

TAIYO YUDEN CO., LTD.

Earnings Release Conference for the 2nd Quarter of the Fiscal Year Ending

March 31, 2023, Summary of Q&A

(Held November 7, 2022)

- Q1. What are the trends for capacity utilization and inventory changes for multilayer ceramic capacitors (MLCCs) from the second quarter onward?
- A1. Capacity utilization for MLCCs in the second quarter was about 80%, and we expect it will be about 70% in the third and fourth quarters. In the second half, we will reduce inventory in line with the decrease in demand to bring it down to an appropriate level. Compared to September 30, we plan to reduce company-wide inventory by 5.0 to 6.0 billion yen in the third quarter and a further 10.0 to 11.0 billion yen in the fourth quarter compared to the end of the third quarter, bringing inventory at the end of fiscal 2022 to roughly the same level it was at the end of the previous fiscal year.
- Q2. What are the factors for increase and decrease in operating profit in the second half compared to the first half?
- A2. The exchange rate assumption for the second half is US\$1: ¥143, and we expect an increase in profit of about 7.9 billion yen due to the weaker yen. On the other hand, we expect that the main factors for decrease in profit will be the operational losses arising from reductions of about 16.0 billion yen in inventory in the second half compared to the first half when we built up inventory by 16.0 billion yen and an increase of 1.8 billion yen in fixed costs, including depreciation.
- Q3. What is the outlook for customer inventories in the second half?
- A3. We expect inventory adjustments related to smartphone production in China will be completed in the third quarter and a gradual upward trend will begin in the fourth quarter. Inventory adjustments related to information equipment and IT infrastructure/industrial equipment will also be completed in the third quarter, and we expect an increase in tandem with actual demand in the fourth quarter. For automobiles, slightly high levels of inventory will continue to be maintained, taking business continuity plan (BCP) into consideration.

- Q4. What is the trend for MLCC selling prices from the second quarter onward?
- A4. The trend of gradual price reductions is continuing. In the second quarter, prices of small-sized products such as those for use in communication equipment fell, but the selling prices for large-sized products such as those for use in automobiles stabilized because tight demand and supply persisted. From the third quarter onward, we expect price reductions to continue at a moderate pace compared to the reductions of the past.
- Q5. What were the order trends for MLCCs in the second quarter?
- A5. MLCC orders decreased from the previous month in July and increased in August and September.
- Q6. What were the trends for MLCCs by market sector in the second quarter?
- A6. Sales of products for use in IT infrastructure/industrial equipment decreased from the previous quarter while sales for use in consumer products, information equipment, communication equipment, and automobiles increased.
- Q7. You said that capacity utilization is planned to be around 70% in the second half. Is there any possibility you will increase it in response to demand trends?
- A7. As there is tight demand and supply for large-sized products with high production loads, we will maintain production levels in this area while monitoring future demand. For small-sized products used in smartphones and similar applications, we want to monitor the extent of recovery of smartphone production in China in the fourth quarter. In the second half, we plan to reduce inventory, with a focus on small-sized products, but we may increase capacity utilization in the fourth quarter depending on the recovery in production.
- Q8. You mentioned that large-sized products for use in automobiles and similar applications are performing strongly. Does this mean that capacity utilization is high at domestic plants that produce large-sized products? If that is the case, are there any changes to your investment policy of expanding overseas sites?
- A8. There are no changes to our investment policy. We produce medium- and large-sized products for use in automobiles and IT infrastructure/industrial equipment in Japan and overseas. We will also produce medium- and large-sized products at our new overseas plants to be completed next fiscal year.

Q9. Comparing the revised full-year financial results forecast to the previous initial forecast, could the impact of capacity utilization on decreasing profit be too large relative to the decrease in sales and inventory?

A9. In the latest forecast, we revised operating profit down 28.0 billion yen. A factor for decrease in profit is the 59.5 billion yen negative effect of capacity utilization due to a decrease in sales and inventory. On the other hand, factors for increase in profit include the 18.1 billion yen impact of exchange rates due to the depreciation of the yen, the 11.7 billion yen decrease in fixed costs, the 1.0 billion yen effect of cost reductions, and the 0.7 billion yen impact of selling prices.

Q10. What is the future outlook for the communications device (FBAR/SAW) business? The package products receive high ratings, so could they be expanded to products for use in automobiles as well?

A10. We are taking initiatives for expansion, such as the development of new products and shipment of them as samples to customers, including communication module manufacturers. In addition, while the main products are currently for use in smartphones, our high-reliability communication devices for use in automobiles are well regarded, and we expect to increase sales as the market expands in the future.

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