

Financial Review

Outline of Business Performance

During the fiscal year ended March 31, 2020, the business environment surrounding TAIYO YUDEN Group maintained a moderate recovery for the global economy as a whole despite some weaknesses in Asia and Europe. However, due to the impact of the COVID-19 pandemic at the beginning of 2020, economic activity has been restrained, and the global economy has slowed sharply. As for the future outlook, the impact of the outbreak is expected to persist for the time being, and there is a growing risk of further downturn in the global economy.

The Group aimed to achieve its medium-term targets and management vision by capturing focus markets such as automotive, IT infrastructure/industrial equipment, healthcare, the environment and energy 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 fiscal year ended March 31, 2020, the Group focused on sales of products for use in automobiles where use of electric vehicles and electronic components is advancing and for use in IT infrastructure, such as base station communication devices and data centers where there are enhancements in functionality accompanying the upgrading of communication systems and advances in IoT. Amid rising demand for large, high voltage resistant, high reliability components, the Group succeeded in increasing sales by expanding the product line up and production capacity and fulfilling its supply responsibilities.

As a result, consolidated net sales for the fiscal year ended March 31, 2020 totaled ¥282,329 million, which is an increase of 2.9% compared to the corresponding period of the previous fiscal year.

The average foreign currency exchange rate for the fiscal year ended March 31, 2020 was US\$1: ¥109.06. This is an appreciation of ¥1.43 as compared to the average realized in the corresponding period of the previous fiscal year of US\$1: ¥110.49.

Selling, General and Administrative Expenses

In the fiscal year ended March 31, 2020, selling, general and administrative (SG&A) expenses increased ¥1,147 million compared with the previous fiscal year, to ¥48,173 million.

In addition to the upswing in employee salaries and benefits, the main factors for the increase were depreciation and amortization.

Despite this increase in SG&A expenses, operating income jumped 5.5% year on year, to ¥37,176 million.

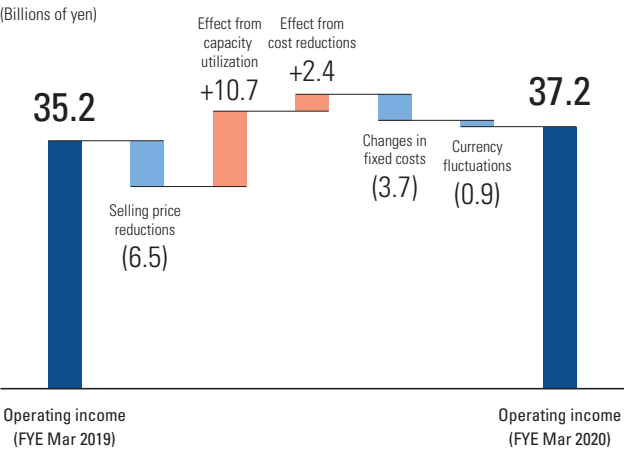
Non-operating Income (Expenses)

Non-operating income in the fiscal year ended March 31, 2020, was ¥972 million, a decrease of ¥524 million from the previous fiscal year. On the other hand, non-operating expenses increased by ¥601 million from the previous fiscal year to ¥2,983 million due in part to an increase in loss on foreign exchange. As a result, ordinary income increased by 2.4% to ¥35,165 million.

Extraordinary Gains (Losses)

Despite receiving insurance claim income, extraordinary gains in the fiscal year ended March 31, 2020, amounted to ¥1,516 million, a decrease of ¥309 million from the previous fiscal year, due in part to recording fewer sales of investment securities than the previous fiscal year. Extraordinary losses increased ¥4,797 million year on year to ¥12,863 million due in part to losses associated with disasters and impairment loss on goodwill associated with the ELNA CO., LTD., subsidiary. As a result, net income attributable to owners of parent company decreased 23.9% year on year, to ¥18,022 million.

■ Factors behind Operating Income in FYE March 2020



Financial Position

Assets

Total assets as of the end of the fiscal year ended March 31, 2020, stood at ¥343,122 million, up ¥14,260 million from the end of the previous fiscal year.

Current assets increased ¥6,071 million. This increase in current assets was mainly due to the increase in cash and deposits of ¥3,191 million and work in process of ¥2,921 million.

Fixed assets increased ¥8,189 million owing to an upswing in property of ¥18,882 million, a decrease in goodwill of ¥5,837 million, and a decrease in investments and other assets of ¥4,930 million.

Liabilities

Total liabilities stood at ¥132,667 million as of the end of the fiscal year ended March 31, 2020. This was ¥9,760 million higher than the end of the previous fiscal year primarily due to an increase in long-term borrowings of ¥6,336 million and an increase in accrued amounts payable of ¥3,408 million.

Net Assets

Net assets stood at ¥210,454 million as of March 31, 2020, up ¥4,500 million compared with the end of the previous fiscal year.

Principal movements in net assets were an increase of retained earnings of ¥15,045 million, a decrease in foreign currency translation adjustments of ¥5,075 million, purchases of treasury stock of ¥3,982 million, and net unrealized holding gains on securities of ¥1,088 million.

Status of Cash Flows

Net cash provided by operating activities in the fiscal year ended March 31, 2020, came to ¥52,434 million, up 22.0% compared with the previous fiscal year.

The contributing factors were income before income taxes of ¥23,818 million, depreciation and amortization of ¥27,022 million, impairment loss of ¥5,290 million, and income taxes (paid) of ¥7,338 million.

Net cash used in investing activities amounted to ¥40,874 million, up 21.7% compared with the previous fiscal

year. The major expenses were purchases of property, plant and equipment of ¥44,067 million.

Net cash used in financing activities was ¥4,851 million, up 202.5% compared with the previous fiscal year. The main factors were proceeds from long-term borrowings of ¥9,000 million, purchases of treasury stock of ¥4,006 million, net decrease in short-term borrowings of ¥3,899 million, payments of cash dividends of ¥2,776 million, and repayments of long-term borrowings of ¥2,477 million.

Accounting for each of these activities, cash and cash equivalents stood at ¥57,285 million as of the end of the fiscal year ended March 31, 2020, an increase of ¥5,630 million compared with the end of the previous fiscal year.

Financing from external sources as of March 31, 2020, consisted of ¥19,250 million in short-term borrowings, ¥2,663 million in current portion of long-term borrowings, and ¥34,752 million in long-term borrowings. In principle, borrowings are procured within Japan at fixed interest rates. Moreover, and to ensure financial stability, TAIYO YUDEN has also established a commitment line of ¥10,000 million effective for three years. The Group has not utilized the commitment line as of the March 31, 2020 fiscal year-end.

The TAIYO YUDEN 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 that may be required in the future to maintain the TAIYO YUDEN Group’s growth.

Overview of Capital Investment

In the fiscal year ended March 31, 2020, the TAIYO YUDEN Group undertook a total of ¥44,067 million in capital investment, mainly to increase production capacity for multilayer ceramic capacitors, which continue to be in strong demand, including for automobiles, IT infrastructure, and smartphones.