Outline of Q&A on Conference Call for the Nine Months Ended December 31, 2019

(Held on January 30, 2020)

[Business forecasts for the year ending March 31, 2020 (“fiscal 2020”)]

Q: Can you tell us the reasons for revising full-year financial forecasts for each segment?

A:1) Industrial & Automotive Components Group

In the Industrial & Automotive Components Group, demand for semiconductor processing equipment (SPE) parts and cutting tools for automobile engines, gearboxes and other items has declined significantly.

2) Semiconductor Components Group

In the Semiconductor Components Group, although the organic materials business has become profitable with profitability improving relative to the year ended March 31, 2019 (“fiscal 2019”), demand for smartphone-related ceramic packages is forecast to be lower than initially projected.

3) Electronic Devices Group

The main reason for the revision in the Electronic Devices Group is a decline at AVX Corporation as inventory adjustments in the distribution channel are yet to run their course.

4) Communications Group

There was very little change in the Communications Group. There is a possibility that the telecommunications equipment business will be affected somewhat by restrictions on device discounts in Japan, but we are not expecting a major change.

5) Document Solutions Group

The key factor in the Document Solutions Group was the foreign exchange rate.

6) Life & Environment Group

In the solar energy business of the Life & Environment Group, some mega solar projects are expected to stretch from this fiscal year into the year ending March 2021(“fiscal 2021”).

Q: I understand that demand was expected to decrease in the third quarter in automotive-related and industrial machinery markets, but downward revisions have been made in every segment. What happened in other domains to cause this?

A: Automotive-related markets have been deteriorating monthly. Smartphone-related markets were better than expected until summer, but then as in past years, demand dropped following the summer peak. We project demand to continue declining up until the fourth quarter.

Q: Is the decline in smartphone-related areas due to front-loaded orders for parts or a decline in final demand?

A: Although final demand was stronger than expected, the impact of front-loaded orders was more pronounced.

Q: Are the downward revisions due to inventory adjustments or a decline in final demand?

A: SPE parts and cutting tools in the industrial and automotive Components Group as well as AVX Corporation in the Electronic Devices Group have been affected by inventory adjustments. Aside from this, inventory adjustments have not had a huge impact.

Q: Have there been any deviations from expectations in terms of management initiatives?

A: The solar energy business and the organic materials business, which recorded significant one-time costs in fiscal 2019, have been improving in line with plans. In addition, profitability has been established in the telecommunications equipment business. We have made improvements in these three domains, which have been challenging up until now.

[Outlook for fiscal 2021]

Q: Can you tell us your future outlook and current order status for stagnating domains?

A: In the Industrial & Automotive Components Group, demand for SPE parts is steadily recovering and should be right back on track fiscal 2021. On the other hand, we are expecting a continuation of the tough market for cutting tools fiscal 2021 with no recovery in sight in the automotive market. As for overall order trends, we have received more inquiries than expected regarding smartphones and base stations with 5G compatibility and anticipate a significant increase from April onward. We also expect a good start to fiscal 2021 in the solar energy business with the projected launch of large mega solar projects.

[Industrial & Automotive Components Group]

Q: The level of profit in the third quarter and fourth quarter forecast is fairly low compared with fiscal 2019. In addition to inventory adjustments, is this due mainly to a change in demand structure?

A: The decline in profit is due to a considerable decrease in demand for SPE parts and cutting tools as well as an increase in depreciation charge from three M&A projects conducted this fiscal year, so there were certain factors that pushed down profit more than usual.

Q: Will costs associated with M&A decline from fiscal 2021 relative to fiscal 2020?

A: Although a portion will be amortized on a straight-line basis in intangible assets, there will be a greater cost burden fiscal 2020 and this will steadily decrease fiscal 2021.

[Semiconductor Components Group]

Q: Sales are expected to decline significantly in the fourth quarter. Is this due to a specific customer?

A: The expected decline in profit in the fourth quarter is due to weakening smartphone-related demand.

Q: Why did you revise forecasts down despite the solid smartphone market environment? Is this the reverse effect of customers securing component inventory last summer?

A: That’s probably right. Demand was strong until last summer, and although it has been decreasing recently, we expect the impact of this to subside in the fourth quarter. We have received a large number of inquiries for fiscal 2021.

[Corporate and Others]

Q: Why is the Corporate and Others improved in the third quarter relative to other years?

A: We recorded gains from sales of real estate in the Corporate and Others in the third quarter and the same amount impacted on operating profit and profit before income taxes.

Q: Was the scale of this gain between 5-6 billion yen?

A: Yes, around there.

[Others]

Q: Will the outbreak of coronavirus in China affect factory operations and customers?

A: Information is currently limited due to Chinese New Year, but we expect our factory for solar cells in Tianjin and for electric tools in Dalian to operate from February 3 and our components factories in Shanghai, Wuxi, Guangzhou and elsewhere to operate from February 10.

Cautionary statement

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