



Outline of Q&A on Conference Call for the Three Months Ended June 30, 2020

(Held on July 30, 2020)

[Results / Forecasts in this fiscal year]

Q: How did results in the three months ended June 30, 2020 (“the first quarter”) compared with company targets? Also, what is the outlook for the three months ending September 30, 2020 (“the second quarter”) versus your assumptions?

A: Overall, the first quarter results were virtually in line with our expectations. Automotive-related components performed poorly as we anticipated. Alternatively, results for communication-related components in the Electronic Devices Group and in the Semiconductor Components Group were better than we expected. Looking ahead to the second quarter, a recovery in automotive-related components has now come into sight. Although recoveries for some of these components will lag by several months due to the existence of intermediate inventories depending on the component, automotive-related components are recovering as a whole. The Document Solutions Group is on a recovery track after bottoming out in May. We can remotely count the number of pages printed by our customers all over the world. In April, the number of pages printed in Europe plunged to around 30% of the level prior to the spread of COVID-19. Subsequently, a recovery is gaining momentum and as of June, the number of pages printed has rebounded to 60%-70% of the pre-COVID-19 level. Nonetheless, more recently COVID-19 is again spreading even in Japan and there are moves to also restrict office attendance, making the document market even more uncertain than the automotive-related market. We expect demand for smartphone-related components to increase from summer like in a normal year.

Q: Please explain specific product trends within the recovery of automotive-related components.

A: Automobile production is recovering at a considerably quick pace and we therefore anticipate that demand for ADAS-related components will also rebound in step with this pick-up. In contrast, we believe it will take several months before we see a recovery in engine sensors.

Q: What about MLCCs for automobiles?

A: Although our share for MLCCs for automobiles is not high, we believe it will recover in the same manner as for ADAS-related components.

Q: How much were the amounts of the impacts of COVID-19 and M&A for results in the first quarter respectively? Will the impact of COVID-19 disappear in the second quarter?

A: In the first quarter, COVID-19 had a negative impact of approximately 82 billion yen on sales revenue and approximately 23 billion yen on profit. Meanwhile, M&A had a positive impact of around 10 billion yen on sales revenue. From the second quarter onward, the effects of COVID-19 will not completely disappear, and we anticipate that about two-thirds of the negative impact experienced in the first quarter will remain in the second quarter.

Q: Comparing the results in the first quarter with the fourth quarter of the fiscal year ended March 31, 2020, ("the previous quarter") sales revenue decreased but profits increased. What factors contributed to this? Will such a situation continue in the second quarter onward?

A: The main reason for this difference was the absence of one-time charge about 10 billion yen recorded at AVX Corporation (AVX) in the previous quarter. Moreover, a reduction of travel and transportation expenses by about 2 billion yen and the setting of priorities for R&D expenses contributed several billion yen to profits. From the second quarter onward, although we expect to see some small backlashes to these cost reductions implemented to the present, we would like to continue making further efforts without incurring any large increases in expenses.

Q: Please describe your initiatives for business expanding in the future.

A: We have received numerous specific inquiries about 5G and data center related products. The Minatomirai Research Center, established in 2019, is also pushing ahead with research in these fields. Additionally, we will continue to work on initiatives such as joint testing of self-driving buses with East Japan Railway Company.

Q: Are there any segments that you expect will perform above or below the financial forecasts for year ending March 31, 2021?

A: The Components Business will likely recover steadily. Regarding the Equipment & Systems Business, in the Communications Group, although the telecommunication equipment business might underperform, the installation of base stations is expected to increase in the second half. In the Document Solutions Group, there are uncertainties because restrictions on work attendance could be implemented again. On top of that, for

our business overall, it is difficult to determine the extent to US-China trade friction will affect our businesses.

Q: Kyocera's results are often greatly influenced by economic conditions. Please explain the main reason for this.

A: Our businesses can be broadly divided into the Components Business and the Equipment & Systems Business. We believe that the large impact of economic conditions on our Equipment & Systems Business is a difference distinguishing us from other components manufacturers.

Q: The Equipment & Systems Business is concentrated mainly in the domestic market and this will make it difficult to generate growth in the future. What types of measures will you implement?

A: Although the Document Solutions Group has a high ratio of overseas sales, there is no doubt that in the Life & Environment Group sales of solar panels will be difficult. For this reason, we would like to significantly increase the weighting of services and power sales. Regarding mobile phones in the Communications Group, there are also some difficult areas in undertaking B-to-C business. So, we will focus efforts on B-to-B business in the future.

Q: A large number of recent M&A deals were in the Components Business. Does this mean that future growth will be centered on the Components Business and that the Equipment & Systems Business will be positioned to secure stable earnings in B-to-B businesses?

A: We believe this will be the case in the short term. However, over the medium term, we hope to increase the ratio for services in the Equipment & Systems Business.

【Electronic Devices Group】

Q: Is the decrease in sales revenue of AVX due only to the decline in automotive-related sales? Also, please talk about the initiatives you have taken after making AVX a wholly owned subsidiary.

A: The large decrease in sales was due to lower sales of automotive-related products, which account for a large portion of AVX's sales. AVX generates a high proportion of sales at distributors. As such, orders will not grow again until inventories at distributors are eliminated. However, it appears there will be a recovery trend from the second quarter onward and so we believe sales bottomed out in the first quarter. After making AVX a wholly owned subsidiary, each department proactively exchanged information and created plans to deploy synergies.

【Document Solutions Group】

Q: Please talk about the points where you expect to see your own business performance improvements for the Document Solutions Group.

A: The positive effects of measures for strengthening service-related businesses such as the solutions business through M&A are now emerging. In addition to this, we have received numerous business inquiries about commercial inkjet printers.

【Life & Environment Group (Smart energy business)】

Q: Your solar-related business is facing a severe environment because person-to-person sales activities cannot be undertaken. Please talk about this situation.

A: In the first quarter sales decreased because we were unable to carry out sales activities. We expect these harsh conditions to persist in the second quarter. However, from the three months ending December 31, 2020 onward, we are hopeful for a recovery in demand for residential and commercial use solar modules.

【Corporate and others】

Q: The Corporate and others profit increased from the previous first quarter. Besides the increase in dividend income, were there other factors driving this increase?

A: The impact of COVID-19 fully emerged in March and in response to this, various cost reductions undertaken at corporate departments are contributing to a profit increase in the Corporate and others.

【Post COVID-19 Initiatives】

Q: Kyocera engages in a variety of businesses. Are you making any considerations such as changing your cost structure or seizing new business opportunities going forward?

A: Around 90% of employees at the head office in Kyoto and the Tokyo region worked from home. We responded to this situation with speed that was unthinkable in the past and experienced no major problems. We would like to continue this in the future. Furthermore, we wish to accelerate rationalization at the plants and sales offices in Japan. Also, in collaboration with Tokyo Medical and Dental University, we provide a wireless headset device that measures blood oxygen saturation and enables conversations with patients. This makes it clear that we can contribute to medical care utilizing our communications and sensor technologies. We would like to achieve growth in these fields.

Cautionary statement

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