

Consolidated Results for the six months ended September 30, 2020

November 9, 2020

Company name: TAIYO YUDEN CO., LTD.

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

Representative: Shoichi Tosaka, President and Chief Executive Officer

Contact: Tomomitsu Fukuda, Senior Operating Officer, Deputy Chief of Management Planning Headquarters

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, 2020 to September 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	%
Six months ended September 30, 2020	140,222	(1.2)	19,126	(5.8)	18,183	(5.2)	11,442	(25.4)
Six months ended September 30, 2019	141,908	6.2	20,298	38.1	19,176	24.6	15,332	39.6

Note: Comprehensive income

ended on September 30, 2020

12,837 million yen ; 36.2%

ended on September 30, 2019

9,427 million yen ; (27.6 %)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2020	91.16	90.91
Six months ended September 30, 2019	121.27	120.98

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2020	375,980	221,200	58.7	1,757.43
As of March 31, 2020	343,122	210,454	61.2	1,672.40

(Reference) Shareholder's equity As of September 30, 2020

220,588 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)			—	15.00	30.00

Note: No changes in the forecasted dividend during the second quarter ended September 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
Year ending March 31, 2021	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	284,000	0.6	34,000	(8.5)	33,000	(6.2)	22,000	22.1	175.27

Note: There are changes in the forecasted results during the second quarter ended September 30, 2020.

4. Note

(1) Changes in principal subsidiaries during the six months ended September 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 September 30, 2020 130,218,481 shares As of March 31, 2020 130,218,481 shares

b. Number of treasury stock:

As of September 30, 2020 4,700,468 shares As of March 31, 2020 4,715,775 shares

c. Average number of common shares outstanding:

Six months ended September 30, 2020 125,509,275 shares Six months ended September 30, 2019 126,427,341 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	4
(3) Forecasts of Consolidated Operating Results	5
2. Consolidated Financial Statements	7
(1) Consolidated Balance Sheets	7
(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income	9
Consolidated Statements of Operations	9
Consolidated Statements of Comprehensive Income	10
(3) Consolidated Statements of Cash Flows	11
(4) Notes on Consolidated Financial Statements	13
(Notes on Premise of Going Concern)	13
(Notes in Case of Significant Changes to Shareholders' Equity)	13
3. Supplementary Information	13
(1) Net Sales by Product Classification	13

1. Qualitative Information Concerning Financial Statements and Other

(1) Consolidated Operating Results

Economy and Market Conditions

During the six-month period ended September 30, 2020 (April 1, 2020 – September 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. 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, it will be necessary to monitor infectious disease trends, trade issues in individual countries, and fluctuations in financial and capital markets as countries aim to strike a balance between stimulating economic activity and controlling the spread of infection.

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 ¥71,490 million in cash and deposits, and has maintained a sound financial structure with an equity ratio of 58.7%. 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 six-month period ended September 30, 2020 totaled ¥140,222 million, which is a decrease of 1.2% compared to the corresponding period of the previous fiscal year. Operating income was ¥19,126 million, a decrease of 5.8%. 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 ¥18,183 million, a decrease of 5.2%, mainly owing to foreign exchange losses of ¥781 million. Moreover, as a result of recording ¥3,200 million in extraordinary loss, including loss related to COVID-19 at overseas subsidiaries, net income attributable to owners of parent company amounted to ¥11,442 million, down by 25.4% from the corresponding period of the previous fiscal year.

Exchange Rate

The average foreign currency exchange rate for the six-month period ended September 30, 2020 was US\$1: ¥107.22. This is an appreciation of ¥2.04 as compared to the average realized in the corresponding period of the previous fiscal year of US\$1: ¥109.26.

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 5.5% year over year to ¥92,672 million.

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 and automobiles were lower. As a result, in the six-month period ended September 30, 2020, sales decreased by 2.8% to ¥18,831 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 six-month period ended September 30, 2020, sales of FBAR/SAW devices for mobile communications and power supply modules etc. decreased year over year. This resulted in a 17.5% decrease in sales for this product classification year over year to ¥21,406 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 ¥7,312 million, down 16.5% year over year.

(2) Consolidated Financial Conditions

① Assets, Liabilities and Net Assets

Assets

Total assets as of September 30, 2020 increased ¥32,858 million to ¥375,980 million compared with the end of the previous fiscal year. Current assets increased ¥23,206 million. This increase in current assets was mainly due to the increase in cash and deposits of ¥11,868 million, trade notes and accounts receivable of ¥7,399 million and work in process of ¥1,511 million.

Fixed assets increased ¥9,651 million owing to the upswing in property, plant and equipment of ¥9,166 million.

Liabilities

Total liabilities as of September 30, 2020 were ¥ 154,780 million, an increase of ¥22,112 million as compared to the balance at March 31, 2020. This was mainly due to an increase of ¥ 19,267 million in long-term borrowings and ¥1,793 million in income taxes payable.

Net Assets

Net assets as of September 30, 2020 increased ¥10,745 million to ¥221,220 million compared with the end of the previous fiscal year.

② Cash Flows

Operating activities

Net cash provided by operating activities for the six-months period ended September 30, 2020 was ¥18,492 million, a decrease of 15.2% compared with the corresponding period of the previous fiscal year. The contributing factors are; income before income taxes of ¥15,030 million; depreciation and amortization of ¥13,877 million; increase in trade receivables of ¥6,951 million; increase in inventories of ¥2,287 million; and income taxes (paid) of ¥1,978 million.

Investing activities

Net cash used in investing activities for the six-month period ended September 30, 2020 totaled ¥22,430 million, an increase of 27.5% compared with the corresponding period of the previous fiscal year. The largest cash outflow was ¥22,890 million paid for purchases of property, plant and equipment.

Financing activities

Net cash provided by financing activities for the six-month period ended September 30, 2020 totaled ¥16,846 million, compared to an outflow of ¥859 million for the same period of the previous fiscal year. The main factors are proceeds from long-term borrowings of ¥20,500 million and payments of cash dividends of ¥1,880 million.

As a result of the aforementioned activities, cash and cash equivalent as of September 30, 2020 increased ¥11,801 million from the end of the previous fiscal year, to ¥69,086 million.

(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	284,000	0.6
Operating income	34,000	(8.5)
Ordinary income	33,000	(6.2)
Net income attributable to the owners of parent company	22,000	22.1

The financial results for the six-month period of the fiscal year ending March 31, 2021 (April 1, 2020 to September 30, 2020) exceeded the forecast published on August 7, 2020 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 higher demand for electronic components owing to 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 second quarter, future demand forecasts, and other factors.

During the first quarter, there were constraints on operations at production subsidiaries in the Philippines and Malaysia due to the impact of COVID-19, but these subsidiaries returned to normal operations in the second quarter, and we have assumed that they will continue to operate as normal from the

third quarter onward. The forecast is based on an average foreign currency exchange rate of US\$1:¥105.

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 September 30, 2020
ASSETS		
Current assets:		
Cash and deposits	59,622	71,490
Trade notes and accounts receivable	64,680	72,079
Merchandise and finished products	18,134	18,356
Work in process	28,829	30,340
Raw materials and supplies	15,624	16,500
Other	5,220	6,604
Allowance for doubtful receivables	(182)	(236)
Total current assets	191,930	215,136
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	97,082	108,623
Machinery and equipment	278,081	289,375
Tools, furniture and fixtures	27,578	28,508
Land	12,661	12,681
Construction in progress	18,307	13,551
Accumulated depreciation	(289,311)	(299,173)
Net property, plant and equipment	144,400	153,567
Intangible fixed assets:		
Other	1,293	1,316
Total intangible fixed assets	1,293	1,316
Investments and other assets:		
Investment securities	2,671	2,883
Other	3,153	3,393
Allowance for doubtful receivables	(326)	(317)
Total investments and other assets	5,498	5,959
Total fixed assets	151,192	160,844
Total assets	343,122	375,980

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	26,603	25,775
Short-term borrowings	19,250	19,250
Current portion of long-term borrowings	2,663	2,462
Income taxes payable	1,903	3,697
Accrued bonuses for employees	4,576	5,291
Accrued bonuses for directors and corporate auditors	233	144
Other	29,103	29,717
Total current liabilities	84,333	86,339
Long-term liabilities:		
Long-term borrowings	34,752	54,020
Accrued retirement benefits for directors and corporate auditors	49	38
Net defined benefit liability	4,200	4,379
Other	9,332	10,003
Total long-term liabilities	48,334	68,441
Total liabilities	132,667	154,780
NET ASSETS		
Shareholders' equity:		
Common stock	33,575	33,575
Capital surplus	49,903	49,903
Retained earnings	150,263	159,687
Treasury stock	(8,596)	(8,569)
Total shareholders' equity	225,146	234,596
Accumulated other comprehensive income		
Net unrealized holding gains on securities	430	777
Deferred gains (losses) on hedges	(82)	(6)
Foreign currency translation adjustments	(14,779)	(14,016)
Remeasurements of defined benefit plans	(824)	(761)
Total accumulated other comprehensive income	(15,255)	(14,007)
Stock acquisition rights	563	611
Total net assets	210,454	221,200
Total liabilities and net assets	343,122	375,980

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

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	141,908	140,222
Cost of sales	97,219	98,532
Gross profit	44,688	41,690
Selling, general and administrative expenses	24,390	22,563
Operating income	20,298	19,126
Non-operating income:		
Interest income	195	64
Dividend income	126	40
Subsidy income	77	248
Other	87	118
Total non-operating income	486	472
Non-operating expenses:		
Interest expense	185	179
Equity in losses of affiliate	277	192
Loss on foreign exchange	931	781
Depreciation of inactive noncurrent assets	120	142
Other	94	118
Total non-operating expenses	1,608	1,415
Ordinary income	19,176	18,183
Extraordinary gains:		
Gain on sales of property, plant and equipment	130	32
Gain on sales of investment securities	16	15
Total extraordinary gains	147	48
Extraordinary losses:		
Loss on disposal and sales of property, plant and equipment	370	375
Impairment loss	10	84
Loss on devaluation of investment securities	17	-
Business structure improvement expenses	-	418
Anti-monopoly Act related loss	327	-
Loss by COVID-19	-	2,083
Other	9	239
Total extraordinary losses	735	3,200
Income before income taxes	18,588	15,030
Income taxes - current	3,209	3,752
Income taxes - deferred	47	(163)
Total income taxes	3,256	3,588
Net income	15,332	11,442
Net income attributable to owners of parent company	15,332	11,442

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net income	15,332	11,442
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(235)	357
Deferred gains (losses) on hedges	(42)	75
Foreign currency translation adjustments	(5,646)	903
Remeasurement of defined benefit plans	20	59
Total other comprehensive income (loss)	(5,904)	1,395
Comprehensive income	9,427	12,837
(Breakdown)		
Comprehensive income attributable to shareholders	9,427	12,837

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Operating activities:		
Income before income taxes	18,588	15,030
Depreciation and amortization	12,898	13,877
Impairment loss	10	84
Business structure improvement expense	-	418
Anti-monopoly Act related loss	327	-
Loss by COVID-19	-	2,083
Amortization of goodwill	315	-
Increase (decrease) in allowance for doubtful receivables	38	40
Increase (decrease) in accrued bonuses for employees	984	593
Increase (decrease) in accrued bonuses for directors and corporate auditors	(97)	(89)
Increase (decrease) in accrued retirement benefits for directors and corporate auditors	(81)	(10)
Interest and dividend income	(322)	(105)
Interest expense	185	179
Equity in earnings of affiliate	277	192
(Gain) loss on disposal and sales of property, plant and equipment	240	342
(Gain) loss on sales of investment securities	(11)	(15)
Subsidy income	(41)	(82)
(Gain) loss on devaluation of investment securities	17	-
(Increase) decrease in trade receivables	(7,045)	(6,951)
(Increase) decrease in inventories	(3,665)	(2,287)
Increase (decrease) in trade payables	905	(1,258)
Other	3,239	(29)
Subtotal	26,763	22,014
Interest and dividends received	337	104
Interest paid	(215)	(154)
Anti-monopoly Act related loss paid	(449)	-
Loss by COVID-19 paid	-	(1,493)
Income taxes (paid) refunded	(4,629)	(1,978)
Net cash provided by operating activities	21,807	18,492
Investing activities:		
Purchases of property, plant and equipment	(20,235)	(22,890)
Proceeds from sales of property, plant and equipment	218	73
(Increase) decrease in time deposits	2,299	(41)
Proceeds from sales of investment securities	186	44
Receipt from subsidy income	141	182
Other	(201)	202
Net cash used in investing activities	(17,591)	(22,430)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Financing activities:		
Net increase (decrease) in short-term borrowings	(2,949)	-
Proceeds from long-term borrowings	9,000	20,500
Repayments of long-term borrowings	(1,245)	(1,433)
Purchases of treasury stock	(4,001)	(2)
Payments of cash dividends	(1,398)	(1,880)
Repayments of lease obligations	(233)	(337)
Other	(30)	(0)
Net cash provided by (used in) financing activities	(859)	16,846
Effect of exchange rate changes on cash and cash equivalents	(1,473)	47
Net increase (decrease) in cash and cash equivalents	1,883	12,955
Cash and cash equivalents at beginning of period	51,654	57,285
Increase (decrease) in cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	-	(1,154)
Cash and cash equivalents at end of period	53,537	69,086

(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.

3. Supplementary Information

(1) Net Sales by Product Classification

(Millions of yen)

Product classification	Six months ended September 30, 2019		Six months ended September 30, 2020		Increase/ (Decrease)	
	Amount	Share [%]	Amount	Share [%]	Amount	%
Capacitors	87,812	61.9	92,672	66.1	4,860	5.5
Ferrite and applied products	19,376	13.7	18,831	13.4	(544)	(2.8)
Integrated modules & devices	25,960	18.3	21,406	15.3	(4,554)	(17.5)
Others	8,759	6.2	7,312	5.2	(1,446)	(16.5)
Total	141,908	100.0	140,222	100.0	(1,685)	(1.2)

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