

TAIYO YUDEN CO., LTD.

Earnings Release Conference for the 3rd Quarter of the Fiscal Year Ending

March 31, 2023, Summary of Q&A

(Held February 7, 2023)

- Q1. What are the capacity utilization inventory changes and the trends by market sector for multilayer ceramic capacitors (MLCCs) from the third quarter onward?
- A1. Capacity utilization for MLCCs in the third quarter was 60 to 65%, and we expect it to be around 50% in the fourth quarter. Compared to September 30, company-wide inventory in the third quarter was 1.1 billion yen lower. We plan to reduce company-wide inventory by a further 7.0 to 8.0 billion yen in the fourth quarter compared to the end of the third quarter, with the expectation that inventory at the end of this fiscal year will be 6.5 to 7.5 billion higher than it was at the end of the previous fiscal year.
- In terms of trends by market sector for MLCCs, in the third quarter, sales of products for use in communication equipment and automobiles increased from the previous quarter while sales for use in consumer products, information equipment, and IT infrastructure/industrial equipment decreased. In the fourth quarter, we expect that sales of products for use in automobiles will continue to increase from the previous quarter while sales for use in IT infrastructure/industrial equipment will increase slightly and sales for use in other applications will decrease. As inventory adjustments in each market are expected to finish in the fourth quarter, we anticipate a moderate increase in sales from the first quarter of the next fiscal year.
- Q2. If sales in the first quarter of the next fiscal year are the same as in the fourth quarter, what will the level of operating profit be?
- A2. In the fourth quarter, although we expect an operating loss of 5.1 billion yen, profit will be at the breakeven level if inventory reductions are excluded. If there is a slight increase in sales in the first quarter compared to the fourth quarter, there will be a proportionate increase in profit. An improvement in the product mix is also expected due to an increase in sales of large-sized products.
- Q3. Have selling prices for MLCCs fallen? What is the outlook for the fourth quarter onward?
- A3. Selling prices of small-sized products for use in communication equipment and some other products fell somewhat, and the selling prices for large-sized products such as those for use in automobiles continued to decline moderately, we expect this trend will continue in the fourth quarter. We do not believe there will be a significant decline in the price of the high-end, high reliability products handled by TAIYO YUDEN.

- Q4. What will be the factors for increase and decrease in operating profit in the fourth quarter compared to the third quarter?
- A4. The effect of capacity utilization, selling prices, and exchange rate fluctuations will be factors for decrease in profit. Compared to the third quarter, we expect a decrease in sales of 11.0 billion yen and reductions of 7.0 to 8.0 billion yen in inventory in the fourth quarter, resulting in a decrease of 7.6 billion yen in profit combined with the effect of capacity utilization and selling prices. Moreover, the exchange rate assumption for the fourth quarter is US\$1:¥130, an appreciation of ¥14 from the third quarter, and this exchange rate fluctuation will be a factor in decreasing profit by 4.3 billion yen. On the other hand, a 0.3 billion yen reduction in fixed costs will be a factor for increase in profit.
- Q5. When will MLCC capacity utilization stop falling and when will it start to rise again?
- A5. We believe capacity utilization in the fourth quarter will bottom out at around 50% and then rise through the first quarter of the next fiscal year.
- Q6. What is the picture for MLCC sales in the fourth quarter, excluding the exchange rate effect?
- A6. We forecast that total company-wide sales in the fourth quarter will be 11.0 billion yen lower than in the third quarter. However, half of this decrease is expected to be due to the effect of exchange rate fluctuations, while the other half is expected to be a real decrease in sales. The effect of exchange rate fluctuations on MLCC sales is somewhat more than half.
- Q7. You are building new plants amid a deteriorating demand environment. Are there any changes to your future investment plans?
- A7. There are no major changes to our future plans for expanding production capacity. Although the current demand environment is sluggish and there are also inventory adjustments, the future outlook for expansion of demand, primarily for large-sized and high reliability products, is unchanged. We are implementing capital investment in anticipation of growth in demand over the medium term, particularly for these products, and we will continue to expand production capacity.
- Q8. What is the forecast for sales of communication devices in the fourth quarter?
- A8. We expect communication device sales to decline through the fourth quarter compared to the third quarter due to the effect of sluggish conditions for smartphones in China. We expect sales will increase in the future due to a recovery in demand and an expansion in sales of new products.

Q9. What is your plan for fixed costs in the next fiscal year?

A9. We are currently preparing our plans for the next fiscal year. We would like to expand production capacity efficiently while controlling fixed costs as much as possible.

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