



Outline of Q&A on Financial Presentation for the Six Months Ended September 30, 2021

(Held on November 1, 2021)

(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 elaborate the trend on major markets of the Core Components Business and the Electronic Components Business from September 2021 onward, such as automotive-related markets and smartphone related markets.

A: For telecommunication customers including smartphone manufacturers, we are starting to have two to three months of schedule pushbacks from 3Q. Due to the spread of COVID-19, it's a difficult situation to procurement some parts especially in semiconductors. Again, we see the situation as a schedule pushback, not a reduction of production volume. For automotive-related markets, delay on procurement of semiconductors are occurring since 2Q, and we believe the effect would last somewhat for 3Q onward. As of automotive-related markets, we see it as schedule pushback, not a reduction of orders, so we are currently waiting for our customers to restart their production. Depending on our customers' situation, our situation may improve in a short period of time.

Q: Please explain the situation regarding supply chain disruption affecting the Document Solution Unit and the Communication Unit. How would the situation improve 3Q onward?

A: We have a decent amount of inventories, so we are not currently facing any immediate shortages of components that would affect our production plans. Rather, the greater issue is on the logistic side for the Document Solutions Unit. Some goods are unable to load off at overseas ports. We believe situation will turn brighter toward 4Q. We still have unclear outlook for the procurement of semiconductors, but end-market demand is remaining at the high level, so we will strive to procure components and increase sales.

Q: Compared to the end of fiscal 2021, inventory increased approximately 50 billion yen. Please give us a breakdown of this increase.

A: There are three factors behind the increase of inventory.

The first factor is an increase of our production output in response to favorable demand conditions. Second is due to logistics disruption. In some businesses including the Document Solutions Unit, some products have not been shipped, and others were in transit as of September. Third, we intentionally stocked up inventories such as components, due to difficulty regarding procurement of semiconductors.

Q: The depreciation charge and R&D expenses look behind the full-year forecast for fiscal 2022. Since capital expenditures also face delays, would it not also cause delays on depreciation charge?

A: We planned capital expenditures to be concentrated in 2H, but some are facing delays. The most significant factor is the delay on procurement of some parts. In addition, COVID-19 prevented us to send our production engineers and facility engineers, causing delay in capital expenditures overseas. These constraints should ease in 2H, and we now expect the full-year capital expenditures to be about the same as our initial forecast. The delay of capital expenditures would not affect sales for fiscal 2022. Depreciation charge may be delayed, but we see it as insignificant enough to require modification. For R&D expenses, we made various reassessments while some have been delayed to 2H. However, it will catch up with the initial full-year plan in 2H.

Q: Tell us about your view on the business environment of the energy-related business.

Decarbonization is a hot topic worldwide, but on the other hand, I think it's a tough environment because other companies are withdrawing from the business. Please share us with current situation and your outlook.

A: The business environment for the solar panel business, which we have been operating since the past, has been challenging, but we recognize that the energy-related market is a huge market. We intend to start in-house production of new type of storage battery which we have begun full-scale mass production and offer it along with panels. We also have SOFC (Solid Oxide Fuel Cells), and we will offer solutions to our customers as a comprehensive energy business with those products. We believe there is a social trend toward the in-house production of energy, and many companies, including companies in Japan, are now called on to produce the power they consume. We will start out by ensuring that our storage batteries are commercialized to meet the growing demand.

Q: Regarding the upward revision to financial forecast for fiscal 2022, I believe part of it is attributable to corporate gains and others and others business. Please elaborate the changes in those items.

A: Corporate gains and others include IT costs and digital transformation costs, and we have assessed and reduced some of these costs. Regarding others business, which includes new businesses and basic research functions, we also have reassessed and reduced some expenses, by taking the results of 1H into account.

2. Business situation of the Electronic Components Business

Q: The 2H forecasts regarding business profit sees a larger degree of decline than sales revenue compared with 1H. I believe foreign exchange rates are not unfavorable, so please elaborate the changes when seen by products or by application. Also, orders have increased in 2Q when compared with 1Q. Please share your outlook regarding orders 3Q onward.

A: There will be several hundred million of yen in costs associated with organizational changes at KYOCERA AVX Components Corporation ("KAVX"). In terms of the Electronic Components Business as the segment overall, we have adjusted our forecast to reflect uncertainties such as shortages of semiconductors and delay of production at customers caused by the spread of COVID-19.

Q: Regarding MLCC business, Kyocera and KAVX have different business domains. Please elaborate each order trends, as well as your understanding of inventory levels of customers. Furthermore, how have you factored these situations into the revised forecast?

A: Kyocera is strong especially in the telecommunication industry, and KAVX is strong in automotive-related market. In the telecommunication industry, customers have pushed back their production schedules by two to three months, while it is still unclear when automotive-related market will show improvement. We have incorporated the latest business outlook into revised financial forecast. We have not changed our sales revenue forecast of the Electronic Components Business, but have revised the profit upward, by taking into account of rationalization measures taken between Kyocera and KAVX.

Q: Please share how you feel about the response regarding the integration of KAVX with the electronic components business of Kyocera.

A: The integration is making progress as planned, starting with some organization integration which took place this October. We have been working together with KAVX for a long time, but because KAVX had minority shareholders, we could not have been fully integrated our operations. We understand the strengths and weaknesses of each other,

so we are taking measures through various projects to complement each other comprehensively. Improvements are already being made in fiscal 2022, but we expect further progress in fiscal 2023.

3. Managements

Q: I assume upward revision of financial forecast is largely due to the favorable business environment, but please explain which part of the upward revision of financial forecast came from Kyocera's own efforts.

A: It is true that our results have been buoyed by a favorable market. On top of that, the organic packages and display businesses, have contributed to profit in 1H. I believe it resulted from the efforts of structural reform in recent years.

Q: Kyocera has already been working on narrowing down unprofitable businesses, but are there any other factors that have been identified as a result of management efforts? I believe Kyocera had been introducing cross-functional teams across the manufacturing, sales, and developments, but has these efforts contributed?

A: The most noticeable effect has been the realization of reforms at low-profitability businesses. Else, we have been creating cross-functional teams and prioritizing investments to the focus area over the last few years. We are also working for increasing profit by providing companywide support to even small businesses if they are expected future growth. In terms of research and development related areas, we expect various projects to arise in the future.

Furthermore, we've done a lot of M&A in recent years, but we now focus on rebuilding the businesses which we acquired over the last few years.

4. Shareholder returns

Q: Have there been any changes to the basic shareholder return policy, including the timing of implementation such as dividend increase and share buybacks?

A: There haven't been any changes to the basic policy on shareholder returns. There are still many uncertainties in 2H, but we revised our full-year forecast partly because of favorable business conditions and improvements in low-profit divisions. In line with this, we decided to increase the dividend. As for share buybacks, we believe that this is an effective measure to achieve ROE targets. There are various factors to be considered comprehensively, including the stock price and timing. We decided that it would be an appropriate time to implement share buybacks under current conditions.

Q: Please explain your way of thinking on the scale of share buybacks. Tell us how Kyocera's stance had changed, so that we can have a clear outlook on future stockholder returns possibility.

A: For share buybacks, we decide the amount from the comprehensive view, including the stock price. Cash flow is obviously one of those factors we look at. Our basic shareholder return policy remains unchanged. We had previously announced that we would implement share buybacks flexibly, considering for meeting our ROE target, but we haven't been done it so far as we wanted to do it at the right time. We would like to do it proactively in future if it is an environment where we think it would be able to carry out.

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