

TAIYO YUDEN CO., LTD.
Earnings Release Conference for the Fiscal Year Ended March 31, 2025
Summary of Q&A
(Held May 9, 2025)

*Previous fiscal year: FYE March 31, 2025, current fiscal year: FYE March 31, 2026

- Q1. What were the previous fiscal year's results for capacity utilization and expansion in multilayer ceramic capacitors (MLCCs), and what is the outlook for the current fiscal year?
- A1. MLCC capacity utilization in the fourth quarter of the previous fiscal year was about 80%, which was in line with expectations. For the first quarter of the current fiscal year, we are planning capacity utilization of about 85%, and we expect this will gradually rise in the second half of the year.
- Until the previous fiscal year, we continued to expand capacity by around 10 - 15% but plan to reduce this to around 5% in the current fiscal year.
- Q2. You estimated the risk of the U.S. tariff impact at 9.0 billion yen in net sales. What is the breakdown of this figure? Also, has there been any front-loaded demand due to the tariffs? Sales of inductors in the fourth quarter of the previous fiscal year were higher than the February forecast, but is that the effect of front-loaded demand?
- A2. We estimated the risk of tariffs based on the composition of TAIYO YUDEN's sales, and there is a large impact on MLCCs, because they account for a higher percentage of the sales composition. It is difficult to clearly ascertain the extent of front-loaded demand, but there could be some. For inductors, we believe the main factors include strong sales of equipment using our products and expansion in our market share, and we do not think there was a large volume of front-loaded demand.
- Q3. Amid declining profit levels, you are taking actions such as curbing capital investment and implementing structural reform of the integrated modules & devices business. Are you considering any additional measures to achieve further profit growth?
- A3. Until the previous fiscal year, we maintained large-scale investment, and we believe personnel expenses and other costs were excessive in relation to the scale of sales, so we will make adjustments in these areas in the current fiscal year. Based on that, we hope to use the available production capacity to expand sales from FY2026, when the next medium-term management plan starts.
- We will also put efforts into developing new MLCC and inductor products to enable growth in the high value-added area which is our field of expertise. We are currently preparing the next medium-term management plan based on the idea of returning to the original TAIYO YUDEN, mainly in terms of strengthening development capabilities.

- Q4. MLCC sales are expected to increase in the current fiscal year compared to the previous fiscal year. How do you see MLCC market conditions changing for each market sector? Also, why will the rate of growth for MLCC sales significantly exceed the rate of growth for inductors?
- A4. Current market conditions remain positive for AI servers and have been gradually improving for consumer products and IT infrastructure/industrial equipment. The rate of growth for MLCC sales is higher than growth for inductors because MLCCs will benefit more than inductors from the AI server market expansion.
- Q5. What proportion of annual net sales and operating profit do you expect to see in the first half versus the second half of the current fiscal year? Also, what is the forecast for changes in inventory between the end of the previous fiscal year and the end of the first quarter of the current fiscal year?
- A5. In the current fiscal year, we expect that the proportions of the annual net sales will be roughly the same in the first and second half of the year. We anticipate the proportion of the annual operating profit will be higher in the second half than in the first half due to the increase in MLCC capacity utilization and the progress of structural reform in the communication device business.
- Inventory at the end of the first quarter of the current fiscal year is expected to be at roughly the same level as at the end of the previous fiscal year (Note 1).
- Q6. You say that profitability in the communication device business will improve in the second half of the current fiscal year. Can the business become profitable for the full year?
- A6. It is unlikely to record a profit in the current fiscal year. We believe we need to implement another step of measures.
- Q7. In the previous fiscal year, the increase in fixed costs was a factor contributing to a 17.6 billion yen decrease in operating profit, while the forecast for the current fiscal year is only 2.5 billion yen. On the other hand, the 40.2 billion yen effect from capacity utilization is forecast to be a major factor for increase in profit in the current fiscal year. As capacity utilization increases, fixed costs, such as labor and electricity costs, are likely to rise as well. How will you curb fixed costs in the current fiscal year?
- A7. In addition to 2.5 – 3.0 billion yen in cost improvements due to the structural reform of the communication device business, we expect cost improvements of around 0.5 billion yen with the liquidation of one subsidiary. The increase in depreciation will also be small compared to the previous fiscal year. The biggest factor is curbing fixed costs, mainly in the MLCC business. Costs were incurred for start-up and maintenance of the production system to expand capacity, but we will adjust idling capacity to match actual production. We will establish an appropriate production system with an eye on the next medium-term management plan.

Q8. You have added Dividend on Equity (DOE) ratio to your dividend policy, but will it be difficult to pay the dividend for the current fiscal year out of cash flow? What was the thinking behind your adoption of DOE?

A8. Previously, we established the achievement of a stable 30% dividend payout ratio as a target. However, due to the decline in profit levels over the past two years, there has been an increasingly large discrepancy with the target. We have maintained the dividend based on the premise that profit levels will improve, but we are aware that investors have concerns about future dividends. To address these concerns, we decided to adopt DOE.

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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