

# Financial Review

## Outline of Business Performance

During the fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023), the business environment surrounding the TAIYO YUDEN Group (“the Group”) experienced rising raw material and logistics costs due to increased geopolitical risk and other factors, and there was a period of stagnation in social and economic activities owing to large-scale lockdowns in some regions as a countermeasure to COVID-19, although there were some signs of a moderate recovery in the global economy. As for the future, it will be necessary to monitor the international situation, fluctuations in financial and capital markets and trends in the global demand environment amid global monetary tightening.

The Group is aiming to increase the proportion of sales in focus markets, primarily automotive and IT infrastructure/ industrial equipment, to 50% to achieve the targets set out in medium-term management plan 2025. Moreover, the Group will produce high value-added electronic components with a focus on high-end and high reliability products to achieve further growth in multilayer ceramic capacitors, the Group’s core business, in addition to strengthening inductor and communication device products to establish them as core businesses. We also plan capital investment of ¥300.0 billion over five years to continuously expand capacity to meet increase in demand as well as to implement proactive initiatives in the areas of environmental measures and upgrading of IT.

Consolidated net sales for the fiscal year ended March 31, 2023 totaled ¥319,504 million, which is a decrease of 8.6% compared to the previous fiscal year.

The average foreign currency exchange rate for the fiscal year ended March 31, 2023 was US\$1: ¥134.20. This is a depreciation of ¥22.64 as compared to the average realized in the previous fiscal year of US\$1: ¥111.56.

### Selling, General and Administrative Expenses

In the fiscal year ended March 31, 2023, selling, general, and administrative (SG&A) expenses decreased ¥1,324 million compared with the previous fiscal year to ¥55,438 million. The main components of SG&A expenses for the fiscal year ended March 31, 2023 were employees’ salaries and allowances of ¥13,971 million and research and development expenses of ¥12,678 million. Accounting for these and other factors, operating profit fell 53.1% year on year to ¥31,980 million.

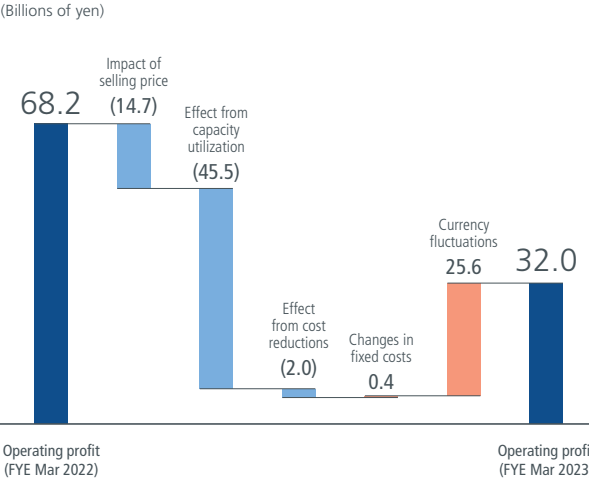
### Non-operating Income (Expenses)

Non-operating income in the fiscal year ended March 31, 2023 was ¥3,769 million, a decrease of ¥824 million compared with the previous fiscal year. On the other hand, non-operating expenses increased ¥296 million compared with the previous fiscal year to ¥916 million due in part to increases in interest expenses and compensation expenses. As a result, ordinary profit decreased 51.7% year on year to ¥34,832 million.

### Extraordinary Income (Losses)

In the fiscal year ended March 31, 2023, extraordinary income decreased ¥517 million compared with the previous fiscal year to ¥171 million due in part to the fact that there was no gain on sale of investment securities as we recorded in the previous fiscal year. Although there was a substantial downturn in impairment losses, extraordinary losses increased ¥2,894 million compared with the previous fiscal year to ¥3,902 million. This was due to an increase in loss on disposal and sales of property, plant and equipment and the recording of Anti monopoly act related loss pertaining to subsidiary ELNA CO., LTD. As a result, profit attributable to owners of parent decreased 57.3% year on year to ¥23,216 million.

### Factors behind Operating Profit in FYE March 2023



## Financial Position

### Assets

Total assets as of the end of the fiscal year ended March 31, 2023 stood at ¥503,462 million, up ¥28,940 million from the end of the previous fiscal year. Current assets decreased ¥8,211 million. This decrease in current assets was mainly due to increases in merchandise and finished products of ¥5,191 million and work in process of ¥2,642 million and decreases in notes and accounts receivable - trade of ¥16,212 million and cash and deposits of ¥5,373 million. Fixed assets increased ¥37,151 million owing to an upswing in property, plant and equipment of ¥35,653 million.

### Liabilities

Total liabilities stood at ¥184,984 million as of the end of the fiscal year ended March 31, 2023. This was ¥10,748 million higher than the end of the previous fiscal year primarily due to increases in current portion of long-term borrowings of ¥13,922 million, short-term borrowings of ¥10 billion, and accounts payable - other of ¥9,122 million and decreases in income taxes payable of ¥12,416 million and notes and accounts payable - trade of ¥9,815 million.

### Net Assets

Net assets stood at ¥318,478 million as of the end of the fiscal year ended March 31, 2023, up ¥18,192 million compared with the end of the previous fiscal year. Principal movements in net assets were an increase in retained earnings of ¥12,624 million due profit attributable to owners of parent of ¥23,216 million and dividends of surplus of ¥10,591 million, and an increase in foreign currency translation adjustment of ¥4,840 million due to the impact of the exchange rate such as yen depreciation.

## Status of Cash Flows

Net cash provided by operating activities for the year ended March 31, 2023 was ¥39,460 million, a decrease of 41.4% compared with the previous fiscal year. The contributing factors are; profit before income taxes of ¥31,102 million; depreciation of ¥34,903 million; decrease in trade receivables of ¥19,556 million, and income taxes (paid) of ¥23,061 million.

Net cash used in investing activities for the year ended March 31, 2023 totaled ¥60,438 million, an increase of 19.4% compared with the previous fiscal year. The largest cash outflow was ¥63,338 million paid for purchase of non-current assets.

Net cash provided by financing activities for the year ended March 31, 2023 totaled ¥14,485 million (net cash used of ¥14,711 million for the year ended March 31, 2022). The main factors are an increase in short-term borrowings of ¥10.0 billion, proceeds from long-term borrowings of ¥20.0 billion, repayments of long-term borrowings of ¥4,049 million, and payments of cash dividends of ¥10,573 million.

As a result of the aforementioned activities, cash and cash equivalent as of March 31, 2023 decreased ¥4,485 million from the end of the previous fiscal year, to ¥84,124 million.

Financing from external sources as of March 31, 2023 consisted of ¥30.2 billion in short-term borrowings, ¥17,958 million in current portion of long-term borrowings, and ¥50,777 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, 2023 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.