



Outline of Q&A on Financial Presentation for the Year Ended March 31, 2022

(Held on April 28, 2022)

(Note: Fiscal periods used in this document)

Fiscal year ended March 31, 2022: fiscal 2022

1st half (from April to September): 1H

1st quarter (from April to June): 1Q

Other fiscal years, half-year and quarterly period are shown in the same manner.

1. Business results for fiscal 2022

Q: Please explain the reason why sales revenue of the Electronic Components Business increased compared to the previous quarter, but profit dropped substantially.

A: We typically see a drop in profit in the Electronic Components Business in 4Q due to seasonality. On top of that, we also posted a one-time legal expense at KYOCERA AVX Components Corporation ("KAVX") of approximately 3 billion yen. As a result, profit came in worse than 4Q in typical years. This was a one-time event that has already been dealt with.

Q: Sales revenue and profit in the Document Solutions Unit was slightly weaker than typical years during 4Q. Were there any hindrances in terms of production or procurement?

A: The Document Solutions Unit operates in China and Vietnam. Due to lockdowns particularly in Vietnam, our employees could not attend work. There also was a situation where lockdowns at suppliers had interrupted goods inflow, making it difficult to manufacture and sell our products as we wished. As a result, the sales results were slightly weaker during 4Q than in typical years, and profit also fell.

Q: The issues such as lockdowns hasn't seen much of an improvement. Could you please comment on the current status as well as the effect on financial forecasts of the Document Solutions Unit for fiscal 2023?

A: We will increase production by procuring materials from 1Q to 2Q in order to build up inventory. Therefore, 1H may be challenging, but we believe that the situation will normalize in 2H.

2. Business forecast for fiscal 2023

Q: How have you factored the risks such as supply chain disruption, rising raw material costs and delay of capital expenditures, into your financial forecast for fiscal 2023?

A: With regard to the rising prices of raw materials, we are in negotiations with customers to pass the cost onto prices. We believe that rising prices will continue to be seen in the future, and we will make steady efforts in passing through the higher costs to prices. We have factored the risks of our operations in Russia into our forecast for fiscal 2023. A little less than 1% of our consolidated sales revenue comes from Russia. However, we have yet to factor in the risks associated with distribution in logistics. The lockdowns in Shanghai have prevented some products from being shipped. Such risks could also occur in the future but cannot be predicted with certainty and have not been factored into our forecast for fiscal 2023 at this point.

Q: Regarding the pass-through of higher raw material costs to prices, which products have been successful specifically?

A: We have passed-through the costs in products such as the packages for semiconductors. Our ceramic package which is plated with gold, and the price of gold has rocketed.

Q: Please tell us about the financial forecasts for fiscal 2023 of the smart energy business, the part of the Solutions Business. The demand for residential storage batteries and renewable energy systems seems quite strong. How is the current business situation of new battery types? In conjunction, I believe you will need to collaborate with other companies. Could you update us on the status of the energy-related business, and how much progress you have made in your efforts holistically?

A: We regret to say that our forecast of the smart energy business for fiscal 2023 is for a loss over the full year. We understand that we should reform this business, but due to several megasolar projects that have not been completed yet, the business will mainly be focused on product sales for fiscal 2023. We will work on our plan to shift to a subscription model from fiscal 2024 onwards, whereby storage batteries, solar power generation systems, and SOFCs would be combined. This business will be operated separately from the smart energy business as a project directly under my supervision, and we plan to promote this business from fiscal 2023. For the storage batteries, the production volume is increasing sequentially. We expect to reach maximum capacity by around the end of fiscal 2023. We plan to increase our production facilities further during fiscal 2023 so that we can further enhance our production in fiscal 2024 and beyond. We have received so many inquiries but we are not yet able to meet the demand.

3. About the Electronic Components Business

Q: Please elaborate about the strategic synergies in the Electronic Components Business. I believe progress has been made in integration of organizations in sales, development and manufacturing. What kind of changes will this beget in this business? Please tell us about your strategy for fiscal 2023.

A: The synergy with KAVX in the Electronic Components Business is generally going as planned, with the integration of Kyocera's sales functions with KAVX in Europe and the integration of KAVX's sales functions with Kyocera's in Asia. However, the lockdowns in Shanghai have delayed our plans to integrate KAVX's sales functions in Shanghai with Kyocera. The integration is likely to be delayed by one or two months.

Since we have capacitor and connector businesses at both companies, we appointed one person from Kyocera who will oversee the entire capacitor business as a leader, and have a sub-leader from KAVX. Likewise, in the connector business, KAVX send one leader, while Kyocera send one sub-leader. Activities under this structure have started in fiscal 2023. To give an example of what this would specifically entail, our development activities will be conducted jointly, thereby eliminating waste or redundancy in development activities. For capacitor business, as Kyocera has more advanced automation tools at its production facilities, we will bring our production engineers or equipment to the plants of KAVX.

For tantalum capacitor production, Kyocera will make improvements in advancing the automation in Adogawa Plant in Japan, and in newly expanding capacity in Thailand. The same can be said of connectors, wherein we expect to combine each other's expertise. Substantial progress is being made through these efforts. We believe that visible results will emerge starting in 2H of fiscal 2023.

Q: Could you explain the demand for tantalum capacitors in the current market, the rate at which the market is expected to grow, and the key technological points?

A: KAVX used to have a very high share of the traditional tantalum capacitors market. However, polymer tantalum capacitors are now being used in SSD, and KAVX's market share was not very high there. Also, production volume was not being sufficient relative to demand. Therefore, we made a plan to take over ROHM Co., Ltd.'s tantalum capacitor business for expanding our production in Thailand. Although we believe CAGR will be in the 5% range, we expect further growth in the future for use in the SSD field. Our strategy is raising our market share in this field.

4. About the capital expenditures

Q: I believe the production increase of organic packages and boards had been at Kyoto Ayabe Plant ("Ayabe Plant"), but why will it be produced in the new building of the Kagoshima Sendai Plant ("Sendai Plant")? Are there any difference in products and customers? Also, you mentioned that ceramic packages will be produced in Sendai Plant in addition to Vietnam Plant. Is the demand strong?

A: For the organic packages and boards, we will increase production of FCBGA for semiconductors. We are in the middle of increasing production in the third building at Ayabe Plant, but once that is over, there will no longer be any spare space within the site of the Ayabe Plant. FCBGA had originally been produced at the Sendai Plant prior to Ayabe Plant. Production will be raised at the Sendai Plant during fiscal 2023, but due to space constraints in current buildings, we will construct a new building. We would have no choice but to increase production at Sendai Plant.

For ceramic packages, we mainly plan to increase production of ultra-small-sized packages for crystal devices at Sendai Plant. We hope to increase production of the ceramic package in Vietnam Plant, but the cutting-edge small-sized packages for crystal devices are made in a highly complex way. Therefore, we will manufacture these packages inside Japan for a while.

Q: When examining investments Kyocera is making this time, I don't get the same impression as investments made in the past. The timing, the volume and the target of capital investments all seems different. If you were to compare your current investments to those made in the past, how confident are you in the current investments and how different is it in the points you focused on when you make investment decision?

A: Until a while back, the semiconductor cycle was thought to rotate every four years. The cycle had the characteristic where demand would rise and then fall. I believe one reason why semiconductors have been in shortage around the world is due to rising demand on the back of the advancement of digitalization that was spurred by COVID-19. Also, structural changes in society are imminent. We entered an era where data is extracted from all kinds of activity and turned into big data, which is then analyzed and applied to various businesses. Therefore, it is unlikely for the semiconductor cycle to peak in a short period this time as it did in the past. The shift to a digitalized society is progressing and this situation has allowed us to enter into new contracts with users. Our view is that there is a very high probability that the demand will continue to be strong. Until about ten years ago, it was possible to construct a new plant in one year. Now it takes about two years. We must look at the market and strive to be the first mover. Some upfront investments are unavoidable under current circumstances.

5. About the reorganization of business structures

Q: I believe that Kyocera has been working on structural reforms, such as internal changes, the adoption of cross-departmental structures, and the integration with KAVX. What are the areas of such structural reforms you have done so far that you have found to be most beneficial? Do you see any positive results brought by your in-house efforts?

A: What is clear is that this year we will be releasing a textile printing machine. Our digital textile printing machine has an inkjet head that was developed by our printing devices business and the hardware was developed by our Document Solutions Unit. Thus, it has been jointly developed by these business divisions. Traditional textile printing process uses a large amount of water. Our inkjet printing does not use any water. We believe this system will contribute to the solution of social problems. This gives us confidence that our cross-divisional efforts have taken solid root in development activities.

Also, worth noting is that we have shifted to a segment-based system starting in fiscal 2022. For example, the level of personnel and technology exchanges within the Core Components Business has clearly increased. There are also efforts to be made on a company-wide basis, as represented by the establishment of the Digital Business Promotion Group to promote our digital transition. We hope to use such group as a starting point for making unified, company-wide decisions. I have just now mentioned about three points regarding our structural reforms. We believe these three points demonstrate that we are making progress toward producing tangible results through structural reforms.

Cautionary statement

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