

Consolidated Financial Results

Second quarter of the year ending March 31, 2021

Katsuya Sase
Chief of Management Planning Headquarters

November 9, 2020

Financial Summary

2Q of the Year Ending March 2021

- There was sales and profit growth with net sales up 32% Q/Q at 79.7 billion yen, and operating income up 41% Q/Q at 11.2 billion yen.
- Sales and operating income both significantly outperformed the forecasts made in August due to such factors as growth in demand for products used in smartphones and a greater-than-expected recovery in automobile production.
- Sales recorded an all-time high on a quarterly basis.

Earnings Forecast for the Year Ending March 2021

- The full-year financial results forecasts published in August have been revised upward.
- Net sales are projected to increase 1% Y/Y to 284.0 billion yen, and operating income is projected to decrease 9%Y/Y to 34.0 billion yen

Financial Summary for 2Q FYE March 2021

Net sales were 79.7 billion yen, up 32% from the first quarter.

Operating income increased 41% to 11.2 billion yen, and we achieved sales and profit growth compared with the first quarter.

Demand grew across a broad range of markets due to such factors as strong smartphone production and a greater-than-expected recovery in automobile production.

Sales and operating income both significantly outperformed the forecasts made in August.

Net sales of 79.7 billion yen were an all-time high on a quarterly basis.

Earnings Forecasts for FYE March 2021

The full-year financial results forecasts published in August have been revised upward.

Net sales are projected to increase slightly Y/Y to 284.0 billion yen, and operating income is projected to fall 9% to 34.0 billion yen.

Impact of COVID-19

The impact on TAIYO YUDEN's business activities has practically disappeared (as of November 9)

Sales

We are closely monitoring production trends at client companies and final demand for equipment, etc.

Procurement

No impact. There were some problems with procurement from suppliers, but we addressed this by changing procurement channels and utilizing current inventory, etc.

Distribution

There is still some impact, such as lengthening distribution lead times and increasing distribution costs. We are addressing this through transportation using alternative flights and routes.

Production

All production sites in Japan and overseas have been operating as normal since June. It is estimated 1Q net sales decreased 7.0 billion yen due to restrictions on operations from March - May.

Country	Company	Main production items	Operation status		
			As of May 12	As of Aug 7	As of Nov 9
Philippines	TAIYO YUDEN (PHILIPPINES)	Inductors	Operating (with constraints)	Operating as normal (from June)	Operating as normal
Malaysia	TAIYO YUDEN (SARAWAK)	Multilayer ceramic capacitors	Operating (with constraints)	Operating as normal (from mid-May)	Operating as normal
Japan, Korea, China, etc.	Companies other than above	—	Operating as normal	Operating as normal	Operating as normal

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At present, the impact of COVID-19 on TAIYO YUDEN's business activities has practically disappeared.

On the sales front, customer production activities have generally returned to normal, and COVID-19 is not having any impact at present.

We will continue to gather information on customer production trends, final demand for equipment and so forth.

In procurement activities, there have been no major issues.

Although there were some components with procurement issues for a while, we addressed this by changing procurement channels and utilizing current inventory.

In distribution, issues such as lengthening of some distribution lead times and increases in distribution costs have continued because, even though the number of flights has increased, the cargo volume has also risen.

We are taking measures to minimize the impact, such as using alternative flights and routes.

In production, all plants in Japan and overseas have been continuing production activities as normal since June.

Due to constraints on operations at subsidiaries in the Philippines and Malaysia between March and May, it is estimated net sales declined 7.0 billion yen in the first quarter, but there is no such impact in the second quarter onwards.

2Q - Consolidated Financial Results (Q/Q)

¥ in million	FYE Mar 31, 2021 1Q (01 Apr 2020 – 30 Jun 2020)		FYE Mar 31, 2021 2Q (01 Jul 2020 – 30 Sep 2020)		Change Q/Q	
Net sales	60,493	100.0%	79,728	100.0%	19,235	31.8%
Operating income	7,923	13.1%	11,203	14.1%	3,280	41.4%
Ordinary income	7,371	12.2%	10,812	13.6%	3,440	46.7%
Net income attributable to owners of parent company	4,541	7.5%	6,900	8.7%	2,358	51.9%
Yen to USD average exchange rate	107.61 yen		106.82 yen		0.79 yen appreciated	
Impact of exchange rate fluctuation	(0.3) billion yen on net sales, (0.4) billion yen on operating income * Including the impact of currencies other than US dollars					
R&D expenses	2,988		3,219		230	7.7%
Capital investment	17,886		10,112		(7,774)	(43.5)%
Depreciation expenses	6,599		7,277		677	10.3%

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The financial results for the second quarter of the fiscal year ending March 2021 recorded net sales of 79.7 billion yen, operating income of 11.2 billion yen, and ordinary income of 10.8 billion yen.

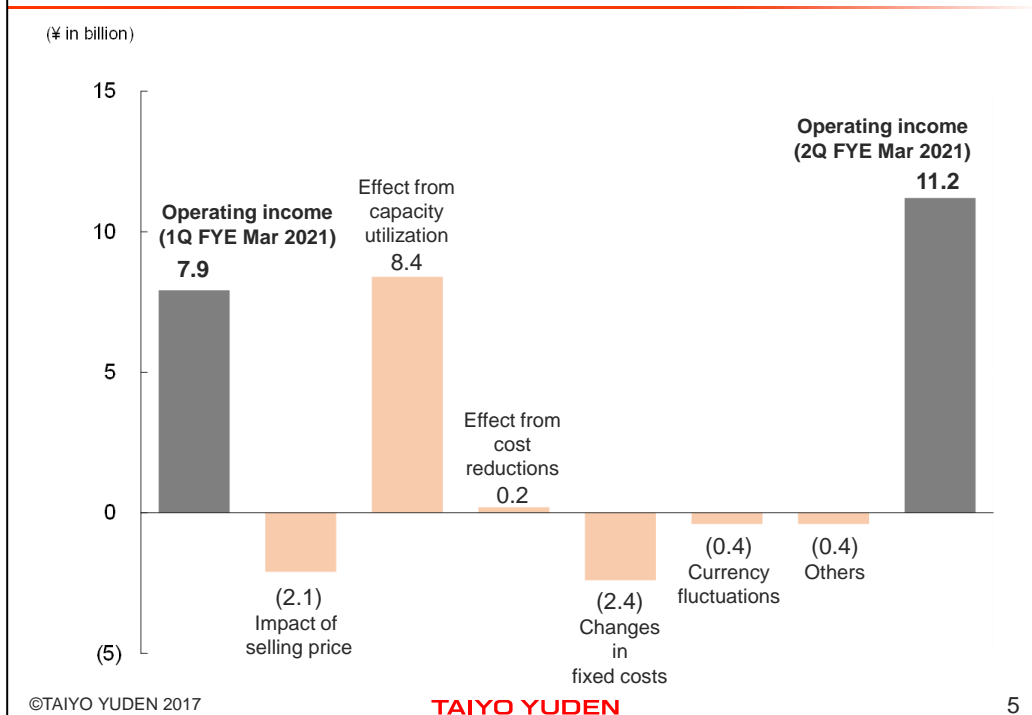
Loss related to COVID-19 of 0.8 billion yen was recorded as extraordinary loss. This included temporary expenses such as increases in distribution costs and infection control measures. TAIYO YUDEN also recorded business structure improvement expenses of 0.4 billion yen associated with the September closure of a subsidiary in Tianjin, China, which produced inductors. We have withdrawn old products and consolidated manufacture of products that will be continued at other site. The impact on the financial results from the third quarter onward will be immaterial due to the small scale of production at the site.

As a result, net income attributable to owners of parent company was 6.9 billion yen.

The average exchange rate during the quarter was US\$1:¥106.82, an appreciation of ¥0.79 from the first quarter of the fiscal year. The impact from this was a decrease of 0.3 billion yen in net sales and 0.4 billion yen in operating income. The appreciation of currencies in Asia, including the Philippines and Korea, had a slightly bigger impact to operating income.

R&D expenses were 3.2 billion yen, up slightly Q/Q. Capital investment was 10.1 billion yen, down 7.8 billion yen from the first quarter when expenses relating to the construction of the new plant building at subsidiary NIIGATA TAIYO YUDEN CO., LTD. were recorded. Depreciation expenses were 7.3 billion yen, up 0.7 billion yen Q/Q.

2Q - Factors behind Operating Income (Q/Q)



A factor for increase in operating income in the second quarter was the 8.4 billion yen effect from capacity utilization.

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

A large increase in sales volume owing to the recovery in demand contributed to the increase in operating income.

Company-wide inventory as of September 30 fell 4.3 billion yen from June 30 on the actual basis excluding the portion with no effect on operating income, such as the impact of exchange rates. We were not able to increase inventory as planned due to the greater-than-expected increase in sales volume.

The 0.2 billion yen effect from cost reductions was also a factor for increase in operating income.

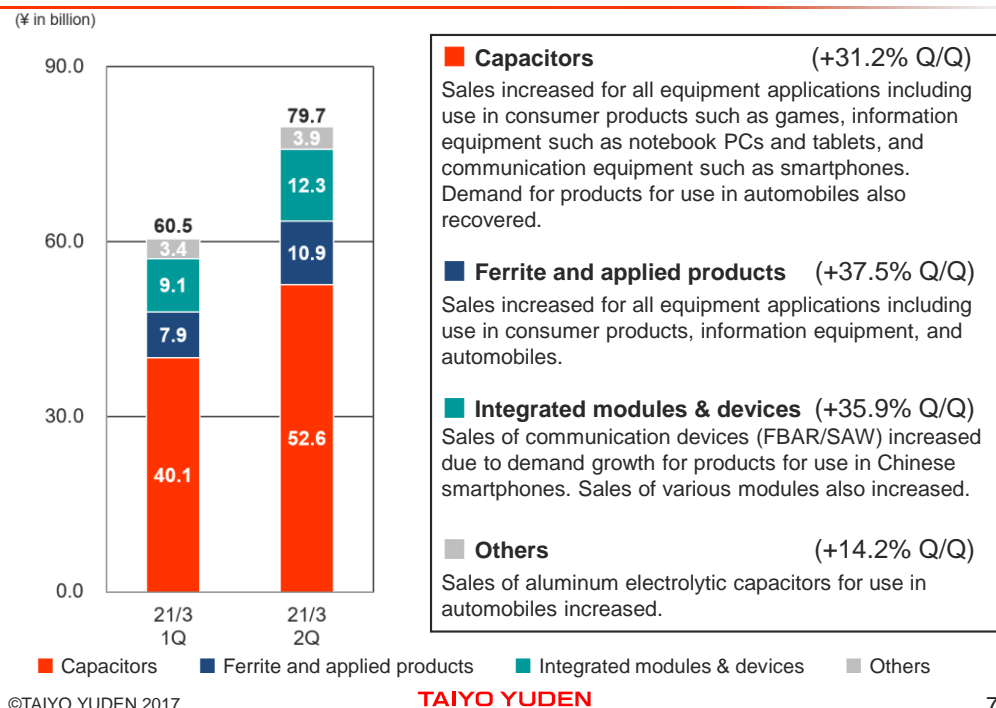
Factors for decrease were the negative impact of 2.1 billion yen from selling prices, the 2.4 billion yen increase in fixed costs, the 0.4 billion yen exchange rate impact from the appreciation of the yen, and 0.4 billion yen from other factors.

As a result, operating income increased 3.3 billion yen from the first quarter to 11.2 billion yen.

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

¥ in million	FYE Mar 31, 2021 1Q		FYE Mar 31, 2021 2Q		Change Q/Q	
Capacitors	40,075	66.2%	52,596	66.0%	12,520	31.2%
Ferrite and applied products	7,928	13.1%	10,903	13.7%	2,974	37.5%
Integrated modules & devices	9,075	15.0%	12,330	15.5%	3,254	35.9%
Others	3,413	5.6%	3,899	4.9%	485	14.2%
Total net sales	60,493	100.0%	79,728	100.0%	19,235	31.8%

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



Sales of all products significantly exceeded 1Q sales.

Net sales of capacitors were 52.6 billion yen, up 31% Q/Q.

Sales increased for all equipment applications with strong sales for use in consumer products such as game consoles, information equipment such as notebook PCs and tablets, and communication equipment such as smartphones, and demand for use in automobiles also recovered.

Net sales of ferrite and applied products were 10.9 billion yen, up 38% Q/Q.

Sales increased for all equipment applications.

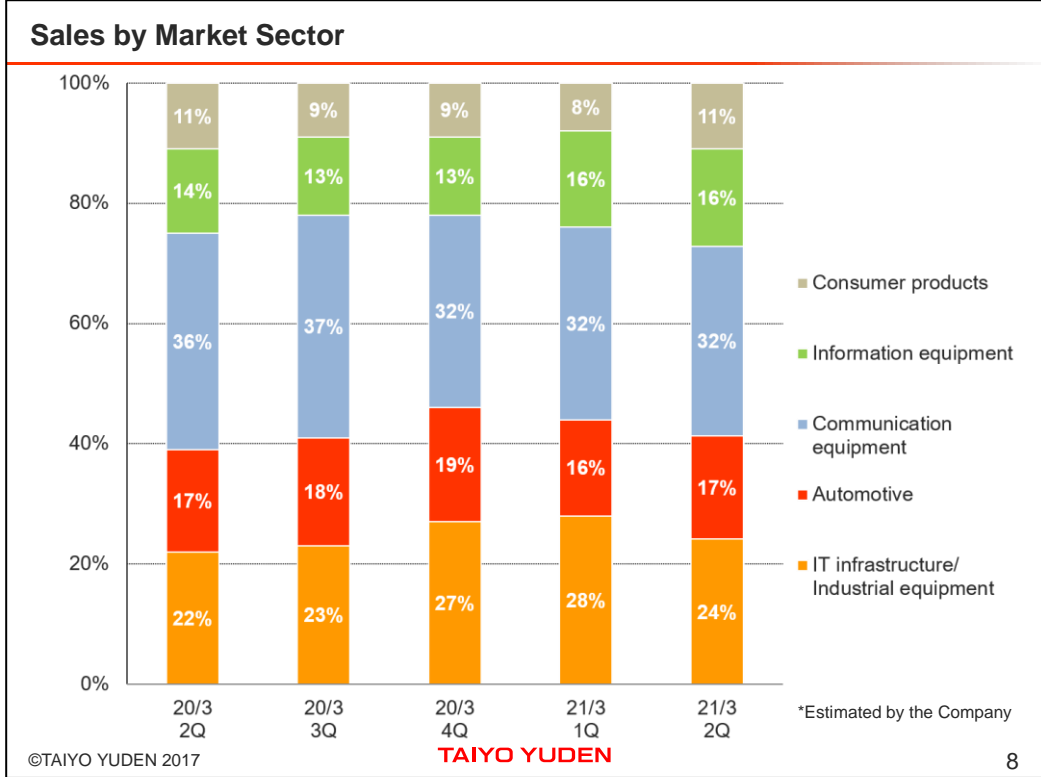
Net sales of integrated modules & devices were 12.3 billion yen, up 36% Q/Q.

Sales of communication devices (FBAR/SAW) increased with particularly strong demand from Chinese smartphone manufacturers.

Communication devices account for 65 – 70% of integrated module & devices sales.

Net sales of others were 3.9 billion yen, up 14% Q/Q.

Sales of aluminum electrolytic capacitors increased due to the recovery in the automobile market.



Composition of sales classified by market sector is as follows:

- 24% for use in IT infrastructure/industrial equipment, which includes base station communications equipment and servers;
- 17% for use in automobiles;
- 32% for use in communication equipment;
- 16% for use in information equipment, which includes PCs and tablets;
- 11% for use in consumer products, which includes game consoles and smartwatches

Sales increased in all sectors from the first quarter.

The composition of sales rose for use in consumer products and automobiles, which experienced particularly high rates of increase.

1H – Consolidated Financial Results (Y/Y)

¥ in million	FYE Mar 31, 2020 1H (01 Apr 2019 – 30 Sep 2019)		FYE Mar 31, 2021 1H (01 Apr 2020 – 30 Sep 2020)		Change Y/Y	
Net sales	141,908	100.0%	140,222	100.0%	(1,685)	(1.2)%
Operating income	20,298	14.3%	19,126	13.6%	(1,171)	(5.8)%
Ordinary income	19,176	13.5%	18,183	13.0%	(992)	(5.2)%
Net income attributable to owners of parent company	15,332	10.8%	11,442	8.2%	(3,890)	(25.4)%
Yen to USD average exchange rate	109.26 yen		107.22 yen		2.04 yen appreciated	
Impact of exchange rate fluctuation	(2.3) billion yen on net sales, (0.9) billion yen on operating income * Including the impact of currencies other than US dollars					
R&D expenses	6,425		6,207		(217)	(3.4)%
Capital investment	17,350		27,998		10,648	61.4%
Depreciation expenses	12,898		13,877		978	7.6%

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Net sales in the first half of the year ending March, 2021 were 140.2 billion yen.

We succeeded in keeping the Y/Y decline small because, even though sales fell in the first quarter due to the impact of COVID-19, demand was stronger than expected in the second quarter.

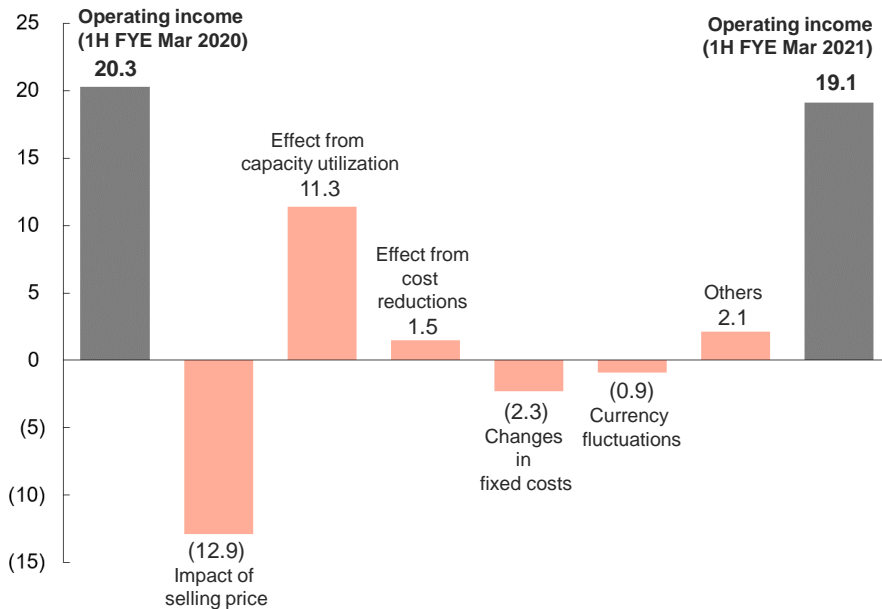
Operating income was 19.1 billion yen, a decrease of 6% Y/Y.

Ordinary income was 18.2 billion yen, and net income attributable to owners of parent company was 11.4 billion yen.

Both figures significantly exceeded the financial results forecasts published in August.

1H – Factors behind Operating Income (Y/Y)

(¥in billion)



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Factors for increase in operating income in the first half were the 11.3 billion yen effect from capacity utilization, the 1.5 billion yen effect from cost reductions, and 2.1 billion yen from other factors.

Meanwhile, the 12.9 billion yen impact from selling prices, 2.3 billion yen increase in fixed costs, and the 0.9 billion yen exchange rate impact from the appreciation of the yen were factors for decrease.

As a result, operating income in the first half was 19.1 billion yen, a decrease of 1.2 billion yen Y/Y.

1H – Financial Results by Product Classification (Y/Y)

¥ in million	FYE Mar 31, 2020 1H		FYE Mar 31, 2021 1H		Change Y/Y	
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 net sales	141,908	100.0%	140,222	100.0%	(1,685)	(1.2)%

Financial Results by Product Classification (Y/Y)

(¥ in billion)



Capacitors

(+5.5% Y/Y)

Sales for use in consumer products, information equipment, automobiles, and IT infrastructure/industrial equipment increased. Sales for use in communication equipment decreased.

Ferrite and applied products

((2.8)% Y/Y)

Although sales for use in communication equipment increased, sales for use in consumer products and automobiles decreased.

Integrated modules & devices

((17.5)% Y/Y)

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

Others

((16.5)% Y/Y)

Capacitors

Ferrite and applied products

Integrated modules & devices

Others

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Net sales of capacitors were up 6% Y/Y as sales for use in communication equipment such as smartphones decreased while sales for use in consumer products, information equipment, automobiles, and IT infrastructure/industrial equipment such as servers increased.

Net sales of ferrite and applied products were down 3% Y/Y as sales for use in consumer products and automobiles decreased although sales for use in communication equipment increased.

Net sales of integrated modules & devices decreased 18% Y/Y as sales of communication devices (FBAR/SAW) and modules both declined.

Forecast of Consolidated Performance

for the year ending March 31, 2021

Full-Year Forecast (compared to the previous forecast)

¥ in million	FYE Mar 31, 2021 Forecast as of Aug 7			FYE Mar 31, 2021 Forecast as of Nov 9		
	1H	2H	Full year	1H Actual results	2H	Full year
Net sales	130,000	135,000	265,000	140,222	143,778	284,000
Operating income	15,000	12,000	27,000	19,126	14,874	34,000
Ordinary income	14,000	12,000	26,000	18,183	14,817	33,000
Net income attributable to owners of parent company	8,500	8,500	17,000	11,442	10,558	22,000
Yen to USD average exchange rate	107.31 yen	107.00 yen	107.15 yen	107.22 yen	105.00 yen	106.11 yen
R&D expenses	—	—	13,000	6,207	6,793	13,000
Capital investment	—	—	50,000	27,998	22,002	50,000
Depreciation expenses	—	—	30,000	13,877	16,123	30,000

- The financial results forecasts published in August have been revised upward.

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The full-year financial results forecast for FYE March 2021 has been revised upward from the forecast published in August based on the results in the first half, future demand forecasts, and other factors.

We project net sales of 284.0 billion yen, operating income of 34.0 billion yen, ordinary income of 33.0 billion yen, and net income attributable to owners of parent company of 22.0 billion yen.

The assumed exchange rate for the third quarter onward is US\$1:¥105.

Research and development activities and production capacity expansion, mainly for capacitors, are proceeding according to plan, and there are no revisions to the forecasts for R&D expenses, capital investment, and depreciation expenses.

Full-Year Forecast (Y/Y)

¥ in million	FYE Mar 31, 2020		FYE Mar 31, 2021 Forecast as of Nov 9		Change Y/Y	
Net sales	282,329	100.0%	284,000	100.0%	1,671	0.6%
Operating income	37,176	13.2%	34,000	12.0%	(3,176)	(8.5)%
Ordinary income	35,165	12.5%	33,000	11.6%	(2,165)	(6.2)%
Net income attributable to owners of parent company	18,022	6.4%	22,000	7.7%	3,978	22.1%
Yen to USD average exchange rate	109.06 yen		106.11 yen		2.95 yen appreciated	
R&D expenses	12,921		13,000		79	0.6%
Capital investment	39,365		50,000		10,635	27.0%
Depreciation expenses	27,022		30,000		2,978	11.0%

- The financial results forecasts published in August have been revised upward.

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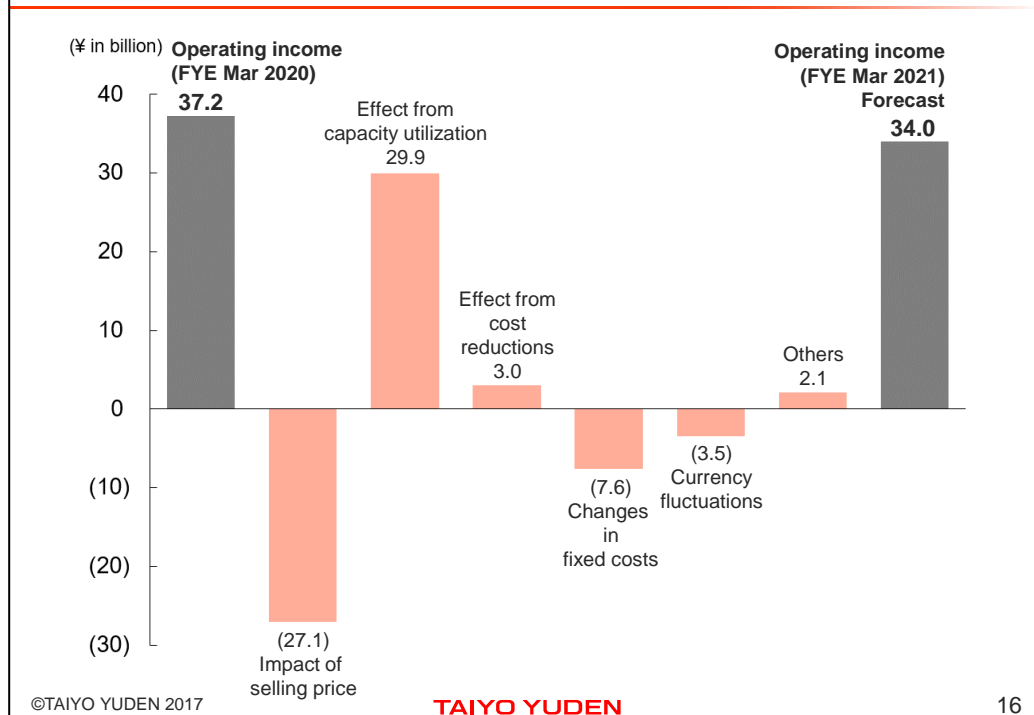
We expect full-year net sales and net income attributable to owners of parent company will increase Y/Y while operating income and ordinary income will decrease.

Going forward, we will continue to monitor the impacts of the COVID-19 pandemic and trade issues and respond to any changes.

Despite the temporary stagnation given the current business environment, there is no change to our view that demand for electronic components will continue to expand over the medium term alongside the widespread use of 5G, advancing use of electronics and electronic components in automobiles, and other factors.

In order to meet this demand growth, we will continue to focus on expanding production and sale of cutting edge and high reliability products.

Factors behind Operating Income in FYE March 2021



A factor for increase in operating income in FYE March 2021 is a 29.9 billion yen effect from capacity utilization.

In addition to an increase in sales volume, we intend to increase inventory by the end of the fiscal year.

We plan to increase inventory on March 31 by around 8.0 billion yen from the end of the previous fiscal year.

We will continue to operate our business with adequate inventory to meet expanding demand and as a countermeasure to supply risk due to unforeseen circumstances.

The 3.0 billion yen effect of cost reductions and 2.1 billion yen from other factors are also reasons for increase in operating income.

The 27.1 billion yen impact from selling prices, the 7.6 billion yen increase in fixed costs, and the 3.5 billion yen effect of exchange rate fluctuations are factors for decreasing operating income.

As a result, we expect operating income will decrease 3.2 billion yen Y/Y to 34.0 billion yen.

Full-Year Forecast by Product Classification (compared to the previous forecast)

¥ in million	FYE Mar 31, 2021 Forecast as of Aug 7			FYE Mar 31, 2021 Forecast as of Nov 9		
	1H	2H	Full year	1H Actual results	2H	Full year
Capacitors	87,500	91,500	179,000	92,672	95,828	188,500
Ferrite and applied products	17,500	19,000	36,500	18,831	19,169	38,000
Integrated modules & devices	18,000	17,500	35,500	21,406	21,094	42,500
Others	7,000	7,000	14,000	7,312	7,688	15,000
Total net sales	130,000	135,000	265,000	140,222	143,778	284,000

The full-year sales forecasts by product classification have all been revised upward from the previous forecasts. We project sales of 188.5 billion yen for capacitors, 38.0 billion yen for ferrite and applied products, 42.5 billion yen for integrated modules & devices, and 15.0 billion yen for others.

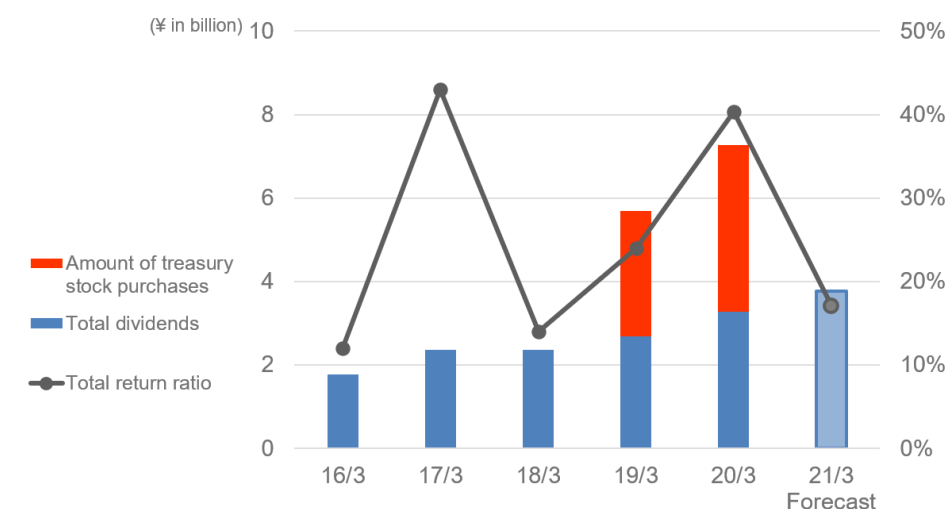
In the picture of net sales by product for the third quarter compared with the second quarter, sales of capacitors are expected to decline 2 – 6%, sales of integrated modules & devices are expected to decline 5 – 10%, and sales of ferrite and applied products and others are expected to be flat. Total sales are expected to fall by 2 – 6%

Forecast of Consolidated Performance by Product Classification (Y/Y)

¥ in million	FYE Mar 31, 2020		FYE Mar 31, 2021 Forecast as of Nov 9		Change Y/Y	
Capacitors	176,457	62.5%	188,500	66.4%	12,043	6.8%
Ferrite and applied products	38,770	13.7%	38,000	13.4%	(770)	(2.0)%
Integrated modules & devices	49,808	17.6%	42,500	15.0%	(7,308)	(14.7)%
Others	17,292	6.1%	15,000	5.3%	(2,292)	(13.3)%
Total net sales	282,329	100.0%	284,000	100.0%	1,671	0.6%

Sales are expected to increase 7% Y/Y for capacitors and to decline 2% Y/Y for ferrite and applied products, 15% for integrated modules & devices, which underwent a major adjustment in the first quarter, and 13% for others. Company-wide sales are expected to increase 1% Y/Y.

Return to Shareholders



Annual cash dividends per share (yen)	15	20	20	21	26	30
Net income per share (yen)	125.27	46.08	138.80	189.93	143.04	175.27

Aim to achieve a stable total return ratio of 30%

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The dividend forecast for FYE March 2021 is unchanged.

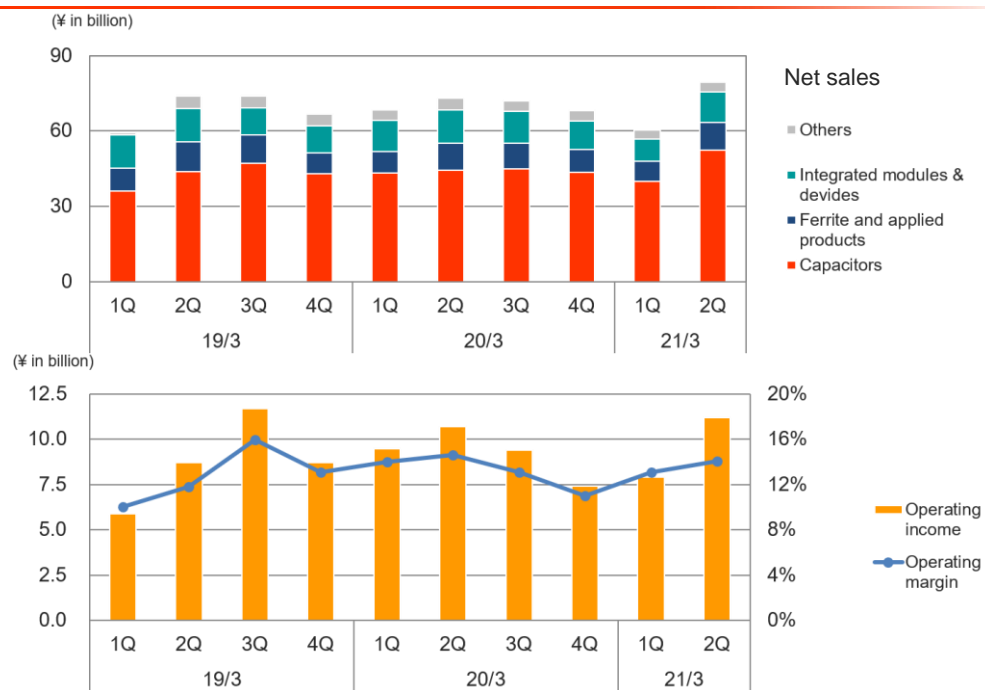
We hope to continue returning profit to shareholders with a target of consistently achieving a total payout ratio of 30%.

Supplementary Information

Consolidated Earnings Trends (Quarterly)

¥ in million	FYE Mar 31, 2019				FYE Mar 31, 2020				FYE Mar 31, 2021	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Net sales	59,576	73,989	73,963	66,820	68,635	73,272	72,187	68,233	60,493	79,728
Capacitors	36,184	43,984	47,362	43,101	43,338	44,473	44,907	43,738	40,075	52,596
Ferrite and applied products	9,228	11,926	11,209	8,231	8,633	10,742	10,303	9,090	7,928	10,903
Integrated modules & devices	13,208	13,160	10,783	10,778	12,523	13,436	12,621	11,226	9,075	12,330
Others	954	4,918	4,607	4,708	4,139	4,620	4,354	4,178	3,413	3,899
Operating income	5,981	8,722	11,789	8,744	9,595	10,703	9,446	7,431	7,923	11,203
Ordinary income	6,896	8,489	11,403	7,562	8,846	10,330	9,152	6,835	7,371	10,812
Net income attributable to owners of parent company	5,645	5,334	9,069	3,638	7,151	8,180	4,666	(1,975)	4,541	6,900
Yen to USD average exchange rate	107.76 yen	110.84 yen	112.71 yen	110.64 yen	110.95 yen	107.58 yen	108.17 yen	109.54 yen	107.61 yen	106.82 yen

Consolidated Earnings Trends (Quarterly)

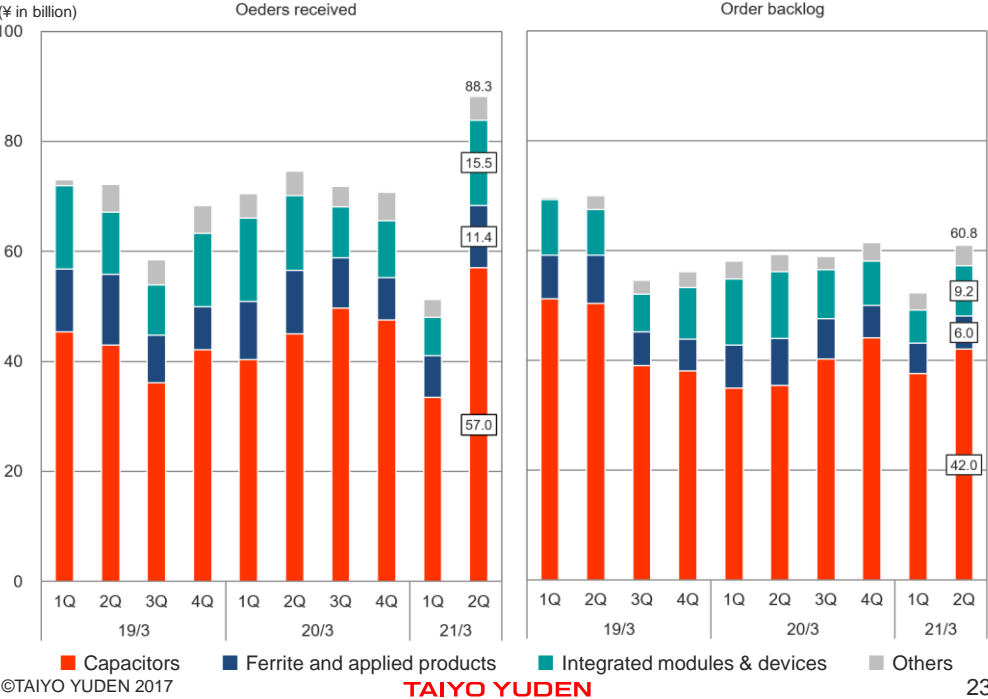


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Orders Received and Order Backlog Trends (Quarterly)



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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