Outline of Q&A on Conference Call for the Year Ended March 31, 2020
(Held on April 27, 2020)

[Business results for the year ended March 31, 2020 ("fiscal 2020")]

Q: Although you faced an uncertain situation, please tell us about anything that exceeded expectations from the perspective of securing inventories and BCP (Business Continuity Plan).

A: There was almost nothing that surpassed expectations. In the Document Solutions Group, although sales overseas encountered difficulties due to the impact of Covid-19, in Japan we achieved our March sales target on the back of favorable sales of toner for medical markets. This likely reflected purchases for securing inventories.

Q: You recorded multiple one-time expenses. Were these included in business forecasts for fiscal 2020 (from April 1, 2019 to March 31, 2020) announced in January 2020?

A: One-time expenses related to our 60th anniversary and a gain from sales or disposal of property, plant and equipment were included in the forecast for fiscal 2020. However, we did not factor in 10 billion yen mainly relating to litigation at AVX Corporation("AVX").

Q: Please tell us the detail AVX's one-time expenses. Could such charges possibly arise again in the future?

A: These expenses were associated with litigation and for making AVX into a wholly owned subsidiary. Such expenses will not continuously arise in the future.

Q: Inventories in the fourth quarter (4Q: from January 1, 2020 to March 31, 2020) decreased from the third quarter (3Q: from October 1, 2019 to December 31, 2019). Please explain the reason for this decrease.

A: Particularly in China, the impact of being unable to undertake operations in 4Q was huge. In 4Q, with regard to Covid-19, there was a negative impact of approximately 7 billion yen on profits. More specifically, the Document Solutions Group accounted for around 40% of this as production at our bases in China had a major impact. The remaining 60% occurred in the Components Business.

[Business forecast for the year ending March 31, 2021 ("fiscal 2021")]

Q: Please explain the assumptions of business forecast for fiscal 2021 (from April 1, 2020 to March 31, 2021). How much do you expect sales levels for the 1st quarter (1Q: from April 1, 2020 to June 30, 2020) and 2nd quarter (2Q: from July 1, 2020 to September 30, 2020) to decrease from the 4th quarter (4Q) of fiscal 2020? What is your forecast for each market and application?

A: The decrease in sales revenue in April due to the impact of Covid-19 is becoming larger than that for March. We have made calculations assuming the level of sales in April will continue for the three months of 1Q before gradually recovering from 2Q through the end of fiscal 2021. Sales for automobile applications are decreasing significantly and production for some components has stopped. Even those components experiencing relatively mild impacts are expected to record sales decreases of about 30% and overall sales for automobile applications for fiscal 2021 will likely decline around 30% from fiscal 2020. Looking at printers and MFPs, there are almost no people still working in offices throughout the world and this makes it extremely difficult to grasp any future outlook.

In contrast, the decline in electronic components is less than expected. Sales of electronic components used in PCs, tablets, and mobile phones are firm. In compact components, some components are showing increases from fiscal 2020, which I believe is due in part to the impact of 5G. Regarding semiconductor-related products, packages for use in 5G communications and components for semiconductor processing equipment, which slumped in fiscal 2020, are currently on a smooth recovery track. We are presently in a dual situation whereby some components are recording exceedingly poor results and some components are recovering slightly from fiscal 2020.

Q: If you divide business forecast for fiscal 2021 into the first and second halves, what are your assumptions regarding the proportions of sales for the Components Business and the Equipment & Systems Business, respectively?

A: For the Components Business, we expect to record 40% of sales in the first half (from April 1, 2020 to September 30, 2020) and 60% in the second half (from October 1, 2020 to March 31, 2021) while in the Equipment & Systems Business these percentages are expected to be 45% and 55%. The smaller differential in the Equipment & Systems Business is because we anticipate that sales of mobile phones will also make a contribution in the Communications Group in the first half.

Q: How much do you expect 1Q sales in fiscal 2021 to decrease from the 4Q of fiscal 2020?

A: Sales are expected to decrease by approximately 100 billion yen.

Q: Currently some components for smartphones and semiconductor processing equipment are not performing any worse expected. Rather than assuming these components will deteriorate, does this mean you are assuming a recovery from 2Q onward after a decline in 1Q?

A: I am not making very optimistic assumptions. As a seasonality factor in an ordinary year, demand for components increases in 2Q and decreases in 3Q and so we are planning based on this assumption.

Q: In the Electronic Devices Group, results were below assumptions in fiscal 2020 even when excluding the one-time expenses for AVX while the forecast for fiscal 2021 is for a substantial decrease in profits from fiscal 2020. Although Covid-19 will also have an impact, what are your assumptions in this business?

A: I do not foresee large decreases in components for mobile phones, PCs, and tablets and if anything, I believe we will record an increase in compact components.

On the other hand, AVX has a large proportion business for automobile market and we assume this business will decrease sharply. AVX recorded one-time expenses of 10 billion yen in fiscal 2020 and with the absence of these expenses in fiscal 2021 we forecast that profit will generally remain level compare with fiscal 2020.

Q: Profitability of AVX is said to be worsening due to sluggishness in the automobile market. Will profitability be restored to previous levels if the automobile market returns to normal?

A. Yes, I believe so. In fiscal 2020, distributors streamlined inventories and the impact of this will probably diminish in fiscal 2021.

Q: The Communications Group expects a 4% decline in sales compared with fiscal 2020. Please explain the reasons for this.

A: In addition to sales decline of mobile phone, we assume that the installation of communication base stations and solar energy-related equipment will not proceed in line with our initial expectations due to the impact of Covid-19.

Q: The Document Solutions Group is expected to record a rough performance in view of the outlook for the business environment and exchange rate assumptions. Even so, please explain the factors that will enable you to hold the decrease in sales to just 11% from fiscal 2020.

A: Although the current situation is difficult and we expect such conditions will continue through 1Q, our calculations assume a gradual recovery from 2Q onward. Additionally, we will sell commercial-use inkjet printers from fiscal 2021 and we have calculated this as a plus factor.

Q: The loss in the Life & Environment Group is forecast to widen. Please explain the reasons for this.

A: We assume the impact of Covid-19 will become even greater in 1Q. Moreover, we are planning large investments for a mass-production line for storage batteries and anticipate a rise in depreciation charge.

Q: Please explain your assumptions for business results of the solar energy business.

A: We calculate that sales will decrease, primarily in the first half, due in part to the lack of progress in business negotiations because of the impact of the current situation of Covid-19.

Q: In the solar energy business, have you made any changes from your initially assumed scenario, such as the directions you are aiming for as well as improvements in profitability?

A: We have made no changes to the directions we are aiming for and are generally moving ahead as planned. We were able to generate profits on a monthly basis from the summer of fiscal 2020. However, we also incurred costs for developing storage battery products and thus ended up recording a loss in fiscal 2020. Although it is difficult to forecast how much the spread Covid-19 will affect the solar energy business, we have made no revisions to our plan of aiming for a profit in fiscal 2021.

Q: What is the reason for decline profits for the Corporate and others in fiscal 2021 compare with fiscal 2020?

A: We recorded extraordinary income on the sale of real estate of around 10 billion yen in fiscal 2020. We do not expect to record such extraordinary income in fiscal 2021. On the other hand, we expect an increase in costs associated with the Companywide promotion of digitization.

[Capital expenditures]

Q: Your investment plan for fiscal 2021 is also at the same level as fiscal 2020. Are your thinking of reducing investments in view of declining demand? Or are you placing a high priority on investments toward growth?

A: At present we have no plans for significantly reducing capital investment. There will probably also be some projects where we stop investments related to automobiles and printers, for which demand is declining steeply. On the other hand, I believe we will continue investing without interruption in 5G-related and new fields. Although there is a possibility that investments will be slightly less than expected, we have no plan to drastically stop investments.

[Impact of Covid-19]

Q: Please explain your future initiatives in view of the current economic recession.

A: Fields such as 5G, IoT, and ADAS are certain to grow in the future. We will make unceasing efforts to promote the development of products for these new markets. I believe that if we lose in the development competition in 5G and other fields, there will be nothing left in these markets so we must make all-out efforts. Meanwhile, although we ordinarily closely manage expenses under Amoeba Management System, we will further strengthen small cost reductions such as curtailing business trips and stringently checking miscellaneous expenses in the same manner as we did at the time of the so-called of Lehman Shock.

Q: Please describe the operating conditions at your overseas plants, including those in China and Southeast Asia.

A: Our main plants are in Japan and China. In Japan, some plants in the Tokyo Metropolitan Region are streamlining production but all our main plants are operating at 100% of capacity. Our plants in China are also currently operating at virtually full capacity but operations at plants in Europe and the United States are significantly limited. Although our plant in San Diego, in the United States, has just begun partial operation, much time will probably be needed before operations there return to normal. Turning to Europe, some plants in Germany stopped part of their operations in March and are now operating at 50% to 60% of capacity. We can avoid a situation whereby the operation of plants becomes a bottleneck that has an adverse impact on sales.

Q: So, then we should not give too much consideration to the impact of declines in operating rates of plants in Europe and the United States?

A: The proportion of production accounted for by our plants in Europe and the United States is low and therefore these declines will probably not have a major impact.

Q: Do you expect any impacts such as increased shipping costs due to supply chain disruptions?

A: More time will likely be needed before for shipping conditions normalize. Air transport costs have also expanded slightly.

[Other]

Q: You are undertaking various organizational reforms such as cross-organizational initiatives in research and development. Are you contemplating any organizational reforms in business departments close to manufacturing?

A: Up to fiscal 2020, our efforts focused on research and development. However, we established the Corporate Digital Business Promotion Group in April 2020 and are carrying out various activities with the aim of promoting Companywide digitization. Also, we made AVX into wholly owned subsidiary and together with Electronic Components we have created a large organization. Although we are still in the stage of making various considerations, we are considering create the organizational structure capable of actively undertaking human resource rotations as a measurably large grouping in the Components Business and Equipment & Systems Business with the current corporate business group system maintained.

Cautionary statement

This is an English translation of the Japanese original. This translation is prepared for the reference and convenience solely for those who do not use Japanese. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail. Except for historical information contained herein, the matters set forth in this document are forward–looking statements that involve risks and uncertainties including, but not limited to, product demand, competition, regulatory approvals, the effect of economic conditions and technological difficulties, and other risks detailed in the cautionary statements with respect to forward–looking statements on the company's website.