

Consolidated Results for the three months ended June 30, 2020

August 7, 2020

Company name: TAIYO YUDEN CO., LTD.

URL: <http://www.ty-top.com/>

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Listing exchange: Tokyo Stock Exchange (Code Number: 6976)

Preparation of supplementary materials for the quarterly financial results: Yes

Holding of presentation of quarterly financial results: Yes (For institutional investors and investment analysts)

1. Consolidated financial results for the period from April 1, 2020 to June 30, 2020

(1) Operating results (Percentages represent changes from the same period in the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2020	60,493	(11.9)	7,923	(17.4)	7,371	(16.7)	4,541	(36.5)
Three months ended June 30, 2019	68,635	15.2	9,595	60.4	8,846	28.3	7,151	26.7

Note: Comprehensive income ended on June 30, 2020 5,138 million yen ; 58.2% ended on June 30, 2019 3,247 million yen ;(55.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2020	36.19	36.09
Three months ended June 30, 2019	56.26	56.13

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2020	353,076	213,454	60.3	1,696.08
As of March 31, 2020	343,122	210,454	61.2	1,672.40

(Reference) Shareholder's equity As of June 30, 2020 212,862 million yen As of March 31, 2020 209,891 million yen

2. Dividend information

	Cash dividends per share				
	1Q	2Q	3Q	Year End	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2020	—	11.00	—	15.00	26.00
Year ending March 31, 2021	—				
Year ending March 31, 2021 (forecast)		15.00	—	15.00	30.00

Note: No changes in the forecasted dividend during the first quarter ended June 30, 2020.

3. Forecasts of operating results for the period from April 1, 2020 to March 31, 2021

(Percentages represent changes from same period in the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent company		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2020	130,000	(8.4)	15,000	(26.1)	14,000	(27.0)	8,500	(44.6)	67.73
Year ending March 31, 2021	265,000	(6.1)	27,000	(27.4)	26,000	(26.1)	17,000	(5.7)	135.46

Note:

There are changes in the forecasted results during the first quarter ended June 30, 2020.

4. Note

(1) Changes in principal subsidiaries during the three months ended June 30, 2020: No

Number of subsidiaries/Company Name Inclusion: - ; Exclusion; -

(2) Adoption of specific accounting procedures for quarterly consolidated reporting: No

(3) Changes in accounting policies and accounting estimates, and restatements

a. Changes in accounting policies due to the revision of accounting standards: No

b. Changes in accounting policies by the reasons other than "a.": No

c. Changes in accounting estimates: No

d. Restatement: No

(4) Number of common shares outstanding :

a. Number of common shares outstanding (including treasury stock):

As of June 30, 2020 130,218,481 shares As of March 31, 2020 130,218,481 shares

b. Number of treasury stock:

As of June 30, 2020 4,716,000 shares As of March 31, 2020 4,715,775 shares

c. Average number of common shares outstanding:

Three months ended June 30, 2020 125,502,625 shares Three months ended June 30, 2019 127,119,623 shares

Others :

1. This financial press release is out of scope of the audit procedure.

2. Forecasts of operating results include a number of assumptions based on information currently available and certain premises which were judged to be rational. Please note that these forecasts may significantly differ from actual results with various factors.

3. TAIYO YUDEN will post the financial supplementary data on its web-site.

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1. Qualitative Information Concerning Financial Statements and Other

(1) Consolidated Operating Results

Economy and Market Conditions

During the three-month period ended June 30, 2020 (April 1, 2020 – June 30, 2020), the business environment surrounding the TAIYO YUDEN Group (“the Group”) was extremely challenging for the global economy with economic activity restricted by the impact from the COVID-19 pandemic. As for the future outlook, the economy is expected to head toward a recovery from the extremely challenging conditions as economic activity gradually resumes, but it will be necessary to monitor infectious disease trends, trade issues in individual countries, and fluctuations in financial and capital markets.

Based on the Business Continuity Plan (BCP), we have implemented various measures to prevent the spread of COVID-19 and to ensure the health and wellbeing of stakeholders, including employees and suppliers. At production sites in Japan and overseas, we have continued production activities after ensuring thorough measures to prevent infection while following the instructions and guidance of national and local governments in each country. In addition, we are making efforts for non-production employees to carry out duties and reduce the risk of infection by implementing such measures as working from home in accordance with the instructions and requests on preventing the spread of infection from national and local governments in each country.

As a result of the current state of emergency due to COVID-19, there have been various changes in society and the management environment. The Group holds ¥58,706 million in cash and deposits, and has maintained a sound financial structure with an equity ratio of 60.3%. With commitment line agreements concluded with a number of financial institutions also standing at ¥30.0 billion, the Group has secured the means for responding to contingencies and will continue its business.

Company Actions Planned to Offset These Conditions

The Group aimed to achieve its medium-term targets and management vision by capturing focus markets such as automotive, IT infrastructure/industrial equipment, healthcare, the environment and energy centered on the solution business that leverages the Group's core technologies, in addition to cutting-edge products and high reliability products that draw on the Group's strengths of research and development and production technology. Moreover, the Group is strengthening its manufacturing capabilities in order to build a structure that can enhance profitability and meet the future increase in demand for components. In addition to enhancing production capacity, the Group is accelerating improvements in production efficiency by promoting advances in underlying technologies and transforming production methods.

Overview of Business Performance

Consolidated net sales for the three-month period ended June 30, 2020 totaled ¥60,493 million, which is a decrease of 11.9% compared to the corresponding period of the previous fiscal year. Operating income was ¥7,923 million, a decrease of 17.4%. The Group recorded a decline in sales and profit due to such factors as constraints on operations at production subsidiaries in the Philippines and Malaysia which occurred due to the impact of COVID-19 between March and May 2020. Ordinary income was ¥7,371 million, a decrease of 16.7%, mainly owing to foreign exchange losses of ¥446 million. Moreover, as a result of recording ¥1,513 million in extraordinary loss, including loss related to COVID-19 at overseas subsidiaries, net income attributable to owners of parent company amounted to ¥4,541 million, down by 36.5% from the corresponding period of the previous fiscal year.

Exchange Rate

The average foreign currency exchange rate for the three-month period ended June 30, 2020 was US\$1: ¥107.61. This is an appreciation of ¥3.34 as compared to the average realized in the corresponding period of the previous fiscal year of US\$1: ¥110.95.

Net Sales by Product Classification

Capacitors

The capacitor product classification is comprised of multilayer ceramic capacitors.

Product sales for information equipment and IT infrastructure/industrial equipment were higher as compared to the corresponding period of the fiscal year while sales for consumer products, communication equipment, and automobiles were lower. As a result, net sales for the three-month period ended June 30, 2020 totaled ¥40,075 million, which is a decrease of 7.5% compared to the corresponding period of the previous fiscal year.

Ferrite and Applied Products

This product classification is comprised of various inductors including wire-wound inductors and multilayer chip inductors.

Product sales for communication equipment were higher as compared to the corresponding period of the previous fiscal year while sales for consumer products, information equipment, automobiles, and IT infrastructure/industrial equipment were lower. As a result, in the three-month period ended June 30, 2020, sales decreased by 8.2% to ¥7,928 million as compared to the corresponding period of the previous fiscal year.

Integrated Modules & Devices

This product classification is comprised of FBAR/SAW devices for mobile communications, a wide range of power supply and high frequency modules, embedded-parts multilayer wiring substrates “EOMIN™” and product mounting business done by a subsidiary company.

For the three-month period ended June 30, 2020, sales of FBAR/SAW devices for mobile communications etc. decreased year over year. This resulted in a 27.5% decrease in sales for this product classification year over year to ¥9,075 million.

Others

For this product classification, the Group manufactures and sells aluminum electrolytic capacitors and power storage devices.

Net sales in this classification increased to ¥3,413 million, down 17.5% year over year.

(2) Consolidated Financial Conditions

Assets

Total assets as of June 30, 2020 increased ¥9,953 million to ¥353,076 million compared with the end of the previous fiscal year. Current assets increased ¥4,090 million. This increase in current assets was mainly due to the increase in finished products of ¥3,611 million, work in process of ¥2,731 million, raw materials and supplies of ¥1,810 million, and the decrease in trade notes and accounts receivable of ¥4,372 million.

Fixed assets increased ¥5,862 million owing to the upswing in property, plant and equipment of ¥5,498 million.

Liabilities

Total liabilities as of June 30, 2020 were ¥ 139,621 million, an increase of ¥6,953 million as compared to the balance at March 31, 2020. This was mainly due to an increase of ¥ 8,773 million in long-term borrowings, and decrease of ¥2,489 million in accrued bonuses for employees.

Net Assets

Net assets as of June 30, 2020 increased ¥2,999 million to ¥213,454 million compared with the end of the previous fiscal year.

(3) Forecasts of Consolidated Operating Results

Consolidated operating earnings forecasts for the year ending March 31, 2021 are as follows.

(millions of yen)

Item \ Period	Six months ending September 30, 2020		Year ending March 31, 2021	
	Amount	YoY (%)	Amount	YoY (%)
Net sales	130,000	(8.4)	265,000	(6.1)
Operating income	15,000	(26.1)	27,000	(27.4)
Ordinary income	14,000	(27.0)	26,000	(26.1)
Net income attributable to the owners of parent company	8,500	(44.6)	17,000	(5.7)

Because of the sharp downturn in the global economy due to the COVID-19 pandemic as well as the increasing uncertainty resulting from trade issues

and geopolitical risk for individual countries, it was difficult to calculate reasonable full-year forecasts of operating results for the fiscal year ending March 31, 2021 as of May 12, 2020. Accordingly, the Company only published the forecast of consolidated operating results for the first quarter of the fiscal year ending March 31, 2021. The Company will now publish the full-year forecasts of consolidated operating results for the fiscal year ending March 31, 2021 as shown above based on information and forecasts available as of the date of this report.

In the forecasts of operating results for the fiscal year ending March 31, 2021, sales and profit are forecast to decrease based on the assumption that the impact of COVID-19 will persist for the full year. During the first quarter (the three-month period ended June 30, 2020), there were constraints on operations at production subsidiaries in the Philippines and Malaysia due to the impact of COVID-19, but we have assumed that these production subsidiaries will be able to operate as normal from the second quarter onward. The forecast is based on an average foreign currency exchange rate of US\$1:¥107.

Despite the current uncertainty and downturn in demand due to the impact of COVID-19, we have assumed there will be no significant changes to the trend of increasing demand for electronic components over the medium term. We expect that demand for large, high reliability components will increase alongside advancing use of electronics and electronic components and enhancements in performance for automobiles and information infrastructure, such as base station communication devices and data centers. These are our focus markets. Moreover, there are ongoing enhancements in the functionality and performance of communication equipment, such as 5G smartphones, and we believe there will be an increase in cutting edge products that require advanced technical capabilities. The Company will continue to make the essential investment to prepare for this demand and for achieving future growth. Meanwhile, we will continue working to create a more resilient distributed production system and to improve production efficiency utilizing AI and other means as measures to address risks going forward.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
ASSETS		
Current assets:		
Cash and deposits	59,622	58,706
Trade notes and accounts receivable	64,680	60,307
Merchandise and finished products	18,134	21,745
Work in process	28,829	31,560
Raw materials and supplies	15,624	17,435
Other	5,220	6,450
Allowance for doubtful receivables	(182)	(185)
Total current assets	191,930	196,021
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	97,082	108,144
Machinery and equipment	278,081	283,471
Tools, furniture and fixtures	27,578	27,865
Land	12,661	12,650
Construction in progress	18,307	12,396
Accumulated depreciation	(289,311)	(294,629)
Net property, plant and equipment	144,400	149,898
Intangible fixed assets:		
Other	1,293	1,246
Total intangible fixed assets	1,293	1,246
Investments and other assets:		
Investment securities	2,671	2,964
Other	3,153	3,268
Allowance for doubtful receivables	(326)	(323)
Total investments and other assets	5,498	5,910
Total fixed assets	151,192	157,055
Total assets	343,122	353,076

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	26,603	26,984
Short-term borrowings	19,250	19,250
Current portion of long-term borrowings	2,663	2,462
Income taxes payable	1,903	1,745
Accrued bonuses for employees	4,576	2,086
Accrued bonuses for directors and corporate auditors	233	58
Other	29,103	28,933
Total current liabilities	84,333	81,521
Long-term liabilities:		
Long-term borrowings	34,752	43,526
Accrued retirement benefits for directors and corporate auditors	49	36
Net defined benefit liability	4,200	4,306
Other	9,332	10,230
Total long-term liabilities	48,334	58,100
Total liabilities	132,667	139,621
NET ASSETS		
Shareholders' equity:		
Common stock	33,575	33,575
Capital surplus	49,903	49,903
Retained earnings	150,263	152,786
Treasury stock	(8,596)	(8,596)
Total shareholders' equity	225,146	227,668
Accumulated other comprehensive income		
Net unrealized holding gains on securities	430	756
Deferred gains (losses) on hedges	(82)	(19)
Foreign currency translation adjustments	(14,779)	(14,725)
Remeasurements of defined benefit plans	(824)	(818)
Total accumulated other comprehensive income	(15,255)	(14,806)
Stock acquisition rights	563	592
Total net assets	210,454	213,454
Total liabilities and net assets	343,122	353,076

(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Operations)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	68,635	60,493
Cost of sales	46,825	41,726
Gross profit	21,810	18,766
Selling, general and administrative expenses	12,214	10,843
Operating income	9,595	7,923
Non-operating income:		
Interest income	92	40
Dividend income	20	18
Subsidy income	31	90
Other	54	57
Total non-operating income	198	206
Non-operating expenses:		
Interest expense	99	75
Equity in losses of affiliate	147	123
Loss on foreign exchange	606	446
Depreciation of inactive noncurrent assets	50	48
Other	44	64
Total non-operating expenses	948	758
Ordinary income	8,846	7,371
Extraordinary gains:		
Gain on sales of property, plant and equipment	1	2
Gain on sales of investment securities	16	-
Total extraordinary gains	18	2
Extraordinary losses:		
Loss on disposal and sales of property, plant and equipment	57	31
Loss by COVID-19	-	1,243
Anti-monopoly Act related loss	184	-
Other	8	239
Total extraordinary losses	250	1,513
Income before income taxes	8,613	5,860
Income taxes - current	1,025	932
Income taxes - deferred	437	386
Total income taxes	1,462	1,318
Net income	7,151	4,541
Net income attributable to owners of parent company	7,151	4,541

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net income	7,151	4,541
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(161)	336
Deferred gains (losses) on hedges	3	62
Foreign currency translation adjustments	(3,755)	194
Remeasurement of defined benefit plans	10	2
Total other comprehensive income (loss)	(3,903)	597
Comprehensive income	3,247	5,138
(Breakdown)		
Comprehensive income attributable to shareholders	3,247	5,138

(3) Notes on Consolidated Financial Statements

(Notes on Premise of Going Concern)

No relevant items to report.

(Notes in Case of Significant Changes to Shareholders' Equity)

No relevant items to report.

3. Supplementary Information

(1) Net Sales by Product Classification

(Millions of yen)

Product classification	Three months ended June 30, 2019		Three months ended June 30, 2020		Increase/ (Decrease)	
	Amount	Share [%]	Amount	Share [%]	Amount	%
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	68,635	100.0	60,493	100.0	(8,142)	(11.9)

Note: The aforementioned amounts are exclusive of consumption and related taxes.