

Consolidated Results for the six months ended September 30, 2019

November 11, 2019

Company name: TAIYO YUDEN CO., LTD.

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

Representative: Shoichi Tosaka, President and Chief Executive Officer

Contact: Koshi Anai, General Manager, Accounting Department

Telephone number: +81-3-6757-8310

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, 2019 to September 30, 2019

(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	%
Six months ended September 30, 2019	141,908	6.2	20,298	38.1	19,176	24.6	15,332	39.6
Six months ended September 30, 2018	133,565	13.0	14,703	67.5	15,385	53.5	10,980	48.8

Note: Comprehensive income

ended on September 30, 2019

9,427 million yen ; (27.6 %)

ended on September 30, 2018

13,014 million yen ; 32.6 %

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2019	121.27	120.98
Six months ended September 30, 2018	89.98	89.79

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2019	339,283	209,869	61.7	1,668.17
As of March 31, 2019	328,861	205,953	62.5	1,609.72

(Reference) Shareholder's equity

As of September 30, 2019

209,362 million yen

As of March 31, 2019

205,500 million yen

2. Dividend information

	Cash dividends per share				
	1Q	2Q	3Q	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2019	—	10.00	—	11.00	21.00
Year ending March 31, 2020	—	11.00			
Year ending March 31, 2020 (forecast)			—	11.00	22.00

Note: No changes in the forecasted dividend during the second quarter ended September 30, 2019.

3. Forecasts of operating results for the period from April 1, 2019 to March 31, 2020

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

(Percentage) 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
Year ending March 31, 2020	290,000	5.7	38,000	7.8	37,000	7.7	25,000	5.5	195.83

Note: No changes in the forecasted results during the second quarter ended September 30, 2019.

4. Note

(1) Changes in principal subsidiaries during the six months ended September 30, 2019: 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: Yes

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 September 30, 2019 130,218,481 shares As of March 31, 2019 130,218,481 shares

b. Number of treasury stock:

As of September 30, 2019 4,714,308 shares As of March 31, 2019 2,555,996 shares

c. Average number of common shares outstanding:

Six months ended September 30, 2019 126,427,341 shares Six months ended September 30, 2018 122,031,492 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.

Table of contents

1. Qualitative Information Concerning Financial Statements and Other	1
(1) Consolidated Operating Results	1
(2) Consolidated Financial Conditions	3
(3) Forecasts of Consolidated Operating Results	4
2. Consolidated Financial Statements	5
(1) Consolidated Balance Sheets	5
(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income	7
Consolidated Statements of Operations	7
Consolidated Statements of Comprehensive Income	8
(3) Consolidated Statements of Cash Flows	9
(4) Notes on Consolidated Financial Statements	11
(Notes on Premise of Going Concern)	11
(Notes in Case of Significant Changes to Shareholders' Equity)	11
(Change in Accounting Policy)	11
(Significant Subsequent Events)	11
3. Supplementary Information	11
(1) Net Sales by Product Classification	11

1. Qualitative Information Concerning Financial Statements and Other

(1) Consolidated Operating Results

Economy and Market Conditions

During the six-month period ended September 30, 2019 (April 1, 2019 – September 30, 2019), the business environment surrounding the TAIYO YUDEN Group (“the Group”) maintained moderate recovery for the global economy as a whole despite some weakness in Asia and Europe. As for the future outlook, while the global economy as a whole is expected to maintain a moderate recovery, it will be necessary to monitor the trends in trade issues, the prospects for the Chinese economy, exchange rate trends, and other factors.

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.

Demand for large, high voltage resistant, high reliability components has increased in the automotive market where use of electric vehicles and electronic components is advancing. Demand for use in the IT infrastructure market, including base station communication device and data centers, also increased with further enhancements in functionality accompanying the upgrading of communication systems and advances in IoT. As a result, sales of capacitors expanded significantly, leading to growth in sales and profit.

Overview of Business Performance

Consolidated net sales for the six-month period ended September 30, 2019 totaled ¥141,908 million, which is an increase of 6.2% compared to the corresponding period of the previous fiscal year. Operating income was ¥20,298 million, an increase of 38.1%.

Ordinary income was ¥19,176 million, an increase of 24.6% compared to the corresponding period of the previous fiscal year, due to such factors as ¥931 million in loss on foreign exchange. Net income attributable to owners of parent company totaled ¥15,332 million, an increase of 39.6%, as a result of recording extraordinary loss of ¥735 million, which included loss on disposal and sales of property, plant and equipment and Anti-monopoly Act related loss associated with ELNA CO., LTD.

Exchange Rate

The average foreign currency exchange rate for the six-month period ended September 30, 2019 was US\$1: ¥109.26. This is an appreciation of ¥0.04 as compared to the average realized in the corresponding period of the previous fiscal year of US\$1: ¥109.30.

Net Sales by Product Classification

Capacitors

The capacitor product classification is comprised of multilayer ceramic capacitors.

In the six-month period ended September 30, 2019, sales of capacitors increased compared to the corresponding period of the previous year for use in information equipment, for use in communication equipment, for use in automobiles, and for use in IT infrastructure/industrial equipment. As a result, net sales totaled ¥87,812 million, an increase of 9.5% from the same 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 information equipment, communication equipment, IT infrastructure/industrial equipment, etc. were lower as compared to the

corresponding period of the previous fiscal year. As a result, in the six-month period ended September 30, 2019, sales decreased by 8.4% to ¥19,376 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 “EOMINTM” and product mounting business done by a subsidiary company.

For the six-month period ended September 30, 2019, sales of FBAR/SAW devices for mobile communications etc. decreased year over year. This resulted in an 1.6% decrease in sales for this product classification year over year to ¥25,960 million.

Others

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

Net sales in this classification increased to ¥8,759 million, up 49.1% year over year, with the addition of products such as the aluminum electrolytic capacitors of subsidiary ELNA CO., LTD. among other products.

(2) Consolidated Financial Conditions

① Changes in Financial Condition

Assets

Total assets as of September 30, 2019 increased ¥10,421 million to ¥339,283 million compared with the end of the previous fiscal year. Current assets increased ¥5,365 million. This increase in current assets was mainly due to the increase in trade notes and accounts receivable of ¥4,790 million, work in process of ¥3,182 million, and the decrease in merchandise and finished products of ¥1,951 million, cash and deposit of ¥655 million.

Fixed assets increased ¥5,056 million owing to the upswing in property, plant and equipment of ¥6,798 million, and decrease in investments and other assets of ¥1,540 million.

Liabilities

Total liabilities as of September 30, 2019 were ¥ 129,414 million, an increase of ¥6,506 million as compared to the balance at March 31, 2019. This was mainly due to an increase of ¥ 7,568 million in long-term borrowings and ¥1,410 million in current liabilities-other, and decrease of ¥2,952 million in short-term borrowings.

Net Assets

Net assets as of September 30, 2019 increased ¥3,915 million to ¥209,869 million compared with the end of the previous fiscal year.

② Cash Flows

Net cash provided by operating activities for the six-month period ended September 30, 2019 was ¥21,807 million, an increase of 54.7% compared with the corresponding period of the previous fiscal year. The main factors are income before income taxes of ¥18,588 million, depreciation and amortization of ¥12,898 million, increase in trade receivables of ¥7,045 million and increase in inventories of ¥3,665 million.

(3) Forecasts of Consolidated Operating Results

There is no change in the forecasts of consolidated operating results for the fiscal year ending March 31, 2020 that was previously announced on May 13, 2019.

Due to the impact of Typhoon #19 (Hagibis), which occurred in October 2019, our subsidiary FUKUSHIMA TAIYO YUDEN CO., LTD. (Date-City, Fukushima Prefecture, Japan) was partly flooded, and there was some damage. The impact of the damage on the consolidated financial results is currently being studied, and it is difficult to make a reasonable estimate at the present time. Once the amount of the damage is determined, the consolidated financial results forecasts for the fiscal year ending March 31, 2020 will be announced again in the event that any revisions are necessary.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
ASSETS		
Current assets:		
Cash and deposits	56,430	55,775
Trade notes and accounts receivable	62,745	67,535
Merchandise and finished products	21,065	19,114
Work in process	25,907	29,090
Raw materials and supplies	13,974	14,529
Other	5,972	5,453
Allowance for doubtful receivables	(238)	(274)
Total current assets	185,858	191,223
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	94,768	95,596
Machinery and equipment	263,270	265,454
Tools, furniture and fixtures	26,089	26,486
Land	11,022	10,965
Construction in progress	10,468	14,348
Accumulated depreciation	(280,102)	(280,536)
Net property, plant and equipment	125,517	132,316
Intangible fixed assets:		
Goodwill	5,837	5,521
Other	1,219	1,333
Total intangible fixed assets	7,056	6,855
Investments and other assets:		
Investment securities	4,760	4,030
Other	6,001	5,181
Allowance for doubtful receivables	(332)	(323)
Total investments and other assets	10,428	8,888
Total fixed assets	143,003	148,060
Total assets	328,861	339,283

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	25,031	25,660
Short-term borrowings	23,152	20,200
Current portion of long-term borrowings	2,477	2,663
Income taxes payable	5,085	3,597
Accrued bonuses for employees	4,167	5,128
Accrued bonuses for directors and corporate auditors	258	160
Other	21,825	23,236
Total current liabilities	81,997	80,646
Long-term liabilities:		
Long-term borrowings	28,415	35,984
Accrued retirement benefits for directors and corporate auditors	132	48
Net defined benefit liability	3,742	3,683
Other	8,619	9,050
Total long-term liabilities	40,910	48,767
Total liabilities	122,907	129,414
NET ASSETS		
Shareholders' equity:		
Common stock	33,575	33,575
Capital surplus	49,904	49,903
Retained earnings	135,217	148,962
Treasury stock	(4,613)	(8,591)
Total shareholders' equity	214,083	223,850
Accumulated other comprehensive income		
Net unrealized holding gains on securities	1,519	1,283
Deferred gains (losses) on hedges	2	(40)
Foreign currency translation adjustments	(9,703)	(15,350)
Remeasurements of defined benefit plans	(401)	(380)
Total accumulated other comprehensive income	(8,583)	(14,487)
Stock acquisition rights	453	506
Total net assets	205,953	209,869
Total liabilities and net assets	328,861	339,283

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

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	133,565	141,908
Cost of sales	95,943	97,219
Gross profit	37,622	44,688
Selling, general and administrative expenses	22,918	24,390
Operating income	14,703	20,298
Non-operating income:		
Interest income	199	195
Dividend income	88	126
Gain on foreign exchange	630	-
Subsidy income	285	77
Other	157	87
Total non-operating income	1,361	486
Non-operating expenses:		
Interest expense	167	185
Equity in losses of affiliate	208	277
Loss on foreign exchange	-	931
Depreciation of inactive noncurrent assets	79	120
Stock issuance cost	144	-
Other	78	94
Total non-operating expenses	679	1,608
Ordinary income	15,385	19,176
Extraordinary gains:		
Gain on sales of property, plant and equipment	9	130
Gain on sales of investment securities	17	16
Gain on step acquisition	249	-
Total extraordinary gains	275	147
Extraordinary losses:		
Loss on disposal and sales of property, plant and equipment	175	370
Impairment loss	6	10
Loss on devaluation of investment securities	52	17
Business structure improvement expenses	1,771	-
Anti-monopoly Act related loss	93	327
Other	8	9
Total extraordinary losses	2,108	735
Income before income taxes	13,552	18,588
Income taxes - current	3,121	3,209
Income taxes - deferred	(549)	47
Total income taxes	2,572	3,256
Net income	10,980	15,332
Net income attributable to owners of parent company	10,980	15,332

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net income	10,980	15,332
Other comprehensive income		
Net unrealized holding gains (losses) on securities	982	(235)
Deferred gains (losses) on hedges	(85)	(42)
Foreign currency translation adjustments	1,141	(5,646)
Remeasurement of defined benefit plans	(4)	20
Total other comprehensive income (loss)	2,033	(5,904)
Comprehensive income	13,014	9,427
(Breakdown)		
Comprehensive income attributable to shareholders	13,014	9,427

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Operating activities:		
Income before income taxes	13,552	18,588
Depreciation and amortization	12,527	12,898
Impairment loss	6	10
Business structure improvement expense	1,771	-
Anti-monopoly Act related loss	93	327
Amortization of goodwill	157	315
Increase (decrease) in allowance for doubtful receivables	65	38
Increase (decrease) in accrued bonuses for employees	487	984
Increase (decrease) in accrued bonuses for directors and corporate auditors	(115)	(97)
Increase (decrease) in accrued retirement benefits for directors and corporate auditors	5	(81)
Interest and dividend income	(288)	(322)
Interest expense	167	185
Equity in earnings of affiliate	208	277
Stock issuance cost	144	-
(Gain) loss on disposal and sales of property, plant and equipment	166	240
(Gain) loss on sales of investment securities	(17)	(11)
(Gain) loss on step acquisition	(249)	-
Subsidy income	(132)	(41)
(Gain) loss on devaluation of investment securities	52	17
(Increase) decrease in trade receivables	(6,530)	(7,045)
(Increase) decrease in inventories	(2,477)	(3,665)
Increase (decrease) in trade payables	(2,344)	905
Other	787	3,239
Subtotal	18,039	26,763
Interest and dividends received	281	337
Interest paid	(133)	(215)
Anti-monopoly Act related loss paid	(2,472)	(449)
Income taxes (paid) refunded	(1,621)	(4,629)
Net cash provided by operating activities	14,093	21,807
Investing activities:		
Purchases of property, plant and equipment	(21,672)	(20,235)
Proceeds from sales of property, plant and equipment	19	218
(Increase) decrease in time deposits	(393)	2,299
Proceeds from sales of investment securities	102	186
Receipt from subsidy income	236	141
Proceeds from purchases of investments in subsidiaries resulting in charge in scope of consolidation	5,148	-
Other	123	(201)
Net cash used in investing activities	(16,435)	(17,591)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Financing activities:		
Net increase (decrease) in short-term borrowings	922	(2,949)
Proceeds from long-term borrowings	10,000	9,000
Repayments of long-term borrowings	(3,948)	(1,245)
Purchases of treasury stock	(0)	(4,001)
Payments of cash dividends	(1,176)	(1,398)
Repayments of lease obligations	(52)	(233)
Other	(129)	(30)
Net cash provided by (used in) financing activities	5,615	(859)
Effect of exchange rate changes on cash and cash equivalents	714	(1,473)
Net increase (decrease) in cash and cash equivalents	3,987	1,883
Cash and cash equivalents at beginning of period	43,837	51,654
Cash and cash equivalents at end of period	47,825	53,537

(4) 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.

(Change in Accounting Policy)

Overseas subsidiaries adopting International Financial Reporting Standards (IFRS) applied IFRS 16 Leases effective from the three-month period ended June 30, 2019. Under IFRS 16, lessees record assets and liabilities as the accounting treatment for all leases in principle. In addition, the method of recognizing the cumulative impact due to the application of the standard as of the initial application date, with transitional measure, has been adopted. The impact from the adoption of this standard on the quarterly consolidated financial statements is immaterial.

(Significant Subsequent Events)

Due to the impact of Typhoon #19 (Hagibis), which occurred in October 2019, our subsidiary FUKUSHIMA TAIYO YUDEN CO., LTD.

(Date-City, Fukushima Prefecture, Japan) was partly flooded, and there was some damage. However, production will be resumed before the end of this year, and FUKUSHIMA TAIYO YUDEN is working for a full recovery as soon as possible. The impact of the damage on the consolidated financial results is currently being studied, and it is difficult to make a reasonable estimate at the present time.

3. Supplementary Information

(1) Net Sales by Product Classification

(Millions of yen)

Product classification	Six months ended September 30, 2018		Six months ended September 30, 2019		Increase/ (Decrease)	
	Amount	Share [%]	Amount	Share [%]	Amount	%
Capacitors	80,168	60.0	87,912	61.9	7,643	9.5
Ferrite and applied products	21,154	15.8	19,376	13.7	(1,777)	(8.4)
Integrated modules & devices	26,369	19.7	25,960	18.3	(408)	(1.6)
Others	5,873	4.4	8,759	6.2	2,886	49.1
Total	133,565	100.0	141,908	100.0	8,343	6.2

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

November 11, 2019

Company name: TAIYO YUDEN CO., LTD.
 URL: <http://www.ty-top.com/>
 Representative: Shoichi Tosaka, President and Chief Executive Officer
 Contact: Accounting Department, Management Planning Headquarters
 Telephone number: +81-3-6757-8310
 Listing exchange: Tokyo Stock Exchange (Code Number: 6976)

Consolidated Results for the Six Months Ended September 30, 2019

(April 1, 2019 – September 30, 2019)

Unit: Millions of yen (Millions of yen rounded down unless otherwise stated)

Overview of Operating Results

Item	Period	Six months ended September 30, 2018		Six months ended September 30, 2019		Increase/(Decrease)	
		Amount	Share [%]	Amount	Share [%]	Amount	[%]
Net sales		133,565	100.0	141,908	100.0	8,343	6.2
Operating income		14,703	11.0	20,298	14.3	5,595	38.1
Ordinary income		15,385	11.5	19,176	13.5	3,791	24.6
Income before income taxes and minority interests		13,552	10.1	18,588	13.1	5,036	37.2
Net income attributable to owners of parent company		10,980	8.2	15,332	10.8	4,351	39.6
Comprehensive income		13,014	-	9,427	-	(3,586)	(27.6)
Net income per share [Yen]		89.98		121.27			
Diluted net income per share [Yen]		89.79		120.98			
R&D expenses		6,567		6,425		(142)	(2.2)
Capital investment		13,106		17,350		4,244	32.4
Depreciation and amortization		12,527		12,898		371	3.0

Notes: Share data is computed as a ratio of net sales.

		As of March 31, 2019	As of September 30, 2019	Increase/(Decrease)	
				Amount	[%]
Total assets		328,861	339,283	10,421	3.2
Net assets		205,953	209,869	3,915	1.9
Equity ratio		62.5%	61.7%	(0.8) pt	-
Net assets per share [Yen]		1,609.72	1,668.17	58.45	3.6

Net Sales by Product Classification

Product classification		Six months ended September 30, 2018		Six months ended September 30, 2019		Increase/(Decrease)	
		Amount	Share [%]	Amount	Share [%]	Amount	[%]
	Capacitors	80,168	60.0	87,812	61.9	7,643	9.5
	Ferrite and applied products	21,154	15.8	19,376	13.7	(1,777)	(8.4)
	Integrated modules & devices	26,369	19.7	25,960	18.3	(408)	(1.6)
	Others	5,873	4.4	8,759	6.2	2,886	49.1
Total		133,565	100.0	141,908	100.0	8,343	6.2

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