

TAIYO YUDEN CO., LTD.

Earnings Release Conference for the Fiscal Year Ended March 31, 2023

Summary of Q&A

(Held May 9, 2023)

*Previous fiscal year: FYE March 31, 2023, current fiscal year: FYE March 31, 2024

- Q1. What is the distribution of net sales and operating profit in the first and second half of the current fiscal year?
- A1. We expect net sales will follow the usual seasonal trend. In the first quarter, we forecast net sales will be lower than in the previous quarter, and we think this will be the bottom level for the current fiscal year. We expect sales will increase compared to the previous quarter in the second and third quarters and fall in the fourth quarter.
- Operating profit is weighted more toward the second half than the first half. In the fourth quarter of the previous fiscal year, we reduced inventory from the level at the end of the third quarter, and capacity utilization for capacitors was 50%. However, as capacity utilization in the first quarter will rise to 60 – 65% without any changes in inventory from the level at the end of the fourth quarter, profit will increase.
- Q2. What will be the effect from selling prices, changes in fixed costs, and the effect of capacity utilization in terms of the factors for increase and decrease in operating profit in the current fiscal year?
- A2. We assume that the pace of selling price reductions in the current fiscal year will accelerate somewhat compared to the previous fiscal year on the full-year basis. We expect fixed costs will increase 17.1 billion yen, excluding the effect of exchange rates, with 6.0 billion yen in depreciation and 3.0 – 4.0 billion yen in one-off costs for start-up of new plants in China and Malaysia, in addition to other increases in electricity and personnel costs.
- We expect the effect of capacity utilization will be a 24.2 billion yen increase in profit, mainly due to the impact from increased operations and increased sales volume despite the negative impact from changes in inventory.
- Q3. What are the capacity utilization trends for multilayer ceramic capacitors (MLCCs) from January onward? You say capacity utilization was 50% in the fourth quarter of the previous fiscal year and it will be 60 – 65% in the first quarter of the current fiscal year. Have operations already increased compared to the fourth quarter?
- A3. Capacity utilization is rising gradually. We expect it will increase over the second quarter.

Q4. Mr. Tosaka, you have been President for about seven and a half years. What do you see as the challenges TAIYO YUDEN faces for growth over the medium to long term? Also, what role will you play after you assume the position of Chairman?

A4. When I first became President, sales of products for the automobile market were very low, but we were able to expand sales to reach our target. Going forward, I believe we need to add sufficient supply capacity for large-sized products for the automotive market, where demand will further accelerate. We also need to take a broader perspective on the world's trends. The expansion in demand for large-sized MLCCs has accelerated more than we expected when we first established Medium-term Management Plan 2025. If we cannot grasp the big picture of the changes in society, we will miss opportunities for growth.

Looking ahead, I will supervise TAIYO YUDEN's business operations as Chairman. My focus will be on whether we are headed in the right direction from a broader perspective and whether our actual business execution is directed towards it. I hope to strengthen governance and enhance the social value of TAIYO YUDEN.

Q5. In the forecasts published in February, you expected a 1.6 billion yen increase in fixed costs for the full year in the previous fiscal year. However, the result was a 0.4 billion yen decrease. What kind of cuts did you implement in the fourth quarter to enable fixed cost reductions of 2.0 billion yen? Also, is there any scope for controlling rising fixed costs in the current fiscal year if the business environment deteriorates more than expected?

A5. In the fourth quarter of the previous fiscal year, we controlled personnel costs and electricity consumption through measures such as optimizing shifts in accordance with operations and were able to curb fixed costs. We will respond in the same way in the event of a sudden deterioration in market conditions in the future.

Q6. In the current fiscal year, fixed costs are a major factor for decrease in profit. Could you curb fixed costs a bit more?

A6. We forecast one-off costs related to the start-up of new plants in China and Malaysia, an increase in depreciation, and increases in personnel and electricity costs. These costs are needed for future growth, including preparation for the timing of the next increase in demand. However, as in the previous fiscal year, we are committed to cost control.

Q7. What were the order trends for MLCCs in the fourth quarter?

A7. Orders were lower than the previous month in January and February, but were higher than the previous month in March. The ratio of MLCC orders to sales improved to almost one to one in March.

- Q8. There is also talk about the bottoming out of the Chinese smartphone and PC markets. The first quarter performance is expected to be the bottom for the current fiscal year. What is the outlook for the trends by market sector?
- A8. In the first quarter, we expect sales of products for use in communication equipment will increase compared to the previous quarter and sales of products for use in other application will decrease slightly.
- Adjustments to inventories of electronic components in the Chinese smartphone market were completed in the fourth quarter of the previous fiscal year, and there will be a gradual increase in sales of products for use in communications equipment from the first quarter.
- North American smartphones will enter a period of high demand from the second quarter, and we also expect a recovery in sales of products for use in information equipment and IT infrastructure/industrial equipment. Sales of products for use in automobiles will also rise.
- Q9. Will you continue the plan to increase production capacity for MLCCs at an annual rate of 10 – 15% while current capacity utilization is low? Or will you adjust the plan, such as by delaying the installation of equipment at new plants?
- A9. We will maintain the pace of increase in production capacity as before, but we will increase capacity with a focus on large-sized products to prepare for future demand growth. We will steadily install and start up equipment at new plants.

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