Telephone Conference Call for the Nine Months Ended December 31, 2019
(Held on January 30, 2020)

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President and Representative Director

＜(Cover)1. Financial Results for the Nine Months Ended December 31, 2019＞
＜2. Financial Results for the Nine Months Ended December 31, 2019＞
Sales revenue for the nine months ended December 31, 2019 ("the nine months") decreased by 1.4% to 1,196.9 billion yen, slightly less than the record-high sales revenue in the nine months ended December 31, 2018 ("the previous nine months") mainly due to a decrease in demand for components caused by the slowdown in the Chinese economy, despite the contribution of approximately 50 billion yen to sales through M&A.

Profits increased from the previous nine months. This was due to expenses associated with structural reforms of approximately 68.5 billion yen recorded in the previous nine months as well as the effect of the structural reforms, which emerged during the nine months. Operating profit increased by 34.3 billion yen to 94.9 billion yen and profit before income taxes increased by 37.5 billion yen to 141.6 billion yen, demonstrating double-digit profit margin.

Capital expenditures for the nine months were at roughly the same level as the previous nine months, while depreciation charge increased by 7.3 billion yen, mainly in the Components Business, due to aggressive investments from the year ended March 31, 2019 ("the previous fiscal year"). R&D expenses also increased by 6.4 billion yen due to the establishment of the Minatomirai Research Center, etc.

The average exchange rates for the nine months were 109 yen to the U.S. dollar, marking appreciation of 2 yen, and 121 yen to the Euro, marking appreciation of 8 yen, compared with the previous nine months, which pushed down sales revenue and profit before income taxes by approximately 30 billion yen and approximately 10.5 billion yen, respectively.

<3. Sales Revenue by Reporting Segment for the Nine Months Ended December 31, 2019
- Compared with the Nine Months Ended December 31, 2018 ->
Sales in the Industrial & Automotive Components Group, Communications Group and Life & Environment Group increased, while sales in the Semiconductor Components Group, Electronic Devices Group and Document Solutions Group decreased.

<4. Business Profit by Reporting Segment for the Nine Months Ended December 31, 2019
- Compared with the Nine Months Ended December 31, 2018 ->

Profit declined in the Industrial & Automotive Components Group, Electronic Devices Group and Document Solutions Group, while those in the Semiconductor Components Group and Life & Environment Group improved significantly due to structural reforms implemented in the previous fiscal year.

Next, I will explain the results of each segment.

<5. Performance by Reporting Segment for the Nine Months Ended December 31, 2019 (1) >

As for the Industrial & Automotive Components Group at the top of the slide, sales in the industrial tools business increased due to M&A. At the same time, sales of major products such as components for automotive applications and for semiconductor processing equipment decreased on the whole due to the impact of the economic slowdown in China, among other factors. Profit decreased due to a decline in sales in highly profitable businesses, in addition to an increase in depreciation charge resulting from capital investment for the medium and long-term expansion of production capacity and M&A.

In the Semiconductor Components Group at the bottom of the slide, despite a recovery in demand for ceramic packages for optical communications, sales of ceramic packages for crystal and SAW devices and organic packages for communications infrastructure declined due to the economic slowdown in China and other factors. Profit increased, however. While there was a one-time loss of approximately 16.2 billion yen relating to structural reforms in the organic materials business recorded in the previous nine months, the effect of the structural reforms contributed to the achievement of profitability in the organic material business. Even after excluding one-time losses, profit increased.

<6. Performance by Reporting Segment for the Nine Months Ended December 31, 2019 (2) >

As shown at the top of the slide, in the Electronic Devices Group, sales and profit decreased primarily at AVX due to prolonged inventory adjustments at distributors caused by the global economic slowdown and the impact of sluggish demand in automotive-related markets.

As shown at the bottom of the slide, in the Communications Group, sales of engineering services increased in the information and communications services business. Profit increased due to an improvement in profitability resulting from cost reductions, etc. in the telecommunications equipment business.

<7. Performance by Reporting Segment for the Nine Months Ended December 31, 2019 (3) >

In the Document Solutions Group at the top of the slide, despite the contribution from M&A conducted in the previous fiscal year, sales and profit declined due to the yen's appreciation. Despite the impact of the severe market environment, we maintained a double-digit profit margin through efforts to improve productivity by automating production processes and other internal efforts that included cost reductions.

As shown at the bottom of the slide, sales in the Life & Environment Group increased, mainly in the solar energy business, and business loss was significantly reduced. In the solar energy business, settlement expenses in the amount of approximately 52.3 billion yen recorded in the previous nine months relating to long-term purchase agreements for procurement of polysilicon was the main reason for this decrease in loss. The loss was reduced even on a basis excluding the one-time loss due to increased sales and cost reductions. The loss in the nine months was mainly due mainly to an increase in development costs for new lithium-ion batteries.

That concludes my explanation for the nine-month results. Next, I will explain financial forecasts.

<8. (Cover) Financial Forecasts for the Year Ending March 31, 2020 >

<9. Financial Forecasts for the Year Ending March 31, 2020 >

Today, we revised our full-year forecasts. As uncertainty over the global economy continues, demand for automotive-related products and products for the industrial machinery market is projected to remain sluggish in the three months ending March 31, 2020 (“the fourth quarter”), with no expectations of a significant recovery.

We revised down the forecast for sales revenue by 75 billion yen, operating profit by 22 billion yen, profit before income taxes by 15 billion yen, and profit attributable to owners of the parent by 8 billion yen. The assumed exchange rate against the U.S. dollar was also revised to 108 yen. Capital expenditures have also been revised as a result of progress made so far this fiscal year.

<10. Sales Revenue Forecast by Reporting Segment for the Year Ending March 31, 2020 >

Sales revenues have been revised for all segments.

<11. Business Profit Forecast by Reporting Segment for the Year Ending March 31, 2020 >

Profit forecasts have been revised for all segments except the Communications Group.

<12. Business Environment Outlook for FY2021/3 >

Finally, I will explain our business environment outlook for the year ending March 31, 2021 (“fiscal 2021”). The semiconductor market is expected to recover and demand for 5G-related products is expected to increase in fiscal 2021. We are currently expanding production capacity for products for 5G base stations and handsets as well as introducing new products with the aim of expanding our sales and profit for fiscal 2021.

In the Industrial & Automotive Components Group, we established a new subsidiary to produce filters for base stations in a joint venture with Ube Industries, Ltd. in December 2019. We plan to start mass production in fiscal 2021.

In the Semiconductor Components Group, we expect demand for ceramic packages for crystal and SAW devices to increase in addition to those for optical communications. We will also strive to expand sales of organic packages and substrates to base stations.

In the Electronic Devices Group, in addition to MLCC, demand for crystal devices is increasing for base stations. As demand for those products for 5G handsets is also expected to increase in fiscal 2021, we will further increase production.

In the Communications Group, we are developing various 5G-related products and plan to launch 5G smartphones in fiscal 2021. We also expect to expand our engineering services in the area of telecommunications base station installation.

We will strive to accelerate business expansion in fiscal 2021 by aggressively developing these 5G-related businesses.

Cautionary statement

This is an English translation of the Japanese original. The 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.