

TAIYO YUDEN CO., LTD.
Earnings Release Conference for the Fiscal Year Ended March 31, 2026
Summary of Q&A
(Held May 8, 2026)

*Previous fiscal year: FYE March 31, 2026, current fiscal year: FYE March 31, 2027

- Q1. Could you tell me about capacity expansion, capacity utilization, and price trends for multilayer ceramic capacitors (MLCCs)?
- In addition, price increases and high order levels for some products, higher capacity utilization, and improvement in the product mix are anticipated. Despite this, the amount of impact of selling prices and the capacity utilization effect do not seem to have changed very much from the previous fiscal year as factors for increase or decrease in operating profit in the current fiscal year. Are you taking a conservative view?
- A1. In the current fiscal year, we plan to expand capacity for MLCCs by around 10%. Capacity utilization in the fourth quarter of the previous fiscal year was just under 85%. However, it has risen to around 90% because of strong orders, and we expect it will rise to around 95% from the second quarter onward.
- With regards to prices, while TAIYO YUDEN is not actively pushing for price increases, we are negotiating price revisions with customers for some products given the sharply rising cost of raw materials including precious metals, and we have factored some of these revisions into the earnings forecast for the current fiscal year. However, as some products are still under negotiation, and we have not reflected all revisions into the forecast, it may appear to be conservative. Also, in terms of the capacity utilization effect, although we anticipate that the improvement in the product mix will drive an increase in the marginal profit ratio, we have also factored in a risk of a decrease in the marginal profit ratio due to cost increases for some products. As a result, the capacity utilization effect has decreased by that amount.
- Q2. The sales target set for capacitors in medium-term management plan 2030 seems conservative considering the strength of AI server demand and other factors in the business environment. To what extent have you reflected the recent strength of demand in the target? Can we interpret this to mean there is some margin for exceeding the target? Also, do you have any concerns about TAIYO YUDEN's position, profitability, product mix, or any other factors in the area of MLCCs for use in AI servers?
- A2. The sales target in medium-term management plan 2030 assumes an exchange rate of US\$1:140 yen. However, the actual exchange rate in the previous fiscal year was 150 yen, which is a difference of 10 yen. If we adjust the exchange rate in the plan to the exchange rate in the previous fiscal year, sales would be expected to grow more significantly. Furthermore, while we have not been able to incorporate the recent rapid changes in AI server demand into the sales target, and sales could grow more than planned, we also envisage that the rate of growth will decline as the market increases in size; hence the plan is somewhat conservative. Significant changes in the MLCCs used in AI servers are expected from the second half of the current fiscal year, with a considerable increase in volumes from the next fiscal year onward. We are advancing product development and capacity expansion to meet this higher demand and believe we will be able to provide a reliable supply of products.

- Q3. To what extent have you incorporated the impact of price increases into the factors for increase or decrease in operating profit in the current fiscal year forecast? Which raw materials are being impacted by sharply rising costs? Also, is it possible to increase prices by more than the increase in raw material costs?
- A3. Among raw materials, we are particularly impacted by the sharply rising cost of silver and other precious metals, and we have factored this into the current fiscal year earnings forecast as a risk in the high single-digit billions of yen. The products covered by price revisions are inductors and some MLCCs. At this point, we are not considering price increases that exceed the increase in raw material costs.
- Q4. Can you tell us about the factors behind the significant growth in capacitor orders in the fourth quarter and when that growth will be reflected in sales? Also, approximately how long does it take from deciding to expand capacity to completing the expansion?
- A4. Orders grew particularly for products used in IT infrastructure/industrial equipment, including AI servers, and communication equipment. Some of the growth may have included advance orders due to procurement concerns, and we expect the growth will be reflected in sales from the first through second quarters. Furthermore, the lead time for capacity expansion is around six months in the case of back-end processes, so it does not take very long.
- Q5. Regarding the fourth quarter of the previous fiscal year, what differences arose between the earnings forecast made in February and the actual results? Why were increase in inventory (Note 1) and capacity utilization lower than expected?
- A5. It was the capacity utilization effect, particularly the portion related to changes in inventory, that was lower than anticipated. As of the forecast made in February, we expected inventory to increase by around 2.0 billion yen. However, inventory actually decreased by around 1.0 billion yen due to higher-than-expected inductor sales, decrease in inventory of communication devices where we are implementing structural reform, and a temporary decrease in operations to lower-than planned levels at MLCC production sites.
- Q6. You mentioned that you have factored a risk in the high single-digit billions of yen as the impact of the Middle East situation. Is there a high possibility that this risk will materialize? Does this mean there is a risk of sharply rising raw material costs in addition to this impact? Also, what is the outlook for operating profit for communication devices in the current fiscal year?
- A6. We have estimated and factored in both the impact of the Middle East situation and sharply rising raw material costs combined as an amount in the high single-digit billions of yen. As to the extent to which it will materialize, we need to closely monitor the situation going forward. We are implementing structural reform in the communication device business as planned and aim to break even as soon as possible in the current fiscal year, but the outlook for that is expected to shift into the second half of the year due to the impact of rapidly rising raw material costs and other factors.

- Q7. Given that MLCCs for use in AI servers have strict characteristic requirements and variation is not tolerated, is it possible that going forward, identical products will be preferred and the multiple sourcing business model will no longer exist?
- A7. High product performance is required for use in AI servers, and the number of companies that can supply products meeting these requirements is limited. The number of suppliers to use is up to the customer, but since the production load is high and single sourcing is not realistic, we believe that the multiple sourcing business model will not fundamentally change.

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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