TAIYO YUDEN CO., LTD.
Earnings Release Conference for the 1st Quarter of the Fiscal Year Ending March 31, 2027, Summary of Q&A
(Held August 5, 2026)

Q1. What are your capacity utilization rate plans for capacitors and plan for company-wide inventory (Note 1) in the second quarter? What is the forecast for operating profit from the second quarter onward? Also, are there any concerns about production-side issues, such as yield for products for use in AI servers?

A1. We expect the capacity utilization rate for capacitors in the second quarter to be around 95%, and it is anticipated that a similarly high level of capacity utilization will continue in the second half of the year as well. We plan to increase inventory by around 1.0 billion yen compared to the first quarter and will mainly build up inventories of inductors. From the second quarter onward, the operating margin is expected to exceed 10% owing to sales growth centered on products for use in AI servers and the higher capacity utilization. We anticipate that net sales will be highest in the third quarter and the seasonal decrease in net sales in the fourth quarter will be more moderate than usual. As a result, we believe that operating profit will be higher in the second half than in the first half. Also, there are no issues with yield for products for use in AI servers: we have successfully built a production system that can supply products in line with customer needs while maintaining profitability.

Q2. Could you explain your pricing strategy? What percentage of capacitor sales are sold through distributors, and what percentage of the products sold through distributors are under consideration for price increases? Roughly when do you expect the impact of the price increases to be reflected in your business results, and what is the approximate magnitude of the impact? Depending on circumstances, is there a possibility that you may further expand the scope of products subject to price increases in the future?

A2. Since the beginning of this fiscal year, we have been engaging in price negotiations in response to the surge in the prices of parts and raw materials. We have also revised prices for some products, mainly items for which we are clearly receiving excessive orders from distributors; however, the proportion of products subject to price revisions remains limited. At this point, no decisions have been made about future price revisions, but since the current supply and demand environment is showing signs of overheating, we would like to carefully consider factors such as whether this situation will persist and what the supply situation will be like across the entire market, including the supply conditions of competitors. We would prefer not to disclose the percentage of sales through distributors.

Q3. How much did sales of capacitors for use in AI servers increase in the first quarter compared to the same period of the previous fiscal year? Also, as of May, you expected full-year sales of capacitors for use in AI servers to increase by 80% year on year. What is the current forecast?

A3. Sales of capacitors for use in AI servers in the first quarter grew around 80% from the same period of the previous fiscal year, and this growth rate was in line with the initial forecast. Current demand is stronger than expected, and we now anticipate the full-year growth rate will be 150% year on year.

Q4. What percentage of capacitor sales consists of products for use in AI servers in the previous and current fiscal years?

A4. My answer is for all TAIYO YUDEN products rather than for capacitors. The composition of sales for use in servers as a whole was 6% or more in the previous fiscal year, and we expect it will exceed the 10% level in the current fiscal year.

Q5. In your initial forecast, I believe you anticipated a year-on-year decrease in profit for inductors due to the surge in raw material prices, so what is the status of price negotiations with customers? Also, are there any changes in the outlook for operating profit?

A5. We have implemented price pass-throughs for some products. We consider that operating profit will also exceed the initial expectations owing to the upward revision of the full-year net sales forecast and the capacity utilization effect due to the increase in inventory of products for use in AI servers in the fourth quarter.

Q6. What are your plans for capital investment next fiscal year?

A6. Under the medium-term management plan 2030, capacity expansion for capacitors is planned at about 10% annually. However, next fiscal year, we are planning to expand capacity by approximately 10%–15% year on year in order to meet stronger-than-expected demand for products for use in AI servers.

Q7. Can you be more specific about the nature of the overseas logistics disruptions that arose in the first quarter?

A7. Due to the situation in the Middle East, shipping logistics experienced congestion in countries such as Malaysia and Singapore, and there were delays in deliveries of parts and materials needed for production. As a result, operations at the production site in Malaysia were impacted for about a week.

Q8. You said that the impact of overseas logistics disruptions on net sales was a decrease of slightly over 4.0 billion yen. Was all of this amount related to capacitor sales? Also, what impact did the labor dispute at the South Korean site have on business performance in the first quarter? Has the problem been resolved?

A8. The decrease of slightly over 4.0 billion yen in net sales was related entirely to capacitor sales, and this figure is the combined impact of the logistics disruptions and the labor dispute. The labor dispute at the South Korean site reduced operations for just under a month, but the problem was resolved in April, and the site is currently operating normally.

Q9. You have just increased the full-year net sales forecast by 40.0 billion yen. However, the change in the “capacity utilization effect”, one of the factors driving increases and decreases in operating profit seems small in comparison. What is the reason behind this? Are there any concerns that operating profit will not rise as expected due to production-related yield issues?

A9. We increased the net sales forecast by 40.0 billion yen, but this amount includes increases of around 20.0 billion yen due to the effect of currency fluctuations and around 6.0 billion yen due to the impact of selling prices. In addition, partly because the buildup in inventory is lower than the initial plan, the effect of capacity utilization due to growth in sales volume is not that significant. Further, as unrealized profit tends to arise when profitability improves, we believe this will push the capacity utilization effect down to some extent.

Q10. We understand that orders are becoming more concentrated on Japanese companies because Asian manufacturers are raising prices significantly. With limited production capacity, what is your policy on prioritizing orders? Are you considering using this situation as an opportunity to increase your market share in areas such as smartphones or PCs?

A10. Basically, we will increase the supply of products primarily for the automotive and IT infrastructure/industrial equipment, including AI servers, which we have identified as priority markets in the medium-term management plan 2030. In other markets, we will continue to serve our existing customers with whom we have long-standing relationships as usual. However, our policy is to allocate resources to high-value-added markets such as automotive and IT infrastructure/industrial equipment rather than gaining further market share in those other markets.

Q11. Could you explain the results in the first quarter and the future outlook with regard to fixed costs?

A11. In the first quarter, fixed costs were up by 0.8 billion yen compared to the previous quarter. In the second quarter, we anticipate a 3.5 billion yen increase in fixed costs owing to higher depreciation expenses and semi-fixed costs associated with an increase in capacity utilization. As a result, we expect fixed costs to rise by 4.5 billion yen from the first half to the second half of the fiscal year.

Note 1: Change in inventory is on the actual basis excluding exchange rates and the portion with no effect on operating profit.