

Financial Review

Outline of Business Performance

During the fiscal year ended March 31, 2021, the business environment surrounding TAIYO YUDEN was extremely challenging for the global economy with economic activity restricted by the impact from the COVID-19 pandemic, especially in the first quarter (the three-month consolidated accounting period ended June 30, 2020), but signs of a gradual recovery were seen. As for the future outlook, the recovery trend is expected to continue, but it will be necessary to monitor sufficiently any renewed infectious disease spread as well as other impacts such as trade issues in individual countries, and fluctuations in financial and capital markets.

TAIYO YUDEN 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 in combination with the solution business that leverages TAIYO YUDEN's core technologies in cutting-edge products and high reliability products that draw on TAIYO YUDEN's strengths of research and development and production technology. Moreover, TAIYO YUDEN 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, TAIYO YUDEN is accelerating improvements in production efficiency by promoting advances in underlying technologies and transforming production methods.

In the fiscal year ended March 31, 2021, TAIYO YUDEN's performance was sluggish in the first quarter because of constraints on operations at production subsidiaries in the Philippines and Malaysia which occurred due to the impact of COVID-19 between March and May 2020. However, sales and profit increased due to an expansion in demand for products for use in smartphones and automobiles from July onward.

As a result, consolidated net sales for the fiscal year ended March 31, 2021 totaled ¥300,920 million, which is an increase of 6.6% compared with the previous fiscal year. The average foreign currency exchange rate for the fiscal year ended March 31, 2021 was US\$1: ¥105.97. This is an appreciation of ¥3.09 compared with the average realized in the previous fiscal year of ¥109.06.

Selling, General and Administrative Expenses

In the fiscal year ended March 31, 2021, selling, general and administrative (SG&A) expenses increased ¥15 million compared with the previous fiscal year, to ¥48,188 million. The main components of SG&A expenses for the fiscal year ended March 31, 2021 were R&D expenses of ¥12,550 million and employee's salaries and allowances of ¥11,703 million.

Accounting for these and other factors, operating income jumped 9.7% year on year, to ¥40,766 million.

Non-operating Income (Expenses)

Non-operating income in the fiscal year ended March 31, 2021, was ¥1,578 million, an increase of ¥606 million compared with the previous fiscal year. On the other hand, non-operating expenses decreased ¥1,886 million compared with the previous fiscal year, to ¥1,097 million due in part to a positive turnaround that resulted in a foreign exchange gain.

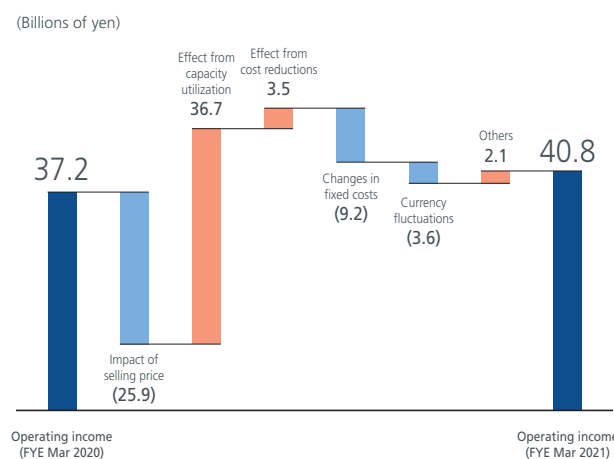
Based on the aforementioned, ordinary income increased 17.3% year on year, to ¥41,247 million.

Extraordinary Gains (Losses)

Due to the absence of insurance claim income posted in the previous fiscal year, extraordinary gains in the fiscal year ended March 31, 2021, amounted to ¥591 million, a decrease of ¥925 million compared with the previous fiscal year. Despite incurring a loss by COVID-19-related at overseas subsidiaries, extraordinary losses decreased ¥8,035 million year on year, to ¥4,828 million. This was mainly due to the substantial downturn in impairment loss as well as the absence of losses associated with disasters and the Anti-Monopoly Act-related loss recorded during the previous fiscal year.

As a result, net income attributable to owners of the parent company increased 58.8% year on year, to ¥28,615 million.

Factors behind Operating Income in FYE March 2021



Financial Position

Assets

Total assets as of the end of the fiscal year ended March 31, 2021, stood at ¥404,642 million, up ¥61,520 million from the end of the previous fiscal year.

Current assets increased ¥45,669 million. This increase in current assets was mainly due to increases in cash and deposits of ¥24,674 million and notes and accounts receivable – trade of ¥14,057 million.

Fixed assets increased ¥15,850 million owing to an upswing in property, plant and equipment of ¥14,772 million.

Liabilities

Total liabilities stood at ¥160,701 million as of the end of the fiscal year ended March 31, 2021. This was ¥28,033 million higher than the end of the previous fiscal year primarily due to increases in current portion of long-term borrowings of ¥10,799 million, long-term borrowings of ¥7,035 million, and notes and accounts payable – trade of ¥5,125 million.

Net Assets

Net assets stood at ¥243,941 million as of March 31, 2021, up ¥33,486 million compared with the end of the previous fiscal year.

Principal movements in net assets were an increase in retained earnings of ¥24,714 million and an increase in foreign currency translation adjustments of ¥8,109 million.

Status of Cash Flows

Net cash provided by operating activities in the fiscal year ended March 31, 2021, came to ¥52,882 million, up 0.9% compared with the previous fiscal year. The contributing factors were income before income taxes of ¥37,010 million, depreciation and amortization of ¥29,256 million, the increase in trade receivables of ¥9,783 million and income taxes (paid) of ¥4,903 million.

Net cash used in investing activities amounted to ¥42,218 million, a 3.3% increase in outlays compared with the previous fiscal year. The major expenses were purchases of property, plant and equipment of ¥43,908 million.

Net cash provided by financing activities was ¥12,604 million compared with net cash used in financing activities of ¥4,851 million in the previous fiscal year. The main factors were proceeds from long-term borrowings of ¥20,500 million, payments of cash dividends of ¥3,760 million and repayments of long-term borrowings of ¥2,666 million.

Accounting for each of these activities, cash and cash equivalents stood at ¥81,785 million as of the end of the fiscal year ended March 31, 2021, an increase of ¥24,500 million compared with the end of the previous fiscal year.

Financing from external sources as of March 31, 2021, consisted of ¥18,500 million in short-term borrowings, ¥13,462 million in current portion of long-term borrowings, and ¥41,788 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 ¥30,000 million effective for three years. The Group has not utilized the commitment line as of the March 31, 2021 fiscal year-end.

TAIYO YUDEN 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's growth.