

# Financial Review

## Outline of Business Performance

In the fiscal year ended March 31, 2016, the business environment surrounding the TAIYO YUDEN Group was buoyed by the mild recovery in the overall global economy on the back of the continued recovery in the major industrialized countries despite slowing in the economies of China and other emerging markets.

The Group is strengthening its five bases of market, product, customer, finance, and human resources through the implementation of its growth strategy and improvement of its corporate structure with the aim of achieving its medium-term targets.

In line with the growth strategy, the Group is striving to expand sales of highly competitive super high-end products in the market of growth devices such as smartphones, while also at the same time it positions automobile electronics, industrial equipment, healthcare and environmental and energy markets as focus areas, and is striving to promote sales of high-reliability products, strengthen proposals on system solutions, and expand and diversify distribution channels. The Group is actively expanding production capacity for products such as capacitors, inductors, and communications devices to realize our growth strategy.

In addition, it withdrew from the optical media products business, for which the market continues to shrink, in December 2015. The Group will focus its management resources on growth areas and restructure its business to bolster the corporate structure.

As a result of the above, in the fiscal year ended March 31, 2016, consolidated net sales grew 5.9% from the previous fiscal year to ¥240,385 million.

### • Selling and General Administrative Expenses

In the fiscal year ended March 31, 2016, selling, general and administrative expenses rose by ¥441 million from the previous fiscal year to ¥40,037 million. The main factors were increases in employees' salaries and allowances and in R&D expenses. Operating income also rose 77.7% year on year to ¥23,370 million.

### • Other Income (Expenses)

In the fiscal year ended March 31, 2016, other expenses of ¥5,086 million was recorded compared to the other income of ¥1,763 million

recorded in the previous fiscal year. This mainly reflected year-on-year increases of ¥3,285 million in loss on foreign exchange, ¥1,475 million in business structure improvement expenses and ¥1,461 million in loss on valuation of investment securities.

As a result, net income attributable to owners of the parent company rose 35.1% from the previous fiscal year to ¥14,751 million.

## Financial Position

### • Assets

Total assets as of the end of the fiscal year ended March 31, 2016 was ¥268,380 million, up ¥2,926 million from the end of the previous fiscal year. Current assets decreased ¥3,408 million mainly due to a decrease of ¥6,013 million in trade notes and accounts receivable and an increase of ¥2,624 million in work in process. Fixed assets increased by ¥6,334 million mainly due to an increase in property, plant and equipment of ¥9,338 million and a decrease of ¥3,149 million in investments and other assets.

### • Liabilities

Total liabilities as of the end of the fiscal year ended March 31, 2016 was ¥114,999 million, up ¥401 million from the end of the previous fiscal year mainly due to increases of ¥930 million in current portion of long-term borrowings and ¥917 million in notes and accounts payable—other, and a decrease of ¥1,424 million in long-term borrowings.

### • Net Assets

Net assets as of the end of the fiscal year ended March 31, 2016 was ¥153,381 million, up ¥2,525 million from the end of the previous fiscal year mainly due to an increase of ¥14,751 million on net income attributable to owners of the parent company, a decrease of ¥1,177 million on cash dividends, and decreases of ¥1,057 million in net unrealized holding gain on securities and ¥9,897 million in the foreign currency translation adjustments.

## Status of Cash Flows

Net cash provided by operating activities in the fiscal year ended March 31, 2016 was ¥38,278 million, up 53.7% year on year. The main

causes were income before income taxes of ¥18,284 million, depreciation and amortization of ¥23,767 million, an increase in inventories of ¥7,720 million, and a decrease in trade notes and accounts receivables of ¥2,587 million.

Net cash used in investing activities was ¥35,374 million, up 68.7% from the previous fiscal year. The main cause was purchases of property, plant and equipment of ¥37,377 million.

Net cash used in financing activities was ¥2,050 million, down 90.3% from the previous fiscal year. The main causes were repayments of long-term borrowings of ¥5,493 million, proceeds from long-term borrowings of ¥5.0 billion, and payments of cash dividends of ¥1,175 million.

As a result, cash and cash equivalents at the end of the fiscal year ended March 31, 2016 amounted to ¥39,944 million, a decline of ¥1,532 million from the end of the previous fiscal year.

## Financial Policy

The TAIYO YUDEN Group conducts centralized management of Group funds to enhance the efficiency of funding operations. The Group collects surplus funds from affiliated companies and allocates funds to affiliated companies as necessary. External sources are utilized when additional funds are needed. The Cash Management System (CMS) is utilized to minimize interest-bearing debt from external sources.

Financing from external sources at the March 31, 2016, consisted of ¥11,979 million in short-term borrowings, ¥6,200 million in current portion of long-term borrowings, ¥20,067 million in convertible bonds with stock acquisition rights, and ¥15,145 million in long-term borrowings. In principle, borrowings are secured within Japan at fixed interest rates. To ensure financial stability, TAIYO YUDEN has also established a commitment line of ¥10,000 million effective for three years. The commitment line was renewed in December 2014 for security in an emergency situation. The Company has not utilized the commitment line as of the March 31, 2016, fiscal year-end.

The Group is capable of generating cash flow through its sound financial position and operating activities. Management believes it is capable of procuring the operating capital and funds for capital investment for activities that may be required in the future to maintain the Group's growth.

## Overview of Capital Investment

For the fiscal year ended March 31, 2016, the TAIYO YUDEN Group implemented a total of ¥37,377 million in capital investment mainly to increase production capacity for capacitors, ferrite and applied products, and FBAR/SAW devices for mobile communications as well as for improving productivity.