

**Condensed Transcript of Q&A Session Regarding Financial Results Presentation
for the Nine-Month Period Ended December 31, 2019**

Date: January 31, 2020 (Friday) 10:00–11:00

General

Q. How does performance in the nine-month period ended December 31, 2019, compare to forecasts?

A.

Consolidated

Net sales: Less than ¥5 billion lower than forecast

Operating income: A few hundred million higher than forecast

By Segment

Power Electronics Systems Energy: Sales lower than forecast, profit lower than forecast

Power Electronics Systems Industry: Sales lower than forecast, profit lower than forecast

Electronic Devices: Sales higher than forecast, profit higher than forecast

Food and Beverage Distribution: Sales slightly lower than forecast, profit slightly higher than forecast

Power Generation: Sales slightly lower than forecast, profit slightly higher than forecast

Power Electronics Systems

Q. What are the reasons for the year-on-year profit growth projected by fourth-quarter forecasts and what is your future outlook?

A.

Power Electronics Systems Energy

- Profit growth is anticipated in the Power Electronics Systems Energy segment as a result of favorable trends in ED&C component earnings coupled with the benefits of highly profitable system projects.
- At the moment, semiconductor capital investment is recovering and Internet data center investment is brisk in Japan and Asia. These factors are contributing to increases in comprehensive system orders encompassing uninterruptable power systems, switchgears and controlgears, transformers, and other electrical equipment, and these orders will contribute to profit in the fiscal year ending March 31, 2021.

Power Electronics Systems Industry

- Fourth-quarter forecasts project the recording of SOx scrubber orders that had been delayed from the third quarter, earnings movements associated with the consolidation of an India subsidiary (which took place during the second half of the fiscal year), a modest recovery in component sales, and the recording of plant projects. As result of these factors, we anticipate year-on-year growth in sales and profit in the fourth quarter.

- The biggest risk faced in the fourth quarter pertains to the Chinese market, which is being impacted by the novel coronavirus. We have managed to secure the factory parts for the components to be manufactured during the fourth quarter, but we will need to carefully monitor conditions with this regard going forward. We also must consider the situation regarding procurement of production components for use in the fiscal year ending March 31, 2021, among other factors.

Q. What industries are seeing increased demand for low-voltage inverters and factory automation components?

A.

- Although actual figures vary by customer, we are beginning to see increases in orders for semiconductor and general machinery applications. System orders are brisk in the U.S. oil and gas market.

Electronic Devices

Q. What were the reasons for the third-quarter decline in the operating margin of the Electronic Devices segment and what is your forecast for profit margins in the fourth quarter and beyond?

A.

- The operating margin declined in the third quarter of the fiscal year ending March 31, 2020, due to increases in depreciation and leases paid associated with upfront investments made in preparation for projected growth in demand for power semiconductors for electrified vehicles (xEVs), the losses on new product launches that occurred during the second quarter, and the impacts of less favorable foreign exchange influences.
- Up until last year, we had an operating margin of more than 10%, and we aim to return to this level as soon as possible.

Q. What are your forecasts for orders by power semiconductor field for the fourth quarter and for the fiscal year ending March 31, 2021?

A.

- Conditions in the automotive field are currently firm, and we anticipate increases in automotive power semiconductor orders in the fourth quarter and the fiscal year ending March 31, 2021.
- As for the industrial field, conditions for factory automation-related products are challenging at the moment. However, we anticipate that the favorable performance of power semiconductors for air conditioning applications as well as for new energy applications, such as solar power and wind power, will continue in the fourth quarter and beyond. Accordingly, overall industrial power semiconductor orders are projected to show a slight increase in the fourth quarter.

Q. What is the background for the favorable performance of automotive power semiconductors, and what are the projected impacts of the novel coronavirus on demand?

A.

- Major factors behind the growth of automotive power semiconductor orders include the increased portion of electrified vehicles among all automobiles and the commencement of new projects (in Japan, Europe, and the United States). The impacts of the novel coronavirus are currently unclear. Nevertheless, we anticipate increases in demand among customers, not just in China, but around the world.

Q. What portion of power semiconductors sold are for electrified vehicles and what portion is for other automobiles? Also, what is the current situation regarding each category of automobile?

A.

- About half of power semiconductors sold are for electrified vehicles with the other half being for other automobiles.
- The performance of power semiconductors for electrified vehicles is strong centered on IGBTs, and sales of these semiconductors were up roughly 50% year on year in the nine-month period ended December 31, 2019.
- Sales of power semiconductors for other automobiles were relatively unchanged year on year.

Q. What factors are driving the growth in demand for power semiconductors for new energy and air conditioning applications?

A.

- Demand for power semiconductors for new energy applications has been growing in China, Europe, United States, and other overseas markets in response to environmental issues.
- In regard to demand for power semiconductors for air conditioning applications, demand is up for products for use in household air conditioners in China. We are experiencing increases in demand for such semiconductors as we approach new customers, and demand is also on the rise as a result of the inventory adjustments seen in the first half of the fiscal year. Given the current conditions, we anticipate that demand will remain brisk throughout the six-month period ending September 30, 2020.

Q. What were the operating ratios of power semiconductor production facilities (front-end) in the third quarter and what ratios are projected for the fourth quarter? Also, what changes were seen in production capacity between the second quarter and third quarter and what changes are projected in the fourth quarter?

A.

- Power semiconductor production facilities (front-end) were operated at around 80% capacity in the third quarter, and operating ratios are expected to be slightly higher in the fourth quarter.

- Production capacity is on the rise centered on 8-inch wafers, being relatively unchanged between the first and second quarters but rising roughly 10% from the second quarter in the third quarter. We project that fourth-quarter production capacity will be around 5% higher than third-quarter production capacity.

Food and Beverage Distribution

Q. What is the outlook for the impacts of the novel coronavirus on Chinese vending machine operations and for the operation of the Dalian factory?

A.

- At the Dalian factory, we have extended the Chinese New Year vacation provided to employees based on requests from the Chinese government.
- The outlook for the impacts of the novel coronavirus is opaque at this point in time.