

## Financial Review

### Outline of Business Performance

During the fiscal year ended March 31, 2022, the business environment surrounding TAIYO YUDEN continued to show no signs of the end of the pandemic, as although the severe restrictions on movement to prevent the spread of COVID-19 have eased in many countries and regions, large-scale lock-downs continue to be implemented in others. The global economy is beginning to recover, but risk factors such as rising raw material and distribution costs resulting from heightened geopolitical risk have grown prominent. Looking ahead, we expect this trend toward economic recovery to continue, but we must sufficiently monitor any upticks in infectious diseases, international affairs, trade issues in individual countries, and fluctuations in financial and capital markets.

TAIYO YUDEN is aiming to increase its proportion of sales in focus markets, primarily automotive and IT infrastructure/industrial equipment, to 50% in order to achieve the goals set forth in the medium-term management plan 2025. Moreover, we will create high value-added electronic components centered on high-end and high-reliability products, and in addition, we will grow the MLCC business and strengthen our inductor and communication device products to turn them into core businesses. Further, on top of continuously expanding production capacity to meet increases in demand for electronic components, we intend to aggressively implement environmental measures and IT upgrades, with ¥300 billion in capital investment planned over a five year period.

TAIYO YUDEN has also been implementing various measures based on its business continuity plan (BCP) in response to the spread of COVID-19, taking into consideration the health and safety of its employees, business partners, and all other stakeholders. At our production bases in Japan and overseas, we follow the directives and guidance given by the government and local authorities in each country, ensuring that thorough preventative measures are in place before resuming our production activities. In addition, employees outside of our production divisions are working to carry out their duties while reducing the risk of infection by working remotely in line with case numbers in their respective regions and in accordance with the relevant directives and requests of governments and local authorities.

In the fiscal year ended March 31, 2022, sales and profit increased due to an expansion in demand centered around products for use in automobiles and IT infrastructure/industrial equipment, despite COVID-19 causing restraints on operations at a production subsidiary in Malaysia in the second quarter.

As a result, consolidated net sales for the fiscal year ended March 31, 2022 totaled ¥349,636 million, which is an increase of 16.2% compared with the previous fiscal year.

The average foreign currency exchange rate for the fiscal year ended March 31, 2022 was US\$1: ¥111.56. This is a depreciation of ¥5.59 compared with the average realized in the previous fiscal year of ¥105.97.

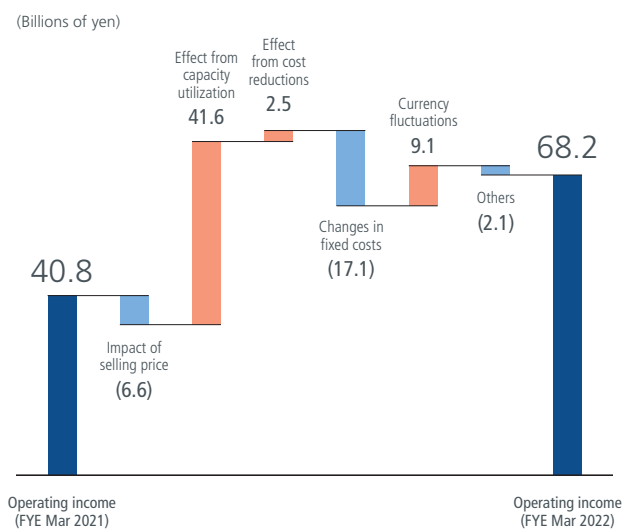
### Selling, General and Administrative Expenses

In the fiscal year ended March 31, 2022, selling, general, and administrative (SG&A) expenses increased ¥8,574 million compared with the previous fiscal year to ¥56,763 million. The main components of SG&A expenses for the fiscal year ended March 31, 2022 were R&D expenses of ¥13,099 million and employee salaries and allowances of ¥12,846 million. Accounting for these and other factors, operating income jumped 67.3% year on year to ¥68,218 million.

### Non-operating Income (Expenses)

Non-operating income in the fiscal year ended March 31, 2022 was ¥4,593 million, an increase of ¥3,015 million compared with the previous fiscal year. On the other hand, non-operating expenses decreased ¥477 million compared with the previous fiscal year to ¥620 million due in part to the fact that there was no equity in losses of affiliates as there was in the previous fiscal year. As a result, ordinary income increased 75.0% year on year to ¥72,191 million.

### Factors behind Operating Income in FYE March 2022



### Extraordinary Gains (Losses)

Due to ¥497 million in gain on sales of investment securities, extraordinary gains in the fiscal year ended March 31, 2022 amounted to ¥689 million, an increase of ¥98 million compared with the previous fiscal year. Despite recording loss on disaster, extraordinary losses decreased ¥3,820 million year on year to ¥1,008 million. This was mainly due to the substantial downturn in impairment loss as well as the absence of loss on devaluation of shares of subsidiaries and associates and loss by COVID-19 at overseas subsidiaries. As a result, net income attributable to owners of the parent company increased 90.0% year on year to ¥54,361 million.

### Financial Position

#### Assets

Total assets as of the end of the fiscal year ended March 31, 2022 stood at ¥474,522 million, up ¥69,879 million from the end of the previous fiscal year. Current assets increased ¥45,008 million. This increase in current assets was mainly due to increases in work in process of ¥14,060 million, merchandise and finished products of ¥9,654 million, and cash and deposits of ¥8,273 million. Fixed assets increased ¥24,871 million owing to an upswing in property, plant and equipment of ¥25,763 million.

#### Liabilities

Total liabilities stood at ¥174,235 million as of the end of the fiscal year ended March 31, 2022. This was ¥13,534 million higher than the end of the previous fiscal year primarily to due increases in income taxes payable of ¥8,164 million, long-term borrowings of ¥6,961 million, short-term borrowings of ¥1.7 billion, and a decrease in current portion of long-term borrowings of ¥9,426 million.

#### Net Assets

Net assets stood at ¥300,286 million as of the end of the fiscal year ended March 31, 2022, up ¥56,344 million compared with the end of the previous fiscal year. Principal movements in net assets were an increase in retained earnings of ¥46.2 billion and an increase in foreign currency translation adjustments of ¥14,916 million.

### Status of Cash Flows

Net cash flow provided by operating activities in the fiscal year ended March 31, 2022 came to ¥67,315 million, up 27.3% compared with the previous fiscal year. The contributing factors were income before income taxes of ¥71,872 million, depreciation and amortization of ¥31,287 million, increase in inventories of ¥24,214 million, and income taxes (paid) of ¥9,893 million.

Net cash used in investing activities amounted to ¥50,622 million, a 19.9% increase in outlays compared with the previous fiscal year. The major expenses were purchases of property, plant and equipment of ¥51,551 million.

Net cash used in financing activities was ¥14,711 million compared with net cash provided by financing activities of ¥12,604 million in the previous fiscal year. The main factors were proceeds from long-term borrowings of ¥11.0 billion, payments of cash dividends of ¥8,146 million and repayments of long-term borrowings of ¥13,465 million.

Accounting for each of these activities, cash and cash equivalents stood at ¥88,609 million as of the end of the fiscal year ended March 31, 2022, an increase of ¥6,823 million compared with the end of the previous fiscal year.

Financing from external sources as of March 31, 2022 consisted of ¥20.2 billion in short-term borrowings, ¥4,035 million in current portion of long-term borrowings, and ¥48,749 million in long-term borrowings. In principle, borrowings are procured within Japan at fixed interest rates. Moreover, to ensure financial stability, TAIYO YUDEN has also established a commitment line of ¥30.0 billion effective for three years. The Group has not utilized the commitment line as of the March 31, 2022 fiscal year-end.

TAIYO YUDEN is capable of generating cash flow through its sound financial position and operating activities, and we believe the Company is capable of procuring the operating capital and funds for capital investment that may be required in the future to maintain TAIYO YUDEN's growth.