TAIYO YUDEN

Consolidated Financial Results

Second quarter for the year ending March 31, 2024

Tomomitsu Fukuda
Chief of Management Planning Headquarters

November 7, 2023

Financial Summary

2Q for the Year Ending March 2024

- Net sales were ¥82.8 billion, up 14% Q/Q. Sales increased in all product classifications. In particular, sales of inductors increased significantly, up 44% Q/Q.
- Sales increased Q/Q for all applications, especially for use in communication equipment, such as smartphones.
- Operating profit was ¥2.7 billion, up ¥3.3 billion Q/Q. This was greater than expected as of August due to the control of fixed cost and impact of exchange rates.

Earnings Forecast for the Year Ending March 2024

- There are no changes to the earnings forecasts.
- The earnings forecasts are for net sales of ¥322.0 billion, up 1% Y/Y, and operating profit of ¥15.0 billion, decreased 53% Y/Y.

Financial Summary for 2Q FYE March 2024

We achieved sales and profit growth in the second quarter compared with the first quarter.
Net sales increased 14% Q/Q to 82.8 billion yen, and sales increased in all product classifications.
In particular, there was a large increase in sales of inductors, up 44% Q/Q.

Sales also increased for all applications, especially for use in communication equipment, which was in its peak demand period.

Operating profit also increased 3.3 billion yen Q/Q to 2.7 billion yen.

Operating profit was higher than expected as of August owing to the impact of the control of fixed costs and depreciation in the value of the yen.

Earnings Forecasts for FYE March 2024

There are no changes to the forecasts published at the beginning of the fiscal year.

TAIYO YUDEN will aim for net sales up 1% Y/Y to 322.0 billion yen and operating profit down 53% to 15.0 billion yen.

2Q – Consolidated Financial Results (Q/Q)

¥ in million	FYE Mar 31, 2024 1Q (01 Apr 2023 –30 Jun 2023)		FYE Mar 31, 2024 2Q (01 Jul 2023 –30 Sep 2023)		Change Q/Q	
Net sales	72,612	100.0%	82,814	100.0%	10,201	14.0%
Operating profit	(577)	(0.8)%	2,721	3.3%	3,299	—
Ordinary profit	1,159	1.6%	5,127	6.2%	3,968	342.3%
Profit attributable to owners of parent	903	1.2%	2,497	3.0%	1,594	176.5%
Yen/USD average exchange rate	134.93 yen		142.47 yen		7.54 yen depreciated	
Impact of exchange rate fluctuation	2.9 billion yen on net sales, 1.7 billion yen on operating profit *Including the impact of currencies other than US dollars					
R&D expenses	3,169		3,353		183	5.8%
Capital investment	25,968		9,491		(16,476)	(63.4)%
Depreciation expenses	8,850		9,420		569	6.4%

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The financial results for the second quarter of the fiscal year ending March 2024 recorded net sales of 82.8 billion yen, operating profit of 2.7 billion yen.

Since the yen depreciated to US$1:¥149 level at the end of the quarter, foreign exchange gain of 2.1 billion yen was recorded as non-operating income, resulting in ordinary profit of 5.1 billion yen.

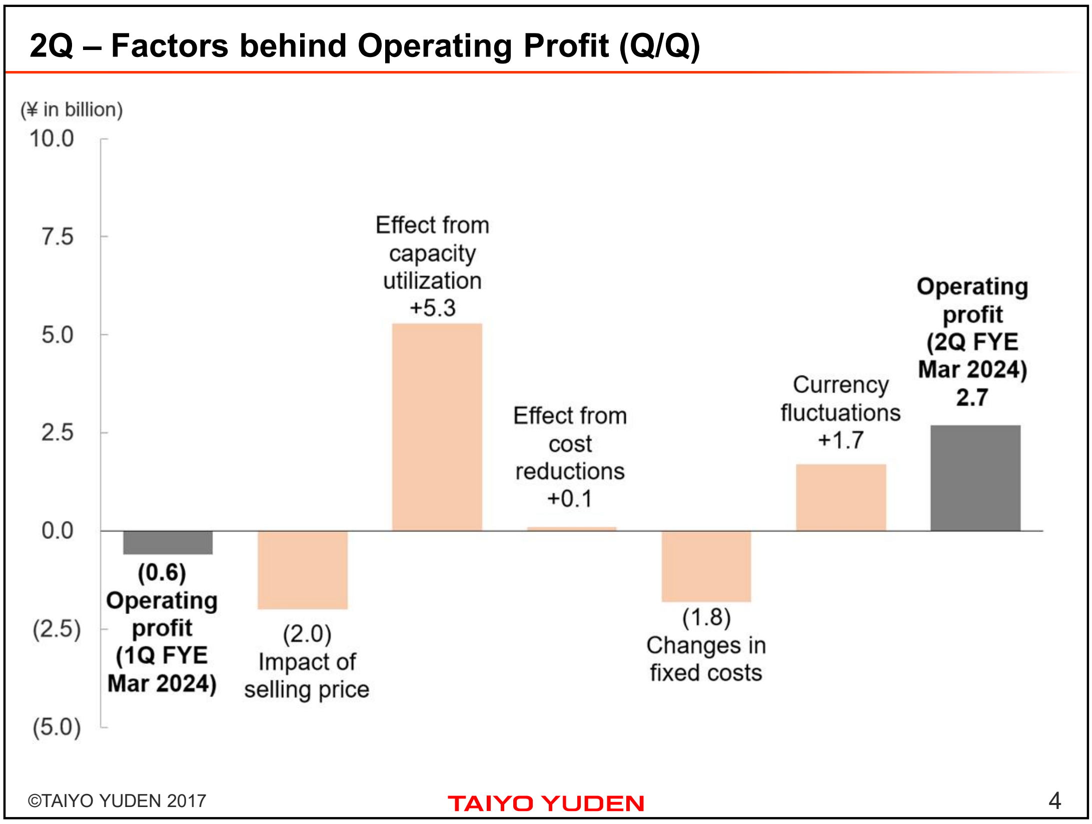
Profit attributable to owners of parent was 2.5 billion yen.

The average exchange rate during the quarter was US$1:¥142 level, a depreciation of ¥8 from the first quarter.

The impact from this was an increase of 2.9 billion yen in net sales and 1.7 billion yen in operating profit.

R&D expenses were 3.4 billion yen, up 0.2 billion yen Q/Q.

Capital investment was 9.5 billion yen.
This was a 16.5 billion yen decrease compared to the first quarter when expenses for a new multilayer ceramic capacitor (MLCC) plant in China were recorded.
Depreciation expenses were 9.4 billion yen, up 0.6 billion yen Q/Q.



The main factor for increase in operating profit Q/Q was the effect from capacity utilization.

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

A factor for increase in profit in the second quarter was the 5.3 billion yen effect from capacity utilization because of higher sales volume due to increased demand for products for use in smartphones in North America.

Companywide inventory as of September 30, 2023 decreased 4.5 billion yen from June 30 on the actual basis excluding exchange rates and the portion with no effect on operating profit.

Other factors contributing to increase in operating profit were the 1.7 billion yen effect of exchange rates due to the depreciation of the yen and the 0.1 billion yen impact of lower costs.

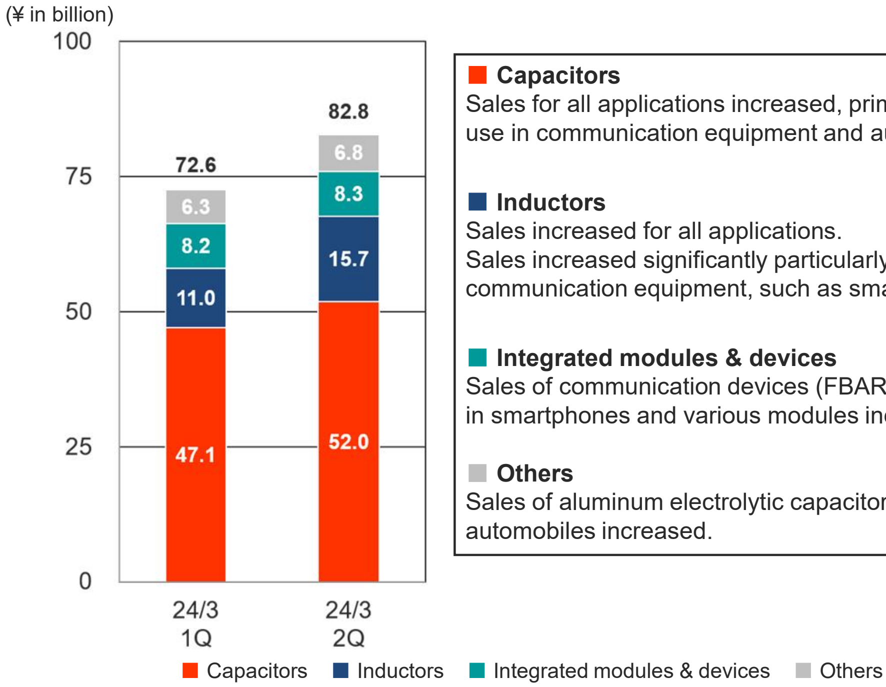
Meanwhile, a factor for decrease in operating profit was the 2.0 billion yen effect from selling prices. Fixed costs also rose 1.8 billion yen due to increases in depreciation, labor, and other expenses.

As a result, operating profit increased 3.3 billion yen to 2.7 billion from the first quarter.

2Q – Financial Results by Product Classification (Q/Q)

¥ in million	FYE Mar 31, 2024 1Q		FYE Mar 31, 2024 2Q		Change Q/Q	
Capacitors	47,133	64.9%	51,950	62.7%	4,816	10.2%
Inductors	10,976	15.1%	15,748	19.0%	4,772	43.5%
Integrated modules & devices	8,182	11.3%	8,326	10.1%	143	1.8%
Others	6,320	8.7%	6,789	8.2%	468	7.4%
Total net sales	72,612	100.0%	82,814	100.0%	10,201	14.0%

2Q – Financial Results by Product Classification (Q/Q)



Capacitors (+10.2% Q/Q)
Sales for all applications increased, primarily sales for use in communication equipment and automobiles.

Inductors (+43.5% Q/Q)
Sales increased for all applications.
Sales increased significantly particularly for use in communication equipment, such as smartphones.

Integrated modules & devices (+1.8% Q/Q)
Sales of communication devices (FBAR/SAW) for use in smartphones and various modules increased.

Others (+7.4% Q/Q)
Sales of aluminum electrolytic capacitors for use in automobiles increased.

Net sales of capacitors were 52.0 billion, up 10% Q/Q, and net sales of inductors were 15.7 billion yen, up 44% Q/Q.

Sales for use in all applications increased for both capacitors and inductors.

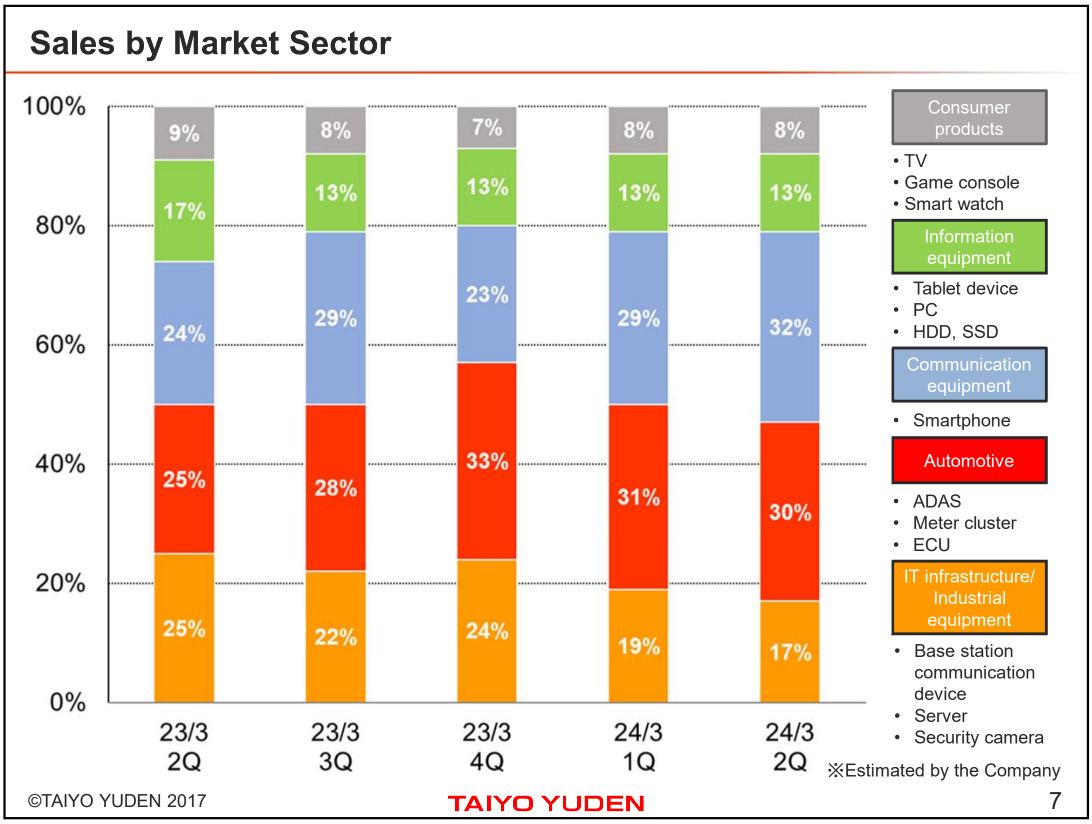
In particular, sales of products for use in communication equipment, which was in its peak demand season, drove the expansion in sales.

Net sales of integrated modules & devices were 8.3 billion yen, up 2% Q/Q.

Sales of communication devices (FBAR/SAW) and various modules increased.

Communication devices accounted for approximately 75% of integrated module & device sales.

Net sales of others were 6.8 billion yen, up 7% Q/Q, as sales at subsidiary ELNA increased, mainly of aluminum electrolytic capacitors for use in automobiles.



In terms of composition of sales by market sector, sales for use in communication equipment were 32%, up 3 percentage points Q/Q due to the seasonal increase in demand for products for use in smartphones.

On the other hand, sales for use in IT infrastructure/industrial equipment, such as servers and base station communication equipment, were 17%, down 2 percentage points Q/Q.

In addition, there were no major changes in the composition of sales as sales for use in automobiles were 30%, sales for use in information equipment, such as laptop PCs and tablets, were 13%, and sales for consumer products, such as games and smart watches, were 8%.

Forecast of Consolidated Performance

for the year ending March 31, 2024

Full-Year Forecast

¥ in million	FYE Mar 31, 2023		FYE Mar 31, 2024 Forecast		Change Y/Y	
Net sales	319,504	100.0%	322,000	100.0%	2,496	0.8%
Operating profit	31,980	10.0%	15,000	4.7%	(16,980)	(53.1)%
Ordinary profit	34,832	10.9%	14,000	4.3%	(20,832)	(59.8)%
Profit attributable to owners of parent	23,216	7.3%	8,000	2.5%	(15,216)	(65.5)%
Yen/USD average exchange rate	134.20 yen		130.00 yen		4.20 yen appreciated	
R&D expenses	12,678		13,000		322	2.5%
Capital investment	50,489		90,000		39,511	78.3%
Depreciation expenses	34,903		40,000		5,097	14.6%

There are no changes to the forecasts published in May.

Sales Forecast by Product Classification for 3Q

¥ in million	FYE Mar 31, 2024 2Q	FYE Mar 31, 2024 3Q (Change Q/Q)
Capacitors	51,950	+4~8%
Inductors	15,748	(6~2)%
Integrated modules & devices	8,326	+1~5%
Others	6,789	(4) ~±0%
Total net sales	82,814	+1~5%

Yen/USD average exchange rate	142.47 yen	(Assumption) 147.00 yen

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In terms of the demand trends for each market, we expect a seasonal increase in demand for products for use in communication equipment such as smartphones from the second through third quarters and a seasonal decrease in demand in the fourth quarter.

We expect demand for products for use in automobiles will remain strong, and the trend of expansion in sales will continue.

In the information equipment and IT infrastructure/industrial equipment markets, where demand has been sluggish for some time, inventory adjustments are coming to an end, and we expect sales will gradually increase.

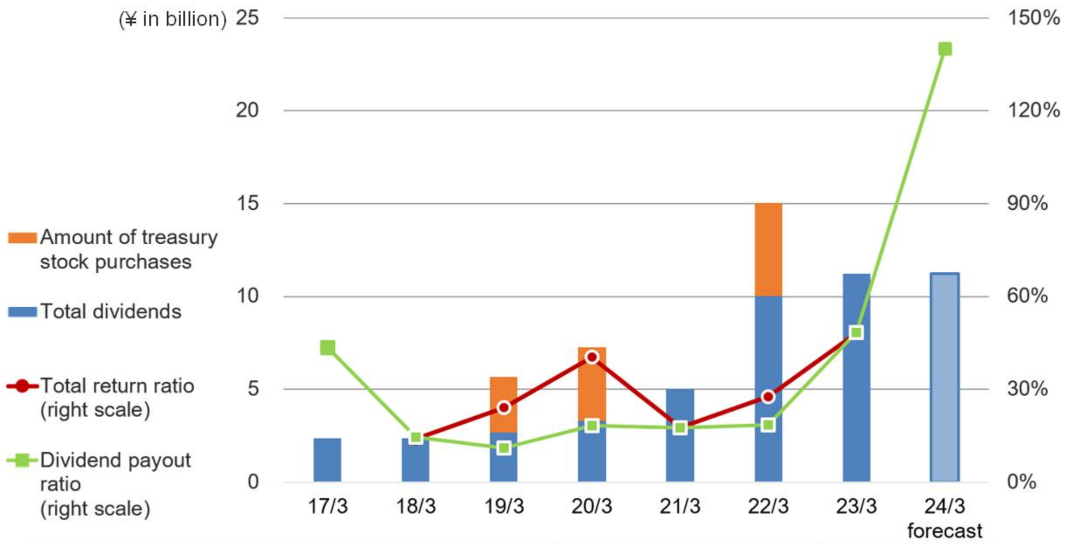
The forecasts for sales in the third quarter is as shown in the table.
We expect increases of 4 – 8% in capacitor sales and 1 – 5% in integrated modules & devices sales compared with the second quarter.
On the other hand, we expect a decrease of 6 – 2% in inductor sales, while sales of others will be flat or slightly down Q/Q.

Total sales are forecast to increase 1 – 5% Q/Q.

The assumed exchanged rate for the third quarter is US$1:¥147.

We will continue to monitor trends in the demand environment and fluctuations in financial and capital markets and respond to any changes while making preparations in anticipation of expansion in demand over the medium term.

Shareholder Return Policy



	17/3	18/3	19/3	20/3	21/3	22/3	23/3	24/3 forecast
Annual cash dividends per share (yen)	20	20	21	26	40	80	90	90
Basic earnings per share (yen)	46.08	138.80	189.93	143.04	227.99	433.46	186.32	64.20

Aim to achieve a stable dividend payout ratio of 30%

TAIYO YUDEN

TAIYO YUDEN plans to pay an annual dividend of 90 yen per share in FYE March 2024, consisting of an interim dividend of 45 yen per share and a year-end dividend of 45 yen per share, the same as in FYE March 2023.

We will continue aiming to achieve a stable dividend payout ratio of 30% while making capital investment and engaging in R&D for future growth.

Issuance of Euro-Yen Denominated Convertible Bond-Type Bonds with Share Acquisition Rights due in 2030

Total amount of issue	50 billion yen
Maturity	7 years
Date when issuance was resolved/issuance conditions were determined	October 4, 2023
Payment date (issue date)	October 20, 2023
Maturity date	October 18, 2030
Interest rate	0.0%
Issue price (paid-in amount)	102.5%
Issue price (offer price)	105.0%
Conversion price	4,360 yen
Conversion premium	10.02% (Closing price on the date the issuance conditions were determined: 3,963 yen)
Additional terms	Soft call provision (130% or more after three years)
Use of proceeds	Intends to apply the proceeds from the issuance of the bonds with stock acquisition rights to capital investment funds by March 31, 2025 in order to expand production capacity for growth products, including ultra-small, thin, large capacity, high-reliability multilayer ceramic capacitors, large current, high efficiency, high heat resistance metal power inductors, and conductive polymer hybrid aluminum electrolytic capacitors. The objective is to build a production system that meets the expansion in demand for electronic components as part of the growth strategy in Medium-term Management Plan 2025.

Finally, we would like to give you an explanation about the convertible corporate bonds with stock acquisition rights announced on October 4.

TAIYO YUDEN has issued 50.0 billion yen in CBs due in seven years' time in 2030.
From the second half of the previous fiscal year through the current fiscal year, we expect net debt will temporarily increase due to the deterioration in market conditions, and we will carry out growth investment by securing funds through CB financing.
Growth investment in order to meet the expansion in demand for electronic components over the medium to long term is essential for TAIYO YUDEN, and the objective is to secure the funds for this.

In addition, maintaining a certain level of financial soundness and equity ratio ensures reliability as a supplier in business with customers.
Therefore, on this occasion, we determined that raising funds through the CB rather than through corporate bonds or borrowing will enable the building of a strong financial base.

TAIYO YUDEN will continue aiming to achieve sustainable growth and striving to enhance corporate value.

Supplementary Information

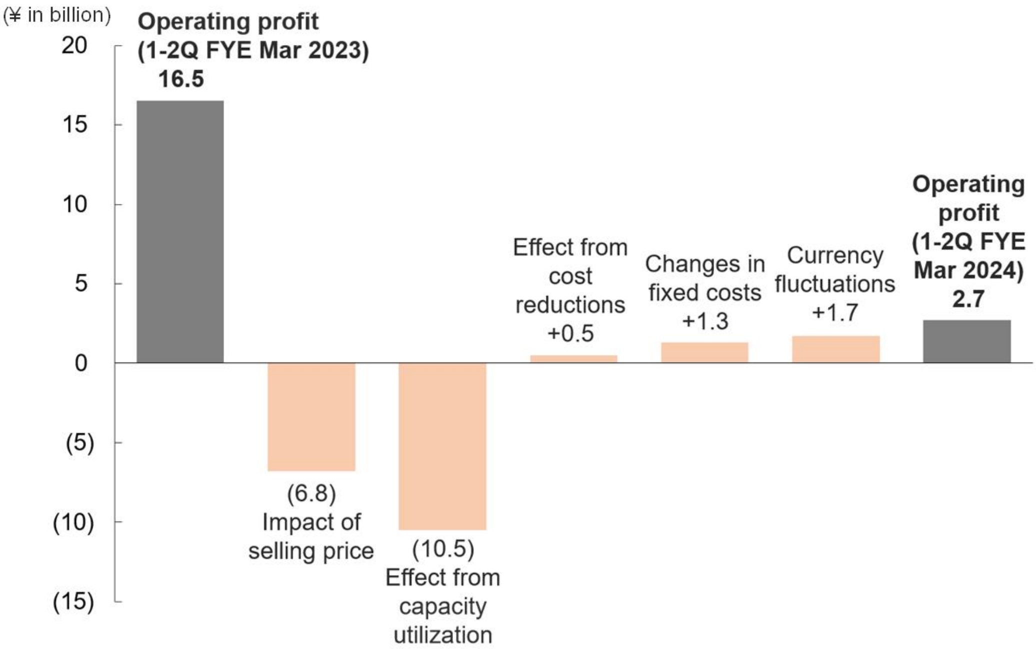
2Q – Consolidated Financial Results (Y/Y)

¥ in million	FYE Mar 31, 2023 2Q		FYE Mar 31, 2024 2Q		Change Y/Y	
Net sales	86,272	100.0%	82,814	100.0%	(3,458)	(4.0)%
Operating profit	16,475	19.1%	2,721	3.3%	(13,753)	(83.5)%
Ordinary profit	18,355	21.3%	5,127	6.2%	(13,227)	(72.1)%
Profit attributable to owners of parent	12,643	14.7%	2,497	3.0%	(10,146)	(80.2)%

Yen/USD average exchange rate	135.33 yen	142.47 yen	7.14 yen depreciated
Impact of exchange rate fluctuation	2.5 billion yen on net sales, 1.7 billion yen on operating profit * Including the impact of currencies other than US dollars		

R&D expenses	3,111	3,353	242	7.8%
Capital investment	10,602	9,491	(1,110)	(10.5)%
Depreciation expenses	8,468	9,420	951	11.2%

2Q – Factors behind Operating Profit (Y/Y)



2Q – Financial Results by Product Classification (Y/Y)

¥ in million	FYE Mar 31, 2023 2Q		FYE Mar 31, 2024 2Q		Change Y/Y	
Capacitors	56,438	65.4%	51,950	62.7%	(4,488)	(8.0)%
Inductors	15,156	17.6%	15,748	19.0%	591	3.9%
Integrated modules & devices	8,276	9.6%	8,326	10.1%	49	0.6%
Others	6,400	7.4%	6,789	8.2%	388	6.1%
Total net sales	86,272	100.0%	82,814	100.0%	(3,458)	(4.0)%

2Q – Financial Results by Product Classification (Y/Y)

Capacitors ((8.0)% Y/Y)
Sales decreased for use in consumer products, information equipment, and IT infrastructure/industrial equipment. On the other hand, sales increased for use in communication equipment and automobiles.

Inductors (+3.9% Y/Y)
Sales for use in communication equipment, such as smartphones, and automobiles increased.

Integrated modules & devices (+0.6% Y/Y)
Sales of communication devices (FBAR/SAW) for use in smartphones increased, but sales of various modules decreased.

Others (+6.1% Y/Y)
Sales of aluminum electrolytic capacitors for use in automobiles increased.

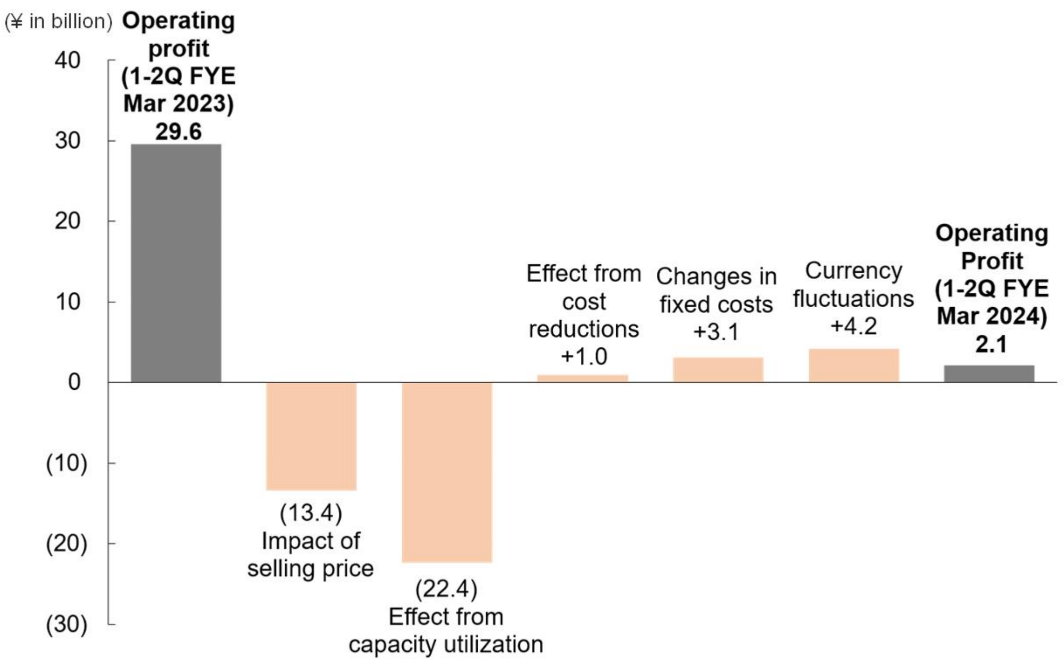
1-2Q - Consolidated Financial Results (Y/Y)

¥ in million	FYE Mar 31, 2023 1-2Q		FYE Mar 31, 2024 1-2Q		Change Y/Y	
Net sales	168,013	100.0%	155,427	100.0%	(12,586)	(7.5)%
Operating profit	29,618	17.6%	2,143	1.4%	(27,474)	(92.8)%
Ordinary profit	35,559	21.2%	6,287	4.0%	(29,272)	(82.3)%
Profit attributable to owners of parent	24,880	14.8%	3,400	2.2%	(21,480)	(86.3)%

Yen/USD average exchange rate	129.89 yen	138.70 yen	8.81 yen depreciated
Impact of exchange rate fluctuation	6.0 billion yen on net sales, 4.2 billion yen on operating profit * Including the impact of currencies other than US dollars		

R&D expenses	6,224	6,523	299	4.8%
Capital investment	20,366	35,459	15,093	74.1%
Depreciation expenses	16,325	18,270	1,945	11.9%

1-2Q – Factors behind Operating Profit (Y/Y)



1-2Q – Financial Results by Product Classification (Y/Y)

¥ in million	FYE Mar 31, 2023 1-2Q		FYE Mar 31, 2024 1-2Q		Change Y/Y	
Capacitors	111,021	66.1%	99,084	63.7%	(11,937)	(10.8)%
Inductors	26,905	16.0%	26,724	17.2%	(181)	(0.7)%
Integrated modules & devices	17,436	10.4%	16,509	10.6%	(927)	(5.3)%
Others	12,649	7.5%	13,109	8.4%	460	3.6%
Total net sales	168,013	100.0%	155,427	100.0%	(12.586)	(7.5)%

1-2Q – Financial Results by Product Classification (Y/Y)

Capacitors ((10.8)% Y/Y)
Sales for use in consumer products, information equipment, and IT infrastructure/industrial equipment decreased. Sales for use in communication equipment and automobiles increased.

Inductors ((0.7)% Y/Y)
Sales increased for use in communication equipment and automobiles, but sales decreased for use in consumer products, information equipment, and IT infrastructure/industrial equipment.

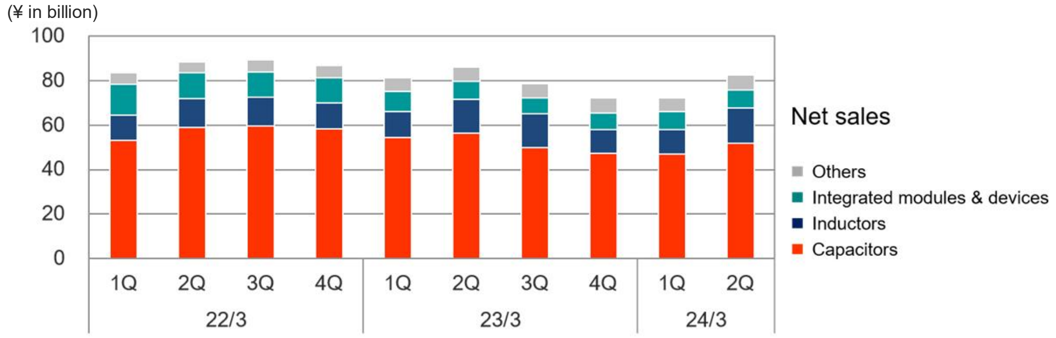
Integrated modules & devices ((5.3)% Y/Y)
Sales of various modules decreased, but sales of communication devices (FBAR/SAW) for use in smartphones increased.

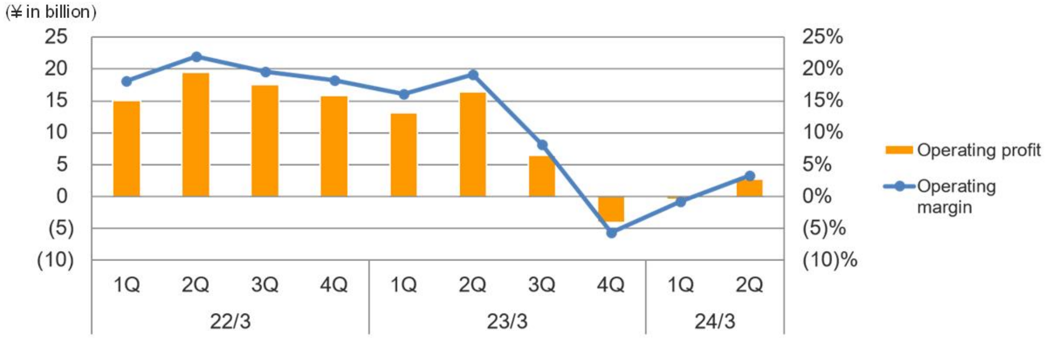
Others (+3.6% Y/Y)
Sales of aluminum electrolytic capacitors for use in automobiles increased.

Consolidated Earnings Trends (Quarterly)

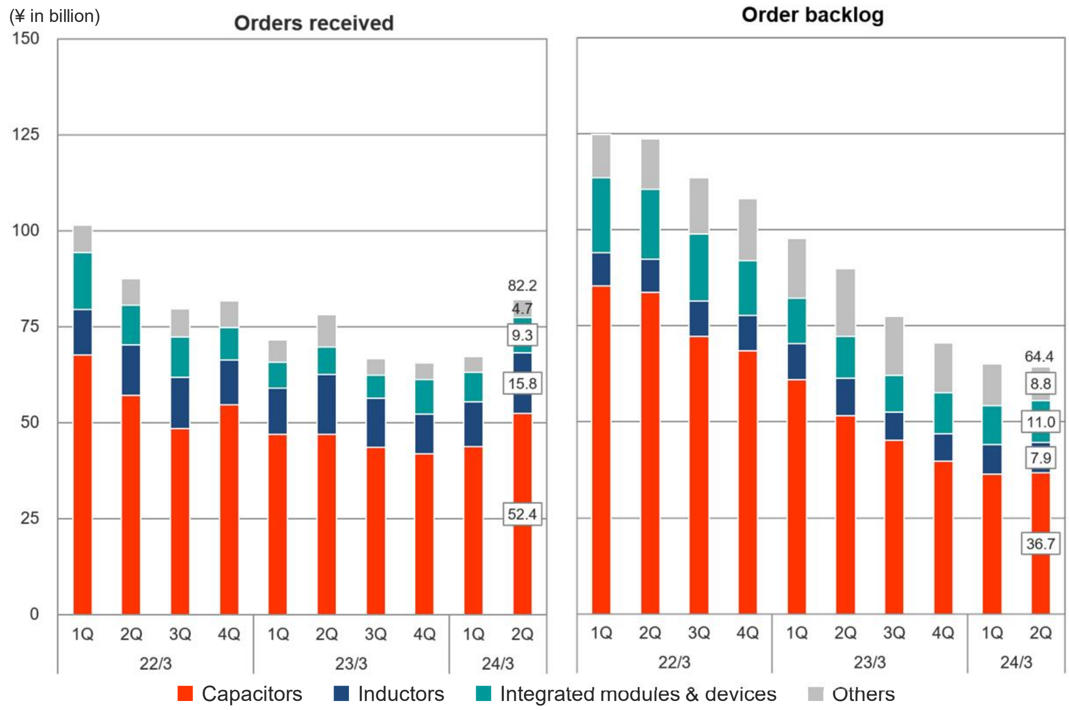
¥ in million	FYE Mar 31, 2022				FYE Mar 31, 2023				FYE Mar 31, 2024	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Net sales	83,836	88,833	89,840	87,125	81,740	86,272	79,032	72,458	72,612	82,814
Capacitors	53,209	59,035	59,787	58,352	54,583	56,438	49,867	47,225	47,133	51,950
Inductors	11,386	12,863	12,957	11,717	11,748	15,156	15,212	10,748	10,976	15,748
Integrated modules & devices	13,977	11,959	11,351	11,510	9,159	8,276	7,358	7,786	8,182	8,326
Others	5,263	4,975	5,743	5,545	6,248	6,400	6,594	6,697	6,320	6,789
Operating profit	15,147	19,508	17,643	15,919	13,142	16,475	6,462	(4,100)	(577)	2,721
Ordinary profit	15,174	20,370	18,390	18,256	17,204	18,355	2,572	(3,299)	1,159	5,127
Profit attributable to owners of parent	12,969	15,479	13,410	12,502	12,236	12,643	1,972	(3,636)	903	2,497
Yen/USD average exchange rate	109.00 Yen	110.10 yen	112.48 yen	114.66 yen	124.45 yen	135.33 yen	144.27 yen	132.75 yen	134.93 yen	142.47 yen

Consolidated Earnings Trends (Quarterly)





Orders Received and Order Backlog Trends (Quarterly)



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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