



Outline of Q&A on Financial Presentation for the Nine Months Ended December 31, 2021

(Held on January 31, 2022)

(Note: Fiscal periods used in this document)

Fiscal year ending 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: Were the 3Q results better than expected?

A: There was an even upswing by each segment, leading to overall results better than expected. The Core Components Business has seen significant growth in semiconductor-related businesses. In the Electronic Components Business, in addition to automotive-related business in the KYOCERA AVX Components Corporation ("KAVX"), high capacitance capacitors and crystal devices performed well. In the Solutions Business, copy machines and other equipment, which had incurred significant declines in fiscal 2021, recovered more than expected.

Q: Please explain the status of capacity utilization for each of the main components.

A: For the Core Components Business, the utilization rate of the divisions that make components for semiconductor processing equipment, organic packages, and ceramic packages are already almost 100%. The divisions manufacturing automotive components have some room, since some of our customers are adjusting their production. The divisions manufacturing the components for industrial machinery is in almost full operation. As for the Electronic Components Business, MLCCs and crystal devices, especially the small ones, are close to full operation. Some business in the Solutions Business is constrained by the semiconductor shortages.

Q: Normally, profits for 4Q trend to be higher. Please explain why financial forecast for fiscal 2022 remain unchanged. Is it because profit for 4Q would be lower than usual this year, due to an increase of costs, such as depreciation charge?

A: Unless we have the spread of COVID-19 infections, disruptions in logistics or other similar troubles, the sales revenue for 4Q is expected to increase, which would also lead to an increase in profit.

Q: Please elaborate your view of future market conditions for fiscal 2022.

A: Normally, electronic components for mobile phones suffer a slight downturn in 4Q when compared to 3Q, but in fiscal 2022 the downturn is less severe than usual. For the area of semiconductors, the market is demanding that we increase production more rapidly for the components for semiconductor processing equipment and various packages.

2. Business forecast for fiscal 2023

Q: Please elaborate your view of future market conditions for 1Q and 2Q of fiscal 2023. Do you expect the demand will remain strong, or is there a sense of uncertainty?

A: Current situation in semiconductor-related markets will obviously continue for some time to come. On the other hand, we are worried about the situation of copy machines and mobile phone business, because the procurement is still running on the edge. We hope things would not get any worse.

Q: Is Kyocera in need to increase production capacity quite extensively in fiscal 2023?

A: That is right. We are on the verge of starting construction of two factory buildings at Kagoshima Kokubu Plant to manufacture components for semiconductor processing equipment. Also, we will utilize one building in Kyoto Ayabe Plant, which has been completely vacant, almost completely for organic substrates from fiscal 2023. We will also build another building for ceramic packages in Vietnam. In addition to them, we need more capital investments. We are in a situation we have never experienced before.

3. About the Core Components Business

Q: When comparing 3Q with 2Q, sales increased considerably, but profit growth seems to be a little slower. Please explain the reason why.

A: It is because the impact of increased costs, such as an increase in depreciation charge due to capital investment in CMOS packages for smartphones. This situation of slower profit growth is expected to continue for a while since we also need to make capital investments for organic packages and boards and other products.

Q: Please explain the reason why orders for the Semiconductor Components Unit seem to have declined in 3Q compared to 2Q.

A: Orders for packages for smartphones came to peak in 2Q, as usual. Orders seem to have declined because that peak was high on 2Q. However, full production has been going on for almost all other components, so I don't think there is any image of a decline in 3Q and 4Q from 2Q. Full production will continue throughout 4Q.

4. About the Electronic Components Business

Q: When comparing 3Q with 2Q, sales revenue was almost flat, but profit decreased slightly. Is this due to some special factor?

A: One of the reasons for the slight decline in profit is that we have amortized a portion of the trademark rights that are not expected to be used due to the integration of Kyocera's electronic components business and KAVX. About JPY300 million was incurred.

Q: In terms of electronic components market in general, there was a movement in the supply chain to build up inventories to a certain extent until 2Q. Is this trend continuing?

A: It is generally accepted that electronic components in general are still rather understocked, so we think the situation of orders is still a little strong.

Q: Please explain how KAVX is utilizing new plant in Thailand. Are you planning to expand tantalum capacitors, including the expansion of applications, or is it possible to use the Thailand plant to secure the space to increase MLCCs?

A: The KAVX plant in Thailand was completed in December 2021, and we plan to start increasing production of tantalum capacitors for SSDs, which currently have a relatively low share. As for MLCCs, Kyocera's electronic components business only manufactures them in Japan, so we are planning to transfer the Japanese production technologies and facilities to Thailand, where KAVX will manufacture them. This plant will become a major base for tantalum capacitors and MLCCs in the future.

5. About the Solutions Business

Q: Please elaborate the current status of start-up as well as the mass production of the clay-type storage battery.

A: The clay-type storage battery is manufactured at a facility of the Shiga Yasu Plant, as the Kyocera's first smart factory. The improvement of the product yield is still under progress, but the manufacturing is almost fully automated. We are now manufacturing storage batteries for home use, and we will be able to go into full production in fiscal 2023.

Q: A newspaper reported that you will expand the clay-type storage battery for the automotive use. Please share the outlook.

A: We manufacture clay-type battery utilizing the technology developed by 24M Technologies, Inc, an American tech start-up from MIT. We have not yet decided anything like mass-production for automotive use.

Q: I believe you have had a lot of trouble procuring components, such as semiconductors, for the Document Solutions Unit and the Communications Unit during fiscal 2022. How do you expect improvement in terms of profit over the course of fiscal 2023?

A: We believe semiconductors will probably continue to be difficult to procure, and the Document Solutions Unit is experiencing the paperless trend. Therefore, in the Document Solutions Unit, we are expanding our business fields from office equipment to industrial printers. We plan to sell the printer for textile. We are shifting the emphasis more on industrial use. In the field of telecommunications equipment business in the Communications Unit, we will be engaged in more in BtoB work, such as the 5G millimeter wave backhaul system for 5G base stations.

6. About the management

Q: I have an impression of that Kyocera has been strengthening management that promotes horizontal collaboration among different businesses. Please introduce us any result of your efforts.

A: In terms of the Core Components Business, ceramic packages, fine ceramics, and automotive components are basically the applications of similar ceramic technologies, so we are beginning to see cases where engineers from all three divisions working together to solve important issues.

In the Electronic Components Business, we integrated the sales system for both KAVX and Kyocera's electronic components business in Europe and the US in 2H. Also, in Asia, KAVX and Kyocera's electronic components business are going to unify their sales systems from fiscal 2023. They will also integrate their development systems.

In the area of the Solutions Business, we are beginning to see many examples of our colleagues from different businesses, as well as from our group companies coming together around the Minatomirai Research Center to promote initiatives.

Q: In terms of how you see the outcome of these activities reflected to financial results, do you feel that there is an increasing possibility of seeing some changes in fiscal 2023?

A: For example, the inkjet textile printing machine in the Solutions Business was developed jointly by the printing devices business of Kyocera Corporation and the KYOCERA Document Solutions Inc. Also, engineers from the telecommunications equipment business and the R&D division, members of the IoT team, and engineers of Rist, Inc., a subsidiary of KYOCERA Communication Systems Co., Ltd. which has expertise in AI,

are working together to conduct demonstration tests for local 5G systems for use at factories. We expect some results of such products or services in fiscal 2023 and onwards.

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