

Consolidated Results for the nine months ended December 31, 2020

February 8, 2021

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 December 31, 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	%
Nine months ended December 31, 2020	221,449	3.4	30,326	2.0	29,605	4.5	19,825	(0.9)
Nine months ended December 31, 2019	214,095	3.2	29,745	12.3	28,329	5.7	19,998	(0.3)

Note: Comprehensive income

ended on December 31, 2020

23,032 million yen ; 29.7 %

ended on December 31, 2019

17,759 million yen ; (3.6 %)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2020	157.96	157.50
Nine months ended December 31, 2019	158.53	158.13

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2020	382,448	229,556	59.9	1,823.63
As of March 31, 2020	343,122	210,454	61.2	1,672.40

(Reference) Shareholder's equity As of December 31, 2020

228,896 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	—	15.00	—		
Year ending March 31, 2021 (forecast)				25.00	40.00

Note: There are changes in the forecasted dividend during the third quarter ended December 31, 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
Year ending March 31, 2021	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	Yen
	295,000	4.5	38,000	2.2	37,000	5.2	24,500	35.9
								195.19

Note: There are changes in the forecasted results during the third quarter ended December 31, 2020.

4. Note

(1) Changes in principal subsidiaries during the nine months ended December 31, 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 December 31, 2020 130,218,481 shares As of March 31, 2020 130,218,481 shares

b. Number of treasury stock:

As of December 31, 2020 4,701,523 shares As of March 31, 2020 4,715,775 shares

c. Average number of common shares outstanding:

Nine months ended December 31, 2020 125,511,704 shares Nine months ended December 31, 2019 126,150,221 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 nine-month period ended December 31, 2020 (April 1, 2020 – December 31, 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. Signs of a gradual recovery were seen in the global economy, which had faced extremely challenging conditions in the first quarter (the three-month period ended June 30, 2020). As for the future, the recovery trend is expected to continue, 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 their duties and reduce the risk of infection by implementing such measures as working from home, depending on local infection status, 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 ¥73,959 million in cash and deposits, and has maintained a sound financial structure with an equity ratio of 59.9%. 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 in combination with the solution business that leverages the Group's core technologies in 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 nine-month period ended December 31, 2020 totaled ¥221,449 million, which is an increase of 3.4% compared to the corresponding period of the previous fiscal year. Operating income was ¥30,326 million, an increase of 2.0%. The Group's performance was sluggish in the first quarter because of 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. However, sales and profit increased due to an expansion in demand for products for use in smartphones and automobiles from July onward. Ordinary income was ¥29,605 million, an increase of 4.5%, mainly owing to foreign exchange losses of ¥1,042 million. Moreover, as a result of recording ¥3,266 million in extraordinary loss, including loss related to COVID-19 at overseas subsidiaries, net income attributable to owners of parent company amounted to ¥19,825 million, down by 0.9% from the corresponding period of the previous fiscal year.

Exchange Rate

The average foreign currency exchange rate for the nine-month period ended December 31, 2020 was US\$1: ¥106.53. This is an appreciation of ¥2.37 as compared to the average realized in the corresponding period of the previous fiscal year of US\$1: ¥108.90.

Net Sales by Product Classification

Capacitors

The capacitor product classification is comprised of multilayer ceramic capacitors.

Product sales for communication equipment decreased year over year. This decrease was offset by an increase year over year in capacitor sales for consumer products, information equipment, automobiles and IT infrastructure/industrial equipment. In total, sales for this product classification increased 8.9% year over year to ¥144,567 million.

Ferrite and Applied Products

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

Sales of products for use in information equipment, communication equipment, and IT infrastructure/industrial equipment were higher as compared to the corresponding period of the previous fiscal year while sales of products for use in automobiles were lower. As a result, for the nine-month period ended December 31, 2020, net sales totaled ¥31,062 million, an increase of 4.7% from the same 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 nine-month period ended December 31, 2020, sales of FBAR/SAW devices for mobile communications and power supply modules etc. decreased year over year. This resulted in a 12.6% decrease in sales for this product classification year over year to ¥33,717 million.

Others

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

Net sales in this classification decreased to ¥12,101 million, down 7.7% year over year.

(2) Consolidated Financial Conditions

Assets

Total assets as of December 31, 2020 increased ¥39,325 million to ¥382,448 million compared with the end of the previous fiscal year. Current assets increased ¥29,103 million. This increase in current assets was mainly due to the increase in cash and deposits of ¥14,336 million, trade notes and accounts receivable of ¥11,022 million and work in process of ¥1,348 million.

Fixed assets increased ¥10,222 million owing to the upswing in property, plant and equipment of ¥9,062 million.

Liabilities

Total liabilities as of December 31, 2020 were ¥ 152,891 million, an increase of ¥20,223 million as compared to the balance at March 31, 2020. This was mainly due to an increase of ¥ 18,042 million in long-term borrowings and ¥1,975 million in trade notes and accounts payable.

Net Assets

Net assets as of December 31, 2020 increased ¥19,101 million to ¥229,556 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	Year ending March 31, 2021	
	Amount	YoY (%)
Net sales	295,000	4.5
Operating income	38,000	2.2
Ordinary income	37,000	5.2
Net income attributable to the owners of parent company	24,500	35.9

The financial results for the nine-month period of the fiscal year ending March 31, 2021 remained at a high level exceeding the forecast due to the increase in working from home and at-home learning using electronic devices, increase in sales of components for use in smartphone production, and a recovery in automobile production. The Company has upwardly

revised the full-year consolidated financial results forecasts for the fiscal year ending March 31, 2021 based on the results for the cumulative third quarter, future demand forecasts, and other factors.

Although there were constraints on operations at production subsidiaries in the Philippines and Malaysia during the first quarter due to the impact of COVID-19, these subsidiaries returned to normal operations in the second quarter, and we have assumed that they will continue to operate as normal in the fourth quarter. The forecast is based on an average foreign currency exchange rate of US\$1:¥103.

Despite the continuing uncertainty 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 automobile and information infrastructure, such as base station communication devices and data centers. These are our focus markets. Moreover, there are ongoing enhancements in 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 December 31, 2020
ASSETS		
Current assets:		
Cash and deposits	59,622	73,959
Trade notes and accounts receivable	64,680	75,702
Merchandise and finished products	18,134	17,976
Work in process	28,829	30,177
Raw materials and supplies	15,624	16,528
Other	5,220	6,966
Allowance for doubtful receivables	(182)	(276)
Total current assets	191,930	221,033
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	97,082	109,101
Machinery and equipment	278,081	296,033
Tools, furniture and fixtures	27,578	29,027
Land	12,661	12,775
Construction in progress	18,307	13,132
Accumulated depreciation	(289,311)	(306,606)
Net property, plant and equipment	144,400	153,463
Intangible fixed assets:		
Other	1,293	1,315
Total intangible fixed assets	1,293	1,315
Investments and other assets:		
Investment securities	2,671	3,345
Other	3,153	3,291
Allowance for doubtful receivables	(326)	-
Total investments and other assets	5,498	6,636
Total fixed assets	151,192	161,414
Total assets	343,122	382,448

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	26,603	28,578
Short-term borrowings	19,250	19,250
Current portion of long-term borrowings	2,663	2,462
Income taxes payable	1,903	3,343
Accrued bonuses for employees	4,576	2,003
Accrued bonuses for directors and corporate auditors	233	251
Other	29,103	27,912
Total current liabilities	84,333	83,802
Long-term liabilities:		
Long-term borrowings	34,752	52,795
Accrued retirement benefits for directors and corporate auditors	49	40
Net defined benefit liability	4,200	4,699
Other	9,332	11,554
Total long-term liabilities	48,334	69,089
Total liabilities	132,667	152,891
NET ASSETS		
Shareholders' equity:		
Common stock	33,575	33,575
Capital surplus	49,903	49,903
Retained earnings	150,263	166,187
Treasury stock	(8,596)	(8,573)
Total shareholders' equity	225,146	241,092
Accumulated other comprehensive income		
Net unrealized holding gains on securities	430	1,173
Deferred gains (losses) on hedges	(82)	10
Foreign currency translation adjustments	(14,779)	(12,639)
Remeasurements of defined benefit plans	(824)	(740)
Total accumulated other comprehensive income	(15,255)	(12,196)
Stock acquisition rights	563	659
Total net assets	210,454	229,556
Total liabilities and net assets	343,122	382,448

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

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net sales	214,095	221,449
Cost of sales	147,804	155,613
Gross profit	66,291	65,835
Selling, general and administrative expenses	36,545	35,509
Operating income	29,745	30,326
Non-operating income:		
Interest income	271	91
Dividend income	145	53
Subsidy income	94	914
Other	112	162
Total non-operating income	623	1,221
Non-operating expenses:		
Interest expense	263	273
Equity in losses of affiliate	480	272
Loss on foreign exchange	996	1,042
Depreciation of inactive noncurrent assets	177	207
Other	122	146
Total non-operating expenses	2,039	1,941
Ordinary income	28,329	29,605
Extraordinary gains:		
Gain on sales of property, plant and equipment	146	53
Gain on sales of investment securities	16	15
Insurance claim income	1,005	-
Total extraordinary gains	1,168	68
Extraordinary losses:		
Loss on disposal and sales of property, plant and equipment	452	425
Impairment loss	76	84
Loss on disaster	3,371	-
Loss on devaluation of investment securities	17	-
Business structure improvement expenses	-	434
Anti-monopoly Act related loss	426	-
Loss by COVID-19	-	2,083
Other	15	239
Total extraordinary losses	4,360	3,266
Income before income taxes	25,137	26,407
Income taxes - current	4,020	5,279
Income taxes - deferred	1,118	1,303
Total income taxes	5,139	6,582
Net income	19,998	19,825
Net income attributable to owners of parent company	19,998	19,825

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net income	19,998	19,825
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(80)	753
Deferred gains (losses) on hedges	(28)	92
Foreign currency translation adjustments	(2,161)	2,280
Remeasurement of defined benefit plans	31	80
Total other comprehensive income (loss)	(2,239)	3,207
Comprehensive income	17,759	23,032
(Breakdown)		
Comprehensive income attributable to shareholders	17,759	23,032

(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	Nine months ended December 31, 2019		Nine months ended December 31, 2020		Increase/ (Decrease)	
	Amount	Share [%]	Amount	Share [%]	Amount	%
Capacitors	132,719	62.0	144,567	65.3	11,848	8.9
Ferrite and applied products	29,680	13.9	31,062	14.0	1,382	4.7
Integrated modules & devices	38,582	18.0	33,717	15.2	(4,864)	(12.6)
Others	13,114	6.1	12,101	5.5	(1,013)	(7.7)
Total	214,095	100.0	221,449	100.0	7,353	3.4

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