Outline of Business Performance

In the fiscal year ended March 31, 2018, the business environment surrounding the TAIYO YUDEN Group maintained a tone of moderate recovery for the global economy as a whole. Although the recovery trend is expected to continue going forward, the situation continues to be unpredictable; such as the outlook for China and emerging economies in Asia, the impact of monetary policy in individual countries, and exchange rate trends. The Group aims to achieve its medium-term targets and management vision by focusing on growth markets such as communication equipment and automotive and industrial equipment 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.

In the communication device market, advances in smartphone functionality and performance have continued, and demand for capacitors increased. Demand for large, high voltage, high reliability components also increased in the automotive and industrial equipment markets along with the increased use of automotive electrical equipment and the further advance of electronic components in industrial equipment. As a result, sales of capacitors expanded significantly, leading to growth in sales and profit.

Accounting for each of those factors, in the fiscal year ended March 31, 2018, consolidated net sales increased 5.8% compared with the previous fiscal year, to ¥244,117 million. Meanwhile, the average foreign currency exchange rate for the fiscal year ended March 31, 2018 was US$1: ¥111.44. This is a depreciation of ¥3.01 compared with the average value of the yen in the previous fiscal year of US$1: ¥108.43.

Selling, General and Administrative Expenses

In the fiscal year ended March 31, 2018, selling, general and administrative (SG&A) expenses increased ¥2,762 million compared with the previous fiscal year, to ¥41,730 million. In addition to the upswing in R&D expenses, the main factors for the rise were higher tariffs and commission fees in line with the growth in sales. Despite this increase in SG&A expenses, operating income jumped 63.3% year on year, to ¥20,221 million.

Other Income (Expenses)

In the fiscal year ended March 31, 2018, other expenses - net came to ¥497 million compared with ¥4,878 million in the previous fiscal year. Although TAIYO YUDEN reported an increase in subsidies and other factors including decreases in loss on disposal and sales of property, plant and equipment and business structure improvement expenses, other income was more than offset by other expenses including a loss on foreign exchange. Despite this outcome, net income attributable to owners of the parent surged 201.3% year on year, to ¥16,355 million.

Financial Review

Net cash provided by financing activities was ¥953 million compared with net cash used in financing activities of ¥4,342 million in the previous fiscal year. The principal cash inflows were proceeds from long-term borrowings of ¥10,002 million and net increase in short-term borrowings of ¥4,456 million. The major cash outflows included repayments of long-term borrowings of ¥11,087 million and payments of cash dividends of ¥2,352 million.

Accounting for each of these activities, cash and cash equivalents stood at ¥43,837 million as of the end of the fiscal year ended March 31, 2018, an increase of ¥7,743 million compared with the end of the previous fiscal year.

Financing from external sources as of March 31, 2018 consisted of ¥20,737 million in long-term borrowings, ¥5,160 million in current portion of long-term borrowings, ¥20,039 million in convertible bonds with stock acquisition rights, and ¥8,882 million in long-term borrowings. These borrowings are procured within Japan at fixed interest rates. Moreover, to ensure financial stability, TAIYO YUDEN has also established a commitment line of ¥10,000 million effective for three years. The Company has not utilized the commitment line as of the March 31, 2018 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

In the fiscal year ended March 31, 2018, the TAIYO YUDEN Group undertook a total of ¥26,549 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.

Net cash provided by operating activities was ¥16,355 million on net income attributable to owners of the parent and a decrease of ¥2,356 million on cash dividends.