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February 7, 2023

Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Under Japanese GAAP)

Company name: TAIYO YUDEN CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 6976
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 Scheduled date to file quarterly securities report: February 14, 2023
 Scheduled date to commence dividend payments: -
 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 nine months ended December 31, 2022 (from April 1, 2022 to December 31, 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	%
Nine months ended								
December 31, 2022	247,046	(5.9)	36,080	(31.0)	38,132	(29.3)	26,853	(35.8)
December 31, 2021	262,510	18.5	52,299	72.5	53,934	82.2	41,859	111.1

Note: Comprehensive income For the nine months ended December 31, 2022: ¥30,193 million [(36.7)%]
 For the nine months ended December 31, 2021: ¥47,681 million [107.0%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
December 31, 2022	215.50	214.81
December 31, 2021	333.39	332.41

(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				
December 31, 2022	496,416	320,019	64.3	2,560.50
March 31, 2022	474,522	300,286	63.1	2,403.20

Reference: Equity
 As of December 31, 2022: ¥319,059 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	315,000	(9.9)	31,000	(54.6)	32,500	(55.0)	20,000	(63.2)	160.50

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 December 31, 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 December 31, 2022	5,610,165 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)

Nine months ended December 31, 2022	124,608,620 shares
Nine months ended December 31, 2021	125,558,892 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.

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1. Qualitative Information Concerning Financial Statements and Other

(1) Consolidated Operating Results

During the nine-month period ended December 31, 2022 (April 1, 2022 – December 31, 2022), 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 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 nine-month period ended December 31, 2022 totaled ¥247,046 million, which is a decrease of 5.9% compared to the corresponding period of the previous fiscal year. Operating profit was ¥36,080 million, a decrease of 31.0%. Ordinary profit was ¥38,132 million, a decrease of 29.3%, and profit attributable to owners of parent was ¥26,853 million, a decrease of 35.8%. Net sales as well as operating profit, ordinary profit, and profit attributable to owners of parent declined due to lockdowns in some regions and a decrease in production volume and inventory adjustments, primarily in the PC, smartphone, and data center sectors, stemming from concerns over a global economic slowdown.

The average foreign currency exchange rate for the nine-month period ended December 31, 2022 was US\$1: ¥134.68. This is a depreciation of ¥24.15 as compared to the average realized in the corresponding period of the previous fiscal year of US\$1: ¥110.53.

Net Sales by Product Classification

[Capacitors]

The capacitor product classification is comprised of multilayer ceramic capacitors.

While product sales for use in automobiles and IT infrastructure/industrial equipment increased year over year, sales for use in consumer products, information equipment and communication equipment declined year over year. As a result, net sales for the nine-month period ended December 31, 2022 totaled ¥160,889 million, a decrease of 6.5% 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 nine-month period ended December 31, 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, communication equipment, and automobiles were higher. As a result, net sales for the nine-month period ended December 31, 2022 totaled ¥42,118 million, which is an increase of 13.2% 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 nine-month period ended December 31, 2022, sales of FBAR/SAW devices for mobile communications and circuit modules decreased year over year. This resulted in a 33.5% decrease in sales for this product classification year over year to ¥24,794 million.

[Others]

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

For the nine-month period ended December 31, 2022, sales of aluminum electrolytic capacitors, mainly for use in automobiles, increased year over year. This resulted in a 20.4% increase in sales for this product classification year over year to ¥19,243 million.

(2) Consolidated Financial Conditions

Total assets as of December 31, 2022 increased ¥21,893 million to ¥496,416 million compared with the end of the previous fiscal year. Current assets decreased ¥3,290 million. This decrease in current assets was mainly due to the increase in merchandise and finished products of ¥9,436 million, work in process of ¥7,211 million, and the decrease in cash and deposits of ¥12,948 million, trade notes and accounts receivable of ¥10,650 million. Fixed assets increased ¥25,184 million owing to the increase in property, plant and equipment of ¥25,523 million and the decrease in investments and other assets of ¥521 million.

Total liabilities as of December 31, 2022 were ¥176,397 million, an increase of ¥2,161 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 ¥13,924 million, short-term borrowings of ¥10.0 billion, long-term borrowings of ¥2,037 million, and the decrease in trade notes and accounts payable of ¥10,224 million and income taxes payable of ¥13,730 million.

Net assets as of December 31, 2022 increased ¥19,732 million. The main factors were an increase in retained earnings of ¥16,261 million due to profit attributable to owners of parent of ¥26,853 million and dividends of surplus of ¥10,591 million, in addition to an increase of ¥3,016 million in foreign currency translation adjustment due to the impact of exchange rates, including the depreciation in the value of the yen.

(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	315,000 million yen	(9.9% decrease)
Operating profit	31,000 million yen	(54.6% decrease)
Ordinary profit	32,500 million yen	(55.0% decrease)
Profit attributable to owners of parent	20,000 million yen	(63.2% decrease)

Based on the financial results for the nine-month period ended December 31, 2022, future demand forecasts, and other factors, the Company has revised the full-year consolidated financial results forecasts for the fiscal year ending March 31, 2023 announced on November 7, 2022.

During the three-month period ended December 31, 2022, demand for electronic components slowed, mainly due to a decline in production of electronic equipment and inventory adjustments, as well as lockdowns in some regions. In the fourth quarter, it is expected that the demand environment for electronic components will deteriorate more than expected at the time of the previous forecasts due to a decrease in production volume and inventory adjustments, primarily in the PC and smartphone sectors. The environment also is unpredictable due to factors such as fluctuations in financial and capital markets amid monetary tightening in various countries, a slowdown in the global economy, and the impact of COVID-19.

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, it is assumed there will be no particular impact during the fourth quarter.

The forecast is based on an average foreign currency exchange rate of US\$1:¥130.

*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 December 31, 2023
ASSETS		
Current assets		
Cash and deposits	92,570	79,622
Trade notes and accounts receivable	86,585	75,934
Merchandise and finished products	29,504	38,941
Work in process	44,243	51,454
Raw materials and supplies	23,033	23,164
Other	6,981	10,542
Allowance for doubtful receivables	(311)	(341)
Total current assets	282,607	279,317
Fixed assets		
Property, plant and equipment		
Buildings and structures	120,596	127,919
Machinery and equipment	335,309	353,914
Tools, furniture and fixtures	33,773	36,028
Land	15,179	15,801
Construction in progress	28,603	42,396
Accumulated depreciation	(348,527)	(365,598)
Net property, plant and equipment	184,936	210,459
Intangible fixed assets		
Other	1,340	1,522
Total intangible fixed assets	1,340	1,522
Investments and other assets		
Investment securities	1,505	1,536
Other	4,132	3,580
Total investments and other assets	5,637	5,116
Total fixed assets	191,914	217,098
Total assets	474,522	496,416

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	32,828	22,604
Short-term borrowings	20,200	30,200
Current portion of long-term borrowings	4,035	17,959
Income taxes payable	13,967	236
Accrued bonuses for employees	5,890	2,304
Accrued bonuses for directors and corporate auditors	679	75
Other	29,412	30,901
Total current liabilities	107,013	104,283
Long-term liabilities		
Long-term borrowings	48,749	50,786
Accrued retirement benefits for directors and corporate auditors	31	37
Net defined benefit liability	5,315	5,861
Other	13,126	15,428
Total long-term liabilities	67,222	72,113
Total liabilities	174,235	176,397
NET ASSETS		
Shareholders' equity		
Common stock	33,575	33,575
Capital surplus	49,908	49,908
Retained earnings	221,178	237,439
Treasury stock	(13,454)	(13,456)
Total shareholders' equity	291,207	307,466
Accumulated other comprehensive income		
Net unrealized holding gains on securities	518	542
Deferred gains (losses) on hedges	(190)	35
Foreign currency translation adjustments	8,246	11,262
Remeasurements of defined benefit plans	(321)	(247)
Total accumulated other comprehensive income	8,252	11,592
Stock acquisition rights	826	959
Total net assets	300,286	320,019
Total liabilities and net assets	474,522	496,416

(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Operations)
(Nine months ended December 31, 2022)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	262,510	247,046
Cost of sales	167,568	168,404
Gross profit	94,942	78,641
Selling, general and administrative expenses	42,643	42,561
Operating profit	52,299	36,080
Non-operating income		
Interest income	243	479
Dividend income	23	51
Gain on foreign exchange	1,235	1,176
Subsidy income	341	563
Other	261	193
Total non-operating income	2,106	2,465
Non-operating expenses		
Interest expense	289	335
Depreciation of inactive noncurrent assets	61	27
Other	119	50
Total non-operating expenses	470	413
Ordinary profit	53,934	38,132
Extraordinary gains		
Gain on sales of property, plant and equipment	96	151
Gain on sales of investment securities	497	-
Other	91	-
Total extraordinary gains	686	151
Extraordinary losses		
Loss on disposal and sales of property, plant and equipment	359	643
Impairment loss	56	4
Other	115	59
Total extraordinary losses	531	707
Income before income taxes	54,090	37,576
Income taxes - current	12,088	8,269
Income taxes - deferred	141	2,453
Total income taxes	12,230	10,723
Net income	41,859	26,853
Profit attributable to owners of parent	41,859	26,853

(Consolidated Statements of Comprehensive Income)
(Nine months ended December 31, 2022)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net income	41,859	26,853
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(517)	24
Deferred gains (losses) on hedges	39	225
Foreign currency translation adjustments	6,211	3,016
Remeasurement of defined benefit plans	88	74
Total other comprehensive income (loss)	5,821	3,340
Comprehensive income	47,681	30,193
(Breakdown)		
Comprehensive income attributable to shareholders	47,681	30,193

(3) 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	Nine months ended December 31, 2021 (From April 1, 2021 To December 31, 2021)		Nine months ended December 31, 2022 (From April 1, 2022 To December 31, 2022)		Increase/ (Decrease)	
	Amount (¥ in million)	Share (%)	Amount (¥ in million)	Share (%)	Amount (¥ in million)	Share (%)
Capacitors	172,031	65.5	160,889	65.1	(11,142)	(6.5)
Inductors	37,207	14.2	42,118	17.0	4,910	13.2
Integrated modules & devices	37,288	14.2	24,794	10.0	(12,494)	(33.5)
Others	15,982	6.1	19,243	7.8	3,260	20.4
Total	262,510	100.0	247,046	100.0	(15,464)	(5.9)