Performance Overview

The economic environment surrounding TAIYO YUDEN CO., LTD. (“TAIYO YUDEN” or “the Company”) and its subsidiaries (together “the TAIYO YUDEN Group” or “the Group”) in the year ended March 31, 2013 remained challenging, despite a gradual recovery in the global economy and the rapid depreciation of the yen that began in the second half of the Company’s fiscal year.

The electronics industry, to which the Group belongs, has seen continued growth from the smartphone and tablet device markets. In contrast to this, the PC and television markets remain sluggish. Overall this has caused weaker demand for electronic components.

Under such difficult circumstances, the TAIYO YUDEN Group has implemented a series of structural reforms that are measures management believes will improve operations and foster growth needed to achieve the targets established for the year ended March 31, 2015, which is the final year of the Group’s medium-term management plan. The measures implemented to improve operations include the process of shifting the production of capacitors and inductors offshore from Japan to other countries, which is consistent with efforts to maximize the use of the Group’s overseas production sites. Our growth strategies include the expansion of sales and the emphasis on super high-end products, including capacitors, inductors and SAW/FBAR devices for mobile communications. As a result, net sales increased 5.0% year over year, to ¥192,903 million.

Selling, General and Administrative (SG&A) Expenses

SG&A expenses were ¥32,809 million for the year ended March 31, 2013, down ¥1,932 million from the previous fiscal year. The contributors to the decrease were decreases in tariffs and commission fees, a decrease in the provision for employee salaries and benefits, and a decrease in R&D expenses.

As a result, operating income was ¥4,993 million, compared to an operating loss of ¥8,010 million in the previous fiscal year.

Other Income (Expenses)

The net amount of other income was expenses of ¥971 million, down ¥5,643 million compared with the previous fiscal year. This improvement reflects the posting of ¥2,895 million as gain on foreign exchange and ¥905 million as gain on sales of property, plant and equipment, and the large decrease (¥4,023 million) in business structure improvement expenses to ¥254 million. At the same time, the increase in expenses reflects the posting of a settlement package of ¥2,823 million.

As a result of above factors, we restored profitability and booked net income of ¥2,000 million, compared to a net loss of ¥21,599 million in the previous fiscal year.

Financial Position

Assets

Total assets at fiscal year-end were valued at ¥225,927 million, an increase of ¥17,465 million compared with the previous fiscal year-end. Current assets increased ¥12,933 million mainly due to four factors; 1) an increase of ¥7,444 million in cash and cash equivalents, 2) an increase of ¥1,923 million in merchandise and finished products, 3) an increase of ¥2,557 million in work in process, and 4) an increase of ¥912 million in raw materials and supplies.

Liabilities

Total liabilities at fiscal year-end were ¥109,966 million, up ¥5,905 million compared to the previous fiscal year-end. This was due primarily to four factors; 1) an increase of ¥2,604 million in trade notes and accounts payable, 2) an increase of ¥11,210 million in short-term borrowings, 3) an absence of the ¥19,635 million in current portion of convertible bonds with stock acquisition rights recorded in the previous fiscal year, and 4) an increase of ¥12,066 million in long-term borrowings.

Net Assets

Total net assets at the fiscal year-end were ¥115,961 million, up ¥11,560 million as compared to the previous fiscal year-end, due primarily to an increase of ¥2,000 million from net income, a decrease of ¥882 million in cash dividends from retained earnings, and an increase of ¥10,291 million from foreign currency translation adjustments.

Cash Flows

Net cash provided by operating activities for the year ended March 31, 2013 was ¥19,496 million, an increase of 252.3% compared with the previous fiscal year. The contributing factors were income before income taxes and minority interests of ¥4,021 million; depreciation and amortization of ¥19,832 million; business structure improvement expenses of ¥254 million; an impairment loss of ¥345 million; a settlement package of ¥2,822 million; a decrease in trade receivables of ¥5,308 million; and an increase in inventories of ¥2,768 million.

Net cash used in investing activities for the year ended March 31, 2013 totaled ¥18,157 million, a decrease of 37.3% compared with the previous fiscal year. The largest cash outflow was ¥19,533 million paid for purchases of property, plant and equipment.

Net cash provided by financing activities for the year ended March 31, 2013 totaled ¥2,334 million, a decrease of 79.5% compared with the previous fiscal year. This was primarily attributed to a net increase in short-term borrowings of ¥10,765 million, proceeds from long-term borrowings of ¥17,000 million, repayments of long-term borrowings of ¥4,181 million, and redemption of current portion of convertible bonds with stock acquisition rights to shares of ¥19,635 million.

As a result of the aforementioned activities, cash and cash equivalents as of March 31, 2013 increased ¥6,608 million from the end of the previous fiscal year, to ¥33,280 million.

Financing

The TAIYO YUDEN Group practices consolidated management of Group funds with the objective of increasing the efficiency of funding operations. We collect surplus funds from subsidiaries to supply necessary funds to other subsidiaries, while procuring funds externally to cover any shortfalls. We have adopted a Cash Management System (CMS) to minimize external interest-bearing debt.

Financing from external sources at fiscal year-end consisted of the following items: 1) short-term borrowings of ¥20,242 million, 2) the current portion of long-term borrowings of ¥4,899 million, 3) bonds payable of ¥8,000 million, 4) convertible bonds with stock acquisition rights of ¥365 million, 5) long-term borrowings of ¥29,364 million, and 6) lease liabilities of ¥1,673 million. Borrowings are made in Japan at fixed interest rates. The Company also has a commitment line of ¥10,000 million effective for three years to ensure financial stability. We renewed this commitment line in December 2011 with the intention of having these funds available for any emergencies that may severely impact cash flow. As of the fiscal year-end, the Company has not used any of this commitment line.

The TAIYO YUDEN Group has the ability to generate cash flow through sound financial position and operating activities. This enables the procurement of operating capital and funds for capital investment required for the future to maintain growth on a Group-wide basis.

Overview of Capital Investment

Capital investment during the year ended March 31, 2013 amounted to ¥19,651 million. The overall breakdown is as follows.

Electronic Components

Capital investment of ¥19,264 million was used mainly to boost productivity of capacitors, and ferrite and applied products, and for R&D facilities.

Optical Media and Others

Capital investment of ¥386 million was used mainly to launch new optical media products.