

Consolidated Financial Results

Third quarter of the year ending March 31, 2021

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Chief of Management Planning Headquarters

February 8, 2021

Financial Summary

3Q of the Year Ending March 2021

- Net sales were 81.2 billion yen, up 2% Q/Q, and operating income was 11.2 billion yen, largely in line with the previous quarter.
- Strong demand for products used in smartphones and in automobiles continued, and sales and operating income both outperformed the forecasts made in November 2020.
- Net sales and operating income recorded all-time highs on the cumulative nine-month basis.

Earnings Forecast for the Year Ending March 2021

- The full-year results forecasts published in November 2020 have been revised upward.
- Net sales are projected to increase 5% Y/Y to 295.0 billion yen, and operating income is projected to increase 2% Y/Y to 38.0 billion yen. TAIYO YUDEN will aim for all-time high net sales, operating income, and net income attributable to owners of parent company.

Overview of Earnings for 3Q of the Year Ending March 2021

Net sales were 81.2 billion yen, up 2% Q/Q, and operating income was 11.2 billion yen, largely in line with the previous quarter.

By market sector, demand for products for use in smartphones and automobiles was strong continuing on from the second quarter, so sales and operating income both outperformed the forecasts made in November 2020.

As a result, net sales and operating income recorded all-time highs on the cumulative nine-month basis.

Earnings Forecast for the Year Ending March 2021

The full-year results forecasts published in November 2020 have been revised upward. TAIYO YUDEN will aim for net sales of 295.0 billion yen, up 5% Y/Y, and operating income of 38.0 billion yen, up 2% Y/Y.

If achieved, net sales and operating income are projected to record all-time highs on the full year basis.

Impact of COVID-19

The impact on TAIYO YUDEN's business activities has practically disappeared
(as of February 8)

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, 2020	As of Aug 7, 2020	As of Nov 9, 2020	As of Feb 8, 2021
Philippines	TAIYO YUDEN (PHILIPPINES)	Inductors	Operating (with constraints)	Operating as normal (from June)	Operating as normal	Operating as normal
Malaysia	TAIYO YUDEN (SARAWAK)	Multilayer ceramic capacitors	Operating (with constraints)	Operating as normal (from mid-May)	Operating as normal	Operating as normal
Japan, Korea, China, etc.	Companies other than above	—	Operating as normal	Operating as normal	Operating as normal	Operating as normal

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There have been no major changes from the situation as of November last year with regard to COVID-19, and its impact on TAIYO YUDEN's business activities has practically disappeared.

On the sales front, customer production activities have generally returned to normal. 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 from the second quarter onwards.

3Q - Consolidated Financial Results (Q/Q)

¥ in million	FYE Mar 31, 2021 2Q (01 Jul 2020 – 30 Sep 2020)		FYE Mar 31, 2021 3Q (01 Oct 2020 – 31 Dec 2020)		Change Q/Q		
Net sales	79,728	100.0%	81,226	100.0%	1,497	1.9%	
Operating income	11,203	14.1%	11,199	13.8%	(4)	(0.0)%	
Ordinary income	10,812	13.6%	11,422	14.1%	609	5.6%	
Net income attributable to owners of parent company	6,900	8.7%	8,383	10.3%	1,483	21.5%	
Yen to USD average exchange rate	106.82 yen		105.15 yen		1.67 yen Appreciated		
Impact of exchange rate fluctuation	(0.4) billion yen on net sales, (0.6) billion yen on operating income * Including the impact of currencies other than US dollars						
R&D expenses	3,219		3,200		(18)	(0.6)%	
Capital investment	10,112		7,160		(2,952)	(29.2)%	
Depreciation expenses	7,277		7,558		281	3.9%	
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The financial results for the third quarter of the fiscal year ending March 2021 recorded net sales of 81.2 billion yen, operating income of 11.2 billion yen, and ordinary income of 11.4 billion yen.

As extraordinary loss was lower compared to the second quarter, net income attributable to owners of parent company was 8.4 billion yen, an increase of 22%.

The average exchange rate during the third quarter was US\$1:¥105.15, an appreciation of ¥1.67 from the second quarter of the fiscal year.

The impact from this was a decrease of 0.4 billion yen in net sales and 0.6 billion yen in operating income.

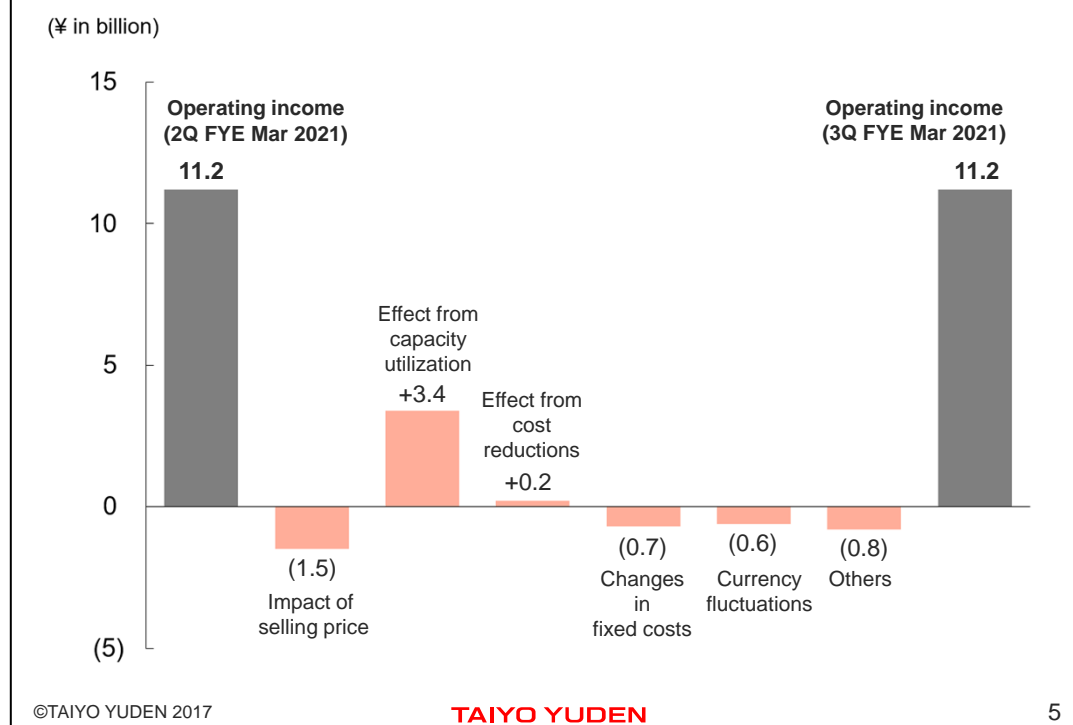
The appreciation of currencies in Asia, including China and Korea, had a slightly bigger impact on operating income.

R&D expenses were 3.2 billion yen, practically the same as in the previous quarter.

Capital investment was 7.2 billion yen, down 3.0 billion yen Q/Q.

Depreciation expenses were 7.6 billion yen, up 0.3 billion yen Q/Q.

3Q - Factors behind Operating Income (Q/Q)



A factor for increase in operating income in the third quarter was the 3.4 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.

Company-wide inventory as of December 31 fell 1.9 billion yen from September 30 on the actual basis excluding the portion with no effect on operating income, such as the impact of exchange rates.

Inventory was below the level that we had planned in November as a result of responding to shipments that exceeded expectations.

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

Meanwhile, factors for decrease were the negative impact of 1.5 billion yen from selling prices, the 0.7 billion yen increase in fixed costs, and the 0.6 billion yen exchange rate impact from the appreciation of the yen.

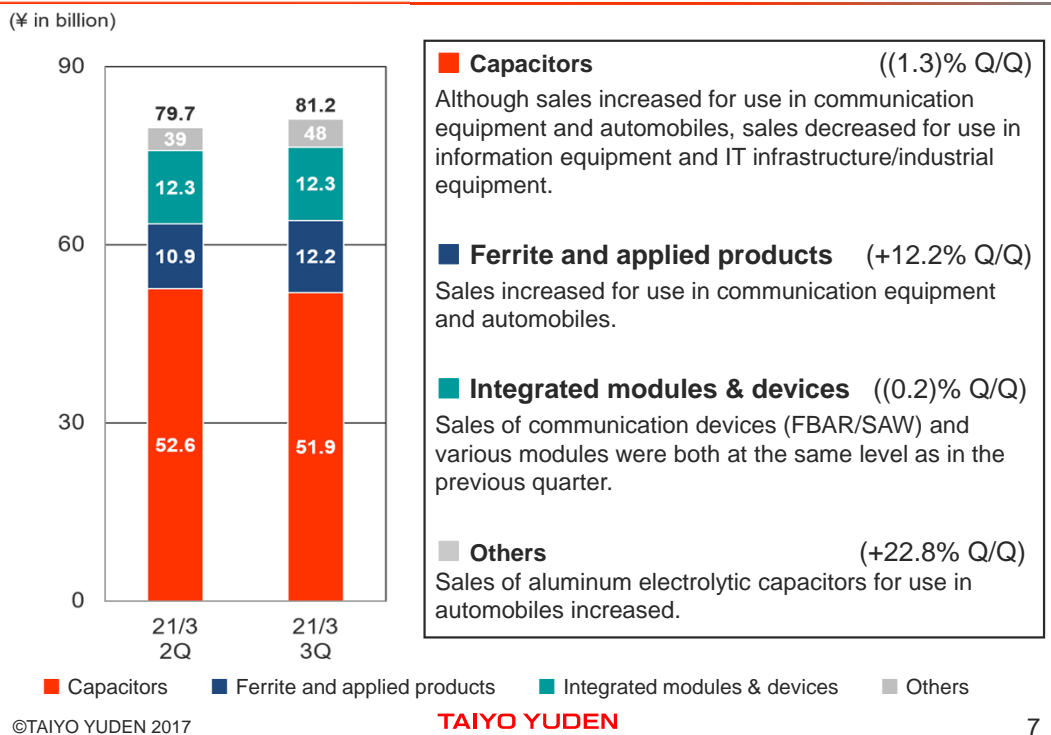
The 0.8 billion yen effect shown in others was also a factor for decrease in operating income. This was due to changing the treatment of COVID-19 related expenses to ordinary expenses in the third quarter. These expenses were recorded under extraordinary losses as one-off expenses up until the second quarter.

As the amount of the above-mentioned factors for increase and factors for decrease in operating income was roughly the same, operating income was 11.2 billion yen, largely in line with the second quarter.

3Q - Financial Results by Product Classification (Q/Q)

¥ in million	FYE Mar 31, 2021 2Q		FYE Mar 31, 2021 3Q		Change Q/Q	
	Value	%	Value	%	Value	%
Capacitors	52,596	66.0%	51,895	63.9%	(700)	(1.3)%
Ferrite and applied products	10,903	13.7%	12,230	15.1%	1,327	12.2%
Integrated modules & devices	12,330	15.5%	12,311	15.2%	(18)	(0.2)%
Others	3,899	4.9%	4,788	5.9%	889	22.8%
Total net sales	79,728	100.0%	81,226	100.0%	1,497	1.9%

3Q - Financial Results by Product Classification (Q/Q)



Net sales of capacitors were 51.9 billion yen, down slightly Q/Q.

Although sales increased for use in communication equipment and automobiles, sales decreased for use in information equipment and IT infrastructure/industrial equipment.

Net sales of ferrite and applied products were 12.2 billion yen, up 12% Q/Q.

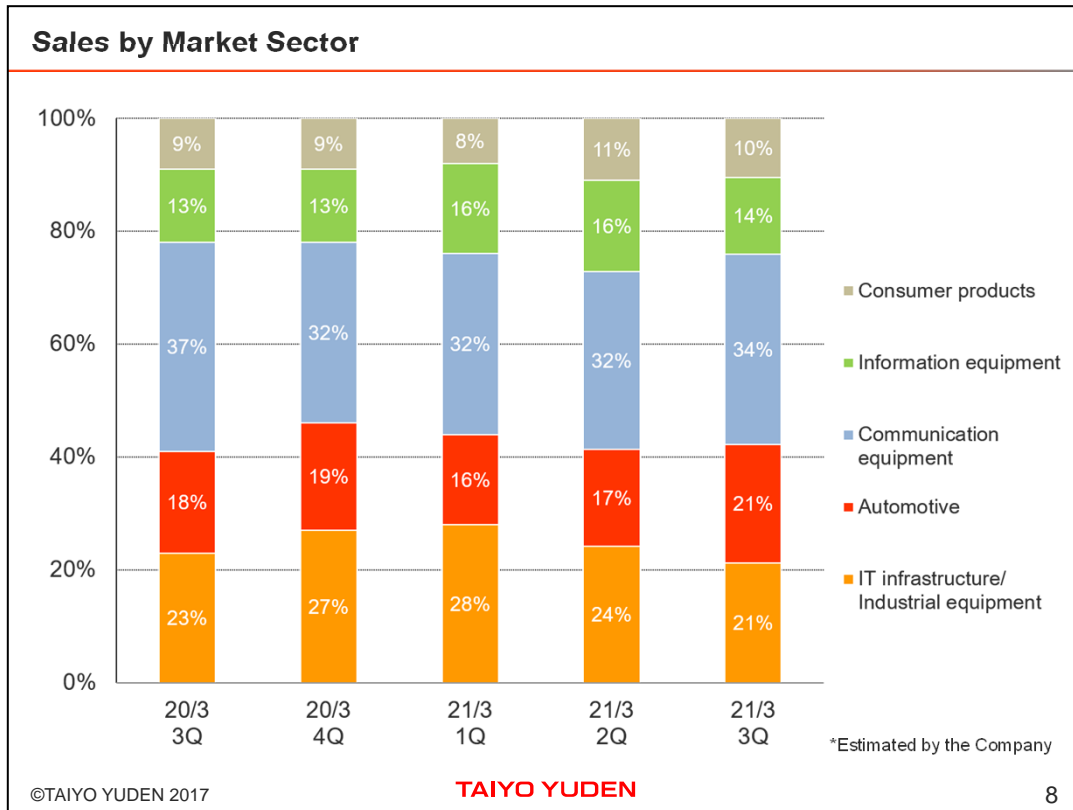
Sales of small multilayer metal inductors for use in communication equipment and products for use in automobiles increased.

Meanwhile, sales of products for use in consumer products and IT infrastructure/industrial equipment declined.

Net sales of integrated modules & devices were 12.3 billion yen, as sales of both communication devices (FBAR/SAW) and various modules were largely in line with the previous quarter.

Communication devices accounted for approximately 65% of integrated module & device sales.

Net sales of others were 4.8 billion yen, up 23% Q/Q, as sales at subsidiary ELNA increased, mainly of aluminum electrolytic capacitors for use in automobiles.



Composition of sales classified by market sector was 21% for use in automobiles, up 4 percentage points Q/Q.

Sales rose steadily in response to growing demand for electronic components due to the advancing use of electronics and electronic components in automobiles.

Sales for use in IT infrastructure/industrial equipment declined 3 percentage points Q/Q to 21% because of a temporary slump in demand for base station communication equipment etc.

Sales for use in communication equipment, which includes smartphones, were 34%, sales for use in information equipment, which includes PCs and tablets, were 14%, and sales for use in consumer products, which includes game consoles and smartwatches, were 10%.

Forecast of Consolidated Performance

for the year ending March 31, 2021

Full-Year Forecast (compared to the previous forecast)					
¥ in million	1H Actual results	Forecast as of Nov 9		Forecast as of Feb 8	
		2H	Full year	2H	Full year
Net sales	140,222	143,778	284,000	154,778	295,000
Operating income	19,126	14,874	34,000	18,874	38,000
Ordinary income	18,183	14,817	33,000	18,817	37,000
Net income attributable to owners of parent company	11,442	10,558	22,000	13,058	24,500
Yen to USD average exchange rate	107.22 yen	105.00 yen	106.11 yen	104.08 yen	105.65 yen
R&D expenses	6,207	6,793	13,000	6,793	13,000
Capital investment	27,998	22,002	50,000	22,002	50,000
Depreciation expenses	13,877	16,123	30,000	16,123	30,000

• The financial results forecasts published in November 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 November based on the results up until the third quarter, future demand forecasts, and other factors.

We project net sales of 295.0 billion yen, operating income of 38.0 billion yen, ordinary income of 37.0 billion yen, and net income attributable to owners of parent company of 24.5 billion yen.

The assumed exchange rate for the fourth quarter is US\$1:¥103. 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		Change Y/Y	
	Net sales	282,329	100.0%	295,000	100.0%	12,671
Operating income	37,176	13.2%	38,000	12.9%	824	2.2%
Ordinary income	35,165	12.5%	37,000	12.5%	1,835	5.2%
Net income attributable to owners of parent company	18,022	6.4%	24,500	8.3%	6,478	35.9%
Yen to USD average exchange rate	109.06 yen		105.65 yen		3.41 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 November have been revised upward.

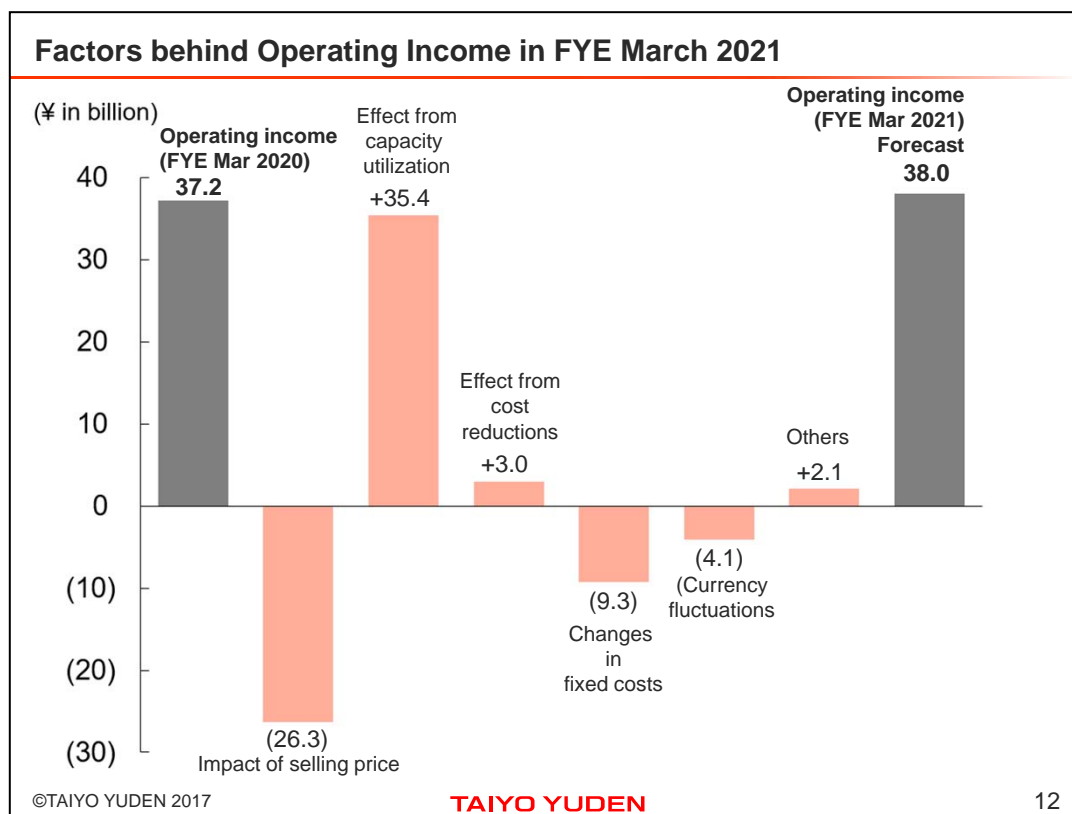
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We expect full-year net sales will increase 5% and operating income, ordinary income, and net income attributable to owners of parent will all rise Y/Y.

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

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.



A factor for increase in operating income in FYE March 2021 is a 35.4 billion yen effect from capacity utilization, mainly due to the increase in sales volume.

We plan to increase inventory on March 31 by 2.7 billion yen from the end of the previous year.

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 26.3 billion yen impact from selling prices, the 9.3 billion yen increase in fixed costs, and the 4.1 billion yen effect of exchange rate fluctuations are factors for decreasing operating income.

As a result, we expect operating income will increase 0.8 billion yen Y/Y to 38.0 billion yen.

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

¥ in million	1H Actual results	Forecast as of Nov 9		Forecast as of Feb 8	
		2H	Full year	2H	Full year
Capacitors	92,672	95,828	188,500	99,828	192,500
Ferrite and applied products	18,831	19,169	38,000	21,169	40,000
Integrated modules & devices	21,406	21,094	42,500	24,594	46,000
Others	7,312	7,688	15,000	9,188	16,500
Total net sales	140,222	143,778	284,000	154,778	295,000

The full-year sales forecasts by product classification have all been revised upward from the forecasts as of November. We project sales of 192.5 billion yen for capacitors, 40.0 billion yen for ferrite and applied products, 46.0 billion yen for integrated modules & devices, and 16.5 billion yen for others.

In the picture of net sales by product for the fourth quarter compared with the third quarter, sales of capacitors are expected to decline 8%, sales of ferrite and applied products are expected to decline 27%, sales of integrated modules & devices are expected to be flat, and sales of others are expected to decline 8%. Total sales are expected to fall by 10%.

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

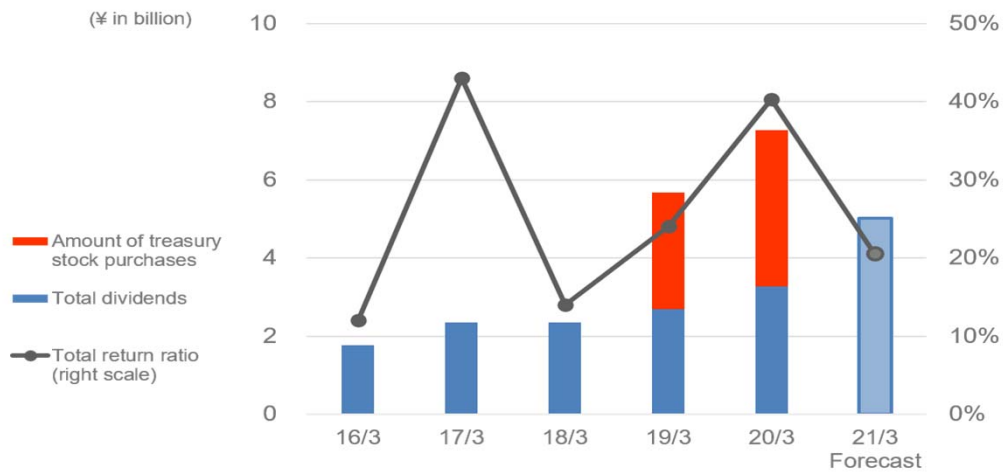
¥ in million	FYE Mar 31, 2020		FYE Mar 31, 2021		Change Y/Y	
	Value	%	Value	%	Value	%
Capacitors	176,457	62.5%	192,500	65.3%	16,043	9.1%
Ferrite and applied products	38,770	13.7%	40,000	13.6%	1,230	3.2%
Integrated modules & devices	49,808	17.6%	46,000	15.6%	(3,808)	(7.6)%
Others	17,292	6.1%	16,500	5.6%	(792)	(4.6)%
Total net sales	282,329	100.0%	295,000	100.0%	12,671	4.5%

Sales are expected to increase 9% Y/Y for capacitors and 3% Y/Y for ferrite and applied products and to decline 8% Y/Y for integrated modules & devices and 5% Y/Y for others. Total sales are expected to increase 5% Y/Y.

Return to Shareholders

Dividend increase

Year-end dividend forecast revised from 15 yen to 25 yen (annual dividend 40 yen)



Annual cash dividends per share (yen)	15	20	20	21	26	40
Net income per share (yen)	125.27	46.08	138.80	189.93	143.04	195.19

Aim to achieve a stable total return ratio of 30%

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We have revised the year-end dividend forecast from 15 yen to 25 yen. We plan an annual dividend of 40 yen, an increase of 14 yen Y/Y.

TAIYO YUDEN has positioned enhancing the return of profit to shareholders as one of the high-priority issues for management.

Going forward, we hope to consistently achieve a total payout ratio of 30% while engaging in capital investment and R&D aimed at future growth.

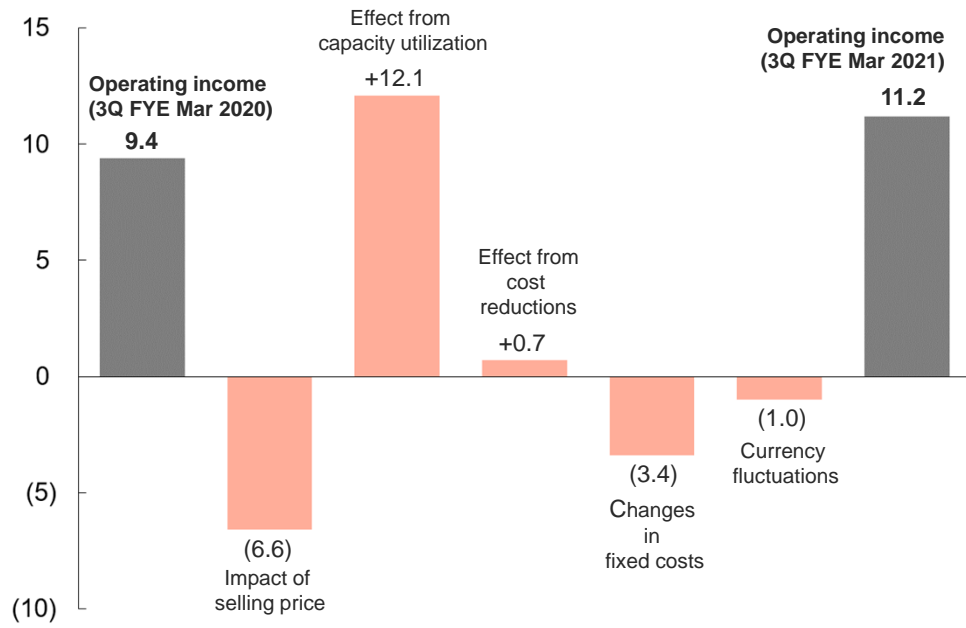
Supplementary Information

3Q – Consolidated Financial Results (Y/Y)

¥ in million	FYE Mar 31, 2020		FYE Mar 31, 2021		Change Y/Y	
	3Q		3Q			
Net sales	72,187	100.0%	81,226	100.0%	9,039	12.5%
Operating income	9,446	13.1%	11,199	13.8%	1,752	18.6%
Ordinary income	9,152	12.7%	11,422	14.1%	2,269	24.8%
Net income attributable to owners of parent company	4,666	6.5%	8,383	10.3%	3,716	79.7%
Yen to USD average exchange rate	108.17 yen		105.15 yen		3.02 yen appreciated	
Impact of exchange rate fluctuation	(1.0) billion yen on net sales, (1.0) billion yen on operating income * Including the impact of currencies other than US dollars					
R&D expenses	3,200		3,200		(0)	(0.0)%
Capital investment	7,326		7,160		(166)	(2.3)%
Depreciation expenses	6,734		7,558		824	12.2%

3Q - Factors behind Operating Income (Y/Y)

(¥ in billion)

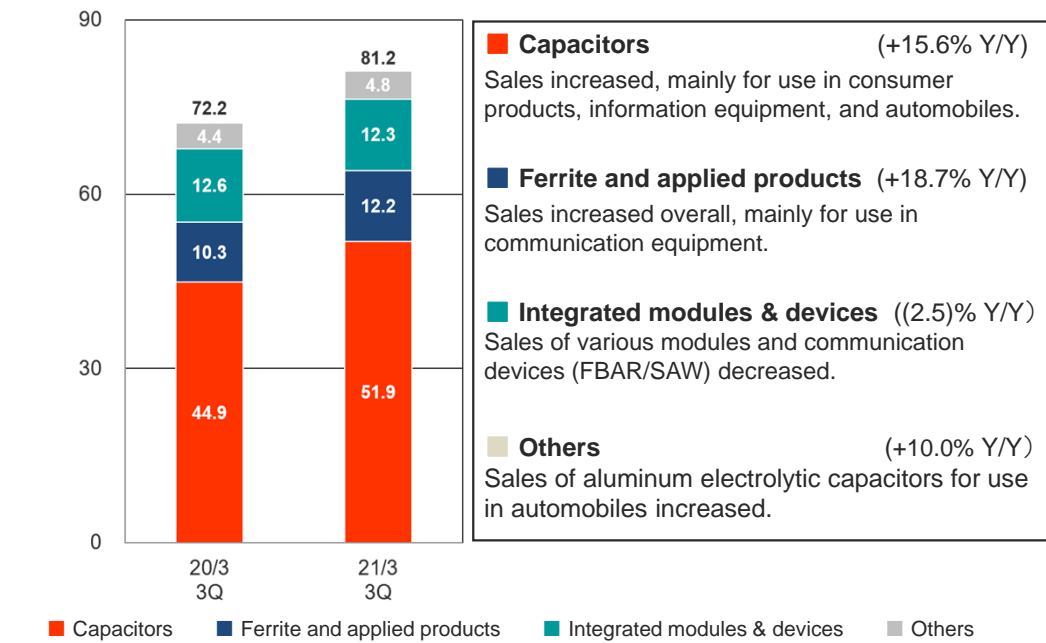


3Q – Financial Results by Product Classification (Y/Y)

¥ in million	FYE Mar 31, 2020 3Q		FYE Mar 31, 2021 3Q		Change Y/Y	
	Value	%	Value	%	Value	%
Capacitors	44,907	62.2%	51,895	63.9%	6,988	15.6%
Ferrite and applied products	10,303	14.3%	12,230	15.1%	1,926	18.7%
Integrated modules & devices	12,621	17.5%	12,311	15.2%	(309)	(2.5)%
Others	4,354	6.0%	4,788	5.9%	433	10.0%
Total net sales	72,187	100.0%	81,226	100.0%	9,039	12.5%

Financial Results by Product Classification (Y/Y)

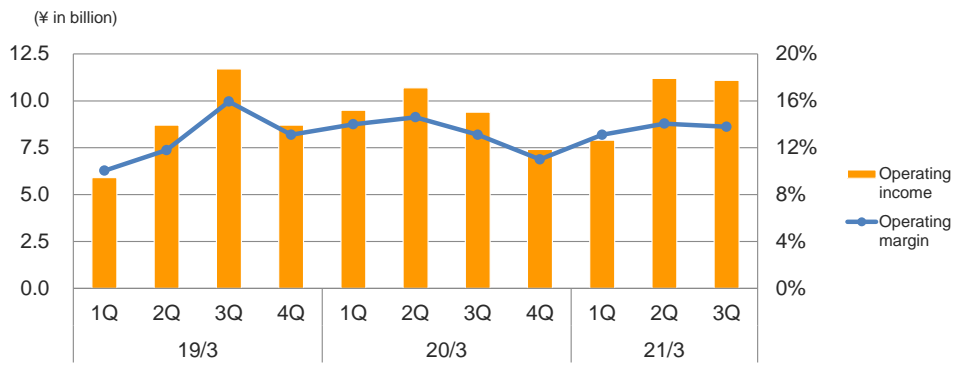
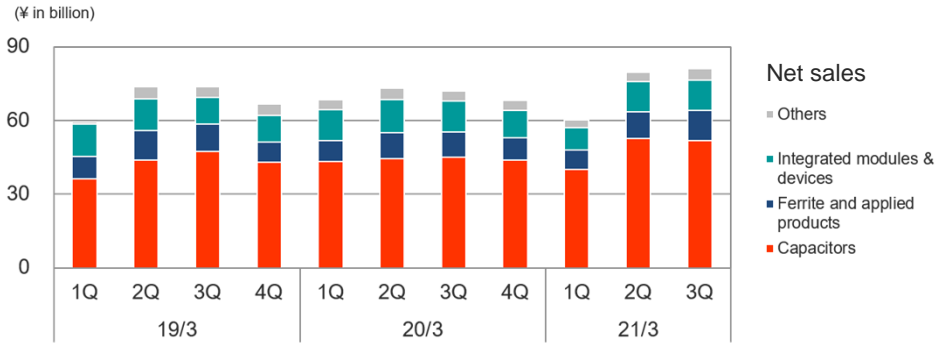
(¥ in billion)



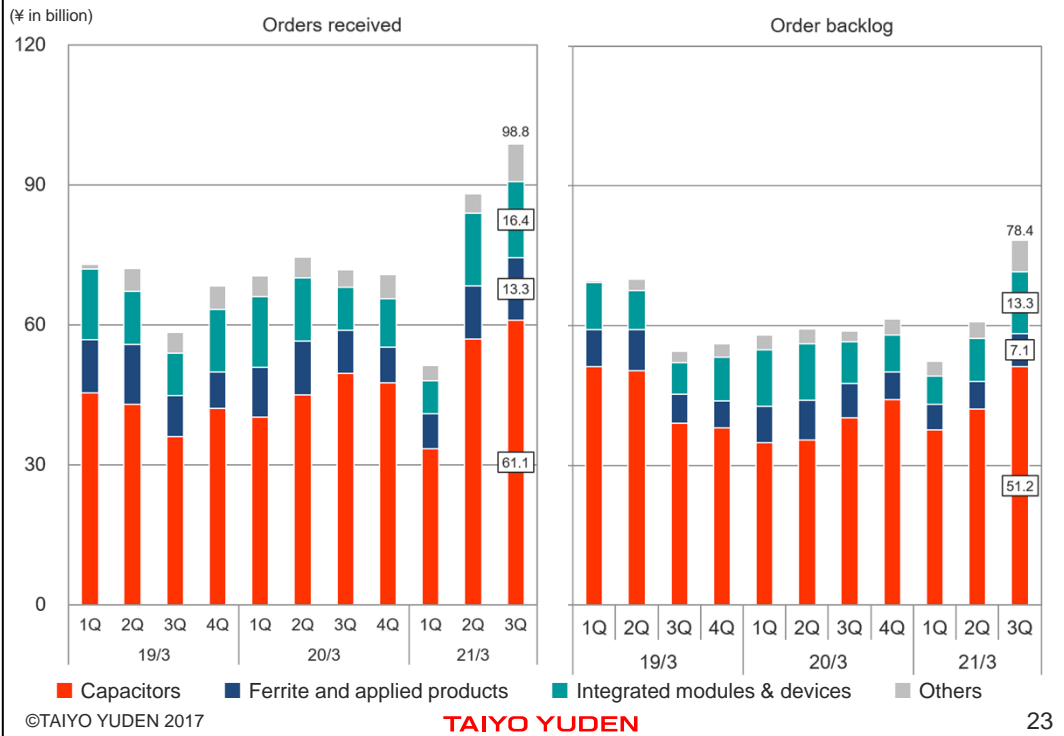
Consolidated Earnings Trends (Quarterly)

¥ in million	FYE Mar 31, 2019				FYE Mar 31, 2020				FYE Mar 31, 2021		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Net sales	59,576	73,989	73,963	66,820	68,635	73,272	72,187	68,233	60,493	79,728	81,226
Capacitors	36,184	43,984	47,362	43,101	43,338	44,473	44,907	43,738	40,075	52,596	51,895
Ferrite and applied products	9,228	11,926	11,209	8,231	8,633	10,742	10,303	9,090	7,928	10,903	12,230
Integrated modules & devices	13,208	13,160	10,783	10,778	12,523	13,436	12,621	11,226	9,075	12,330	12,311
Others	954	4,918	4,607	4,708	4,139	4,620	4,354	4,178	3,413	3,899	4,788
Operating income	5,981	8,722	11,789	8,744	9,595	10,703	9,446	7,431	7,923	11,203	11,199
Ordinary income	6,896	8,489	11,403	7,562	8,846	10,330	9,152	6,835	7,371	10,812	11,422
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	8,383
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	105.15 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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