

TAIYO YUDEN CO., LTD.

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

March 31, 2022, Summary of Q&A

(Held February 4, 2022)

Financial Results

Q1. What were the trends for multilayer ceramic capacitor (MLCC) orders in the third quarter, and what is the future direction?

A1. In October, orders received fell from the previous month. There was an increase in November and a slight decline in December. By market sector, MLCC sales were higher than in the previous quarter for use in automobiles and IT infrastructure/industrial equipment, flat for use in information equipment, and lower for use in consumer products and communication equipment. Sales in the fourth quarter are expected to increase for use in automobiles and IT infrastructure/industrial equipment and decrease for other applications. We expect orders received for use in automobiles and smartphones, where inventory adjustments have been continuing, to expand going into early spring.

Q2. What were the trends in orders for use in automobiles in the second and third quarters, and what is the outlook for the fourth quarter?

A2. Orders for use in automobiles remained relatively more stable than orders for other applications. Orders tended to increase toward the fourth quarter.

Q3. How did the factors behind operating income compare to the forecasts announced in November?

A3. Sales were largely as forecast, and operating income was 1.1 billion yen more than expected. Fixed costs were 1.4 billion yen higher than forecast. We built up inventory by about 2.5 billion yen more than planned, which had the effect of increasing operating income by around 1.0 billion yen compared to the forecast. In addition, the assumed exchange rate was US\$1:¥110, but the actual rate was US\$1:¥112.48, a depreciation in the yen with an effect of around 1.1 billion yen.

Q4. What was the reason you built up inventory more than planned in the third quarter?

A4. We built up inventory from a business continuity plan (BCP) perspective in light of temporary restrictions on plant operations with the impact of COVID-19 in the first and second quarters. In particular, we increased inventory of large-scale, high reliability products.

Q5. How did the order environment in the third quarter compare to the forecasts announced in November?

A5. Orders for use in smartphones in China were weaker than forecast.

Q6. How did average selling prices (ASPs) change in the third quarter compared to the second quarter?

A6. Sales for use in automobiles and IT infrastructure/industrial equipment increased and average selling prices rose.

Q7. What factors are behind the increase in SG&A expenses in the third quarter?

A7. Logistics expenses from Southeast Asia to Europe increased due to the impact of COVID-19. In addition, one-off costs included the temporary increase in logistics expenses due to the disruption in logistics caused by the typhoon in the Philippines.

Future Outlook

Q8. When will the BB ratio for MLCCs exceed 1.0?

A8. We would like to confirm the trend of orders after the Chinese New Year first.

Q9. What are the assumptions for capacity utilization and inventory in the fourth quarter?

A9. We plan around 90% capacity utilization for MLCCs in the fourth quarter. It will be down slightly from 95% in the third quarter due to fewer operating days because of the Chinese New Year vacation. We currently assume that inventory overall at the end of March will be at the same level as at the end of December, but we would like to determine it based on the trend of orders after the end of the Chinese New Year.

Q10. You have not revised the full-year forecast announced in November. Is the sales forecast for MLCCs also unchanged?

A10. We expect sales of MLCCs in the fourth quarter to exceed the forecast announced in November a little.

Q11. How do you see the pace of growth in MLCC sales next fiscal year and over the medium to long term?

A11. We are formulating the plan for next fiscal year, so are not yet at the stage of being able to discuss figures. In the medium term, there is no change in our plan to increase capacity to expand our market share as demand grows by about 10%.

Q12. What is the outlook for future price trends?

A12. We expect moderate price reductions in the fourth quarter as in the third quarter in terms of comparisons of the same items.

Other

Q13. What is your view of the inventory levels of smartphone and automobile customers?

A13. For smartphones, there is somewhat of an excess in inventory levels in some areas due to the effect of sluggish sales in the market. For automobiles, inventory levels are higher than before the pandemic due to COVID-19 and difficulties in procuring semiconductors, but there is no sense of excess.

Q14. If we compare the MLCC full-year sales forecast with competitors in Japan, it is estimated that market share will decline. What is your analysis of the factors involved in this?

A14. In the first and second quarters, the Malaysian plant faced operational constraints due to the spread of COVID-19, so shipments and sales did not increase as expected. However, we do not feel that we have lost market share in high-reliability and high-end products such as those for use in automobiles, which is what we focus on.

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