

Financial Review

Outline of Business Performance

During the fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024), the business environment surrounding the TAIYO YUDEN Group (“the Group”) remained uncertain, with weakness seen in some regions, although there were some signs of a moderate recovery in the global economy. As for the future, while it will be necessary to monitor the international situation, fluctuations in financial and capital markets, and other trends, moderate recovery is expected to continue.

The Group is aiming to reach 50% for its proportion of sales in focus markets, primarily automotive and IT infrastructure/industrial equipment, in order to achieve the targets set out in the 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 communications device 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, 2024 totaled ¥322,647 million, which was an increase of 1.0% compared to the previous fiscal year.

The average foreign currency exchange rate for the fiscal year ended March 31, 2024 was US\$1: ¥143.32. This was a depreciation of ¥9.12 as compared to the average realized in the previous fiscal year of US\$1: ¥134.20.

Selling, General and Administrative Expenses

In the fiscal year ended March 31, 2024, selling, general, and administrative (SG&A) expenses increased ¥937 million compared with the previous fiscal year to ¥56,376 million. The main components of SG&A expenses for the fiscal year ended March 31, 2024 were employees’ salaries and allowances of ¥13,707 million and research and development expenses of ¥13,696 million.

Accounting for these and other factors, operating profit fell 71.6% year on year to ¥9,079 million.

Non-operating Income (Expenses)

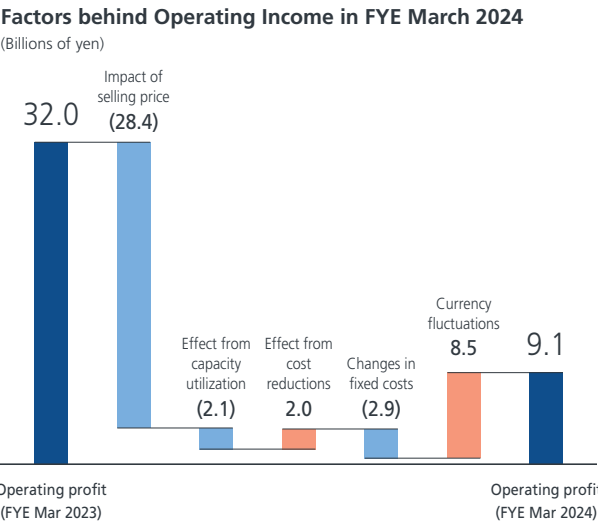
Non-operating income in the fiscal year ended March 31, 2024 was ¥6,546 million, an increase of ¥2,777 million compared with the previous fiscal year. On the other hand, non-operating expenses increased ¥951 million compared with the previous fiscal year to ¥1,868 million due in part to increases in interest expenses and compensation expenses.

As a result, ordinary profit decreased 60.5% year on year to ¥13,757 million.

Extraordinary Gains (Losses)

In the fiscal year ended March 31, 2024, extraordinary income increased ¥99 million compared with the previous fiscal year to ¥271 million, due in part to gains recorded on the sale of investment securities and golf club membership. Extraordinary losses decreased ¥2,945 million compared with the previous fiscal year to ¥956 million. This was due to a decrease in impairment losses and in loss on sale and retirement of non-current assets, as well as the absence of the Antimonopoly Act-related loss pertaining to the subsidiary ELNA CO., LTD. that was recorded in the previous fiscal year.

As a result, profit attributable to owners of parent decreased 64.2% year on year to ¥8,317 million.



Financial Position

Assets

Total assets as of the end of the fiscal year ended March 31, 2024 stood at ¥579,686 million, up ¥76,223 million from the end of the previous fiscal year.

Current assets increased ¥22,823 million. This was mainly due to an increase of ¥15,585 million in cash and deposits, an increase of ¥10,826 million in notes and accounts receivable - trade, a decrease of ¥1,891 million in work in process, and a decrease of ¥1,408 million in merchandise and finished products. Fixed assets increased ¥53.4 billion owing to an upswing in property, plant and equipment of ¥52,966 million.

Liabilities

Total liabilities stood at ¥249,587 million as of March 31, 2024, an increase of ¥64,603 million compared with the end of the previous fiscal year. This was primarily due to an increase of ¥51,170 million in convertible-bond-type bonds with share acquisition rights, an increase of ¥33,441 million in long-term borrowings, an increase of ¥6,732 million in notes and accounts payable - trade, a decrease of ¥26.0 billion in short-term borrowings, and a decrease of ¥8,702 million in the current portion of long-term borrowings.

Net Assets

Net assets stood at ¥330,098 million as of March 31, 2024, up ¥11,620 million compared with the end of the previous fiscal year. Principal movements in net assets were a decrease of ¥2,897 million in retained earnings due to ¥8,317 million in profit attributable to owners of parent and ¥11,215 million in dividends of surplus, and an increase of ¥14,774 million in foreign currency translation adjustment due to the impact of exchange rates such as yen depreciation.

Status of Cash Flows

Net cash provided by operating activities for the fiscal year ended March 31, 2024 was ¥51,104 million, an increase of 29.5% compared with the previous fiscal year. The contributing factors were profit before income taxes of ¥13,073 million, depreciation of ¥39,391 million, a decrease in inventories of ¥7,146 million, and an increase in trade receivables of ¥4,840 million.

Net cash used in investing activities was ¥82,793 million, up 37.0% from the previous fiscal year. The largest cash outflow was ¥79,907 million paid for purchase of non-current assets.

Net cash provided by financing activities was ¥37,647 million, an increase of 159.9% from the previous fiscal year. The main factors were proceeds of ¥51,133 million from the issuance of convertible-bond-type bonds with share acquisition rights, proceeds from long-term borrowings of ¥42,708 million, a decrease in short-term borrowings of ¥26.0 billion, repayments of long-term borrowings of ¥17,969 million, and payments of cash dividends of ¥11,198 million.

As a result of the aforementioned activities, cash and cash equivalents as of March 31, 2024 were ¥94,940 million, an increase of ¥10,815 million from the end of the previous fiscal year.

Financing from external sources as of March 31, 2024 consisted of ¥4.2 billion in short-term borrowings, ¥9,255 million in the current portion of long-term borrowings, ¥51,170 million in convertible-bond-type bonds with share acquisition rights, and ¥84,219 million in long-term borrowings. In principle, borrowings are procured within Japan at fixed interest rates. TAIYO YUDEN has also established a commitment line of ¥30.0 billion effective for three years, in order to ensure financial stability. The Group has not utilized the commitment line as of March 31, 2024.

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.