TAIYO YUDEN CO., LTD.
Earnings Release Conference for the 3rd Quarter of the Fiscal Year Ending March 31, 2026, Summary of Q&A
(Held February 6, 2026)

Q1. What are the plans for capacity utilization and building up inventory (Note 1) for multilayer ceramic capacitors (MLCCs) in the fourth quarter? You said that price reductions have moderated, but what do you expect heading into next fiscal year? Also, orders have increased, but could you tell us about the trends in each market sector?

A1. Capacity utilization was around 85% in the third quarter, and we expect it will similarly be around 85% in the fourth quarter. However, we aim to increase capacity utilization from March onwards in anticipation of demand next fiscal year. In the third quarter, we had planned to increase company-wide inventory by around 5.0 billion yen from the second quarter, but the actual increase was around 3.5 billion yen. In the fourth quarter, we expect an increase of around 2.0 billion yen as we will build up some inventory we originally planned to increase in the third quarter. Price reductions in the third quarter were in line with the assumptions made in November and more moderate than our initial forecast. In the fourth quarter, customers with annual contracts switch over to new contracts, so we expect price reductions will be greater than in the third quarter. There has been an increase in the number of customers with annual contracts to ensure stable procurement of MLCCs. TAIYO YUDEN does not intend to actively reduce prices. Also, the outlook for stable prices for large-sized products such as those for use in AI servers and automotive has not changed. In the third quarter, orders increased compared to the second quarter for products for use in information equipment and IT infrastructure/industrial equipment.

Q2. Capacity utilization in the third quarter was slightly lower than expected. You expect it will be at the same level in the fourth quarter as in the third quarter, but do you need to increase it further? Looking at the order trends, I feel that more inventory buildup might be the right thing to do, but how do you view the demand trends?

A2. Capacity utilization in the third quarter was slightly lower than expected because we reduced production somewhat as incoming orders in November decreased compared to the previous month. Subsequently, orders increased in December and January, and we believe market conditions are picking up. In the fourth quarter, we would like to build up inventory as much as possible in preparation for demand next fiscal year.

Q3. What kind of improvement in profitability do you anticipate next fiscal year due to the additional structural reforms in the communication device business?

A3. We have been pursuing structural reforms since last February. However, as the business environment is more challenging than expected, we will implement additional reforms. We aim to reach the break-even point as early as possible next fiscal year.

Q4. Capacity expansion for MLCCs is 5% compared with the previous fiscal year. What is the forecast for next fiscal year? At the current point, what is your view on the impact of rising memory prices on MLCC demand?

A4. Demand is strong for products such as those for use in IT infrastructure/industrial equipment, which includes AI servers, so we expect capacity will expand by 10% year on year next fiscal year. As for rising memory prices, we do not expect a major impact on TAIYO YUDEN, as the high-end products for which we mainly supply components are less affected, but we will continue to monitor developments closely.

Q5. Fixed costs in the third quarter decreased by 1.5 billion yen from the previous quarter. You said you mainly reduced personnel expenses and electricity expenses. Were these reductions related to production volume?

A5. In our initial forecast, we planned to reduce fixed costs with a focus on the second half. However, we managed to curb fixed costs by implementing some reductions ahead of schedule. Some of the reduction in electricity expenses is related to production volume.

Q6. Are fluctuations in DRAM prices having any impact on front-loaded demand in the third quarter and demand in the fourth quarter and next fiscal year?

A6. In the third quarter, no increase in demand was observed due to DRAM prices. We expect the same in the fourth quarter. It is difficult to make predictions for the next fiscal year.

Q7. Can you explain monthly order trends?

A7. Monthly orders for MLCC increased from the previous month in October and decreased in November but increased significantly in December. Orders also increased in January, and the book-to-bill (BB) ratio was higher than 1. Although orders for products for use in communication equipment experienced a seasonal decline, orders for products for use in IT infrastructure/industrial equipment, which includes AI servers, and information equipment increased.

Q8. You said you will implement additional structural reforms costing 1.0 billion yen in the communication device business, but what specific measures will deliver 2.5 billion yen in cost reductions? Given the challenging market environment, will this latest round of structural reforms really achieve profitability?

A8. We expect 2.5 billion yen in cost reductions mainly through personnel reductions through a voluntary retirement program. In addition, we will aim to reach the break-even point as early as possible next fiscal year by focusing on high value-added markets such as automotive and base station communication devices. However, we will continue to consider all options in our management decision-making.

Q9. Was the increase in monthly orders for MLCCs in December something you had expected?

A9. Although we did not entirely expect it, we had a sense that orders were slightly better than forecast.

Q10. Can you explain the improvement in profitability over the period from the second quarter through to the third quarter by product classification?

A10. There was significant improvement in capacitors. The operating profit margin increased, mainly due to the impact of exchange rates, an increase in inventory, and an improvement in the product mix. Profitability for inductors was largely the same in the third quarter as in the second quarter. For integrated modules & devices, profitability improved somewhat in the third quarter, but we expect a decline in the fourth quarter due to a decrease in net sales and inventory reductions.

Q11. What will be the break-even point for sales as a result of the structural reforms in the communication device business? Given the amount of losses so far, it seems doubtful you can reach profitability through 2.5 billion yen in cost improvements.

A11. We aim to reach the break-even point by designing a plan based on the assumption that net sales will decline significantly from the current fiscal year. We can also achieve an improvement in the product mix by withdrawing from low value-added products and focusing on high value-added products.

Q12. Competitors have indicated concerns that strong demand for MLCCs for use in AI servers will spread to other equipment leading to supply shortages. Is this an environment in which the MLCC industry as a whole can raise selling prices?

A12. There is strong demand for MLCCs for use in AI servers, but there are no signs of industry-wide price increases yet.

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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