

Third Quarter of FY2019 Presentation Q&A

Q: Sales of some products for the smartphone market increased while those of other products for the same market decreased. What changes took place that affected each product from Q2 to Q3? What changes do you expect in Q4?

A: From Q2 to Q3, sales of capacitors, high-frequency modules, and short-range wireless communication modules for high-end smartphones increased. Q4 is a low season and we expect that sales of modules will fall significantly from Q3. Sales of capacitors will also be seasonally low. However, they are expected to be more stable than our initial plan. The situation, however, may change depending on developments in the novel coronavirus outbreak.

Q: What were the uses of capacitors for which sales increased? What is the trend in capacitor prices and what is your plan for an increase in capacity for the next fiscal year?

A: Sales of capacitors for communication applications as a whole increased. In particular, those for base stations grew significantly. The price trend has been in line with our assumptions in comparison with the financial forecasts announced in October 2019. While our plan for an increase in capacity for the next fiscal year has not been finalized as budgeting has not yet occurred, we plan to raise it by 10% based on our capabilities load.

Q: What are the factors in year-on-year changes in operating income for the nine months of the fiscal year under review?

A: Operating income decreased 24.2 billion yen in total. Major factors of increase included the effect of cost reduction (up 40.0 billion yen) and gain on sales of raw materials (up 7.2 billion yen), which were more than offset by factors of decrease such as a production decrease caused by lower output (down 36.0 billion yen), an impairment loss in the battery business posted in Q2 (down 19.8 billion yen), and price decline (down 18.0 billion yen). As a result, operating income decreased year on year.

Q: What is the qualitative impact of 5G in Q3?

A: There is no numerical data showing the impact of 5G on our financial results. Sales of products for base stations presumably used for 5G increased substantially.

Q: What is the status of distribution inventory of MLCCs for automobiles?

A: We think that the inventory adjustment for the direct sale segment has been completed. Inventory adjustment at distributors requires more time and the completion is expected to be

delayed until the end of the fiscal year.

Q: What are the factors in improvement in profitability in the module segment from Q2 to Q3?

A: It is a result of improvement in product mix thanks to an increase in sales of high-frequency modules for smartphones and a rise in the sales composition ratio of modules with a high ratio of in-house production.

Q: What will be the impact of the novel coronavirus outbreak on your financial performance?

A: We are currently examining the impact. While it may have a significant impact on our supply chains, we do not know quantitatively exactly how much the impact will be at this point.

(The answer is based on the condition as of February 3, 2020.)

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