

TAIYO YUDEN CO., LTD.
Earnings Release Conference for the 1st Quarter of the Fiscal Year Ending
March 31, 2026, Summary of Q&A
(Held August 5, 2025)

- Q1. Were the depreciation of the yen and the capacity utilization effect due to increase in inventory factors for increase in operating profit in the first quarter compared to the forecast announced in May 2025? Is it correct to assume that operating profit in the second quarter will be at a level calculated by multiplying the increase in sales from the first quarter by the marginal profit ratio? Also, what is your forecast for change in inventory in the second quarter?
- A1. Operating profit in the first quarter increased by 1.1 billion yen compared to the forecast due to the effect of exchange rates caused by the depreciation of the yen and the appreciation of Asian currencies. Other factors that contributed to the increase in profit included the 0.5 billion yen reduction in fixed costs compared to the forecast. The capacity utilization effect was also a factor for increase as inventory rose by 1.5 billion yen (Note 1) as a result of slightly lower net sales than forecast, excluding the effect of exchange rates. In the second quarter, we expect that the 0.8 billion yen effect of exchange rates resulting from the appreciation of the yen and Asian currencies and the 1.5 billion yen increase in fixed costs because of higher depreciation expenses and capacity utilization will be factors for decrease in profit. On the other hand, the capacity utilization effect will be a factor for increase in profit reflecting the increase in net sales and an increase in inventory of around 2.5 billion yen.
- Q2. In the first quarter, the book-to-bill (BB) ratio for capacitors was below 1 at 0.95, and net sales excluding the effect of exchange rates were also lower than forecast. In such circumstances, you forecasted a 7-11% increase in net sales in the second quarter compared to the first quarter. What are the strengths and weaknesses and the outlook by market sector?
- A2. In the second quarter, we expect sales of capacitors to increase in terms of both volume and amount for all uses, particularly for use in information equipment, communication equipment, and IT infrastructure/industrial equipment. In the first quarter, the BB ratio was 0.95, partly due to the impact of the sharp appreciation of the yen. However, excluding exchange rate effects, it was slightly below 1.
- Q3. If we add up the results from the first quarter and the forecast for the second quarter, the calculations show that net sales will decrease from the first half through the second half. How do you see demand from the third quarter onward? Your view seems to be that demand will be strong for products for use in AI servers and not so strong for products for use in automotives. What about demand for products for use in smartphones?
- A3. The yen has depreciated in the first half of the year compared to the assumptions in the earnings forecasts announced at the beginning of the fiscal year, so it appears that net sales will decline in the second half. However, if the exchange rate remains at the same level, we expect sales in the third quarter to be roughly flat compared to the second quarter. We expect that sales will decrease in the fourth quarter because of seasonality. Sales of products for use in smartphones are expected to remain at roughly the same level in the second and third quarters.

- Q4. Did front-loaded demand due to the U.S. tariffs have any impact on increasing sales in the first quarter?
- A4. It is difficult to accurately assess front-loaded demand. However, it is our understanding that there was some front-loaded demand in the fourth quarter of the previous fiscal year and almost none in the first quarter.
- Q5. What is the outlook for multilayer ceramic capacitor (MLCC) capacity utilization in the second quarter and the second half, and what is your plan for MLCC capacity expansion from next fiscal year onward? Capacity expansion in the current fiscal year has been trimmed to a 5% increase from the previous fiscal year. What is the plan from the next fiscal year onward?
- A5. MLCC capacity utilization is expected to be around 90% in the second quarter and roughly the same level in the third quarter as well. The plan for the next fiscal year is yet to be decided, but we will continue to expand capacity in anticipation of rising demand.
- Q6. The initial forecast for full-year fixed costs was a 2.5 billion yen increase from the previous fiscal year. However, fixed costs increased by 1.2 billion yen from the same period of the previous fiscal year in the first quarter alone. Is it correct to assume that fixed costs will decrease significantly in the second half with the effect of structural reform in the communication device business?
- A6. Fixed costs in the first quarter were 0.5 billion yen lower than the forecast. We anticipate that fixed costs in the second quarter will increase by 1.5 billion yen from the first quarter, which is roughly in line with the forecast. In addition to the effect of structural reforms in the communication device business, we are keeping fixed costs for MLCCs at a level that is in proportion with actual production, and we expect fixed costs will fall each quarter starting from the third quarter. We will continue to control fixed costs in order to reduce them as planned.
- Q7. Inventory increased by 1.5 billion yen in the first quarter. You plan to increase it by 2.5 billion yen in the second quarter, but will it increase by around 2.0 billion yen in the second half? In that case, will capacity utilization fall from the first half through the second half?
- A7. In the second half, we plan to increase inventory by around 2.0 billion yen. We expect MLCC capacity utilization will be about 90% in the third quarter. In the fourth quarter, we will consider capacity utilization in line with demand in the next fiscal year, but the level may not fall much, partly because there are fewer operating days in the fourth quarter.
- Q8. Net sales of capacitors in the first quarter were lower than expected, if the effect of exchange rates is excluded, and the BB ratio and order backlog were also weaker than competitors. What factors are behind this in your view?
- A8. In addition to differences in the customer mix and product mix, if you look at the trend from the previous fiscal year, we believe the fact that TAIYO YUDEN's orders were stronger than those of our competitors in the previous fiscal year is behind the decrease in orders in the first quarter. Also, the 0.95 BB ratio in the first quarter was close to 1 if the effect of exchange rates is excluded and July orders are higher than the previous month, so we believe there is no problem.

- Q9. For the past few quarters, the impact of selling price has been a factor for decrease in profit of around 2.0 billion yen from the previous quarter. However, this figure contracted to 1.0 billion yen in the first quarter. What are the factors behind this? Is there any impact on selling price from the industry-wide increase in capacity utilization?
- A9. We assumed that the rate of price reductions for the full year would moderate compared to the previous fiscal year, and, as expected, price reductions in the first quarter were moderate compared with the previous quarter. In the second quarter, we expect prices will be somewhat lower than in the first quarter reflecting the impact of the customer mix, but we anticipate the rate of price reductions for the full year will be in line with expectations. There is also not very strong downward pressure on prices, perhaps partly because of the industry-wide increase in capacity utilization.

Note 1: Change in inventory is on the actual basis excluding exchange rates and the portion with no effect on operating profit.

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