

TAIYO YUDEN CO., LTD.
Earnings Release Conference for the 2nd Quarter of the Fiscal Year Ending
March 31, 2026, Summary of Q&A
(Held November 6, 2025)

- Q1. What is the forecast for capacity utilization for multilayer ceramic capacitors (MLCCs) in the third and fourth quarters? The forecast for capacity utilization was 90% in the second quarter. Why did capacity utilization fall to 85-90%? Also, what are the trends by market sector compared to the forecast announced in May 2025? Why has the rate of price reductions been more moderate than expected?
- A1. We forecast that capacity utilization in the third quarter will be 85-90%, the same level as in the second quarter. In the third quarter, we will carry over and build up inventory (Note 1) that we could not increase in the second quarter. In the fourth quarter, we assume that capacity utilization will be 80-85%, but we will proceed with an eye on demand in the next fiscal year. Capacity utilization in the second quarter was slightly lower than planned, but there was not a major disparity.
- The trends by market sector will be largely as forecasted. In particular, we expect sales of products for use in IT infrastructure/industrial equipment, including AI servers, and automobiles will increase.
- We expected the rate of price reductions to be higher in the second quarter than in the first quarter due to the impact of the customer mix. However, the rate of reductions was actually lower than in the first quarter. This was due to a steady increase in sales of products for use in IT infrastructure/industrial equipment, primarily AI servers, and automobiles. In the third quarter, we expect that price reductions will increase compared to the second quarter, but we anticipate that the rate of price reductions for the full year will be moderate compared to the previous fiscal year.
- Q2. In terms of the factors for increase and decrease in operating profit, why did you decrease the capacity utilization effect by 7.9 billion yen from the previous forecast?
- A2. It is due to the downward revision of the sales forecast for integrated modules & devices and temporary weaknesses in demand for inductors, primarily for use in information equipment. We upwardly revised the sales forecast for capacitors. However, this is in line with the initial forecast, even excluding the increase in revenue due to the effect of exchange rate fluctuations, and is not a factor pushing down the capacity utilization effect.
- Q3. Looking at the results announcements of your competitors, I thought that TAIYO YUDEN's MLCC sales might exceed the initial forecast by more than it did. Were there any changes in market share or other such factors? Or is it due to differences in the method of preparing the initial forecast?
- A3. We believe the rate of growth in our MLCC sales in the second quarter compared favorably with our competitors. We consider the changes from the initial forecasts are due to differences in the way each company establishes its forecast.

- Q4. The revised operating profit forecast is a decrease in profit compared to the initial forecast when the impact of exchange rates is excluded. What are the reasons for that?
- A4. It is due to the growing operating loss in the integrated modules & devices business and lower-than-expected profit for inductors owing to a lull in demand for products for use in DDR5 memory modules, which has been rising steadily up to this point.
- Q5. How do you see MLCC demand trends and capacity expansion heading into the next fiscal year?
- A5. In the current fiscal year, we have held capacity expansion to an increase of 5% compared to the previous fiscal year, but we have continued to expand capacity for products for use in automobiles and IT infrastructure/industrial equipment, including AI servers where demand is strong. The capacity expansion plan for the next fiscal year is yet to be determined. However, we will expand capacity, primarily for products for use in automobiles and IT infrastructure/industrial equipment, where demand is expected to continue growing.
- Q6. Sales are forecast to decrease in the third quarter due to impact of front-loaded demand resulting from U.S. tariffs. Could you explain this in terms of the scale of the impact and the affected market sectors?
- A6. It is difficult to accurately assess front-loaded demand. However, it is our understanding there was front-loaded demand, mainly for products for use in information equipment and communication equipment. In the third quarter, we expect sales will decrease from the higher level of the second quarter. Monthly orders for MLCCs increased month over month in July, decreased in August, and increased in September. Orders also increased in October, and the book-to-bill (BB) ratio in October was over 1.
- Q7. You mentioned a lull in demand for products for use in DDR5. What is the reason for that? How do you view memory demand trends?
- A7. We believe that replacement demand for DDR4 temporarily strengthened and that sales growth of TAIYO YUDEN's inductors for use in DDR5 fell short of expectations. Demand for memory per se has increased.
- Q8. What is the outlook for MLCC sales by market sector in the third quarter?
- A8. We expect sales will decrease in all market sectors. There will be particularly big decreases in sales of products for use in consumer products, information equipment, and communication equipment, while the rate of decrease will be relatively low for products for use in automobiles and IT infrastructure/industrial equipment.
- Q9. You planned to increase inventory by 2.5 billion yen in the second quarter. Why was the increase only 0.5 billion yen?
- A9. We were proceeding to increase inventory as planned. However, there was a rush of orders ahead of China's National Day at the end of the second quarter, and we were unable to increase inventory as planned for both capacitors and inductors.

Q10. Was that because it was difficult to forecast demand from September onward due to an increase in distributor sales?

A10. TAIYO YUDEN does not have a high percentage of distributor sales, so there was no impact on our demand forecasts.

Q11. I feel that the current structural reforms will not be enough to address the decline in sales in the communication device business. How will you proceed in this business in the future?

A11. In the current fiscal year, we are reducing fixed costs through structural reforms based on personnel cuts and other measures, but there is a challenging environment due to the deterioration in the product mix and the decrease in sales. In light of this, we are considering how we should proceed in the future.

Q12. Could you explain the factors for increase and decrease in operating profit in the third and fourth quarters?

A12. In the third quarter, sales will decrease from the previous quarter, but an improvement in the sales mix and an increase of 5.0 billion yen in inventory will partially offset the negative impact of the capacity utilization effect. We expect profit will increase somewhat from the previous quarter, due in part to a decrease of 0.5 billion yen in fixed costs and the 0.3 billion yen impact of exchange rates. In the fourth quarter, we expect operating profit will decrease from the previous quarter. Although a decrease of 1.0 billion yen in fixed costs will be a factor for increase in profit, the factors for decrease in profit will be a decline in sales and the lower capacity utilization effect as the increase in inventory will only be 1.0 billion yen.

Q13. The forecast for full-year fixed costs is a 2.5 billion yen increase compared to the previous fiscal year. However, fixed costs have already increased by 2.3 billion yen in the first half compared to the same period in the previous fiscal year. How will you reduce fixed costs in the second half?

A13. We expect that the effect of reducing fixed costs through structural reforms of the communication device business will be greater in the second half than in the first half.

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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