the medium-term management plan in accordance with the following basic principles.

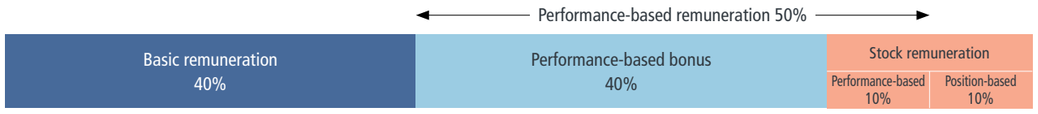
(1) Remuneration plans shall emphasize the linkage with remuneration and the Group's sustainable growth and medium to long-term corporate value and be designed to share the same value with shareholders.
(2) Remuneration shall be set at levels that can attract and retain excellent human resources with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

We have incorporated the progress of social value targets from the medium-term management plan into the personal evaluation indicators of corporate officers, ensuring that their ESG initiatives are reflected in their compensation. Additionally, for stock-based compensation, we have introduced a restricted stock compensation plan where part of the remuneration is linked to individual performance. This system promotes management practices that enhance corporate value over the medium to long term while also promoting the sharing of greater value with our shareholders.

Composition of remuneration

Type of remuneration		Content, etc. of remuneration	Fixed/ variable
Basic remuneration		Monthly cash in accordance with position and responsibilities	Fixed
Performance-based bonus		Cash to be paid at a fixed time each year in accordance with the consolidated performance for each fiscal year. Consolidated profit will be used as the relevant performance indicator to establish a clearer linkage between remuneration and factors contributing to the enhancement of corporate value and shareholder value. The standard amount of remuneration shall be designed to fluctuate based on the consolidated profit for the fiscal year under review in a manner that the ratio of basic remuneration to performance-based bonus is 1:1 when the goal of the medium-term management plan is achieved. The actual amount to be paid shall be determined by multiplying the standard amount to be paid by the co-efficient (75% to 125%) as calculated from the level of performance of the business the applicable officer is in charge of, the level of achievement of the social value goal in the medium-term management plan, and individual evaluation.	Variable
Stock remuneration	Restricted stock remuneration by position	On the condition of continuous service for the period set by the Company's Board of Directors, restricted stock will be issued in advance at a certain time each year in accordance with the standard amount set for each position. The restrictions shall be released upon the forfeiture of all and any positions as Director and Operating Officer of the Company.	Fixed
	Performance-based post-delivery restricted stock remuneration	Restricted stock as calculated in accordance with the level of achievement of the return on equity (ROE) in the medium-term management plan will be issued at the end of each fiscal year. The amount will vary within the range of 0% to 300% against the standard amount for each position, based on the level of achievement of consolidated ROE. The restrictions shall be released upon the forfeiture of all and any positions as Director and Operating Officer of the Company.	Variable

Composition of remuneration for Executive Directors (as per design)



*The designed value set under the assumption that the level of achievement of the medium-term management plan is 100%

Corporate Officer Compensation for FY2023

	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)	7 (3)	249 (38)	7 (3)	209 (38)	4 (—)	17 (—)	4 (—)	22 (—)
Audit & Supervisory Board Members (Of which Outside Audit & Supervisory Board Members)	5 (2)	88 (36)	5 (2)	88 (36)	— (—)	— (—)	— (—)	— (—)
Total	12	338	12	298	4	17	4	22

Note: 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.

Risk Management and Compliance

Basic Policy

TAIYO YUDEN believes that in order for a company to achieve sustainable growth, it is important to meet the demands and expectations of stakeholders, appropriately manage anticipated risks, fulfill social responsibilities by contributing to social development, and gain widespread social trust.

Therefore, at TAIYO YUDEN, we define CSR as "compliance, risk management, and contribution to society," and define CSR activities as activities related to compliance and risk management in accordance with the "CSR Charter (TAIYO YUDEN Group Charter on Social Responsibility)" and "CSR Code of Conduct (TAIYO YUDEN Group Code of Conduct on Social Responsibility)," which we are implementing across the entire Group.

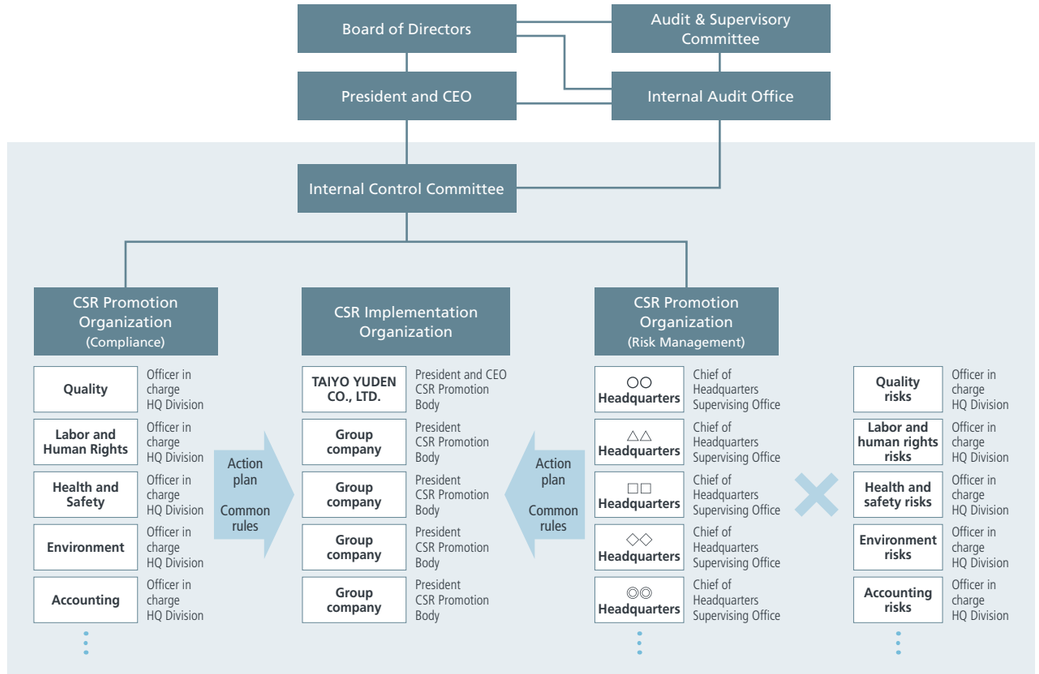
CSR Charter
https://www.yuden.co.jp/en/sustainability/governance/compliance/charter/

CSR Code of Conduct
https://www.yuden.co.jp/en/sustainability/governance/compliance/rule/

Promotion System

TAIYO YUDEN's CSR activities are overseen by the Internal Control Committee, and compliance promotion activities are operated by a system in which executives and HQ departments are appointed for each article of the CSR Code of Conduct as promotion organizations, and each Group company implements activities according to the activity policies and group-wide rules provided by them.

Risk management activities are operated by a system in which each division takes responsibility for promoting appropriate risk identification, evaluation, and countermeasures by each Group company, based on the major risks and countermeasures indicated by the executives and HQ departments appointed for each target risk.



ESG / Governance

Risk Management

Risk Management Goals

We aim to minimize losses and maximize profits and corporate value by identifying risks in overall company management, implementing effective preventive measures and response measures in the event of occurrence based on the evaluation of impact and probability of occurrence, according to the magnitude of the risk.

Risk Management Activities

We list legal regulations that must be complied with and risks that affect business activities, and plan and implement compliance procedures for legal regulations and risk reduction measures. We also add new legal regulations and risks to the list as needed, and re-evaluate existing legal regulations and risks annually to ensure that their compliance procedures and reduction measures are appropriate, striving to thoroughly comply with legal regulations and prevent and minimize the occurrence of risks.

Risk map

		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.

< Examples of risks and countermeasures > *The symbol shows the location on the risk map.

Distribution management <A2>	There is a possibility that TAIYO YUDEN will become unable to use normal distribution routes or its distribution lead time will be prolonged due to chaos in the supply chain caused by natural disasters, pandemics, strikes, terrorism, and other problems. For example, there may be disruptions to the transportation networks or suspensions of warehousing functions. With respect to this issue, we are carrying out advance measures such as securing and maintaining routes to supplement the normal routes in order to strive to build systems which reduce impacts pertaining to materials procurement from suppliers and delivery to customers.
Natural disasters <B2>	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, all of TAIYO YUDEN is working to establish both stable supply systems and a BCP system that covers our entire supply chain. ■ Ensuring sufficient inventory to last until production lines recommence operations ■ Ensuring global distribution of production bases ■ Ensuring diversification of materials suppliers

Compliance

Aim of Compliance Promotion

We are working on activities with the aim of ensuring compliance by extracting laws, regulations, and rules and appropriately understanding the compliance status.

Compliance Activities

We have designated departments responsible for each unit of content in the TAIYO YUDEN Group "CSR Code of Conduct" and are implementing compliance activities.

To Deepen Understanding of the TAIYO YUDEN Group

"CSR Code of Conduct," we have created a "CSR Code of Conduct Handbook" that expresses the code of conduct in concise documents and illustrations in 11 languages (Japanese, English, Simplified Chinese, Traditional Chinese, Korean, Malay, Thai, Vietnamese, Indonesian, Nepali, Burmese) and distributed it to all executives and employees. We conduct group training for all relevant employees at times such as when joining the company or being promoted, and conduct annual e-learning for all employees.



CSR Code of Conduct Handbook

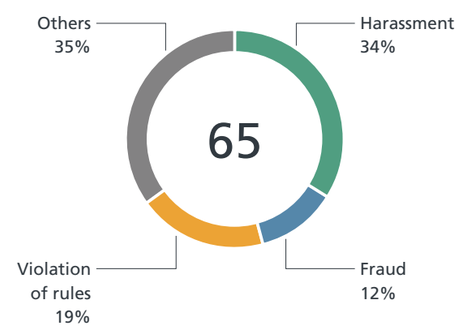
Internal Reporting System

The TAIYO YUDEN Group has introduced an internal reporting system with the aim of early detection and correction of acts that violate or may violate the "CSR Code of Conduct," such as socially inappropriate or illegal entertainment and gifts, bribery, relationships with antisocial forces, and facilitation payments.

We have established internal reception desks at TAIYO YUDEN and domestic and overseas affiliated companies, as well as external reception desks that can handle local languages and multiple languages. It is also possible to report or consult directly with the Audit and Supervisory Committee desk. We have established rules for managing matters that identify whistleblowers, prohibiting retaliation against whistleblowers, and prohibiting the search for whistleblowers, and we operate with full consideration for the protection of whistleblowers, while also allowing anonymous reports.

The internal reporting system is publicized through the company's internal website, posters displayed in the company, distribution of leaflets, and annual education for all employees. In fiscal year 2023, we received 65 reports through the TAIYO YUDEN Group common desk and individual subsidiary desks.

Number of whistleblowing cases in fiscal 2023



Information Security Policy

Basic Approach

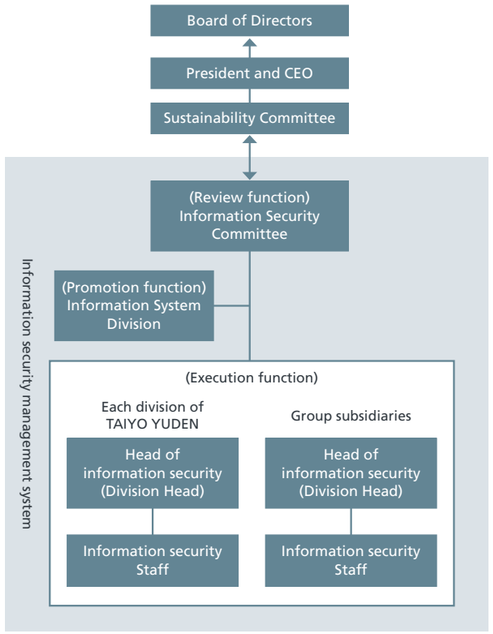
TAIYO YUDEN Group has established a global information security management system and conducts activities under the Information Security Policy to maintain and improve information security.

System

TAIYO YUDEN Group has established and implemented an information security management system to realize the Information Security Policy.

We have established an Information Security Committee as a subordinate organization of the Sustainability Committee to deliberate on measures and directions related to information security for maintaining and improving information security in our group.

In addition, the Information Systems HQ Department leads the information security management for the entire Group, and information security managers and officers assigned to each department and Group company promote information security activities in each organization.



Information Security Certification

Since 2023, TAIYO YUDEN Group has been pursuing ISO27001 certification, an international standard for information security certification, for the following three purposes:

- **Reduction of information security risks**
- **Improvement of operational efficiency through arrangement of work and procedures and establishment of rules**
- **Improvement of external reliability regarding information security**

In fiscal 2023, we obtained ISO27001 certification for multiple departments at the Takasaki Global Center. We are also pursuing certification at other locations.

Our Initiatives

Our Group implements information security measures from organizational, human, physical, and technical perspectives.

Organizational and Human Measures

Our Group has established Group regulations related to information security and aims to improve information security literacy through internal education.

We conduct education at the time of joining the company, regular education for all employees, role-specific education, and training for responding to suspicious emails and incidents.

Physical Measures

Our Group designates areas that require high confidentiality, such as server rooms and production processes, and implements heightened security levels and entry/exit management.

Technical Measures

Our Group implements multi-layered defense against cyber attacks, including malware countermeasures, vulnerability countermeasures, and network security countermeasures, as well as confidential information protection measures through access rights management and encryption.

Sustainability

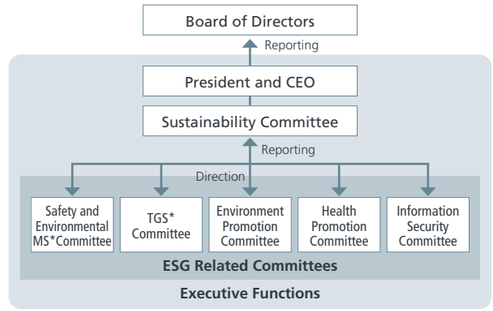
Fundamental Stance

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 realization of a sustainable society through our business by demonstrating creativity and innovation to revolutionize society. This stance is in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations which the TAIYO YUDEN Group supports, 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 is convoked quarterly to discuss solutions to sustainability issues, including materiality. We receive activity reports from ESG-related committees (Safety and Environmental 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.

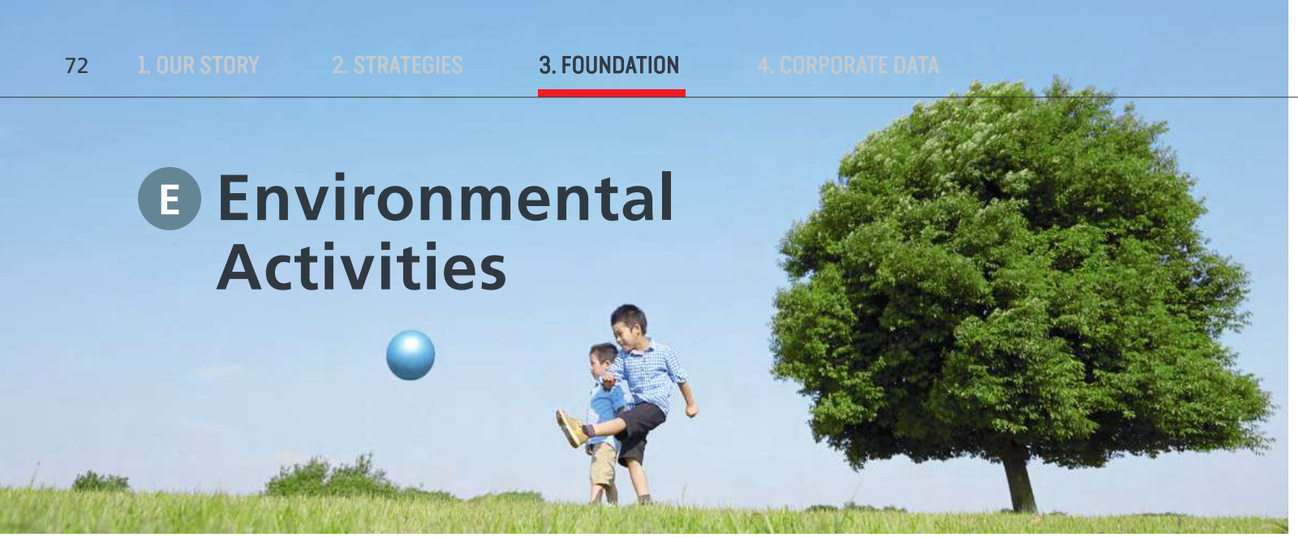


* MS stands for the management system

* TGS stands for Taiyo Green Strategy, 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, we also offer e-learning programs and group training sessions for existing and temporary staff, and training for Corporate Officers, as well as publishing articles in the group magazine.



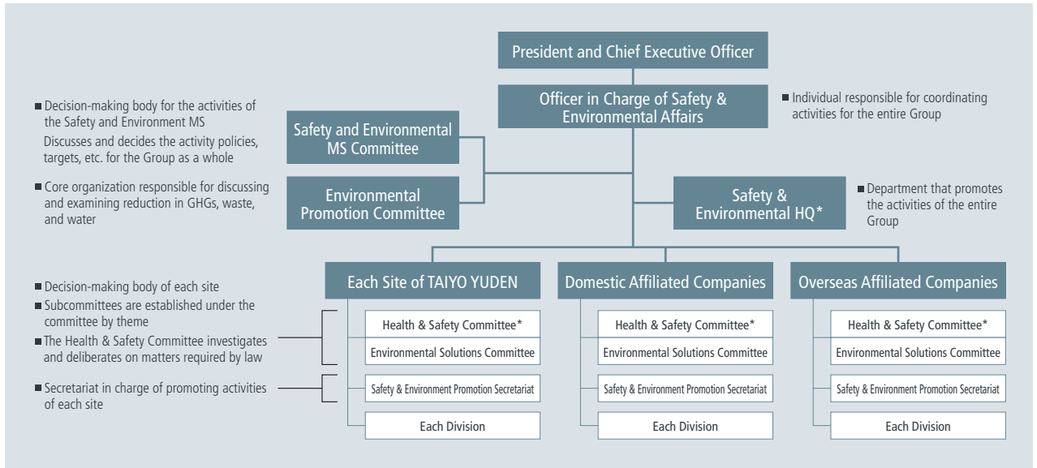
E Environmental Activities

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."

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 and Chief Executive Officer. Safety and Environmental 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.



* HQ stands for Headquarters.
* The Health and Safety Committee elects company and worker representatives.

Medium-term Environmental Targets

TAIYO YUDEN set "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. To respond especially to climate change, which is a global issue, the targets have been set with the aim of achieving carbon neutrality. 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/en/sustainability/environment/materiality/

Environmental Impact of Corporate Activities

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, with the bulk arising during production. The main environmental impact that arises during production includes energy and water consumption, emissions (including CO_2) in the course of manufacture, waste and wastewater.

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. TAIYO YUDEN products are used in electrical and electronic equipment, automobiles, and other products which become waste once their product lifetime is over. Therefore, we are also striving to remove hazardous substances from these products.

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 of climate change on society, such as frequent storms and floods, is increasing, the role of companies in achieving a decarbonized society is becoming more important. We consider that strengthening the measures to respond to climate change is one of the most important business challenges.

TAIYO YUDEN promotes manufacturing based on the decarbonization concept, with the aim of achieving carbon neutrality to tackle the global issue of climate change. As a part of this, we are thoroughly implementing efforts in the areas of energy saving, energy creation, and the utilization of renewable energy. We have established our target for reducing the absolute amount of GHG emissions in line with Science Based Targets (SBT)* and submitted a commitment letter to SBTi in July 2024 with a view to obtaining SBT accreditation. We aim to contribute to the achievement of international goals, and through collaboration with a wide range of stakeholders, we will work to reduce emissions and enhance information disclosure in accordance with the TCFD recommendations.

* SBT refers to setting targets based on scientific evidence. It indicates greenhouse gas emission reduction targets set by a company for a period of five to ten years into the future to align with the levels sought by the Paris Agreement stipulated in 2015.

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, meets four times a year. The committee sets key issues as materiality, shares issues, and deliberates measures to resolve them, reporting to the Board of Directors.

There are directors who have expertise and experience in ESG and sustainability on the Board of Directors. In addition, the Environmental Promotion Committee, a sub-committee of this 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 climate-related risks and opportunities that affect our business, qualitatively evaluated their characteristics, and conducted scenario analysis. Moving forward, we will analyze these risks and opportunities we have identified.

Division	Assumed event	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	(Acute) Intensifying extreme wind and flood damages	Intensified wind and flood damages to sites	Minor - Medium
	(Chronic) Long-term change in weather patterns	Suspension of production due to water shortages caused by drought and a decline in productivity due to heat waves	Minor - Medium
Opportunities	Acceleration of xEV shift	Increasing in sales of electronic components for the electric vehicle market due to the global shift to EVs	Major
	Increased demand for high-efficiency products	Increased sales of electronic components for the industrial equipment market due to increased demand for power supplies with energy management functions to reduce GHG emissions	Major
	Increased production efficiency	Secure profits by promoting low-carbon production activities including the development of energy-saving measures and the introduction of renewable energy	Major
	Promotion of climate change-related measures	Enhance customer trust by advancing climate change-related measures	–

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

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*1	NZE (Net Zero Emissions by 2050 Scenario)	STEPS (Stated Policies Scenario)
View of the world	■ A world where CO_2 emissions by the global energy sector reach net zero by 2050 and the average global temperature rise compared to preindustrial levels peaks at a little less than 1.6°C around 2040 and decreases to about 1.4°C by 2100. ■ As each country shifts to renewable energy, prices of fossil resources tend to decrease.	■ A world where the policies and implementation measures that affect the energy market adopted by the countries as of August 2023, and the related policy proposals are partially implemented, and the average global temperature rise compared to preindustrial levels reaches 2.4°C in 2100, and the average global temperature keeps rising. ■ As each country depends on fossil resources, prices of fossil resources tends to rise.

*1 The analysis is based on the scenarios published in the World Energy Outlook 2023, 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, Guidance on the Physical Risk Assessment Based on the TCFD Recommendations (March 2023)
Fathom	Global Flood Map
WRI (World Resources Institute)	Aqueduct Water Risk Atlas
IPCC (Intergovernmental Panel on Climate Change)*2,3	AR6 Climate Change 2021: The Physical Science Basis, Working Group 1 Interactive Atlas
Others	Yukiko Hirabayashi et al. (2013). Global flood risk under climate change. Nature Climate Change, 3(9), 816-821.

*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.

Opportunities

Target business / Analysis theme

Electronic component business — **Impact of the global spread of electric vehicles on the sales of electronic components for the automotive market**

Major pieces of external information referred to in the analysis

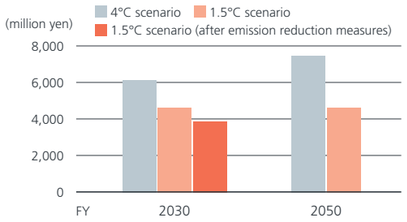
Information provider	Reference
IEA	IEA World Energy Outlook 2023, IEA Global EV Outlook 2023, IEA Global EV Data Explorer (Last updated 23 Apr 2024)

(3) Scenario analysis results

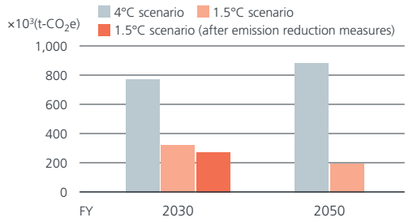
Transition risks: Financial impact of introducing carbon prices on operating costs

Risk	Impact of carbon prices on operating costs in 2030 and 2050
Our climate scenario analysis prerequisites	Assuming that a carbon price of 21,197 yen will be imposed on each ton of GHG emissions in 2030 and 37,853 yen in 2050, we forecast the effects on carbon prices. Carbon prices are set based on IEA World Energy Outlook 2023 (Net Zero Emissions by 2050 Scenario, Stated Policies Scenario).
Analysis result	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 700 million yen as of 2030 and by 4.5 billion yen as of 2050 compared with the scenario where no measures are taken (see G1). In addition, although we are promoting the introduction of renewable energy, even if the power is 100% renewable energy, the remaining Scope1 emissions in the 1.5°C scenario will be 200,000 t-CO_2e (see G2), and the impact of the carbon price will be about 4.5 billion yen.
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 Scope1 emissions toward the achievement of carbon neutrality.

G1: Carbon Price Effect



G2: GHG Emissions Trends



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 26 sites inside and outside Japan based on public hazard information and various information obtained for climate change impact assessment.
Analysis result	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 mid-century or end of-century grades based on the RCP2.6 and RCP8.5 climate scenarios. Regarding floodings, there is one site in Japan that seemed to be at high risk at present, but there was no change in the grade in the future. On the other hand, there are no overseas sites that are currently considered to be at high risk, and there is no change in the grade in the future. As for storm surges, there are no domestic and overseas sites that are currently considered to be at high risk and there is no change in the grade in the future.
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.

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)	0 site	0 site	0 site	0 site	0 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	0 site	0 site	0 site	0 site

Risk Management

Regarding climate-related risks, TAIYO YUDEN assigns Executive Operating Officer who is a responsible director of safety and environment, 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 the social situation analysis, interviews with customers and suppliers, and ESG-related engagement process with investors as tools to identify risks and opportunities related to climate change. The impact of these risks has been assessed in relation to their financial impact and management strategy.

Indicators and Targets

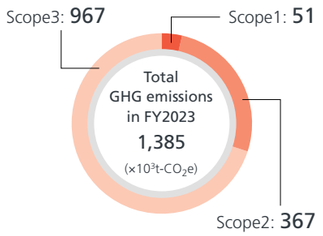
GHG emissions

TAIYO YUDEN has set the target of reducing GHG emissions through its business activities by 42% by FY2030 compared to FY2020, which is consistent with the 1.5˚C scenario, to contribute to the global initiatives to limit the temperature rise to 1.5˚C. In order to achieve this target, we are steadily promoting the efforts to reduce GHG emissions through measures to improve production efficiency and to use renewable energy as well as to smoothly move forward with our plan by introducing the energy-saving measures and photovoltaic facilities. We plan to use electricity generated from 100% renewable energy at the two domestic sites in FY2024 and further reduce our GHG emissions.

Target and Result regarding GHG emissions

	FY2020 Achievement	FY2023 Achievement	FY2030 Targets
GHG emissions* (10^3t-CO_2e)	484 (Reference year)	**418** (Compared to FY2020 ▲13.5%)	**281** **(Compared to FY2020 ▲42%)**

*Scope1+Scope2

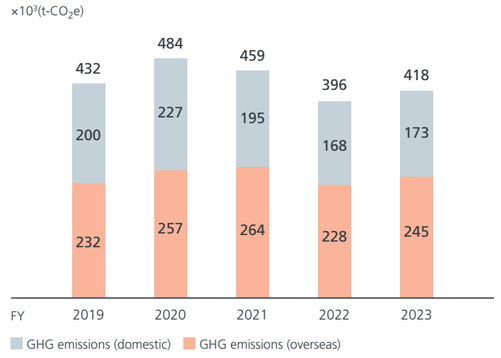


Results of Efforts to Reduce Greenhouse Gases and Energy Consumption

In FY2023, the GHG emissions by the entire group increased by 22,000 t-CO_2e compared to FY2022. Specifically, emissions by the sites in Japan increased from 168,000 t-CO_2e in FY2022 to 173,000 t-CO_2e, and emissions by the overseas sites increased from 228,000 t-CO_2e in FY2022 to 245,000 t-CO_2e. The crude oil equivalent for the amount of energy used by the entire group was 273,000 kL.

We will continue to review production processes, with a focus on core products, to further improve production efficiency and reduce energy use. Furthermore, we have been promoting the incorporation of renewable energy in our efforts to combat global warming. The renewable energy used in FY2023 was 151,256 MWh.

G1: GHG Emissions (calculated from total energy consumption)



	GHG Emissions (×10^3t-CO_2e)
Scope1	51
Scope2	367

ESG / Environmental Activities

Efforts on Indirect Emissions Other than from Energy Use (Scope3)

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. To reduce Scope3 emissions, we started engagement with our suppliers.

(unit: $\times 10^3$t-CO_2e)

category1	Purchased Goods and Services	601	
category2	Capital goods	225	
category3	Fuel- and energy-related activities (not included in Scope1 or Scope2)	77	
category4	Upstream transportation and distribution	36	
category5	Waste generated in operations	11	
category6	Business travel	0.9	domestic sites
category7	Employee commuting	9	domestic sites
category8	Upstream leased assets	0	Included in Scope2

(unit: $\times 10^3$t-CO_2e)

category9	Transportation and delivery (downstream)	Not applicable
category10	Processing of sold products	7
category11	Use of sold products	Not applicable
category12	End-of-life treatment of sold products	0.1
category13	Leased assets (downstream)	Not applicable
category14	Franchise	Not applicable
category15	Investments	Not applicable
Total		967

Use of Renewable Energy

TAIYO YUDEN has been installing solar panels as part of our efforts to combat global warming. After establishing the group's first power-generating sites, Hongo Photovoltaic Power Plant in 2013, others have been built as well, and there are currently10 power-generating sites in Japan and overseas.


R&D Center


Hongo Photovoltaic Power Plant


FUKUSHIMA TAIYO YUDEN


WAKAYAMA TAIYO YUDEN


TAIYO YUDEN Mobile Technology


Sun Vertex


Elna Shirakawa Photovoltaic Power Plant


KOREA KYONG NAM TAIYO YUDEN


TAIYO YUDEN (PHILIPPINES)


ELNA (MALAYSIA)

GHG Emissions

TAIYO YUDEN supports TCFD, is advancing the related information disclosure, and is making efforts to reduce GHG emissions. In recognition of these efforts, we were selected as a CDP's "Climate Change A List" Company and Supplier Engagement Leader for the second consecutive year in FY2023.

Initiatives in FY2023

Started operation of solar power generators at the R&D Center

TAIYO YUDEN has established the goal of reducing GHG emissions by 42% (absolute amount, compared to FY2020) by FY2030 in the medium-term management plan 2025. To achieve this target, we are working to reduce energy consumption through efforts that include improving productivity through the miniaturization of electronic components and improving efficiency and yield, and introducing new equipment that contributes to energy conservation.

At the R&D Center, we installed solar power generators and storage batteries to create energy, and switched to renewable energy sources to cover the additional energy demand. Since April 2024, we have been using renewable energy sources for all electricity used at the R&D Center.

Going forward, we will develop electronic components that support the evolution of electronic devices in the move toward achieving carbon neutrality. We will also promote ESG initiatives with the aim of realizing a sustainable society.


R&D Center (Takasaki City, Gunma Prefecture)

Selected as CDP's "Climate Chage A List" Company and Supplier Engagement Leader for second consecutive year

TAIYO YUDEN was selected as an A List Company, the highest rating in the climate change category, for the second consecutive year in recognition of our efforts to combat climate change. This list is compiled by the international environmental non-profit organization CDP* from among approximately 21,000 companies it evaluates. We have also retained our rating as a Supplier Engagement Leader in recognition of our engagement efforts in the supply chain.

TAIYO YUDEN aims to achieve carbon neutrality and has established the strengthening of measures to address climate change as one of the materiality items. In addition, we endorse the TCFD recommendations, identify risks and opportunities related to climate change, and develop strategies based on scenario analysis, including financial impact. We will continue to promote activities to reduce GHG and energy consumption, focusing on the thorough implementation of measures in the areas of energy conservation, energy creation, and utilization of renewable energy.



* CDP is a non-governmental organization (NGO) managed by a British charitable organization, established in 2000. It operates a global information disclosure system for investors, companies, countries, regions, and cities to manage environmental impacts including reducing their own greenhouse gas emissions, protecting water resources, and protecting forests.

Initiatives in FY2024

TAIYO YUDEN has submitted a commitment letter to SBTi*, an certification organization, for the purpose of obtaining Science Based Targets (SBT) accreditation. We recognize that ESG initiatives, including efforts to address climate change, present both opportunities and risks in management. With this in mind, we are promoting activities to resolve social issues through our business. Going forward, we will strive to contribute to a sustainable society and further enhance our corporate value by promoting manufacturing based on the concept of decarbonization.

* SBTi (Science Based Targets initiative): The SBTi is a joint initiative by WWF, CDP, the World Resources Institute (WRI), and the UN Global Compact (UNGC). It supports and certifies companies in setting science-based targets (SBTs) that align with scientific knowledge on how much and by when they need to reduce greenhouse gas emissions.

ESG / Environmental Activities

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

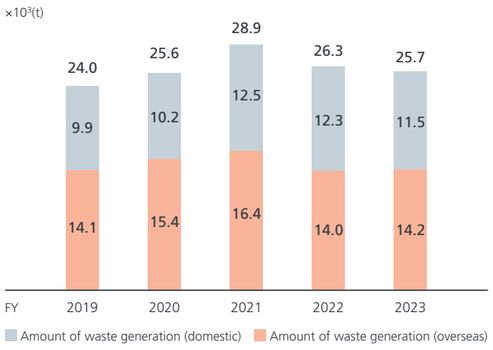
Waste Management Initiatives

The amount of waste generated in FY2023 by the entire group decreased to 25,700 tons from 26,300 tons in FY2022. The waste, which includes valuables, mainly consists of waste plastic, waste oil, and sludge. TAIYO YUDEN will continue working to reduce waste volumes, boost in-house recycling rates, and strengthen efforts to recycle waste into resources at our overseas sites.

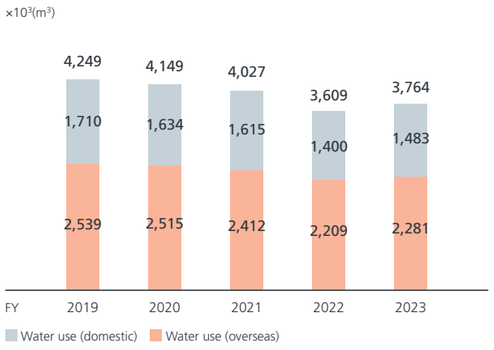
Water Resource Initiatives

The amount of water used by the entire group increased from 3,609,000 m^3 in FY2022 to 3,764,000 m^3 in FY2023. Specifically, the amount of water used by the sites in Japan increased to 1,483,000 m^3 from 1,400,000 m^3 in FY2022, while the amount of water used by the overseas sites increased to 2,281,000 m^3 from 2,209,000 m^3 in FY2022. The quantity of water withdrawals was 3,424,000 m^3 from municipal water supplies (or other water supply facilities), and 340,000 m^3 from freshwater and underground water. The quantity of water recycled was 713,000 m^3.

Amount of Waste Generation



Water Use



	Quantity of water withdrawals (×10³m³)
Municipal water supply (or other water supply facilities)	3,424
Freshwater/ underground water	340

Examples of Initiatives in FY2023

Reduction of waste by changing the surface treatment method

[TAIYO YUDEN CHEMICAL TECHNOLOGY]

In some processes where the surfaces of electronic components are treated, the chemicals used in the production process are properly disposed of as waste. The amount of waste has been reduced by verifying and reviewing the use of the chemicals necessary to improve surface characteristics. The amount of waste was reduced by 133 t per year.

Water saving in the plating process

[TAIYO YUDEN (SARAWAK)]

In the process where electronic components are plated, water is used in a variety of processes. The amount of water used has been reduced by reviewing the production process and verifying and improving water input. The amount of water used was reduced by 37,200 t per year.

Message from the Officer in charge



We actively promote the production of more compact, higher-efficiency products as well as zero-carbon manufacturing and energy saving practices

Shunji Murai

Executive Operating Officer in charge of 1st Business Headquarters

Our Approach to Environmental Protection

Reducing Environmental Impact from Various Business Activities

TAIYO YUDEN approaches environmental issues from a global perspective, in line with our Fundamental Principle of Environment. We mainly identify and analyze in detail the environmental impact of energy consumption and water use in production processes. At the same time, we take various environmental protection measures such as minimizing our resource consumption and saving energy and resources by improving our production processes.

In particular, we have set medium-term environmental targets to reduce GHG emissions and ultimately achieve carbon neutrality. We are currently making steady progress towards meeting the SBT1.5˚C requirements by FY2030.

Combating Climate Change

Reducing GHG Emissions by Promoting Saving, Generating, and Re-using the Energy

We particularly emphasize combating climate change among environmental issues. In our medium-term management plan 2025, we identify climate change as a materiality issue that needs to be further focused on and are striving towards the quantitative GHG emission targets set forth in the plan.

Specifically, we focus our efforts on three dimensions: saving, generating, and re-using the energy. For the first dimension, we are implementing high-efficiency production equipment, improving our production processes and switching to different types of fuels. We also ensure that we implement advanced energy-saving building designs and equipment when building new locations and plants. For the second and third dimensions, we are expanding our deployment of solar power generation facilities for the generation of energy, and switching to renewable energy for domestic and overseas locations for re-using the energy. In FY2023, we reduced our GHG emissions by 13.5%, compared to the FY2020 level.

We are pushing forward with specific climate actions in support of the TCFD, while analyzing scenarios and working on enhancing our disclosures. These initiatives have been well received and we have been selected for CDP's Climate Change A List for two consecutive years.

Reducing GHG Emissions in the Supply Chain

Reducing Scope3 Emissions at an Accelerated Pace by Building Cooperation with Suppliers

We are currently preparing to set reduction targets for our Scope3 emissions, which account for approximately 70% of our GHG emissions. In particular, Category 1 (purchased goods and services) emissions account for two-thirds of our Scope3 total, and as such we are proactively engaging with our suppliers to reduce this amount.

Every year, we hold a briefing for our main suppliers to explain our sustainability policies and initiatives and to engage in dialogue with individual suppliers via meetings and the like. In response to the results of the FY2022 supplier GHG emissions survey, we implemented a new initiative to help them calculate their emissions in FY2023, in addition to conducting that year's survey. Similar to our climate actions, these collaborative efforts have been well received, earning us the title of CDP Supplier Engagement Leader two years in a row.

Achieving carbon neutrality is anything but easy, but we first aim to securely achieve our FY2030 GHG emission reduction targets, as we maintain our commitment to reducing energy consumption in the production process and promote the production of more compact, higher-efficiency products and zero-carbon manufacturing practices, thereby increasing our economic and social value.

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

Labor Human Rights Management Policy and Compliance Requirements

https://www.yuden.co.jp/en/sustainability/society/laborrights/rule/

Example Initiatives in FY2023

- We have developed educational materials that include the United Nations Guiding Principles on Business and Human Rights, human rights policies, harassment prevention, and the prohibition of discrimination based on sexual orientation. These materials have been deployed in our Japanese and overseas bases. We ran regular e-learning courses at our Japanese bases.
- We conducted regular specialized training through e-learning for labor and human rights departments at our Japanese bases.

Human Rights Due Diligence

TAIYO YUDEN is engaged in developing human rights policy, conducting human rights due diligence (Identification of adverse effects on human rights, prevention and mitigation of adverse effects on human rights, follow-up of effectiveness of response, dissemination of information and communicate outside the company), and establishing a remedial mechanism.



We have developed and operated the labor and human rights management system to ensure an appropriate work environment where human rights are duly respected. Additionally, we have established the Labor and Human Rights Management Policy and Compliance Requirements by implementing policies into practice, and each site conducts PDCA activities to make continuous improvements. Furthermore, TAIYO YUDEN established the "Group Labor Rights Management Manual," the "Management Standards for Limiting Working Hours to 60 hours per week and limiting working hours to 6 consecutive days," etc., and conducts monitoring for all sites.

Regarding our risk assessment related to human rights, labor, and other areas, we regularly conduct labor rights self-assessments based on the Responsible Business Alliance (RBA) Code of Conduct and carry out improvement and correction activities based on this feedback.

<Example initiatives for human rights due diligence>

CSR Activities for Suppliers

TAIYO YUDEN Group distributes the "TAIYO YUDEN Group CSR Procurement Guidelines (CSR Procurement Requirements)" (hereinafter referred to as "CSR Procurement Guidelines") to new suppliers in order to have them understand the Group's CSR policies including human rights and labor problems, and TAIYO YUDEN Group only starts to implement transactions with suppliers after they declare that they will comply with the requirements. Also, TAIYO YUDEN Group assesses "maximum working hours," "legal minimum wages" and "avoidance of child labor," etc. using the "CSR Self Check Sheet" prepared based on the RBA Code of Conduct, and deals with suppliers that meet the Group's criteria.

TAIYO YUDEN Group regularly conducts assessments for existing suppliers by using "CSR Self Check Sheet." Furthermore, TAIYO YUDEN Group conducts physical inspection audits for critical suppliers on a regular basis. TAIYO YUDEN Group requests corrective actions from suppliers failing to meet the Group's criteria as a result of assessment.

Result of agreements with "CSR Procurement Guidelines"

Measurement Unit (KPI)

Rate of agreements with "CSR Procurement Guidelines"

Result of FY2023	Targets for FY2023 to 2025
99%	100%

CSR Procurement Self-Assessment

Until FY2023, TAIYO YUDEN Group had received self-assessments from 535 suppliers. Based on the assessment results, no high risks have been identified from any of TAIYO YUDEN Group's suppliers.

Measurement Unit (KPI)

Rate of suppliers in conformance with CSR assessment

Result of FY2023	Targets for FY2023 to 2025
97%	100%

ESG / Social Activities

Health and Safety

TAIYO YUDEN places importance on safety in the environment where our employees work. It works to eliminate work-related accidents and reduce major risks based on the Fundamental Principle of Safety and Health, which states that "Employees are big assets to TAIYO YUDEN. To ensure the employees' happiness, the safety shall be kept so that employees could work without anxiety and the health of employees are maintained." Based on this idea of placing importance on safety, we incorporated an indicator concerning safe and secure workplaces as one of our social values in the KPIs which are the targets in the medium-term management plan 2025. For the specific targets we set an incidence rate of injuries and illness of less than 0.016 and an accident frequency rate of less than 0.08. These are levels which are substantially lower than the average for the Japanese manufacturing industry. Currently, we are advancing activities to prevent industrial accidents for achievement of the target incidence rate of injuries and illness and the target accident frequency rate by clarifying action targets for each of the 5Ms (Man, Machine, Method, Material, Measurement) for achievement of the medium-term targets by FY2025. Regarding FY2023, the incidence rate of injuries and illness was 0.020 and the accident frequency rate was 0.10.

Example Initiatives in FY2023

■ As a result of visualizing the effects of protective equipment on workers and strengthening the training on the right way to wear it, it was confirmed at the Safety Awareness Survey that improvements had been made.

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	Intensive basic training and fostering "Awareness of safe behavior"
FY2025 Targets		Machine	Enhancing the level of facility safety design for designers
Less than 0.016	Less than 0.08	Method	Safe work without inconsistencies
FY2023 Results		Material	Minimization of toxicity and danger of chemical substances
0.020	0.10	Measurement	Strengthening of checking system

*The accident frequency rate for domestic manufacturing was 1.29, and it was 0.54 for the electronics industry (both for FY2023)

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, distributing to them the "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, including the suppliers, complies with our CSR Procurement Guidelines. In order to assess these initiatives, we also regularly distribute "CSR Self Check Sheet" 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 (3TG), cobalt, and mica 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. To fulfill 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.

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.

Example Initiatives in FY2023

■ Arts and crafts workshop

We participated in an event for children that promoted hands-on experiences to enjoy science and held an arts and crafts workshop for elementary school students.

Refer to this page for information on other initiatives.

Social Contribution

https://www.yuden.co.jp/en/sustainability/society/contribution/

RBA-VAP Audit

TAIYO YUDEN complies with the RBA Code of Conduct to fulfill its corporate social responsibility. An international standard primarily for the electronic equipment industry, the RBA Code of Conduct covers labor, health and safety, the environment, and ethics. TAIYO YUDEN voluntarily participates in RBA-VAP audits to ensure compliance with this code of conduct and uses the objective evaluations from these audits to enhance standards throughout the Group.

In the RBA-VAP audit conducted throughout FY2022 to FY2023, all sites have received the highest platinum evaluations.

Audit results



Sites undergoing audits

TAIYO YUDEN CO., LTD.

Takasaki Global Center / Haruna Plant / Nakanojo Plant / Tamamura Plant / Yawatabara Plant

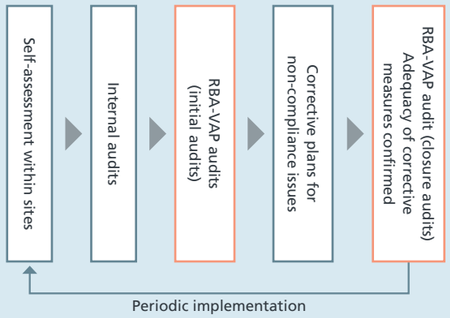
Consolidated Subsidiaries

TAIYO YUDEN CHEMICAL TECHNOLOGY CO., LTD. / TAIYO YUDEN TECHNO SOLUTIONS CO., LTD. / FUKUSHIMA TAIYO YUDEN CO., LTD. / NIIGATA TAIYO YUDEN CO., LTD. / WAKAYAMA TAIYO YUDEN CO., LTD. / TAIYO YUDEN Mobile Technology Co., Ltd. (Head Office & Tokorozawa Plant) / ELNA CO., LTD. (Shirakawa Factory / Aomori Factory) / KOREA KYONG NAM TAIYO YUDEN CO., LTD. / TAIYO YUDEN (GUANGDONG) CO., LTD. / TAIYO YUDEN (PHILIPPINES), INC. / TAIYO YUDEN (SARAWAK) SDN. BHD.

VOICE

Promoting the enhancement of compliance levels across the Group through audits

TAIYO YUDEN conducts RBA-VAP audits, discloses compliance status to customers, and develops RBA-VAP audit plans that periodically include elements such as self-assessments, internal audits, and corrective actions to enhance compliance levels throughout the Group.



In recent years, a broad range of requirements has emerged, such as respect for human rights, responsible sourcing of minerals, and the prevention of bribery. It is anticipated that even more detailed and thorough responses will be necessary in the future. TAIYO YUDEN aims to continue its enhancement of Group-wide compliance based on objective evaluations from RBA-VAP audits while ensuring that we are committed to fulfilling our social responsibilities.



Itsuki Saito
General Affairs Department

RBA-VAP Audit

https://www.yuden.co.jp/en/sustainability/misc/external/

ESG / Social Activities

Message from the Officer in charge



We promote the implementation of human resources strategies to train future leaders and foster diversity and sustainability in the organization

Satoshi Yamazaki
Operating Officer in charge of Human Resources and General Affairs

The Key to Achieving the Mission Lies in Human Resource Strategies

TAIYO YUDEN has formulated the medium-term management plan 2025 to fulfill our management philosophy, vision, and mission, "Stronger and more socially aware through the wonders of science." We are promoting implementation of human resource strategies to achieve the targets set forth in the plan, focusing on human resources agenda i.e., "training future leaders," "promoting diversity" and "building a sustainable organization."

Training Future Leaders is a Pressing Challenge

In recent years, the Board of Directors has been discussing the need to train future leaders. For the past several years, we have made little progress with transitioning to a younger generation of officers, and an increasing number of new general manager/manager-level employees are assuming their positions at an older age. In order to expedite the transition to the next generation of leaders, we are currently building a system to strategically appoint leaders by defining the age group of candidates for each position and are pushing ahead with the training of employees in these specific age groups to expand the candidate pools.

As for the promotion of diversity, our focus is to train female employees and appoint them to management positions, as well as to reform our corporate culture. Under the leadership of the Diversity Development Department, which was established in 2023, we are advancing our efforts to transform employees' mindsets to eliminate unconscious biases and stereotypes by holding events to coincide with International Women's Day, implementing a mentorship program, and more. As a result, the percentage of female managers is steadily increasing toward the target of "having at least 10% of management positions being held by women by FY2030," as outlined in the medium-term management plan 2025. On a qualitative side, we also notice that our corporate culture is gradually changing.

For the other challenge, "building a sustainable organization," we are advancing our efforts to enhance our organizational system by training employees to promote digital transformation and improving the management skills of managers and supervisors.

Work Engagement Steadily Improving, Supported by Multiple Measures

In addition to our aforementioned efforts to build an organizational environment and training systems to address human resource issues, we have set quantitative targets for work engagement under the medium-term management plan 2025. For these targets, we selected indicators that impact the company's financial results and outcomes among those that measure our employees' motivation toward their work and the pride they take in it. Given that our previous year's survey indicates that highly stressed employees show low work engagement, in FY2024, we will share the cluster analysis results with departments with highly stressed employees and discuss countermeasures to further improve the scores, as well as continue to provide management training to employees in management and supervisory positions.

Working with the Entire Supply Chain to Promote Respect for Human Rights

In tandem with employee training and relevant actions, we have been encouraging respect for human rights by involving our supply chain. As part of this initiative, we are promoting compliance with the Code of Conduct advocated by the RBA (Responsible Business Alliance), which is an alliance of companies that promote social responsibility in global supply chains. TAIYO YUDEN's main locations inside and outside Japan regularly undergo the RBA-VAP audit, which is a third-party assessment of compliance with the RBA Code of Conduct, as well as human rights audits by our customers.

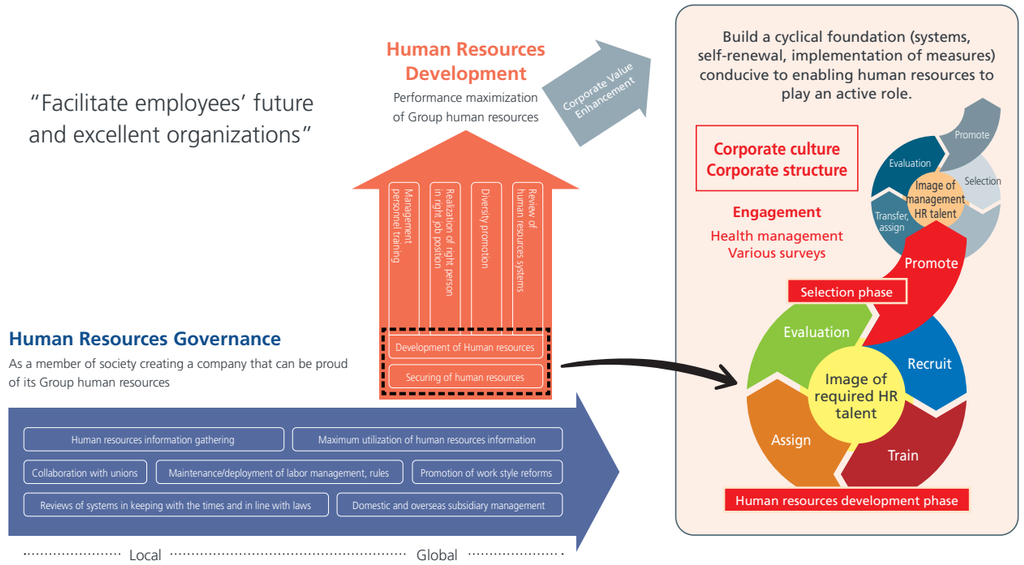
We will continue to support each employee to grow and to promote human rights measures to help enhance our corporate value, and ultimately fulfill TAIYO YUDEN's mission, management philosophy and vision.

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.



The Vision of the Group for which TAIYO YUDEN is Aiming

The sustainable growth of the TAIYO YUDEN Group requires leaders who can drive the company and organization, so we call for leadership that fully utilizes each employee's strengths. With respect to this, in external evaluations through human resources training and other methods, there are positive evaluations of the human resources of TAIYO YUDEN, including that they are cooperative and serious-minded, and work as hard as they can to achieve what is required of them, but on the other hand they are also receiving negative evaluations such as that they avoid conflict and do not state their own opinions or ideas, their reactions are weak because they are not good at expressing emotion, and their ability to conceive a vision is weak.

In order to realize the vision we are aiming for going forward, TAIYO YUDEN will maintain and enhance performance management ability and the ability to ascertain information, the strengths of our employees, while strengthening their weaknesses of human resources development, vision creation, and a lack of transformative thinking through training and other methods, in order to get closer to the talents required. As a part of that approach, we conduct leader training, management training, coaching training, and other training for future leader candidate employees, to encourage them to be more scientific, rational, and organized in their actions.

Through these initiatives, we aim to develop human resources who think, take action, and carve out business themselves. Moreover, we are aiming for the kind of human resources group in which each and every one of our employees can tackle their work with vitality, break out of their shells, and further broaden their human relationships and work areas through spontaneous actions.

ESG / Social Activities

Work Engagement

TAIYO YUDEN believes that a workplace environment in which the employees feel a sense of pride and fulfillment in their work and tackle their tasks with vigor is important for sustained value creation. For this reason, in the medium-term management plan 2025 we set the numerical target of 2.5 for work engagement, an indicator of an employee's state of mind which measures the extent to which they feel a sense of pride and fulfillment in their work, and we are advancing initiatives for environmental improvement.

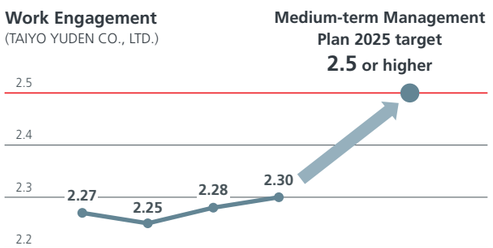
In the work engagement survey we carry out every year, the results for FY2023 were 2.30. Further, based on the analysis of the results of the survey of the Utrecht Work Engagement Scale (UWES) we implemented in FY2022, we perceive that improvement of the management which involves guidance and development is necessary; therefore, in addition to the strengthening of the education of management supervisors and strengthening of training of supervisors for production departments which we have carried out previously, we are giving feedback to the management supervisors and utilizing a check sheet in the selection of people for promotion, among other measures.

Examples of Initiatives Introduced in FY2023

Managers of divisions with high-stress levels were interviewed, and measures were implemented according to the issues in each division.

- Line care training (this aims to encourage managers and supervisors to take an interest in the mental health of their subordinates, with the aim of improving the work environment to be more comfortable, both mentally and physically)
- Reorganization of teams and report lines
- Installation of suggestion boxes

Work Engagement
(TAIYO YUDEN CO., LTD.)

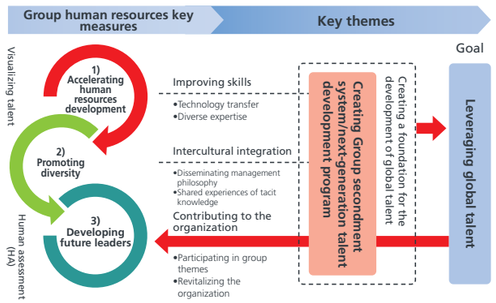


Key Measures

(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 a fixed number of young employees per year, regardless of the state of the economy. After joining our company, we focus on cultivating young employees during their first five years. We aim to develop talents who can create a sense of purpose in their work and achieve results by involving others. We also aim to develop leaders who can drive the organization and conduct various forms of training and instruction to achieve this.

Furthermore, to nurture human resources who will support the Group's growth, we also conduct inter-site exchanges where employees from overseas bases work at domestic sites.



Employee Training Expenses (TAIYO YUDEN CO., LTD.)

	FY2021	FY2022	FY2023
Total training expenses (Unit: 1,000 yen)	182,307	230,026	258,541
Training expenses per employee (Unit: yen)	62,600	79,237	90,620

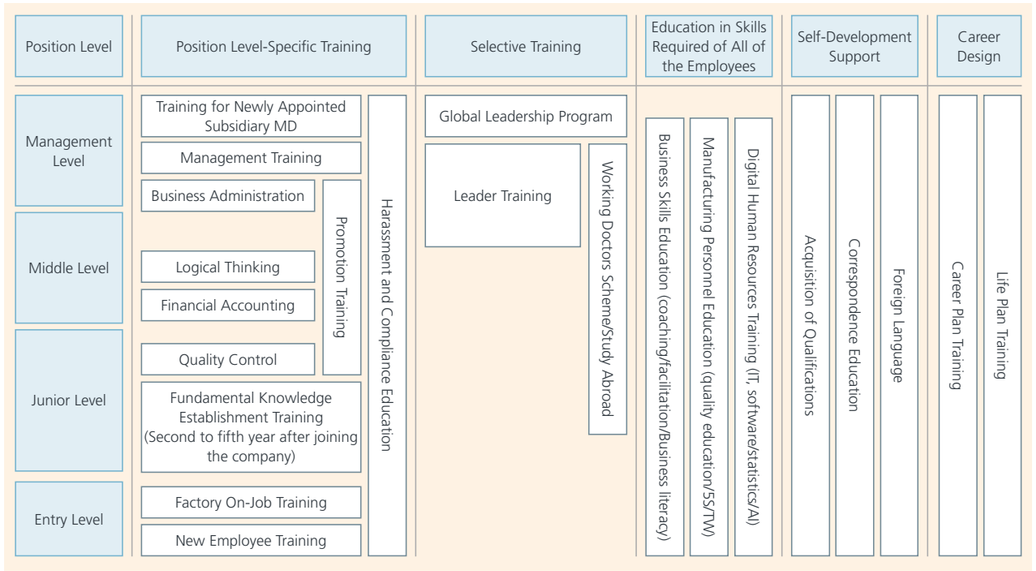
Examples of Training Carried Out in FY2023


Management training


Practical statistics training


New employee training

Training Systems

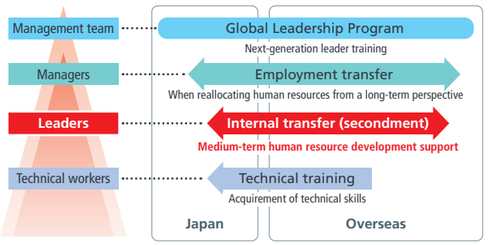


[Promoting Interaction between the Bases for Human Resource Development]

As part of the materiality of the medium-term management plan 2025 that stipulates the need to "train and develop human resources based on the diversity policy," we are nurturing human resources that will support the growth of the TAIYO YUDEN Group's future by promoting interaction between the bases for human resource development, in which employees from overseas sites are dispatched to work at domestic sites for a few years to accumulate work experience.

For the target management candidates of overseas sites, this opportunity not only enhances their own expertise but also enables them to create connections with other divisions, understand the decision-making and workflow of Japanese sites, and acquire business skills in the Japanese language. For those on the receiving side, working with expatriates from overseas sites as colleagues or subordinates offers an opportunity for in-depth cross-cultural interactions. These interactions will help them recognize their local perspectives and promote the TAIYO YUDEN Group's further globalization.

Global Human Resource Mobility Scheme



VOICE

Using knowledge and experience gained in Japan to elevate skills for the entire site

In Japan, I learned the workflow from new product design through to launch and was put in charge of actual product design. I also learned at design and development study sessions and technical meetings for product development, where I learned about approaches to problem-solving. At the Philippine site where I work, I am currently involved in the transfer of production from Japan, and there are now plans to begin producing products that I have designed and developed.

I will continue leveraging the knowledge and experience that I gained back in Japan to contribute to issues such as problem analysis while also sharing points that need confirmation at each process with fellow engineers to elevate skills for the entire site.



Christian E. Legaspi
TAIYO YUDEN (PHILIPPINES)

ESG / Social Activities

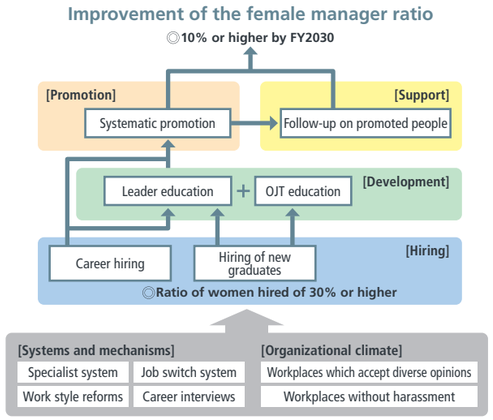
(2) Promoting Diversity

TAIYO YUDEN believes that promoting the advancement of women, who are the largest minority group, is the highest priority issue in achieving diversity management. In the medium-term management plan 2025, the established target rate of newly recruited female graduates is 30% or more, and the target for the female manager ratio is 10% or higher (FY2030). In detail, measures will be implemented in three directions: "promotion of recruitment and active participation of diverse human resources," "promotion of flexible working styles," and "mindset reform and development of a corporate culture." Along with attaining these targets, we also actively promote the development of environments that will enable many motivated women to play an active role without any gender constraints.

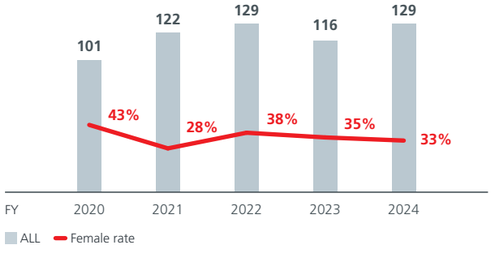
We have also established targets for recruiting disabled people and are making active efforts toward this. Furthermore, we are creating and expanding work opportunities for disabled people and providing support to enable them to work with peace of mind.

Action Plan for Women's Empowerment:
https://www.yuden.co.jp/en/sustainability/society/diversity/

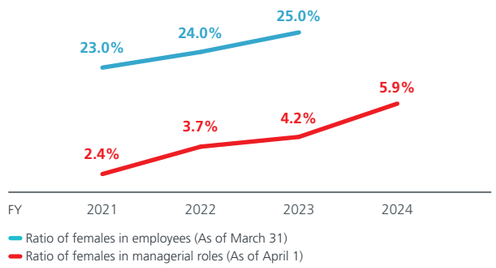
Overall Picture of Implemented Measures
(The ◎ symbol indicates a target in the medium-term management plan 2025)



Number of New Graduates Hired (TAIYO YUDEN CO., LTD.)



Percentage of Female (TAIYO YUDEN CO., LTD.)



[Awareness-Raising Activities]

We communicate information through training and group newsletters. In FY2023, we conducted diversity training catered to each position level for all employees. In March 2024, we held an employee networking event to coincide with the United Nations International Women's Day. This event shared a video message from a female leader playing an active role at overseas sites and became an opportunity for active communication across different sites and divisions.


Employee networking event

[Childcare Support System]

The support system for balancing careers and childcare offers parental leave that exceeds legal requirements. To support the use of the parental leave system and participation in childcare, the "Career and Childcare Support Guidebook" is distributed to male employees with newborns. At the same time, those in management positions are provided with a guidebook for supervisors and e-learning to enable them to support their subordinates in balancing work and childcare.

[Career Transition Program]

To expand opportunities for female employees, we have developed a system that enables employees in clerical positions to transfer to general positions. This initiative is promoted through training. We also support motivated employees in achieving further career growth through their roles.



Career and Childcare Support Guidebook

[Promotion of Employment of Disabled People]

We promote the employment and retention of disabled people. One element of this initiative was the opening of a café and bakery at the Takasaki Global Center in 2023. Through the provision of fresh bread and cafe menu, not only the understanding of disability employment is promoted, but employee benefits are also enhanced. We are expanding this initiative to other locations as well to expand opportunities for disabled people to thrive.

(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 by stipulating the number of future leader candidates necessary based on the business scale forecast.

Examples of a System Incorporated in FY2023

- Developing a Future Leader System
  - Assessments are conducted for listed executive candidates to analyze their suitability and characteristics as management objectively
  - Feedback is offered for assessment results, along with the creation of development plans and personalized training according to the plan

Work Style Reforms

TAIYO YUDEN is working to create a comfortable work environment that enables each employee to maximize their performance. In recent years, we introduced the work-interval system in FY2021 and the work-from-home system in FY2022. The work-interval system is monitored to ensure appropriate implementation, promote its dissemination, and improve labor management standards. Furthermore, the number of users of the work-from-home system has steadily grown and become more established. We will continue to explore new systems while ensuring the effective utilization of existing systems.

Examples of Systems and Initiatives

Work-interval system
This system provides a minimum rest period (interval) between the end of a workday and the start of the next. The adopted interval is 11 hours, which is also the legal standard of EU member states.

Work-from-home system
This system enables employees to work at home, with the aim of promoting work with greater enthusiasm through providing more flexible work style options. It also aims to maintain and improve the work environment and efficiency by reviewing work styles.

(TAIYO YUDEN CO., LTD., as of March 31)	FY2021	FY2022	FY2023
Average length of service			
Male	17.9 years	17.6 years	17.2 years
Female	17.5 years	16.6 years	15.8 years
Average number of paid leave days taken			
	14.8 days	15.6 days	16.1 days
Utilization rate of childcare leave			
Male	—	29%	52%
Female	100%	100%	100%
Utilization rate of childcare leave / special paid holiday (when spouse gives birth)			
Male	88%	93%	96%

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

ESG / Social Activities

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 and Chief Executive Officer 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 work for the realization of health-oriented management.

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 (positive lifestyle habits) performance and reduced rates of abnormal findings at health checks. Consequently, we are working on projects to encourage employees to acquire as many Focus 5 habits as possible.



Focus 5 Trends (%)

	Definition	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2025 Target
Diet	Ratio of employees with BMI 18.5 or more and less than 25	64.9	64.7	63.1 ↓	65.3
Non-smoking	Ratio of employees with no smoking habits	81.3	82.4	82.9 ↑	83.3
Exercise	Ratio of employees with exercise habits	25.3	26.8	27.9 ↑	28.7
Sleep	Ratio of employees able to take enough rest by sleeping	61.9	62.1	60.5 ↓	78.3
Stress	Ratio of employees not applied for "High stress"	82.3	84.0	84.5 ↑	86.3

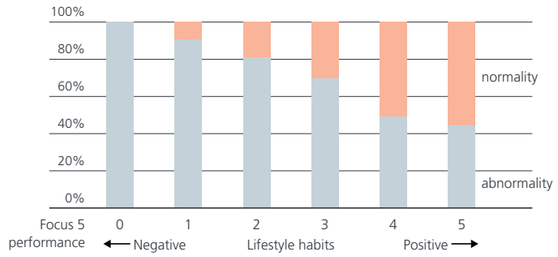
*For all five themes, the higher the proportion the better
*The arrows show the changes compared to the previous fiscal year

Focus 5 and Health Data

The correlation between the Focus 5 indicators and health data showed that the higher the number of applicable indicators, the fewer abnormalities*1 during health examination and the less ill health*2 during stress checks.

*1 Individuals who meet the reexamination, further examination, and treatment standards of the Japan Society of Ningen Dock in any of the five categories within periodic health checkups (BMI, blood pressure, lipids, blood glucose, and liver functions)
*2 Calculated from the responses to 11 questions regarding one's physical condition in the stress check

Number of applicable Health Examination Result and Focus 5 (FY2023)



Example Initiatives in FY2023

Initiative for Exercise

We held a measurement event under the theme of "walking," which can be done easily by anyone at any time. The event featured a walking posture analyzer and body composition scale. By visualizing one's walking posture, muscle mass, and body fat percentage, we created an opportunity to promote better lifestyle habits through improving daily physical activities.



Measurement event using a walking posture analyzer

Initiative for Sleep

We conducted e-learning aimed at desk workers to promote a correct understanding of sleep and held seminars on sleep for employees who worked shifts and new recruits. Furthermore, a survey was conducted for all employees working shifts—as these employees tend to be plagued with sleep issues—to clarify issues regarding sleep quality and consider measures to improve sleep. The data collected from the survey will be analyzed and reflected in future improvement measures.

Stakeholder Communication/Engagement

TAIYO YUDEN aspires to be trusted by all stakeholders. We work on increasing our disclosures and transparency and harnessing stakeholders' opinions learned through dialog with them to inform our business activities, as a result increasing our corporate value.

Stakeholders	Objectives & Policy on Communication	Methods of Communication	Examples
Employees	In an aim to achieve TAIYO YUDEN's materiality to "achieve health-oriented management and work style reforms at safety first workplace" and "train and develop human resources based on the diversity policy," and to become a company where employees can work energetically, we are taking various initiatives including conducting employee surveys on a regular basis.	■ Employee surveys (Stress checks, health & safety awareness surveys, etc.) ■ Discussions with labor union ■ Training sessions for employees ■ Career counseling service	■ Employee Engagement Survey (Work Engagement Survey) Every year, we survey our employees on work engagement, a KPI set forth in our medium-term management plan 2025. We develop policies using the survey results and execute them to increase the scores.
Local Community	As stated in the management philosophy, TAIYO YUDEN aims for the betterment of local communities, and desires to progress together. We provide factory tours for the people of local communities to promote understanding on TAIYO YUDEN. We also strive to build trust through social contribution activities including sports and volunteer activities.	■ Factory tours ■ Dispatch lecturers to manufacturing classes, participate in manufacturing-related events ■ Participate in and sponsor local activities and charity events ■ Volunteer activities such as forest maintenance, afforestation, and cleaning ■ Softball classes by women's softball team	■ Manufacturing classes We provide manufacturing classes for children at the Shin-Kawasaki Center SOLairoLab and elsewhere.
Shareholders and Investors	We work to provide better understanding of our management policies and business activities through timely and appropriate information disclosure and dialogue. Opinions obtained through dialogue are reported as feedback to management, including the Board of Directors, on a regular basis and are utilized to improve management.	■ General Meeting of Shareholders ■ Announcement of Financial Results ■ IR, SR interviews	■ IR and SR interviews TAIYO YUDEN's management and its IR and ESG staff interview our investors to discuss matters both financial and non-financial. We have incorporated investor feedback to improve and expand our ESG-related information disclosures.
Customers	Through communication from the product design stage, manufacturing base audits, and scorecards, we meet the needs and required standards of customers. We participate in Japanese and international trade shows to introduce TAIYO YUDEN's products and solutions to the wide public including potential customers, and work to create new value.	■ Day-to-day sales activities ■ Customer satisfaction survey ■ Review and audit by customers ■ Exhibitions, seminars ■ Technological exchange sessions	■ Customer reviews and audits We participate in CSR surveys and audits upon customer request.
Suppliers	Suppliers are important partners in the business of TAIYO YUDEN. We hold procurement policy briefings to share TAIYO YUDEN's management and business policies, and ask suppliers to cooperate with the CSR assessment and audit using check sheets that are formulated based on the RBA Code of Conduct. Through this, we are working together to build a supply chain that will fulfill our corporate social responsibilities.	■ Suppliers Seminars ■ Audit to suppliers (CSR audits)	■ Supplier policy briefings Every year, we invite our suppliers to supplier policy briefings to share our management and business policies and our latest ESG developments with them, as well as to help them with their corporate ESG initiatives.

Investor communications FY2023 Results

Activities	Frequency	Description
Financial results briefings	4 times	Provided to securities analysts and institutional investors every quarter. The President and Chief Executive Officer, the Operating Officer or the IR Officer provide financial results and other information.
IR interviews	320 interviews	Hold individual interviews in-person or online with securities analysts and institutional investors based inside and outside Japan.
SR interviews	8 interviews	Hold individual interviews mainly with those with shareholder voting rights.
Overseas roadshows	4 times	The President and Chief Executive Officer, the Operating Officer and the IR staff visit institutional investors outside Japan to hold individual interviews.

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) (Millions of yen)

Years ended March 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Business results											
Net sales	208,222	227,095	240,385	230,716	244,117	274,349	282,329	300,920	349,636	319,504	**322,647**
Operating profit	11,358	13,153	23,370	12,385	20,221	35,237	37,176	40,766	68,218	31,980	**9,079**
Ordinary profit	12,192	15,653	22,263	11,200	20,553	34,351	35,165	41,247	72,191	34,832	**13,757**
Profit attributable to owners of parent	6,989	10,919	14,751	5,428	16,355	23,687	18,022	28,615	54,361	23,216	**8,317**
Total assets	247,596	265,454	268,380	271,149	287,170	328,861	343,122	404,642	474,522	503,462	**579,686**
Net assets	128,556	150,856	153,381	154,150	170,118	205,953	210,454	243,941	300,286	318,478	**330,098**
Cash flows from operating activities	29,724	24,896	38,278	29,692	33,944	42,967	52,434	52,882	67,315	39,460	**51,104**
Cash flows from investing activities	(18,947)	(20,964)	(35,374)	(28,806)	(26,918)	(33,581)	(40,874)	(42,218)	(50,622)	(60,438)	**(82,793)**
Free cash flows	10,777	3,932	2,904	887	7,026	9,386	11,560	10,664	16,693	(20,978)	**(31,689)**
Cash flows from financing activities	8,404	(21,249)	(2,050)	(4,342)	953	(1,603)	(4,851)	12,604	(14,711)	14,485	**37,647**
Cash and cash equivalents at end of period	54,611	41,476	39,944	36,094	43,837	51,654	57,285	81,785	88,609	84,124	**94,940**
R&D expenses	7,353	8,237	9,024	10,008	10,574	13,039	12,921	12,550	13,099	12,678	**13,696**
Capital investment	19,126	18,773	41,261	33,161	24,549	38,570	39,365	49,699	34,023	50,489	**92,201**
Depreciation and amortization	20,750	21,813	23,767	24,908	25,589	26,547	27,022	29,256	31,287	34,903	**39,391**

(Yen) (Yen)

Per share data											
Net assets per share	1,090.26	1,278.07	1,299.75	1,305.96	1,440.79	1,609.72	1,672.40	1,937.86	2,403.20	2,548.15	**2,640.98**
Basic earnings per share	59.38	92.74	125.27	46.08	138.80	189.93	143.04	227.99	433.46	186.32	**66.75**
Diluted earnings per share	58.09	85.51	115.54	42.43	127.88	185.87	142.67	227.32	432.19	185.71	**63.49**
Cash dividends per share	10.00	10.00	15.00	20.00	20.00	21.00	26.00	40.00	80.00	90.00	**90.00**

(%) (%)

Financial indicators											
Equity ratio	51.8	56.7	57.1	56.8	59.1	62.5	61.2	60.1	63.1	63.1	**56.8**
Return on Equity [ROE]	5.7	7.8	9.7	3.5	10.1	12.6	8.7	12.6	20.0	7.5	**2.6**
Return on Assets [ROA]	5.1	6.1	8.3	4.2	7.4	11.2	10.5	11.0	16.4	7.1	**2.5**
Return On Invested Capital [ROIC]	3.7	5.4	7.2	2.6	7.6	9.8	6.8	9.8	15.7	5.9	**1.9**

Non-financial indicators											
Number of employees [consolidated]	16,435	18,262	18,810	18,753	19,011	21,300	21,723	22,852	22,312	21,819	**21,823**
Number of employees [non-consolidated]	2,572	2,577	2,618	2,586	2,590	2,681	2,785	2,837	2,873	2,903	**2,853**
Greenhouse gas emissions (10^3t-CO_2e)	382	426	424	422	432	430	432	484	459	396	**418**
Incidence rate of injuries and illness	0.020	0.030	0.030	0.035	0.028	0.015	0.008	0.015	0.021	0.015	**0.020**
Accident frequency rate	0.10	0.15	0.15	0.18	0.14	0.08	0.04	0.08	0.10	0.07	**0.10**
Female manager ratio	–	–	–	1.1	1.4	1.8	2.5	2.4	3.7	4.2	**5.9**

Note: ROE = Profit attributable to owners of parent/Shareholders' equity (yearly average) x 100
ROA = Ordinary profit/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
Female manager ratio : Figures as of April 1 of the following year

Financial Review

Outline of Business Performance

During the fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024), the business environment surrounding the TAIYO YUDEN Group ("the Group") remained uncertain, with weakness seen in some regions, although there were some signs of a moderate recovery in the global economy. As for the future, while it will be necessary to monitor the international situation, fluctuations in financial and capital markets, and other trends, moderate recovery is expected to continue.

The Group is aiming to reach 50% for its proportion of sales in focus markets, primarily automotive and IT infrastructure/industrial equipment, in order to achieve the targets set out in the medium-term management plan 2025. Moreover, the Group will produce high value-added electronic components with a focus on high-end and high reliability products to achieve further growth in multilayer ceramic capacitors, the Group's core business, in addition to strengthening inductor and communications device to establish them as core businesses. We also plan capital investment of ¥300.0 billion over five years to continuously expand capacity to meet increase in demand as well as to implement proactive initiatives in the areas of environmental measures and upgrading of IT.

Consolidated net sales for the fiscal year ended March 31, 2024 totaled ¥322,647 million, which was an increase of 1.0% compared to the previous fiscal year.

The average foreign currency exchange rate for the fiscal year ended March 31, 2024 was US$1: ¥143.32. This was a depreciation of ¥9.12 as compared to the average realized in the previous fiscal year of US$1: ¥134.20.

Selling, General and Administrative Expenses

In the fiscal year ended March 31, 2024, selling, general, and administrative (SG&A) expenses increased ¥937 million compared with the previous fiscal year to ¥56,376 million. The main components of SG&A expenses for the fiscal year ended March 31, 2024 were employees' salaries and allowances of ¥13,707 million and research and development expenses of ¥13,696 million.

Accounting for these and other factors, operating profit fell 71.6% year on year to ¥9,079 million.

Non-operating Income (Expenses)

Non-operating income in the fiscal year ended March 31, 2024 was ¥6,546 million, an increase of ¥2,777 million compared with the previous fiscal year. On the other hand, non-operating expenses increased ¥951 million compared with the previous fiscal year to ¥1,868 million due in part to increases in interest expenses and compensation expenses.

As a result, ordinary profit decreased 60.5% year on year to ¥13,757 million.

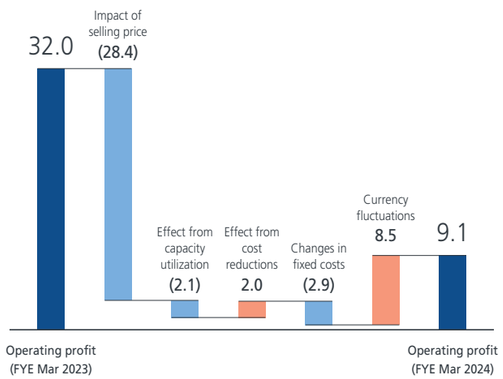
Extraordinary Gains (Losses)

In the fiscal year ended March 31, 2024, extraordinary income increased ¥99 million compared with the previous fiscal year to ¥271 million, due in part to gains recorded on the sale of investment securities and golf club membership. Extraordinary losses decreased ¥2,945 million compared with the previous fiscal year to ¥956 million. This was due to a decrease in impairment losses and in loss on sale and retirement of non-current assets, as well as the absence of the Antimonopoly Act-related loss pertaining to the subsidiary ELNA CO., LTD. that was recorded in the previous fiscal year.

As a result, profit attributable to owners of parent decreased 64.2% year on year to ¥8,317 million.

Factors behind Operating Income in FYE March 2024

(Billions of yen)



Financial Position

Assets

Total assets as of the end of the fiscal year ended March 31, 2024 stood at ¥579,686 million, up ¥76,223 million from the end of the previous fiscal year.

Current assets increased ¥22,823 million. This was mainly due to an increase of ¥15,585 million in cash and deposits, an increase of ¥10,826 million in notes and accounts receivable - trade, a decrease of ¥1,891 million in work in process, and a decrease of ¥1,408 million in merchandise and finished products. Fixed assets increased ¥53.4 billion owing to an upswing in property, plant and equipment of ¥52,966 million.

Liabilities

Total liabilities stood at ¥249,587 million as of March 31, 2024, an increase of ¥64,603 million compared with the end of the previous fiscal year. This was primarily due to an increase of ¥51,170 million in convertible-bond-type bonds with share acquisition rights, an increase of ¥33,441 million in long-term borrowings, an increase of ¥6,732 million in notes and accounts payable - trade, a decrease of ¥26.0 billion in short-term borrowings, and a decrease of ¥8,702 million in the current portion of long-term borrowings.

Net Assets

Net assets stood at ¥330,098 million as of March 31, 2024, up ¥11,620 million compared with the end of the previous fiscal year. Principal movements in net assets were a decrease of ¥2,897 million in retained earnings due to ¥8,317 million in profit attributable to owners of parent and ¥11,215 million in dividends of surplus, and an increase of ¥14,774 million in foreign currency translation adjustment due to the impact of exchange rates such as yen depreciation.

Status of Cash Flows

Net cash provided by operating activities for the fiscal year ended March 31, 2024 was ¥51,104 million, an increase of 29.5% compared with the previous fiscal year. The contributing factors were profit before income taxes of ¥13,073 million, depreciation of ¥39,391 million, a decrease in inventories of ¥7,146 million, and an increase in trade receivables of ¥4,840 million.

Net cash used in investing activities was ¥82,793 million, up 37.0% from the previous fiscal year. The largest cash outflow was ¥79,907 million paid for purchase of non-current assets.

Net cash provided by financing activities was ¥37,647 million, an increase of 159.9% from the previous fiscal year. The main factors were proceeds of ¥51,133 million from the issuance of convertible-bond-type bonds with share acquisition rights, proceeds from long-term borrowings of ¥42,708 million, a decrease in short-term borrowings of ¥26.0 billion, repayments of long-term borrowings of ¥17,969 million, and payments of cash dividends of ¥11,198 million.

As a result of the aforementioned activities, cash and cash equivalents as of March 31, 2024 were ¥94,940 million, an increase of ¥10,815 million from the end of the previous fiscal year.

Financing from external sources as of March 31, 2024 consisted of ¥4.2 billion in short-term borrowings, ¥9,255 million in the current portion of long-term borrowings, ¥51,170 million in convertible-bond-type bonds with share acquisition rights, and ¥84,219 million in long-term borrowings. In principle, borrowings are procured within Japan at fixed interest rates. TAIYO YUDEN has also established a commitment line of ¥30.0 billion effective for three years, in order to ensure financial stability. The Group has not utilized the commitment line as of March 31, 2024.

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 Sheets

TAIYO YUDEN CO., LTD. and Subsidiaries

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	87,197	102,783
Notes and accounts receivable - trade	70,372	81,199
Merchandise and finished goods	34,695	33,287
Work in process	46,885	44,993
Raw materials and supplies	23,234	24,056
Other	12,269	11,205
Allowance for doubtful accounts	(258)	(305)
Total current assets	274,396	297,219
Non-current assets		
Property, plant and equipment		
Buildings and structures	129,144	172,862
Machinery, equipment and vehicles	363,035	408,458
Tools, furniture and fixtures	37,483	43,569
Land	15,858	16,171
Construction in progress	47,571	39,100
Accumulated depreciation	(372,502)	(406,606)
Total property, plant and equipment	220,590	273,556
Intangible assets		
Other	1,663	1,807
Total intangible assets	1,663	1,807
Investments and other assets		
Investment securities	1,447	1,342
Retirement benefit asset	71	77
Deferred tax assets	3,825	4,168
Other	1,561	1,615
Allowance for doubtful accounts	(92)	(100)
Total investments and other assets	6,812	7,102
Total non-current assets	229,066	282,466
Total assets	503,462	579,686

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	23,012	29,745
Short-term borrowings	30,200	4,200
Current portion of long-term borrowings	17,958	9,255
Accounts payable - other	24,735	22,013
Income taxes payable	1,550	2,182
Provision for bonuses	4,205	5,056
Provision for bonuses for directors	60	17
Other	10,416	13,310
Total current liabilities	112,140	85,780
Non-current liabilities		
Convertible-bond-type bonds with share acquisition rights	–	51,170
Long-term borrowings	50,777	84,219
Deferred tax liabilities	7,328	7,986
Provision for retirement benefits for directors (and other officers)	39	48
Retirement benefit liability	5,666	6,994
Other	9,030	13,386
Total non-current liabilities	72,843	163,806
Total liabilities	184,984	249,587
Net assets		
Shareholders' equity		
Share capital	33,575	33,575
Capital surplus	49,908	49,922
Retained earnings	233,802	230,905
Treasury shares	(13,457)	(13,411)
Total shareholders' equity	303,829	300,990
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	631	478
Deferred gains or losses on hedges	(0)	(32)
Foreign currency translation adjustment	13,086	27,861
Remeasurements of defined benefit plans	(26)	(161)
Total accumulated other comprehensive income	13,690	28,146
Share acquisition rights	958	961
Total net assets	318,478	330,098
Total liabilities and net assets	503,462	579,686

Consolidated Financial Statements

Consolidated Statements of Income

TAIYO YUDEN CO., LTD. and Subsidiaries

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	319,504	322,647
Cost of sales	232,085	257,191
Gross profit	87,419	65,456
Selling, general and administrative expenses	55,438	56,376
Operating profit	31,980	9,079
Non-operating income		
Interest income	723	1,324
Dividend income	61	57
Foreign exchange gains	1,136	3,961
Subsidy income	1,591	771
Other	255	431
Total non-operating income	3,769	6,546
Non-operating expenses		
Interest expenses	463	698
Bond issuance costs	–	116
Depreciation of inactive non-current assets	52	137
Compensation expenses	267	808
Other	133	107
Total non-operating expenses	916	1,868
Ordinary profit	34,832	13,757
Extraordinary income		
Gain on sale of non-current assets	171	24
Gain on sale of investment securities	–	177
Gain on sale of golf club membership	–	69
Total extraordinary income	171	271
Extraordinary losses		
Loss on sale and retirement of non-current assets	886	730
Impairment losses	20	1
Loss on disaster	–	223
Loss related to anti-monopoly act	2,927	–
Other	67	1
Total extraordinary losses	3,902	956
Profit before income taxes	31,102	13,073
Income taxes - current	5,767	4,270
Income taxes - deferred	2,118	485
Total income taxes	7,886	4,755
Profit	23,216	8,317
Profit attributable to owners of parent	23,216	8,317

Consolidated Statements of Comprehensive Income

TAIYO YUDEN CO., LTD. and Subsidiaries

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit	23,216	8,317
Other comprehensive income		
Valuation difference on available-for-sale securities	113	(152)
Deferred gains or losses on hedges	189	(31)
Foreign currency translation adjustment	4,840	14,774
Remeasurements of defined benefit plans, net of tax	295	(134)
Total other comprehensive income	5,438	14,455
Comprehensive income	28,654	22,773
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	28,654	22,773

Consolidated Financial Statements

Consolidated Statements of Changes in Equity

TAIYO YUDEN CO., LTD. and Subsidiaries

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	33,575	49,908	221,178	(13,454)	291,207
Changes during period					
Dividends of surplus			(10,591)		(10,591)
Profit attributable to owners of parent			23,216		23,216
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares					–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	12,624	(2)	12,621
Balance at end of period	33,575	49,908	233,802	(13,457)	303,829

	Accumulated other comprehensive income					Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income		
Balance at beginning of period	518	(190)	8,246	(321)	8,252	826	300,286
Changes during period							
Dividends of surplus							(10,591)
Profit attributable to owners of parent							23,216
Purchase of treasury shares							(2)
Disposal of treasury shares							–
Net changes in items other than shareholders' equity	113	189	4,840	295	5,438	132	5,570
Total changes during period	113	189	4,840	295	5,438	132	18,192
Balance at end of period	631	(0)	13,086	(26)	13,690	958	318,478

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	33,575	49,908	233,802	(13,457)	303,829
Changes during period					
Dividends of surplus			(11,215)		(11,215)
Profit attributable to owners of parent			8,317		8,317
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		13		45	59
Net changes in items other than shareholders' equity					
Total changes during period	–	13	(2,897)	45	(2,838)
Balance at end of period	33,575	49,922	230,905	(13,411)	300,990

	Accumulated other comprehensive income					Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income		
Balance at beginning of period	631	(0)	13,086	(26)	13,690	958	318,478
Changes during period							
Dividends of surplus							(11,215)
Profit attributable to owners of parent							8,317
Purchase of treasury shares							(0)
Disposal of treasury shares							59
Net changes in items other than shareholders' equity	(152)	(31)	14,774	(134)	14,455	3	14,459
Total changes during period	(152)	(31)	14,774	(134)	14,455	3	11,620
Balance at end of period	478	(32)	27,861	(161)	28,146	961	330,098

Consolidated Financial Statements

Consolidated Statements of Cash Flows

TAIYO YUDEN CO., LTD. and Subsidiaries

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	31,102	13,073
Depreciation	34,903	39,391
Impairment losses	20	1
Loss on disaster	–	223
Loss related to anti-monopoly act	2,927	–
Increase (decrease) in allowance for doubtful accounts	30	23
Increase (decrease) in provision for bonuses	(1,702)	811
Increase (decrease) in provision for bonuses for directors	(618)	(43)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	8	7
Interest and dividend income	(785)	(1,381)
Interest expenses	463	698
Loss (gain) on sale and retirement of non-current assets	714	706
Loss (gain) on sale of investment securities	–	(177)
Subsidy income	(1,289)	(360)
Decrease (increase) in trade receivables	19,556	(4,840)
Decrease (increase) in inventories	(6,063)	7,146
Increase (decrease) in trade payables	(10,087)	4,398
Other, net	(6,627)	(9,378)
Subtotal	62,552	50,298
Interest and dividends received	775	1,286
Interest paid	(415)	(655)
Payments associated with disaster loss	–	(28)
Payments for loss related to anti-monopoly act	(390)	–
Income taxes refund (paid)	(23,061)	202
Net cash provided by (used in) operating activities	39,460	51,104
Cash flows from investing activities		
Purchase of non-current assets	(63,338)	(79,907)
Proceeds from sale of non-current assets	171	52
Decrease (increase) in time deposits	948	(4,346)
Proceeds from sale of investment securities	189	191
Subsidies received	1,244	606
Other, net	346	608
Net cash provided by (used in) investing activities	(60,438)	(82,793)

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	10,000	(26,000)
Proceeds from long-term borrowings	20,000	42,708
Repayments of long-term borrowings	(4,049)	(17,969)
Proceeds from issuance of convertible-bond-type bonds with share acquisition rights	–	51,133
Purchase of treasury shares	(2)	(0)
Dividends paid	(10,573)	(11,198)
Repayments of lease liabilities	(889)	(1,014)
Other, net	(0)	(11)
Net cash provided by (used in) financing activities	14,485	37,647
Effect of exchange rate change on cash and cash equivalents	2,006	4,858
Net increase (decrease) in cash and cash equivalents	(4,485)	10,815
Cash and cash equivalents at beginning of period	88,609	84,124
Cash and cash equivalents at end of period	84,124	94,940

ESG Data

Detailed data can be viewed on our website.
- ESG Data https://www.yuden.co.jp/en/sustainability/misc/sdata/
- Environment Performance https://www.yuden.co.jp/en/sustainability/environment/performance/
- Diversity https://www.yuden.co.jp/en/sustainability/society/diversity/

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

				Period/ As-of-Date	Coverage	FY2020	FY2021	FY2022	FY2023	FY2024	Unit
Environment	Greenhouse gas (GHG) Medium-term management plan 2025 Target GHG absolute emissions Reduction by 42%* in FY2030 *compared with FY2020	GHG emissions (Scope1 + Scope2)		Full year	Consolidated	484,000	459,000	396,000	418,000	—	t-CO_2e
		Scope1		Full year	Consolidated	42,000	44,000	42,000	51,000	—	t-CO_2e
		Scope2		Full year	Consolidated	442,000	415,000	354,000	367,000	—	t-CO_2e
		Scope3	1. Purchased goods and services	Full year	Consolidated	392,102	379,879	482,072	601,000	—	t-CO_2e
			2. Capital goods	Full year	Consolidated	122,262	83,697	122,350	225,000	—	t-CO_2e
			3. Fuel- and energy-related activities	Full year	Consolidated	19,286	75,642	70,983	77,000	—	t-CO_2e
			4. Upstream transportation & distribution	Full year	Consolidated	42,950	47,668	37,239	36,000	—	t-CO_2e
			5. Waste generated in operations	Full year	Consolidated (Japan)*1	7,559	21,235	12,379	11,000	—	t-CO_2e
			6. Business travel	Full year	Consolidated (Japan)	340	570	792	900	—	t-CO_2e
			7. Employee commuting	Full year	Consolidated (Japan)	7,656	9,060	8,833	9,000	—	t-CO_2e
			8. Upstream leased assets	Full year	Consolidated	0	0	0	0	—	t-CO_2e
			10. Processing of sold products	Full year	Consolidated	6,507	7,459	6,625	7,000	—	t-CO_2e
			12. End-of-life treatment of sold products	Full year	Consolidated	158	244	121	100	—	t-CO_2e
		GHG emissions reduction ratio (absolute amount) *compared with FY2020		Full year	Consolidated	(Reference year)	-5.2	-18.3	-13.5	—	%
	Energy (Manufacturing)	Non-renewable electricity purchased		Full year	Consolidated	919,484	954,088	891,139	944,301	—	MWh
		Total renewable energy purchased or generated		Full year	Consolidated	730	87,179	123,212	151,256	—	MWh
	Water Target Average water use per unit (production volume) FY2025 10% reduction *compared with FY2020	Total net fresh water consumption		Full year	Consolidated	4,149	4,027	3,609	3,764	—	thousand m^3
		Withdrawal: Total municipal water supplies (or from other water utilities)		Full year	Consolidated	3,808	3,668	3,283	3,424	—	thousand m^3
		Withdrawal: Fresh groundwater		Full year	Consolidated	341	359	326	340	—	thousand m^3
		Water usage reduction ratio per unit*2 *compared with FY2020		Full year	Consolidated	(Reference year)	-17.2	-4.5	-7.6	—	%
	Waste Target Average waste generation per unit (production volume) FY2025 10% reduction *compared with FY2020	Total waste generated		Full year	Consolidated	25.6	28.9	26.3	25.7	—	kt
		Total waste recycled		Full year	Consolidated	23.4	26.6	24.2	23.7	—	kt
		Final disposal of waste		Full year	Consolidated	2.2	2.3	2.1	2.0	—	kt
		Recycling rate		Full year	Consolidated	91.4	92.0	92.1	92.3	—	%
		Waste generation reduction ratio per unit*2 *compared with FY2020		Full year	Consolidated	(Reference year)	-3.8	12.6	1.9	—	%
Social	Human rights and labor	Compliance rate of ban on child labor and forced labor		March 31	Consolidated	100.0	100.0	100.0	100	—	%
	Work engagement Target Work engagement 2.5 or higher	Work engagement		March 31	Non-consolidated	2.27	2.25	2.28	2.30	—	—
		Survey response rate		March 31	Non-consolidated	93.3	92.7	92.6	90.1	—	%
	Human resource development	Number of level-specific training recipients (new employee training, promotion training, etc.)		March 31	Non-consolidated	583	589	1,229	1,016	—	Persons
		Number of leadership training recipients (leadership training, selective training for junior level, etc.)		March 31	Non-consolidated	77	77	64	104	—	Persons
		Number of career development support training recipients (career plan training, etc.)		March 31	Non-consolidated	198	339	321	302	—	Persons
		Number of theme based training recipients (quality training, 5S training, statistics training, etc.)		March 31	Non-consolidated	1,392	1,303	1,406	1,587	—	Persons

*1 The coverage of calculations is consolidated from FY2021.
*2 Figures for FY2021 have been changed retroactively due to the change of the basic unit to production volume.

				Period/ As-of-Date	Coverage	FY2020	FY2021	FY2022	FY2023	FY2024	Unit
Social	Diversity Target Rate of newly recruited female graduates 30% or higher Female manager ratio 10% or higher (FY2030)	Number of employees (consolidated)		March 31	Consolidated	22,852	22,312	21,819	21,823	—	Persons
		Number of employees (non-consolidated)		March 31	Non-consolidated	2,837	2,873	2,903	2,853	—	Persons
			Male	March 31	Non-consolidated	2,183	2,211	2,206	2,141	—	Persons
			Female	March 31	Non-consolidated	654	662	697	712	—	Persons
			Ratio of females	March 31	Non-consolidated	23.1	23.0	24.0	25.0	—	%
		Number of managerial positions		April 1	Non-consolidated	286	287	295	283	273	Persons
			Male	April 1	Non-consolidated	279	280	284	271	257	Persons
			Female	April 1	Non-consolidated	7	7	11	12	16	Persons
			Ratio of females in managerial roles (consolidated)	April 1	Consolidated*3	—	—	—	17.0	17.4	%
			Ratio of females in managerial roles (non-consolidated)	April 1	Non-consolidated	2.5	2.4	3.7	4.2	5.9	%
		Ratio of female managerial roles among female employees		April 1	Non-consolidated	1.1	1.0	1.5	1.6	2.1	%
		Length of service		March 31	Non-consolidated	18.8	17.8	17.4	16.9	—	Years
			Male	March 31	Non-consolidated	18.9	17.9	17.6	17.2	—	Years
			Female	March 31	Non-consolidated	18.7	17.5	16.6	15.8	—	Years
		Number of new graduates		April 1	Non-consolidated	101	122	129	116	129	Persons
			Male	April 1	Non-consolidated	58	88	80	75	87	Persons
			Female	April 1	Non-consolidated	43	34	49	41	42	Persons
			Rate of newly recruited female graduates	April 1	Non-consolidated	42.6	27.9	38.0	35.3	32.6	%
		Number of mid-careers		March 31	Non-consolidated	59	40	60	67	—	Persons
			Male	March 31	Non-consolidated	37	38	39	48	—	Persons
			Female	March 31	Non-consolidated	22	2	21	19	—	Persons
		Employment rate of disabled people		June 1	Non-consolidated	—	—	2.13	2.36	2.58	%
		Average number of paid leave days taken		March 31	Non-consolidated	12.7	14.8	15.6	16.1	—	Days
		Utilization rate of childcare leave		March 31	Non-consolidated	—	—	41	62	—	%
			Male	March 31	Non-consolidated	—	—	29	52	—	%
			Female	March 31	Non-consolidated	100	100	100	100	—	%
		Utilization rate of childcare leave / special paid holiday (when spouse gives birth)		March 31	Non-consolidated	91	91	93	96	—	%
			Male	March 31	Non-consolidated	90	89	92	96	—	%
			Female	March 31	Non-consolidated	100	100	100	100	—	%
		Ratio of employees who return to work after childcare leave (Female)		March 31	Non-consolidated	100	100	100	100	—	%
		Gender pay gap		March 31	Non-consolidated	—	—	68.0	69.9	—	%
			Regular employees	March 31	Non-consolidated	—	—	67.2	69.2	—	%
			Non-regular employees	March 31	Non-consolidated	—	—	68.6	67.4	—	%
	Occupational health and safety Target Incidence rate of injuries and illness < 0.016 Accident frequency rate < 0.08	Incidence rate of injuries and illness		March 31	Consolidated	0.015	0.021	0.015	0.020	—	—
		Accident frequency rate		March 31	Consolidated	0.08	0.10	0.07	0.10	—	—
		Number of Lost time accidents		March 31	Consolidated	4	6	4	5	—	Number of cases

*3 Excluding TAIYO YUDEN CO., LTD.

ESG Data

				Coverage	As of June 27, 2024	Unit
Governance	The Board of Directors	Chairperson		Non-consolidated	Chairperson	—
		Directors		Non-consolidated	10	Persons
		Inside Directors		Non-consolidated	5	Persons
		Outside Directors		Non-consolidated	5	Persons
		Ratio of Outside Directors		Non-consolidated	50	%
		Female Directors		Non-consolidated	3	Persons
		Ratio of female Directors		Non-consolidated	30	%
	Audit & Supervisory Committee	Chairperson		Non-consolidated	Outside Director	—
		Audit & Supervisory Committee members		Non-consolidated	3	Persons
		Outside Audit & Supervisory Committee members		Non-consolidated	2	Persons
	Nomination Committee	Chairperson		Non-consolidated	Outside Director	—
		Nomination Committee members		Non-consolidated	4	Persons
		Outside Directors		Non-consolidated	3	Persons
	Remuneration Committee	Chairperson		Non-consolidated	Outside Director	—
		Remuneration Committee members		Non-consolidated	4	Persons
		Outside Directors		Non-consolidated	3	Persons
	Operating Officers	Operating Officers		Non-consolidated	15	Persons
			Male	Non-consolidated	15	Persons
			Female	Non-consolidated	0	Persons

External Evaluation

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.

(As of August 2024)

Inclusion in the Six ESG Indices Selected by GPIF

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

S&P/JPX Carbon Efficient Index

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

S&P/JPX Carbon Efficient Index

2024 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

MSCI Nihonkabu ESG Select Leaders Index

MSCI Japan Empowering Women Index (WIN)

- Morningstar Japan ex-REIT Gender Diversity Tilt Index

Inclusion in Other ESG Indices

FTSE4Good

2024 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2024 Sompo Sustainability Index

FTSE4Good Index Series

MSCI Japan ESG Select Leaders Index

SOMPO Sustainability Index

Other Sustainability Evaluations

CDP A LIST 2023 CLIMATE

2024 健康経営優良法人 Health and productivity ホワイト500

SPORTS YELL COMPANY 2024

CDP CLIMATE A LIST

Health & Productivity Stock, White 500

Sports Yell Company

女性が活躍しています！

プラチナくるみん 子育てサポートしています

- EcoVadis Bronze Rating

Eruboshi Certification (Three Stars)

Platinum Kurumin Certification

External Evaluation

https://www.yuden.co.jp/en/sustainability/misc/external/

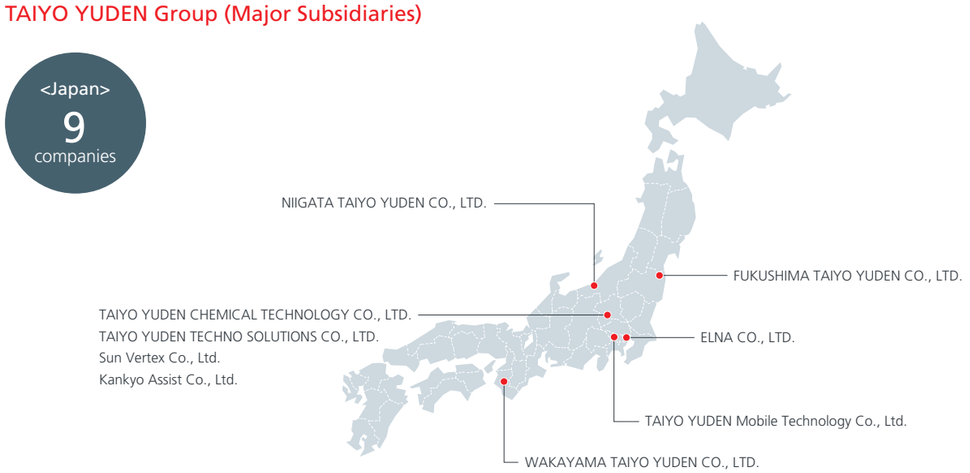
Corporate Data/Stock Information

Corporate Data (As of October 1, 2024)

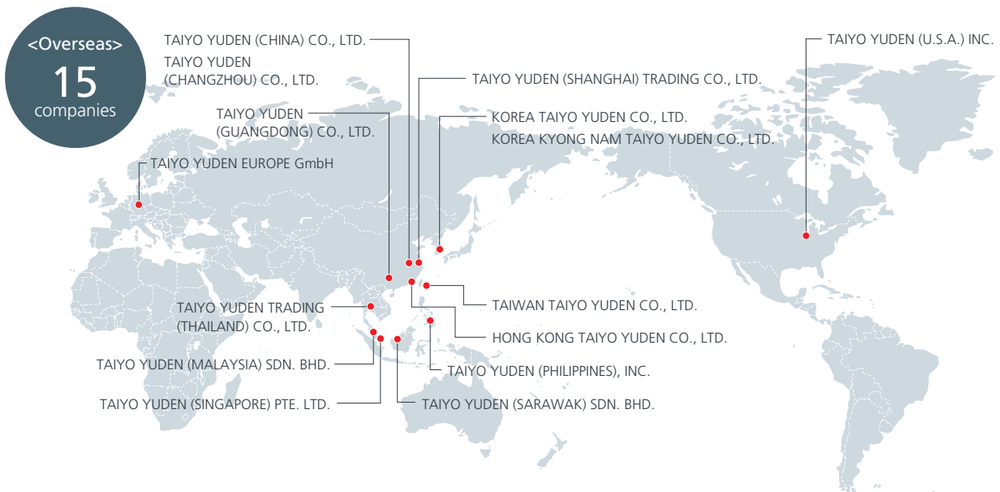
Company name	TAIYO YUDEN CO., LTD.
Head office	2-7-19, Kyobashi, Chuo-ku, Tokyo 104-0031, Japan
Tel	+81-3-6757-8310
Representative Director, President and CEO	Katsuya Sase
Date of establishment	March 23, 1950
Capital	¥33,575 million (as of March 31, 2024)
Number of employees	21,823 (Consolidated) 2,853 (Non-consolidated) (as of March 31, 2024)
Main products	■ Multilayer ceramic capacitors ■ Inductors ■ FBAR/SAW devices for communications ■ Circuit modules ■ Aluminum electrolytic capacitors
URL	https://www.yuden.co.jp/en/

TAIYO YUDEN Group (Major Subsidiaries)

<Japan>
9
companies



<Overseas>
15
companies

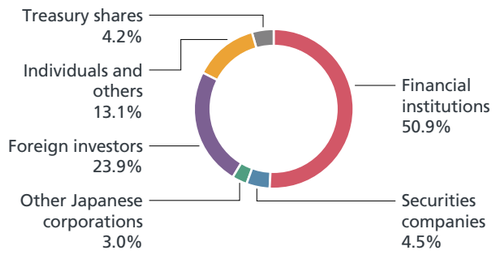


Stock Information (As of March 31, 2024)

Stock Information

Securities code	6976
Stock exchange	Tokyo Stock Exchange
Share trading units	100 shares
Total number of shares authorized to be issued	300,000,000 shares
Total number of shares issued	130,218,481 shares
Number of shareholders	31,619

Distribution of Shares by Shareholder Type



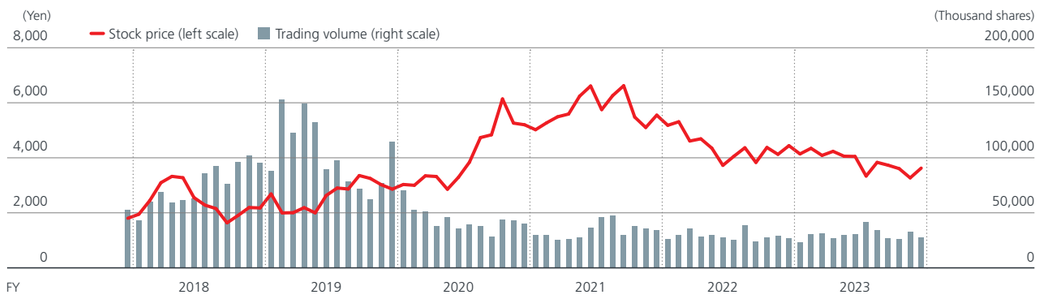
*Figures are rounded down to one decimal place.

Major Shareholders

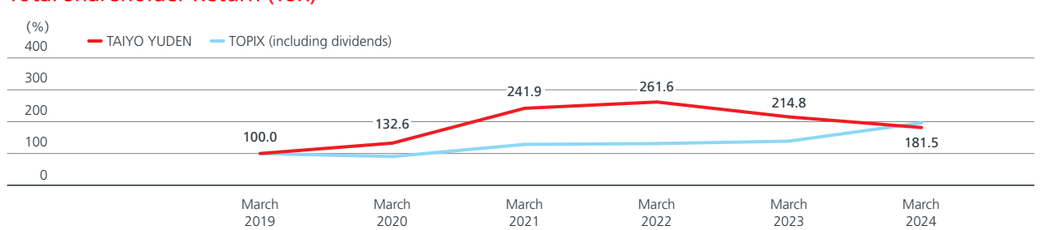
Name	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	38,006,200	30.4
Custody Bank of Japan, Ltd. (Trust Account)	17,922,200	14.3
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS – UNITED KINGDOM	2,821,478	2.2
STATE STREET BANK WEST CLIENT – TREATY 505234	2,147,300	1.7
HSBC HONG KONG – TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	2,031,344	1.6
The Iyo Bank, Ltd.	2,000,100	1.6
Sumitomo Mitsui Banking Corporation	2,000,000	1.6
Sato Fund for Orphans from Traffic Accidents	1,916,640	1.5
JP Morgan Securities Japan Co., Ltd.	1,736,389	1.3
Nippon Life Insurance Company	1,666,450	1.3

Notes 1. The Company holds 5,591,392 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



Total Shareholder Return (TSR)



TAIYO YUDEN CO., LTD.

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https://www.yuden.co.jp/en/