

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

November 7, 2022

Consolidated Financial Results for the Six Months Ended September 30, 2022 (Under Japanese GAAP)

Company name: TAIYO YUDEN CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 6976
 URL: <http://www.ty-top.com>
 Representative: Shoichi Tosaka, President and Chief Executive Officer
 Inquiries: Tomomitsu Fukuda, Director and Executive Operating Officer, Deputy Chief of Management Planning Headquarters
 Telephone: +81-3-6757-8310
 Scheduled date to file quarterly securities report: November 14, 2022
 Scheduled date to commence dividend payments: December 1, 2022
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and investment analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2022	168,013	(2.7)	29,618	(14.5)	35,559	0.0	24,880	(12.5)
September 30, 2021	172,670	23.1	34,655	81.2	35,544	95.5	28,448	148.6

Note: Comprehensive income For the six months ended September 30, 2022: ¥36,039 million [24.0%]
 For the six months ended September 30, 2021: ¥29,058 million [126.3%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
September 30, 2022	199.67	199.04
September 30, 2021	226.60	225.93

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
September 30, 2022	512,341	331,440	64.5	2,652.41
March 31, 2022	474,522	300,286	63.1	2,403.20

Reference: Equity
 As of September 30, 2022: ¥330,513 million
 As of March 31, 2022: ¥299,460 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	40.00	-	40.00	80.00
Fiscal year ending March 31, 2023	-	45.00			
Fiscal year ending March 31, 2023 (Forecast)			-	45.00	90.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecasts of operating results for the period from April 1, 2022 to March 31, 2023

(Percentages indicate changes from same period in the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2023	342,000	(2.2)	42,000	(38.4)	48,000	(33.5)	33,500	(38.4)	268.84

Note: Revisions to the forecast of operating results most recently announced: Yes

* **Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: -

Excluded: -

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2022	130,218,481 shares
As of March 31, 2022	130,218,481 shares

(ii) Number of treasury shares at the end of the period

As of September 30, 2022	5,609,910 shares
As of March 31, 2022	5,609,656 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2022	124,608,701 shares
Six months ended September 30, 2021	125,546,791 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Forecasts of operating results include a number of assumptions based on information currently available and certain premises which were judged to be rational. Please note that these forecasts may significantly differ from actual results with various factors.

* TAIYO YUDEN will post the financial supplementary data on its web-site.

○Table of contents

1. Qualitative Information Concerning Financial Statements and Other	2
(1) Consolidated Operating Results	3
(2) Consolidated Financial Conditions	3
(3) Forecasts of Consolidated Operating Results	3
2. Consolidated Financial Statements	4
(1) Consolidated Balance Sheets	4
(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Operations	
Six months ended September 30, 2022	6
Consolidated Statements of Comprehensive Income	
Six months ended September 30, 2022	8
(3) Consolidated Statements of Cash Flows	
(4) Notes on Consolidated Financial Statements	9
(Notes on Premise of Going Concern)	9
(Notes in Case of Significant Changes to Shareholders' Equity)	9
3. Supplementary Information	9
(1) Net Sales by Product Classification	9

1. Qualitative Information Concerning Financial Statements and Other

(1) Consolidated Operating Results

During the six-month period ended September 30, 2022 (April 1, 2022 – September 30, 2022), the business conditions surrounding the TAIYO YUDEN Group (“the Group”) experienced rising raw material and logistics costs due to increased geopolitical risk and large-scale lockdowns in some regions because of the spread of COVID-19, although there were some signs of recovery in the global economy. As for the future, it will be necessary to monitor infectious disease trends, the international situation, and fluctuations in financial and capital markets and trends in the global demand environment amid global monetary tightening.

Under the medium-term management plan 2025, the Group is aiming to increase the proportion of sales in focus markets, primarily automotive and IT infrastructure/industrial equipment, to 50%. 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 six-month period ended September 30, 2022 totaled ¥168,013 million, which is a decrease of 2.7% compared to the corresponding period of the previous fiscal year. Operating profit was ¥29,618 million, a decrease of 14.5%. Ordinary profit was ¥35,559 million, an increase of 0.0%, and profit attributable to owners of parent was ¥24,880 million, a decrease of 12.5%. Although net sales and operating profit were lower owing to the impact of large-scale lockdowns in some regions during the three-month period ended June 30, 2022 and the decrease in demand for components, particularly for smartphones in China, ordinary profit was flat year over year due to foreign exchange gains and other factors. Profit attributable to owners of parent decreased mainly because of an increase in income taxes.

The average foreign currency exchange rate for the six-month period ended September 30, 2022 was US\$1: ¥129.89. This is a depreciation of ¥20.34 as compared to the average realized in the corresponding period of the previous fiscal year of US\$1: ¥109.55.

Net Sales by Product Classification

[Capacitors]

The capacitor product classification is comprised of multilayer ceramic capacitors.

While product sales for use in information equipment, automobiles, and IT infrastructure/industrial equipment increased year over year, sales for use in communication equipment declined year over year. As a result, net sales for the six-month period ended September 30, 2022 totaled ¥111,021 million, a decrease of 1.1% compared to the corresponding period of the previous fiscal year.

[Inductors]

This product classification is comprised of various inductors including wire-wound inductors and multilayer inductors.

In the six-month period ended September 30, 2022, product sales for use in IT infrastructure/industrial equipment were lower as compared to the corresponding period of the previous fiscal year while sales for use in consumer products, information equipment, and communication equipment were higher. As a result, net sales for the six-month period ended September 30, 2022 totaled ¥26,905 million, which is an increase of 11.0% compared to the corresponding period of the previous fiscal year.

[Integrated Modules & Devices]

This product classification is comprised of FBAR/SAW devices for mobile communications, circuit modules, etc.

For the six-month period ended September 30, 2022, sales of FBAR/SAW devices for mobile communications and circuit modules decreased year over year. This resulted in a 32.8% decrease in sales for this product classification year over year to ¥17,436 million.

[Others]

For this product classification, the Group manufactures and sells aluminum electrolytic capacitors and power storage devices, etc.

For the six-month period ended September 30, 2022, sales of aluminum electrolytic capacitors, mainly for use in automobiles, increased year over year. This resulted in a 23.5% increase in sales for this product classification year over year to ¥12,649 million.

(2) Consolidated Financial Conditions

① Assets, Liabilities and Net Assets

Total assets as of September 30, 2022 increased ¥37,819 million to ¥512,341 million compared with the end of the previous fiscal year. Current assets increased ¥15,645 million. This increase in current assets was mainly due to the increase in work in process of ¥11,844 million, merchandise and finished products of ¥8,494 million, and the decrease in trade notes and accounts receivable of ¥3,261 million and cash and deposits of ¥3,111 million. Fixed assets increased ¥22,174 million owing to the increase in property, plant and equipment of ¥21,864 million.

Total liabilities as of September 30, 2022 were ¥180,900 million, an increase of ¥6,664 million as compared to the balance at March 31, 2022. This was mainly due to the increase in current portion of long-term borrowings of ¥14,324 million and the decrease in trade notes and accounts payable of ¥3,996 and income taxes payable of ¥3,958 million.

Net assets as of September 30, 2022 increased ¥31,154 million. The main factors were an increase in retained earnings of ¥19,896 million due to profit attributable to owners of parent of ¥24,880 million and dividends of surplus of ¥4,984 million, in addition to an increase of ¥11,027 million in foreign currency translation adjustment due to the impact of exchange rates, including the depreciation in the value of the yen.

② Cash Flows

Net cash provided by operating activities for the six-months period ended September 30, 2022 was ¥17,778 million, a decrease of 49.8% compared with the corresponding period of the previous fiscal year. The contributing factors are; income before income taxes of ¥34,982 million; increase in inventories of ¥17,288 million; depreciation and amortization of ¥16,325 million, and income taxes (paid) of ¥13,659 million.

Net cash used in investing activities for the six-months period ended September 30, 2022 totaled ¥31,512 million, an increase of 50.5% compared with the corresponding period of the previous fiscal year. The largest cash outflow was ¥32,057 million paid for purchases of property, plant and equipment.

Net cash provided by financing activities for the six-months period ended September 30, 2022 totaled ¥6,199 million, an increase of 177.8% compared with the corresponding period of the previous fiscal year. The main factors are proceeds from long-term borrowings of ¥15.0 billion, payments of cash dividends of ¥4,974 million, and repayments of long-term borrowings of ¥3,385 million.

As a result of the aforementioned activities, cash and cash equivalent as of September 30, 2022 decreased ¥3,230 million from the end of the previous fiscal year, to ¥85,379 million.

(3) Forecasts of Consolidated Operating Results

Consolidated operating earnings forecasts for the year ending March 31, 2023 have been revised as follows. (year over year)

	Year ending March 31, 2023	
Net sales	342,000 million yen	(2.2% decrease)
Operating profit	42,000 million yen	(38.4% decrease)
Ordinary profit	48,000 million yen	(33.5% decrease)
Profit attributable to owners of parent	33,500 million yen	(38.4% decrease)

Based on the financial results for the six-month period ended September 30, 2022, future demand forecasts, and other factors, the Company will downwardly revise the full-year consolidated financial results forecasts for the fiscal year ending March 31, 2023.

For the third quarter onward, there are concerns about a global economic slowdown amid monetary tightening in each country. The demand environment for electronic components is also expected to be weaker than initially anticipated, mainly due to a decline in production volume and inventory adjustments particularly for PCs, smartphones, and data centers.

The Group does not have any sites or key customers and suppliers in either Russia or Ukraine. Sales to both countries are insignificant, and it is assumed the direct impact on the Group's business performance will be minor. In addition, with regard to the impact of COVID-19, while there were large-scale lockdowns in some regions during the first quarter, it is assumed there will be no particular impact from the third quarter onward.

The forecast is based on an average foreign currency exchange rate of US\$1:¥143.

*Disclaimer concerning forecasts of operating results:

The aforementioned forecasts of results are based on information available as of the date of this report. As a result, forecast information contained in this document may include potential risk and uncertainties. Accordingly, actual results may differ materially from forecasts due to a variety of factors.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
ASSETS		
Current assets		
Cash and deposits	92,570	89,459
Trade notes and accounts receivable	86,585	83,323
Merchandise and finished products	29,504	37,998
Work in process	44,243	56,088
Raw materials and supplies	23,033	24,026
Other	6,981	7,700
Allowance for doubtful receivables	(311)	(343)
Total current assets	282,607	298,252
Fixed assets		
Property, plant and equipment		
Buildings and structures	120,596	124,158
Machinery and equipment	335,309	352,495
Tools, furniture and fixtures	33,773	35,607
Land	15,179	15,444
Construction in progress	28,603	43,208
Accumulated depreciation	(348,527)	(364,111)
Net property, plant and equipment	184,936	206,801
Intangible fixed assets		
Other	1,340	1,376
Total intangible fixed assets	1,340	1,376
Investments and other assets		
Investment securities	1,505	1,484
Other	4,132	4,426
Total investments and other assets	5,637	5,910
Total fixed assets	191,914	214,088
Total assets	474,522	512,341

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	32,828	28,832
Short-term borrowings	20,200	20,200
Current portion of long-term borrowings	4,035	18,360
Income taxes payable	13,967	10,009
Accrued bonuses for employees	5,890	6,393
Accrued bonuses for directors and corporate auditors	679	70
Other	29,412	30,959
Total current liabilities	107,013	114,824
Long-term liabilities		
Long-term borrowings	48,749	46,039
Accrued retirement benefits for directors and corporate auditors	31	35
Net defined benefit liability	5,315	5,552
Other	13,126	14,447
Total long-term liabilities	67,222	66,075
Total liabilities	174,235	180,900
NET ASSETS		
Shareholders' equity		
Common stock	33,575	33,575
Capital surplus	49,908	49,908
Retained earnings	221,178	241,074
Treasury stock	(13,454)	(13,455)
Total shareholders' equity	291,207	311,102
Accumulated other comprehensive income		
Net unrealized holding gains on securities	518	446
Deferred gains (losses) on hedges	(190)	(38)
Foreign currency translation adjustments	8,246	19,273
Remeasurements of defined benefit plans	(321)	(270)
Total accumulated other comprehensive income	8,252	19,411
Stock acquisition rights	826	927
Total net assets	300,286	331,440
Total liabilities and net assets	474,522	512,341

(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Operations)
(Six months ended September 30, 2022)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	172,670	168,013
Cost of sales	111,205	110,257
Gross profit	61,465	57,755
Selling, general and administrative expenses	26,809	28,136
Operating profit	34,655	29,618
Non-operating income		
Interest income	130	252
Dividend income	23	50
Gain on foreign exchange	602	5,496
Subsidy income	241	241
Other	232	170
Total non-operating income	1,229	6,210
Non-operating expenses		
Interest expense	197	219
Depreciation of inactive noncurrent assets	45	13
Other	97	37
Total non-operating expenses	340	269
Ordinary profit	35,544	35,559
Extraordinary gains		
Gain on sales of property, plant and equipment	8	23
Gain on sales of investment securities	497	-
Insurance claim income	61	-
Other	0	-
Total extraordinary gains	567	23
Extraordinary losses		
Loss on disposal and sales of property, plant and equipment	282	569
Impairment loss	56	4
Other	28	26
Total extraordinary losses	368	599
Income before income taxes	35,743	34,982
Income taxes - current	8,354	9,791
Income taxes - deferred	(1,060)	310
Total income taxes	7,294	10,102
Net income	28,448	24,880
Profit attributable to owners of parent	28,448	24,880

(Consolidated Statements of Comprehensive Income)
(Six months ended September 30, 2022)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net income	28,448	24,880
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(612)	(71)
Deferred gains (losses) on hedges	3	151
Foreign currency translation adjustments	1,159	11,027
Remeasurement of defined benefit plans	57	51
Total other comprehensive income (loss)	609	11,158
Comprehensive income	29,058	36,039
(Breakdown)		
Comprehensive income attributable to shareholders	29,058	36,039

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Operating activities		
Income before income taxes	35,743	34,982
Depreciation and amortization	14,972	16,325
Impairment loss	56	4
Increase (decrease) in allowance for doubtful receivables	10	12
Increase (decrease) in accrued bonuses for employees	892	449
Increase (decrease) in accrued bonuses for directors and corporate auditors	(53)	(608)
Increase (decrease) in accrued retirement benefits for directors and corporate auditors	(20)	4
Interest and dividend income	(154)	(303)
Interest expense	197	219
(Gain) loss on disposal and sales of property, plant and equipment	274	546
(Gain) loss on sales of investment securities	(469)	-
Subsidy income	(128)	(99)
(Increase) decrease in trade receivables	114	9,381
(Increase) decrease in inventories	(12,276)	(17,288)
Increase (decrease) in trade payables	1,520	(4,313)
Other	632	(7,976)
Subtotal	41,312	31,336
Interest and dividends received	149	290
Interest paid	(177)	(188)
Income taxes (paid) refunded	(5,858)	(13,659)
Net cash provided by operating activities	35,426	17,778
Investing activities		
Purchases of property, plant and equipment	(21,418)	(32,057)
Proceeds from sales of property, plant and equipment	15	29
(Increase) decrease in time deposits	(824)	128
Proceeds from sales of investment securities	879	-
Receipt from subsidy income	328	199
Other	76	188
Net cash used in investing activities	(20,942)	(31,512)
Financing activities		
Net increase (decrease) in short-term borrowings	7,000	-
Proceeds from long-term borrowings	-	15,000
Repayments of long-term borrowings	(1,234)	(3,385)
Purchases of treasury stock	(6)	(1)
Payments of cash dividends	(3,130)	(4,974)
Repayments of lease obligations	(397)	(438)
Other	(0)	(0)
Net cash provided by (used in) financing activities	2,231	6,199
Effect of exchange rate changes on cash and cash equivalents	852	4,304
Net increase (decrease) in cash and cash equivalents	17,568	(3,230)
Cash and cash equivalents at beginning of period	81,785	88,609
Cash and cash equivalents at end of period	99,354	85,379

(4) Notes on Consolidated Financial Statements

(Notes on Premise of Going Concern)

No relevant items to report.

(Notes in Case of Significant Changes to Shareholders' Equity)

No relevant items to report.

3. Supplementary Information

(1) Net Sales by Product Classification

Product classification	Six months ended September 30, 2021 (From April 1, 2021 To September 30, 2021)		Six months ended September 30, 2022 (From April 1, 2022 To September 30, 2022)		Increase/ (Decrease)	
	Amount (¥ in million)	Share (%)	Amount (¥ in million)	Share (%)	Amount (¥ in million)	Share (%)
Capacitors	112,244	65.0	111,021	66.1	(1,222)	(1.1)
Inductors	24,250	14.0	26,905	16.0	2,655	11.0
Integrated modules & devices	25,936	15.0	17,436	10.4	(8,500)	(32.8)
Others	10,239	5.9	12,649	7.5	2,409	23.5
Total	172,670	100.0	168,013	100.0	(4,657)	(2.7)