

Consolidated Financial Results

First quarter for the year ending March 31, 2021

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Financial Summary

1Q for the Year Ending March 2021

- Net sales were ¥60.5 billion, which is largely in line with the forecast as of May.
- Operating income was ¥7.9 billion. This exceeded the forecast as of May due to such factors as control of fixed costs, the impact of exchange rates, and the effect of capacity utilization.
- Net sales decreased ¥7.0 billion as operations at production subsidiaries in the Philippines and Malaysia were restricted due to the impact of COVID-19. All production sites in Japan and overseas are operating as normal.

Earnings Forecast for the Year Ending March 2021

- Net sales are projected to decrease 6% Y/Y to ¥265.0 billion, and operating income is projected to decrease 27% Y/Y to ¥27.0 billion.

Financial Summary for 1Q FYE March 2021

Net sales were 60.5 billion yen.

This was largely in line with the forecast as of May.

Operating income was 7.9 billion yen.

This significantly exceeded the forecast of 3.0 billion yen.

The main factors included lower fixed costs, the impact of exchange rates, and the effect of capacity utilization due to an increase in inventory.

Operations at production subsidiaries in the Philippines and Malaysia were restricted from March through May due to the impact of COVID-19. It is estimated that net sales fell 7.0 billion yen as a result. At present, these production subsidiaries are operating as normal, and no impact on sales is expected from 2Q onward.

Earnings Forecasts for FYE March 2021

Net sales are projected to fall 6% Y/Y to 265.0 billion yen, and operating income is projected to fall 27% to 27.0 billion yen.

Impact of COVID-19

Sales

We are closely monitoring production trends at client companies and final demand for equipment, etc.

Procurement

There are some problems with procurement from suppliers, but we are resolving this by changing procurement channels and utilizing current inventory, etc.

Distribution

The decrease in the number of flights is lengthening distribution lead times and increasing distribution costs. We are addressing this through transportation using alternative flights and routes.

Production

All production sites in Japan and overseas are operating as normal.

Country	Company	Main production items	Operation status	
			As of May 12	As of August 7
Philippines	TAIYO YUDEN (PHILIPPINES)	Inductors	Operating (with constraints)	Operating as normal (from June)
Malaysia	TAIYO YUDEN (SARAWAK)	Multilayer ceramic capacitors	Operating (with constraints)	Operating as normal (from mid-May)
Japan, Korea, China, etc.	Companies other than above	—	Operating as normal	Operating as normal

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Impact of COVID-19:

On the sales front, we are working to collect information on customer production trends, final demand for equipment and so forth and preparing so that we can respond to customer requests in a timely manner.

In procurement activities, there have been no major issues.

Although there are some components with procurement issues, we are addressing this by changing procurement channels and utilizing current inventory.

In distribution, the decrease in the number of flights is lengthening distribution lead times and causing some increases in distribution costs, but we are taking measures so that we can minimize the impact, such as using alternative flights and routes.

In production, subsidiaries in the Philippines and Malaysia, which had constraints on operations at the time of our last financial results announcement in May have returned to normal operations, and all plants in Japan and overseas are continuing production activities as normal.

Consolidated Financial Results (Q/Q)						
¥ in million	FYE Mar 31, 2020 4Q (01 Jan 2020 –31 Mar 2020)		FYE Mar 31, 2021 1Q (01 Apr 2020 –30 Jun 2020)		Change Q/Q	
Net sales	68,233	100.0%	60,493	100.0%	(7,740)	(11.3)%
Operating income	7,431	10.9%	7,923	13.1%	492	6.6%
Ordinary income	6,835	10.0%	7,371	12.2%	535	7.8%
Net income attributable to owners of parent company	(1,975)	—	4,541	7.5%	6,517	—
Yen to USD average exchange rate	109.54 yen		107.61 yen		1.93 yen appreciated	
Impact of exchange rate fluctuation	(0.9) billion yen on net sales, (0.1) billion yen on operating income * Including the impact of currencies other than US dollars					
R&D expenses	3,295		2,988		(306)	(9.3)%
Capital investment	14,687		17,886		3,198	21.8%
Depreciation expenses	7,389		6,599		(789)	(10.7)%
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The financial results for the first quarter of the fiscal year ending March 2021 recorded net sales of 60.5 billion yen, operating income of 7.9 billion yen, and ordinary income of 7.4 billion yen.

Loss related to COVID-19 of 1.2 billion was recorded as extraordinary loss. This included fixed costs, such as non-operating personnel expenses and depreciation expenses, as well as temporary expenses.

As a result, net income attributable to owners of parent company was 4.5 billion yen.

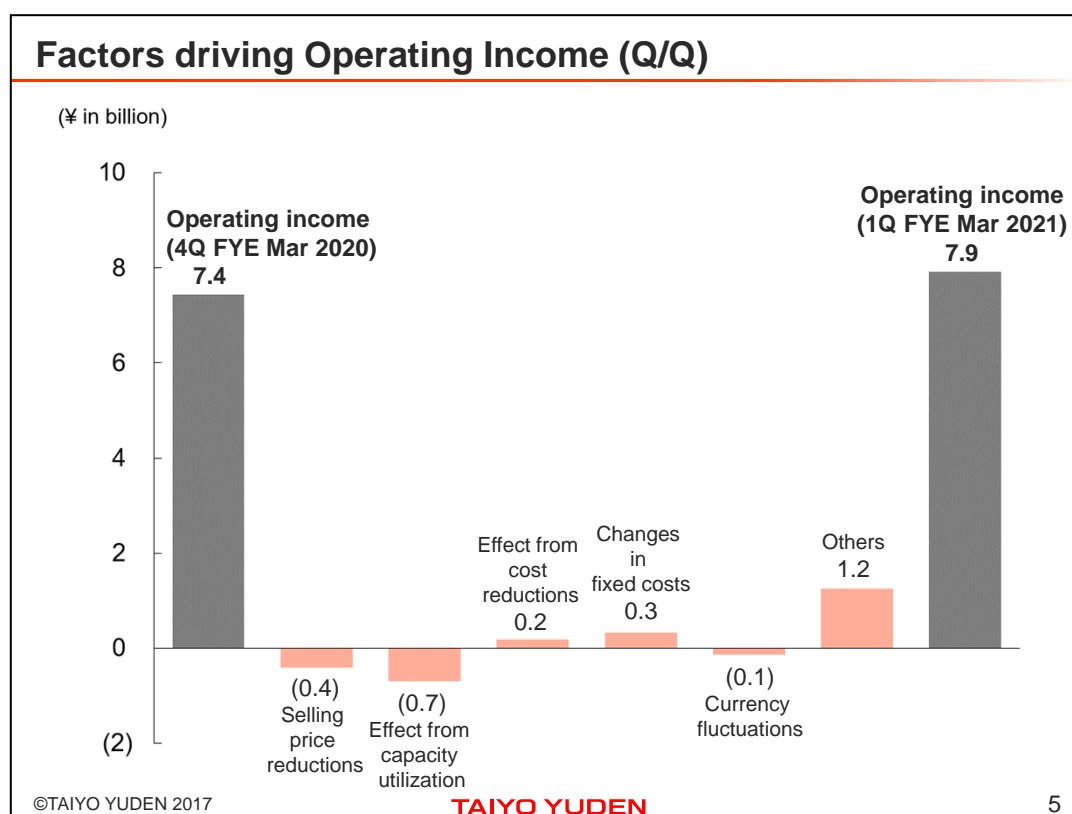
The average exchange rate during the quarter was US\$1:¥107.61, an appreciation of ¥1.93 from the fourth quarter of the previous fiscal year. The impact from this was a decrease of 0.9 billion yen in net sales and 0.1 billion yen in operating income.

R&D expenses were 3.0 billion yen, down 0.3 billion yen Q/Q.

Capital investment was 17.9 billion yen, an increase of 3.2 billion yen Q/Q.

The new plant building at subsidiary NIIGATA TAIYO YUDEN CO., LTD., which produces capacitors, was completed and the expenses relating to it were recorded.

Depreciation expenses were 6.6 billion yen, down 0.8 billion yen Q/Q.



A factor for Q/Q decrease in operating income was a negative impact of 0.4 billion yen in selling prices.

The negative effect from capacity utilization was 0.7 billion yen due to the decrease in sales volume.

The effect from capacity utilization includes the impacts of changes in sales volume, improvement in product mix, and changes in inventory.

Company-wide inventory as of June 30 rose 6.2 billion yen from March 31 on the actual base, excluding the portion with no effect on operating income, such as the impact of exchange rates.

We increased inventory to ensure the necessary inventory for an expansion in demand from 2Q onward as well as to prepare for supply risk due to the spread of COVID-19.

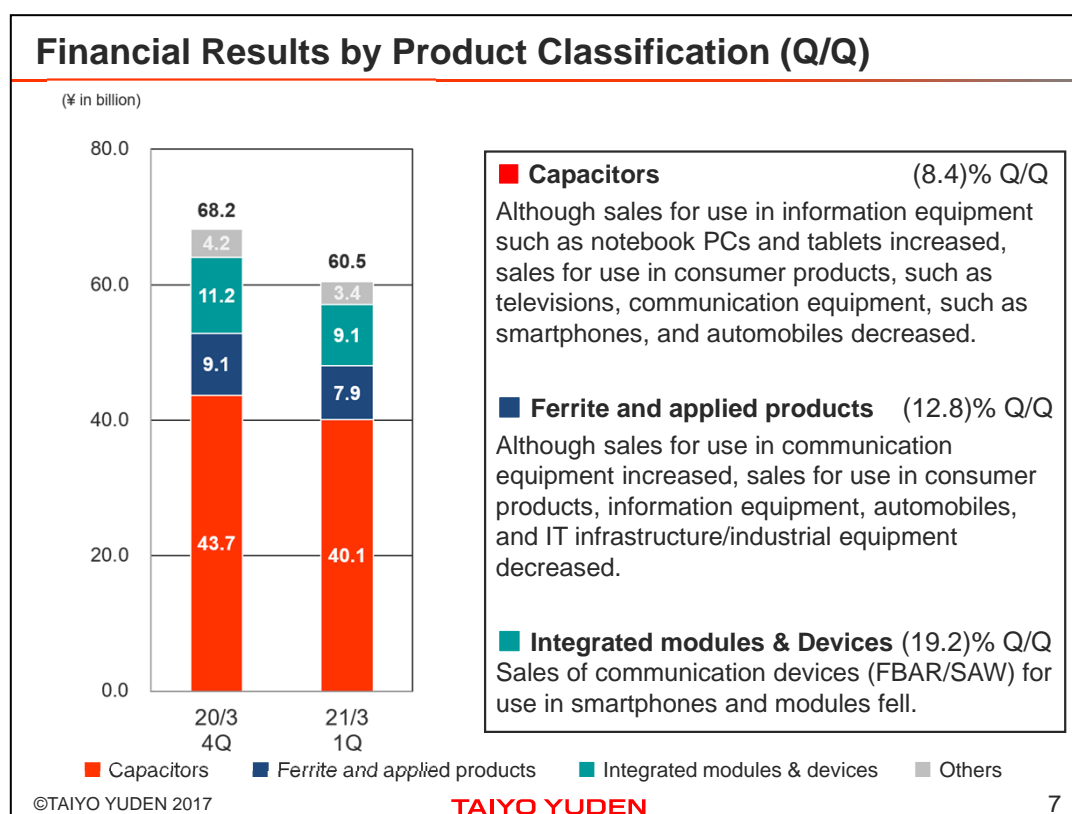
The 0.1 billion yen impact of exchange rates due to the appreciation in the yen was also a factor for decrease in operating income.

The factors for increase in operating income included the 0.2 billion yen effect from cost reductions, the 0.3 billion yen decrease in fixed costs, and 1.2 billion yen from other factors. Other factors include the loss related to COVID-19 recorded as extraordinary loss as explained previously.

As a result, operating income increased 0.5 billion yen to 7.9 billion from the fourth quarter of the previous fiscal year.

Financial Results by Product Classification (Q/Q)

¥ in million	FYE Mar 31, 2020 4Q		FYE Mar 31, 2021 1Q		Change Q/Q	
Capacitors	43,738	64.1%	40,075	66.2%	(3,663)	(8.4)%
Ferrite and applied products	9,090	13.3%	7,928	13.1%	(1,161)	(12.8)%
Integrated modules & devices	11,226	16.5%	9,075	15.0%	(2,150)	(19.2)%
Others	4,178	6.1%	3,413	5.6%	(764)	(18.3)%
Total net sales	68,233	100.0%	60,493	100.0%	(7,740)	(11.3)%



Net sales of capacitors were 40.1 billion yen.

Sales for use in information equipment, such as notebook PCs and tablets, increased, but overall sales of capacitors fell 8% Q/Q because sales for use in consumer products, such as televisions, for use in communication equipment, such as smartphones, and for use in automobiles declined.

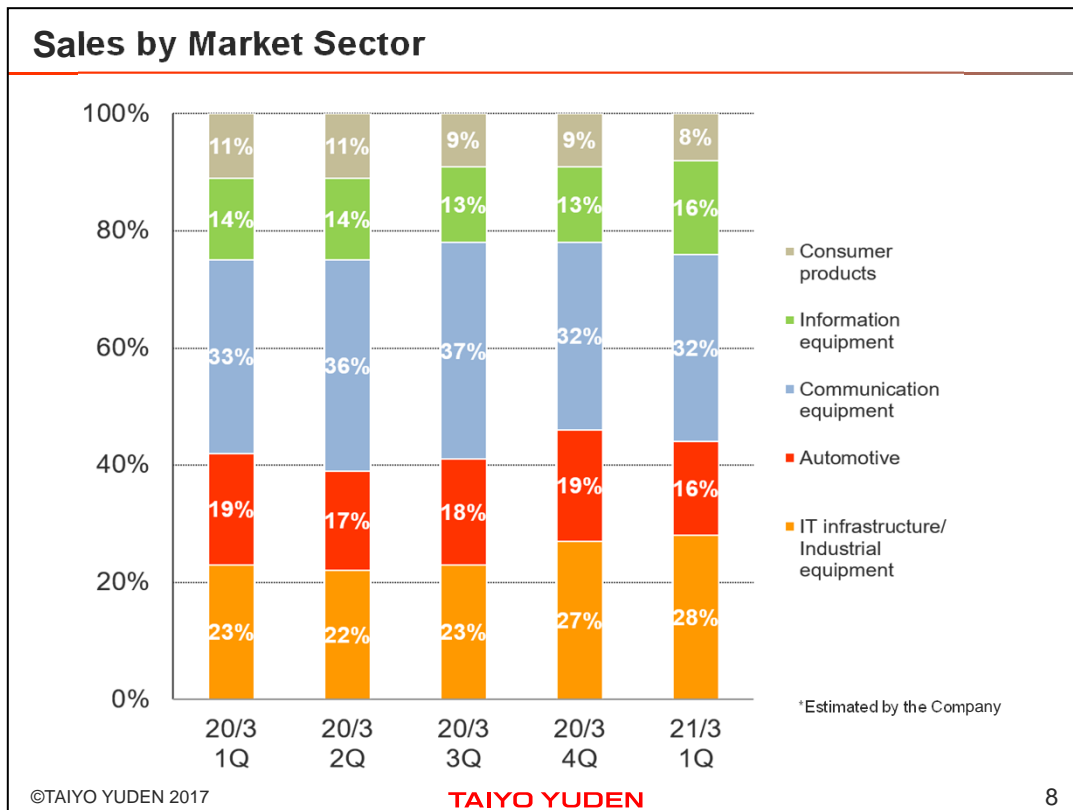
Net sales of ferrite and applied products were 7.9 billion yen, down 13%.

While sales for use in communication equipment increased, sales for use in consumer products, for use in information equipment, for use in automobiles, and for use in IT infrastructure/industrial equipment declined.

Net sales of integrated modules & devices were 9.1 billion yen, down 19%.

Sales of communication devices (FBAR/SAW) for use in smartphones and sales of modules declined.

Communication devices account for 65 – 70% of integrated module & devices sales.



Composition of sales classified by market sector is 16% for use in information equipment, up 3 percentage points Q/Q. Demand for notebook PCs and tablets increased due to the expansion in remote working and online learning.

Sales for use in automobiles fell to 16%, down by 3 percentage points, impacted by a global slump in demand for automobiles.

Sales for use in IT infrastructure/industrial equipment were 28%, sales for use in communication equipment were 32%, and sales for use in consumer products were 8%, largely unchanged Q/Q.

Forecast of Consolidated Performance

for the year ending March 31, 2021

Assumptions for FYE March 31, 2021 Forecast

■ Principal equipment trends

- Production forecasts

	FYE Mar. 31, 2021 Change Y/Y
PCs and tablets	(5)%
Smartphones	(12)%
Automobiles	(25)%

- There will be seasonal demand for electronic components for use in smartphones in 2Q to 3Q. Demand for products for use in automobiles will also recover from 2Q onward.

■ Response to COVID-19

- We will continue business activities having implemented infection control measures in an era of co-existence with COVID-19.
- Given supply risk, we will develop a system that can respond to the unexpected by holding a higher level of inventory than the usual inventory plan.

As the assumptions for the forecast, in terms of equipment production volumes, we forecast Y/Y declines of 5% for PCs and tablets, 12% for smartphones, and 25% for automobiles.

The small decline for PCs and tablets is due to the expansion in remote working and online learning.

There will be seasonal demand for electronic components for use in smartphones in 2Q to 3Q.

We also expect demand for products for use in automobiles will recover from 2Q onward.

Operations at some production sites were restricted until May due to the impact of COVID-19. However, we assume that normal operations will continue at all sites in Japan and overseas going forward.

We are implementing infection control measures and continuing with production activities while giving consideration to the safety of employees.

We plan to hold a higher level of inventory than the usual inventory plan to be prepared for contingences.

Full-Year Forecast

¥ in million	FYE Mar 31, 2020		FYE Mar 31, 2021			Change	
			1H	Forecast			
Net sales	282,329	100.0%	130,000	265,000	100.0%	(17,329)	(6.1)%
Operating income	37,176	13.2%	15,000	27,000	10.2%	(10,176)	(27.4)%
Ordinary income	35,165	12.5%	14,000	26,000	9.8%	(9,165)	(26.1)%
Net income attributable to owners of parent company	18,022	6.4%	8,500	17,000	6.4%	(1,022)	(5.7)%
Yen to USD average exchange rate	109.06 yen		*2Q onward 107.00 yen			—	
R&D expenses	12,921		13,000			79	0.6%
Capital investment	39,365		50,000			10,635	27.0%
Depreciation expenses	27,022		30,000			2,978	11.0%

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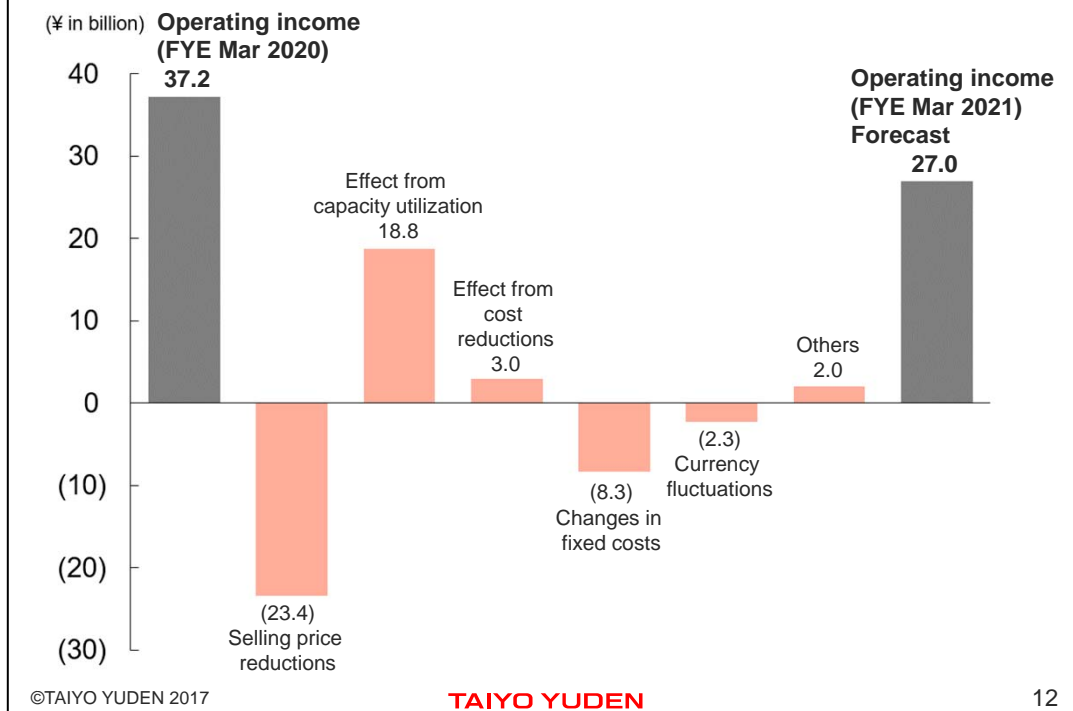
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For fiscal year ending March 31, 2021, we project net sales of 265.0 billion yen, operating income of 27.0 billion yen, ordinary income of 26.0 billion yen, and net income attributable to owners of parent company of 17.0 billion yen.

The assumed exchange rate from 2Q onward is US\$1:¥107.

The forecast for R&D expenses is 13.0 billion yen, in line with the previous fiscal year. Capital investment is expected to increase 10.6 billion yen Y/Y to 50.0 billion yen. This is mainly for investment related to the capacitor business, including the construction of a new plant building at our subsidiary NIIGATA TAIYO YUDEN and increased production in preparation for a medium-term expansion in demand. We plan to increase production capacity for capacitors by 10-15% per year through capital investment and improvements in productivity. We forecast depreciation expenses of 30.0 billion yen, up 3.0 billion yen Y/Y.

Factors behind Operating Income in FYE March 2021



A factor for increase in operating income in fiscal year ending March 31, 2021 is an 18.8 billion yen effect from capacity utilization.

In addition to an increase in sales volume, we plan to increase inventory by around 10.0 billion yen on an actual base by March 31 as a countermeasure to supply risk.

The 3.0 billion yen effect of cost reductions and 2.0 billion yen from other factors are also factors for increase in operating income.

In addition, we recorded 1.2 billion yen in loss related to COVID-19 in 1Q, but expect to record a further 0.8 billion yen loss related to COVID-19 in 2Q.

The 23.4 billion yen impact from selling prices, the 8.3 billion yen increase in fixed costs, and the 2.3 billion effect of exchange rates are factors for decrease in operating income.

As a result, we expect operating income will decrease 10.2 billion yen Y/Y to 27.0 billion yen.

Full-Year Forecast by Product Classification

¥ in million	FYE Mar 31, 2020		FYE Mar 31, 2021 Forecast			Change	
			1H				
Capacitors	176,457	62.5%	87,500	179,000	67.5%	2,543	1.4%
Ferrite and applied products	38,770	13.7%	17,500	36,500	13.8%	(2,270)	(5.9)%
Integrated modules & devices	49,808	17.6%	18,000	35,500	13.4%	(14,308)	(28.7)%
Others	17,292	6.1%	7,000	14,000	5.3%	(3,292)	(19.0)%
Total net sales	282,329	100.0%	130,000	265,000	100.0%	(17,329)	(6.1)%

The sales forecast for capacitors is 179.0 billion yen, up slightly Y/Y.

In 1Q, orders received trended weak because orders had been brought forward to before March 31. However, orders received in July showed signs of recovery, and we expect sales to increase in 2Q and 3Q.

The sales forecast for ferrite and applied products is 36.5 billion yen, down 6% Y/Y.

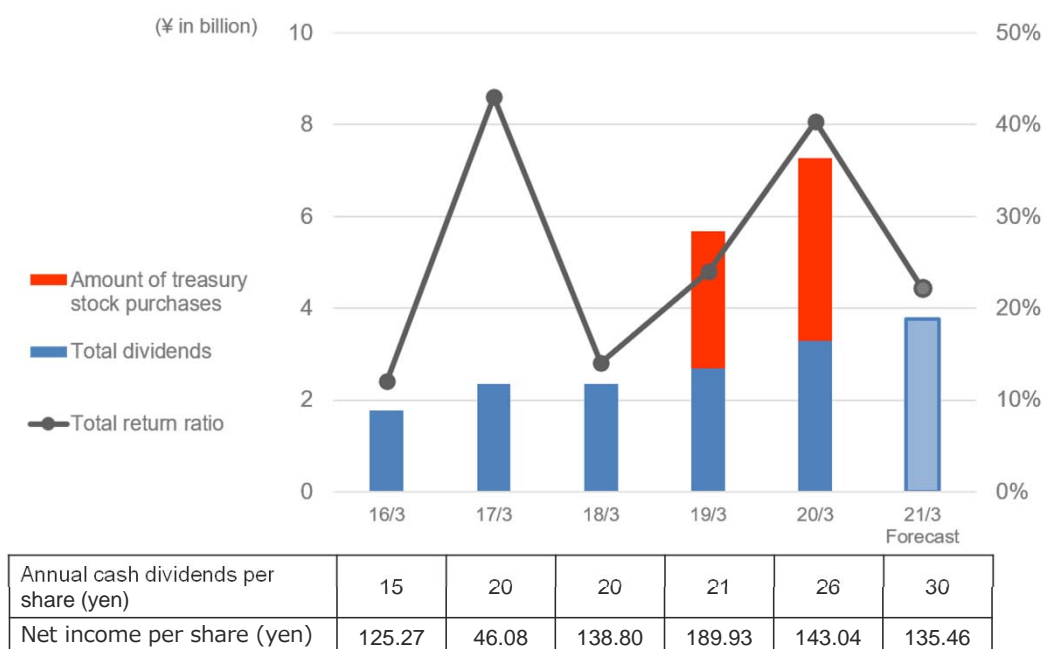
The sales forecast for integrated modules & devices is 35.5 billion yen, down 29% Y/Y. We expect communication devices to account for around 60% of integrated modules & devices sales.

Sales in 2Q are forecast to increase from 1Q by 18% for capacitors and 22% for ferrite and applied products.

Sales for integrated modules & devices are forecast to be roughly the same level in 2Q as in 1Q.

We plan to increase inventory as of September 30 by around 2.0 billion yen on the actual base.

Return to Shareholders



Aim to achieve a stable total return ratio of 30%

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As in the initial announcement, we plan to pay an annual dividend of 30 yen in fiscal year ending March 31, 2021, which is an increase of 4 yen from the previous fiscal year. Going forward, we hope to continue returning profit to shareholders with a target of consistently achieving a total payout ratio of 30%.

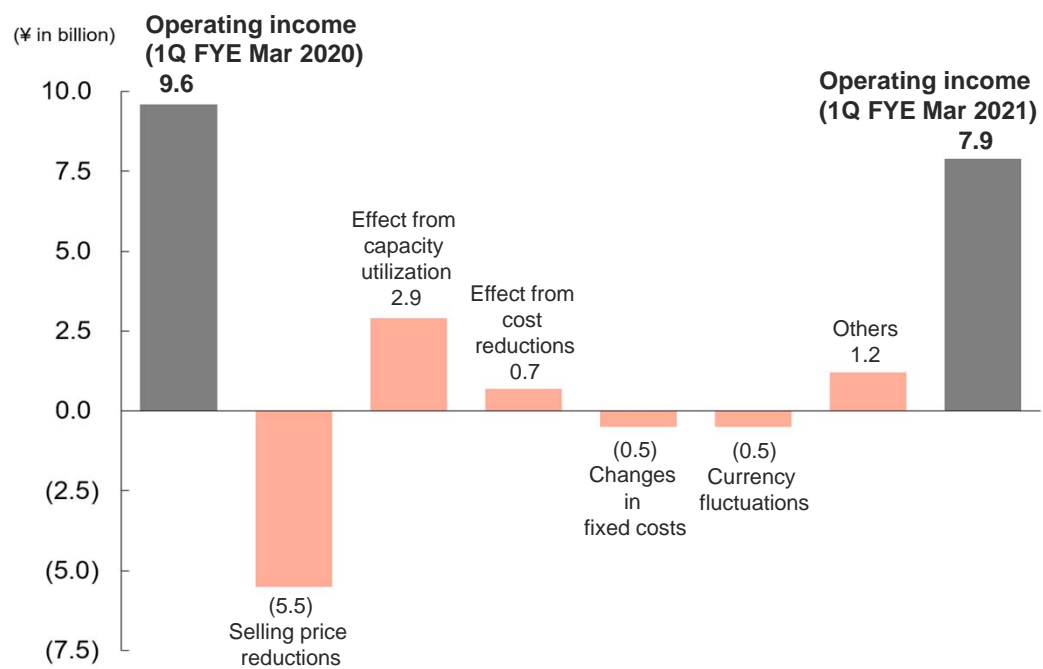
In fiscal year ending March 31, 2021, there will be a temporary downturn in demand for electronic components due to such factors as COVID-19 and the sluggish automobile market. However, there is no change to our view that demand will continue to expand in the medium term due to such factors as the proliferation of 5G and the increasing use in automobiles where use of electric vehicles and electronic components is advancing. In order to meet this demand, we will continue to focus on expanding production and sales of cutting-edge and high reliability products.

Supplementary Information

Consolidated Financial Results (Y/Y)

¥ in million	FYE Mar 31, 2020 1Q		FYE Mar 31, 2021 1Q		Change Y/Y	
Net sales	68,635	100.0%	60,493	100.0%	(8,142)	(11.9)%
Operating income	9,595	14.0%	7,923	13.1%	(1,672)	(17.4)%
Ordinary income	8,846	12.9%	7,371	12.2%	(1,474)	(16.7)%
Net income attributable to owners of parent company	7,151	10.4%	4,541	7.5%	(2,609)	(36.5)%
Yen to USD average exchange rate	110.95 yen		107.61 yen		3.34 yen appreciated	
Impact of exchange rate fluctuation	(1.6) billion yen on net sales, (0.5) billion yen on operating income * Including the impact of currencies other than US dollars					
R&D expenses	3,160		2,988		(171)	(5.4)%
Capital investment	8,605		17,886		9,280	107.8%
Depreciation expenses	6,338		6,599		261	4.1%

Factors behind Operating Income (Y/Y)

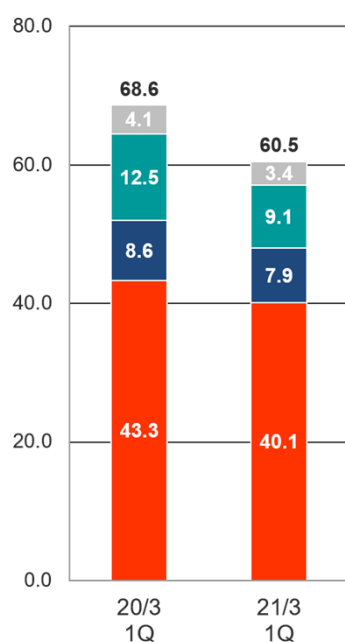


Financial Results by Product Classification (Y/Y)

¥ in million	FYE Mar 31, 2020 1Q		FYE Mar 31, 2021 1Q		Change Y/Y	
Capacitors	43,338	63.1%	40,075	66.2%	(3,263)	(7.5)%
Ferrite and applied products	8,633	12.6%	7,928	13.1%	(705)	(8.2)%
Integrated modules & devices	12,523	18.2%	9,075	15.0%	(3,448)	(27.5)%
Others	4,139	6.0%	3,413	5.6%	(725)	(17.5)%
Total net sales	68,635	100.0%	60,493	100.0%	(8,142)	(11.9)%

Financial Results by Product Classification (Y/Y)

(¥ in billion)



■ Capacitors

(7.5)% Y/Y

Although sales for use in IT infrastructure/industrial equipment increased, sales for use in consumer products and automobiles decreased.

■ Ferrite and applied products

(8.2)% Y/Y

Although sales for use in communication equipment increased, sales for use in consumer products and automobiles, etc. decreased.

■ Integrated modules & devices

(27.5)% Y/Y

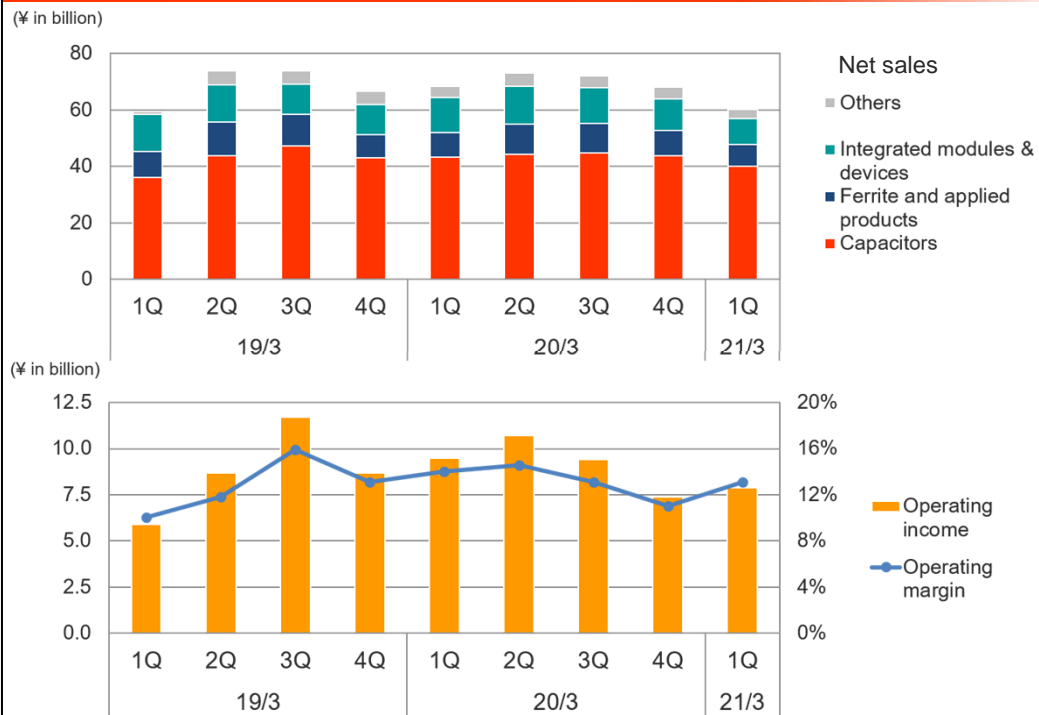
Sales of communication devices (FBAR/SAW) for use in smartphones and modules fell.

■ Capacitors ■ Ferrite and applied products ■ Integrated modules & devices ■ Others

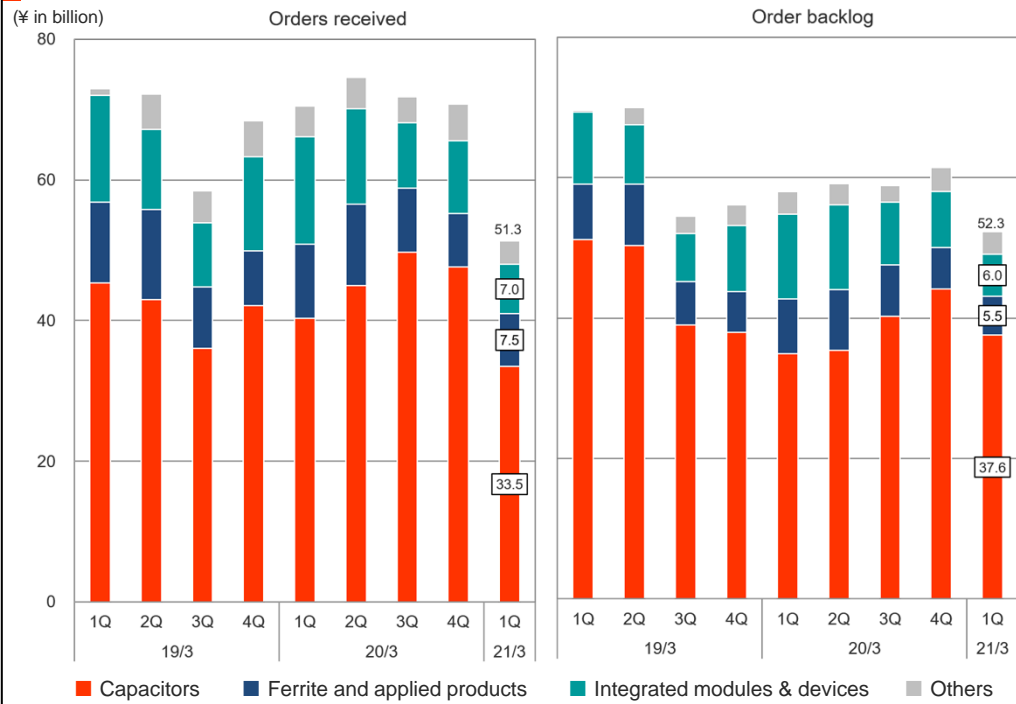
Consolidated Earnings Trends (Quarterly)

¥ in million	FYE Mar 31, 2019				FYE Mar 31, 2020				FYE Mar 31, 2021
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Net sales	59,576	73,989	73,963	66,820	68,635	73,272	72,187	68,233	60,493
Capacitors	36,184	43,984	47,362	43,101	43,338	44,473	44,907	43,738	40,075
Ferrite and applied products	9,228	11,926	11,209	8,231	8,633	10,742	10,303	9,090	7,928
Integrated modules & devices	13,208	13,160	10,783	10,778	12,523	13,436	12,621	11,226	9,075
Others	954	4,918	4,607	4,708	4,139	4,620	4,354	4,178	3,413
Operating income	5,981	8,722	11,789	8,744	9,595	10,703	9,446	7,431	7,923
Ordinary income	6,896	8,489	11,403	7,562	8,846	10,330	9,152	6,835	7,371
Net income attributable to owners of parent company	5,645	5,334	9,069	3,638	7,151	8,180	4,666	(1,975)	4,541
Yen to USD average exchange rate	107.76 yen	110.84 yen	112.71 yen	110.64 yen	110.95 yen	107.58 yen	108.17 yen	109.54 yen	107.61 yen

Consolidated Earnings Trends (Quarterly)



Orders Received and Order Backlog Trends (Quarterly)



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Forward-looking statements

This document contains information about the plans, business results, and strategies of TAIYO YUDEN CO., LTD. and the TAIYO YUDEN Group. These forward-looking statements other than historical facts represent judgments made by the Company based on information available at present and are inherently subject to a variety of uncertainties. TAIYO YUDEN cannot provide any guarantee as to the attainment of certain figures in the future. The Company's actual activities and business results could differ significantly due to changes including, but not limited to, changes in the electronics market in which the Company's business activities are centered. Readers should not overly rely on the information contained in this document.

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