



Analysis of business results and financial position

Review of fiscal 2020

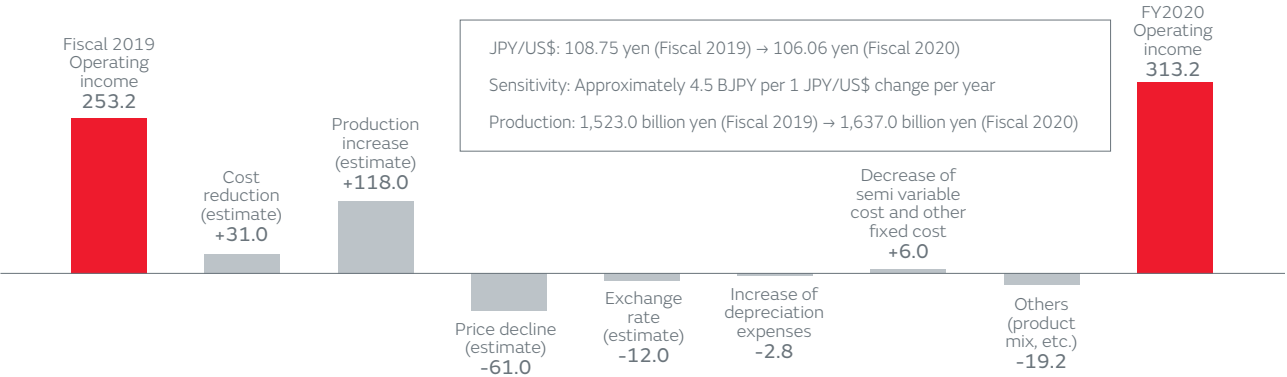
Demand for personal computers (PCs) used in telecommuting and online education in fiscal 2020 remained firm along with robust demand for video game consoles on the back of stay-at-home demand. In the smartphone market, from the second quarter of fiscal 2020 onward there were signs of a strong move to secure components against the background of the launch of 5G. In the automotive market, there was a suspension of production by automakers during the first quarter of fiscal 2020 and shortages of semiconductors in the fourth quarter of fiscal 2020. Mainly due to these factors, the production output of automobiles fell on a year-on-year basis, but there was a move to secure components for a future production increase.

Given such a background, sales of multilayer resin substrates and lithium ion batteries decreased for smartphones. However, multilayer ceramic capacitors (MLCCs) remained firm in a wide range of applications, and inductors and connectivity modules increased for PCs with more RF modules being used for smartphones. As a result, net sales for fiscal 2020 increased by 6.3% year on year to 1,630.2 billion yen, marking a record high.

Looking at profits, operating income was 313.2 billion yen, up 23.7% from the previous fiscal year, income before income taxes was 316.4 billion yen, up 24.6% from the above-mentioned period, and net income attributable to shareholders of the company was 237.1 billion yen, up 29.5% from the above-mentioned period. We marked a record high in each profit level. Negative factors, such as a fall in product prices and the impact of the currency fluctuations, were offset by positive factors, including the effects of a production increase and cost reduction initiatives.

ROIC (Return on Invested Capital) (pre-tax) is established as a priority management index in “Mid-term Direction 2021.” ROIC (pre-tax) in the fiscal year under review was 18.5%, up 2.4 percentage points from the previous fiscal year. The increase in ROIC (pre-tax) was due to higher operating income despite greater invested capital with capital expenditures incurred to expand buildings and production capacity in anticipation of stronger demand for electronic components in the medium to long term.

Actual increases and decreases in operating income (Billion yen)



Sales by product (Billion yen)				
	FY2019 results	FY2020 results	Increase/decrease	Reasons for increase/decrease
Capacitors	559.4	626.5	+67.1 (+12.0%)	Sales increased year on year as sales of MLCCs increased for PCs and PC peripherals significantly and for smartphones and car electronics as a strong move to secure components started.
Piezoelectric components	129.3	129.3	+0.0 (+0.0%)	Sales were almost unchanged year on year as sales of piezoelectric sensors declined for car electronics although SAW filters increased for IoT devices.
Other components	363.0	387.6	+24.6 (+6.8%)	Sales increased year on year as sales of lithium ion batteries slipped for smartphones due to the impact of an ongoing review of the business portfolio, and also as sales of inductors for PCs rose and sales of connectors for smartphones grew.
Modules	478.6	484.1	+5.5 (+1.1%)	Sales increased year on year as sales of RF modules increased for smartphones, and also as sales of connectivity modules rose for PCs whereas sales of multilayer resin substrates declined for smartphones.

Sales by application (Billion yen)

	FY2019 results	FY2020 results	Increase/decrease	Reasons for increase/decrease
Audiovisual	61.0	71.9	+10.8 (+17.8%)	Sales increased compared to the previous fiscal year as sales of lithium ion batteries and MLCCs increased significantly for video game consoles against the background of demand generated by the stay-at-home economy, although sales of connectivity modules and lithium ion batteries fell for digital cameras.
Communication	792.2	804.9	+12.8 (+1.6%)	Sales increased compared to the previous year as sales of MLCCs and RF modules increased for smartphones and as sales of MLCCs and connectors rose for wearable devices, although sales of MLCCs declined for base stations.
Computers and peripherals	230.5	291.5	+61.0 (+26.5%)	Sales increased compared to the previous fiscal year as sales of MLCCs and connectivity modules rose considerably for PCs due to demand for products used in telecommuting and online education, and sales of MLCCs increased for servers and data storage.
Automotive Electronics	263.5	273.2	+9.7 (+3.7%)	Sales increased compared to the previous fiscal year because demand for MLCCs grew as there was a move to secure components in anticipation of an increase in the production output of automobiles, although the production output of automobiles dropped.
Home appliance and others	183.1	186.1	+3.0 (+1.6%)	Sales increased compared to the previous fiscal year as sales of lithium ion batteries for power tools and cleaners increased, despite a decreased demand for stationary energy storage batteries, dragged by a sluggish housing market.

(Note) The above figures are based on our estimates.

Overview of financial conditions (Billion yen)

	FY2019 results	FY2020 results	Increase/decrease	Reasons for increase/decrease
Assets	2,250.2	2,462.3	+212.0 (+9.4%)	Assets increased from the end of the previous fiscal year, mainly due to increases in cash, and property, plant and equipment.
Liabilities	555.4	540.6	-14.8 (-2.7%)	Liabilities increased from the end of the previous fiscal year, mainly due to a decrease in short-term borrowings.
Equity	1,694.8	1,921.6	+226.8 (+13.4%)	Equity increased from the end of the previous fiscal year, mainly due to an increase in retained earnings. The ratio of shareholders' equity increased by 2.7 percentage points to 78.0%.

Cash flows (Billion yen)

	FY2019 results	FY2020 results	Increase/decrease	Reasons for increase/decrease
Net cash provided by operating activities	350.3	373.6	+23.2 (+6.6%)	Net cash flow provided by operating activities was 373.6 billion yen. An increase of 42.6 billion yen in trade notes and accounts receivable was more than offset by net income of 237.0 billion yen and depreciation and amortization of 143.1 billion yen.
Net cash used in investing activities	-284.4	-150.3	+134.2 (+47.2%)	Net cash used in investing activities was 150.3 billion yen. While cash inflows included maturities and sales of marketable securities, investment and other of 42.7 billion yen, there were cash outflows due to 199.9 billion yen in payment for purchases of property, plant and equipment aimed at boosting buildings and production capacity in particular, and 26.5 billion yen in payment for purchases of marketable securities, investments and other.
Net cash provided by (used in) financing activities	17.7	-118.2	-135.8 (—)	Net cash used in financing activities was 118.2 billion yen. There were cash outflows due to dividend payment of 67.2 billion yen and a 50.9 billion yen decrease in short-term borrowing.

Overview of segment information (Billion yen)

		FY2019 results	FY2020 results	Increase/decrease	Reasons for increase/decrease
Components	Net sales	1,098.3	1,175.4	+77.1 (+7.0%)	Net sales and segment income both increased due to increases in sales of products including capacitors, inductors and connectors and as impairment losses on lithium ion batteries were booked in fiscal 2019.
	Segment income	249.7	313.0	+63.3 (+25.4%)	
Modules	Net sales	478.6	484.1	+5.5 (+1.1%)	Net sales and segment income both increased as sales of RF modules increased for high-end smartphones, and sales of connectivity modules rose for PCs whereas sales of multilayer resin substrates declined for high-end smartphones.
	Segment income	49.4	54.3	+4.8 (+9.8%)	
Others	Net sales	59.2	61.1	+1.8 (+3.1%)	—
	Segment income	5.7	7.8	+2.1 (+36.1%)	
Corporate and eliminations	Net sales	-102.1	-90.4	+11.8 (—)	Overall expenses increased as there were gains from sales of precious metals totaling 7.8 billion yen in fiscal 2019 and expenses related to the Minato MIRAI Innovation Center and smart factories in fiscal 2020.
	Corporate expenses	-51.6	-61.8	-10.3 (—)	
Consolidated	Net sales	1,534.0	1,630.2	+96.1 (+6.3%)	—
	Operating income	253.2	313.2	+60.0 (+23.7%)	