



Outline of Q&A on Financial Presentation for the Three Months Ended June 30, 2022

(Held on August 1, 2022)

(Note: Fiscal periods used in this document)

Fiscal year ending March 31, 2023: fiscal 2023

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 2023

• Business results for 1Q

Q: Please explain what was good and bad in 1Q overall when compared to the initial plan.

A: The overall results for the Core Components Business and the Electronic Components Business were good. When compared by markets, those except for automotive-related markets were overall good. For automotive components, there was a clear contrast between good and bad. Production of EV-related components is still rising. On the other hand, components for internal combustion engines and in-vehicle cameras declined in tandem with production volume of automobiles. On a net basis, sales of automotive components rose slightly.

Regarding the Solutions Business, results of the Industrial Tools Unit and the Document Solutions Unit slightly exceeded the initial forecast. The Communications Unit experienced a decline. This was mainly due to a significant drop in mobile phone sales volume in Japan. In addition, the smart energy business, included in Others, fell short of our forecast due to a delay in planned mega solar project.

Q: Looking at operating profit of 1Q, the rate of progress is about one-fourth of the full-year forecast, so I assume you are slightly ahead of the plan. Please elaborate the situation.

A: Since the yen was weaker than expected, the results were slightly better than planned. When excluded the impact of weaker yen, the results were as about the range of expectation.

Q: I assume that the utilization rate has increased and higher utilization rate boosted profitability of 1Q. Which segment did you see higher profitability because of this? Also, please tell us your production volume outlook for 2Q onward.

A: Profits for the Core Components Business have nearly doubled. We believe about half of this profit increase is attributable to increased production including automation of production. Other than that, the weak yen also contributed to profits as another major factor. As for the outlook, due to additional production facilities that will be operating in 2Q and beyond, production output will increase.

• **Business outlook for 2Q onward**

Q: There have been concerns about the outlook for consumer-oriented products such as PCs and smartphones. Please give us your outlook.

A: Mobile phone market has experienced a difficult business environment. Situations regarding mobile phone market in China is tough, but our sales weighting of components for Chinese market is not very high. Therefore, we have not encountered any significant effects. We do not expect this situation to change in 2Q and beyond. As for semiconductor-related markets, the supply side for some older generation general-purpose semiconductor components is beginning to outstrip the demand side. However, the supply situation for cutting-edge semiconductor components remains very tight, and we expect the solid performance of the semiconductor-related components we manufacture to continue in 2Q and beyond.

Q: The results for the Core Components Business and the Electronic Components Business have been strong. As the trend in past years, would the demand for high-end smartphones increase 2Q onward?

A: Demand tends to increase in 2Q and 3Q, and I believe it will be the same for fiscal 2023 as well. Also, the overall production level of automobiles remained low especially in 1Q of fiscal 2023, so recovery of automotive components is expected 2Q onward. We believe that the recovery of automotive components will compensate even if demands for components for mobile phones become somewhat weak.

Q: Is it correct to assume that inventory in the supply chain for automotive components will not affect the demand of components such as automotive cameras?

A: For some components such as sensors related to internal combustion engines, we have received information that customers are carrying excessive inventories. However, for the automotive cameras we supply, our customers are not carrying that much inventory, partly due to the shortage of semiconductors. Therefore, some components may suffer from inventory adjustments, but overall, we believe situations will improve.

• **Situations about inventories**

Q: Inventories at the end of 1Q of fiscal 2023 increased by approximately 75 billion yen from 4Q of fiscal 2022 and more than 150 billion yen from 1Q of fiscal 2022. Please tell us in which products inventories increased.

A: Since components sales were strong, inventories increased overall. In addition, particularly noteworthy was the significant increase in the inventory of the Document Solutions Unit, due in part to marine transportation issues, resulting in higher inventory levels than usual.

2. Situations by reporting segment

• **Core Components Business**

Q: Regarding components for semiconductors, I believe that results were strong. Please elaborate both good and bad aspects. Were packages for CMOS as well as high frequency applications not affected overall by Chinese smartphone markets?

A: For components for semiconductor processing equipment, since we mostly supply for cutting-edge markets, we expect the favorable conditions to continue for some time. For organic packages and boards, we also supply mainly for cutting-edge areas, and expect to remain steady. The supply side of general-purpose semiconductor components has begun to exceed the demand side, but it is fortunate that we do not supply many components for such applications. Therefore, the impact on our performance is expected to be negligible.

As for ceramic packages for CMOS etc., we are not supplying them to all mobile phone manufacturers, and as for now, we believe the demand will remain firm based on information we receive from our customers. In other areas, such as surveillance cameras and digital cameras are also doing relatively well. So, we see no major problems in this product.

Q: Is it correct to assume that the inventory of ceramic packages for CMOS held by customers is at a level where there is no concern at this point?

A: We do not believe that the inventory is excessive with respect to the packages that we supply.

• **Electronic Components Business**

Q: Please tell us about the significant improvement in the performance for 1Q of fiscal 2023 of the Electronic Components Business when compared with the results of 1Q of fiscal 2022. If you divide the results into Kyocera's electronic components business and Kyocera AVX Components Corporation("KAVX"), what kind of changes did you see for each business?

A: Both Kyocera's electronic components business and KAVX financial results improved. In terms of profit, KAVX's improvement was slightly larger due to the weaker yen.

Q: Regarding KAVX's business performance, please tell us about the sales trend of tantalum capacitors. Do you expect sales to continue to expand in 2Q onward?

A: Sales for tantalum capacitors, especially those used in SSDs, are growing. Since we will take over ROHM Co. Ltd.'s tantalum business, we expect further sales growth in 2H and beyond.

• **Solutions Business**

Q: Sales of the Industrial Tools Unit were very strong. Would this robust performance continue in 2Q and beyond?

A: In particular, cutting tools have shown a sharp recovery from the slump caused by COVID-19 and continue to be in very good condition. We expect the business to remain strong in 2Q and beyond.

Q: You mentioned that the outlook of mobile phone sales in the Communications Unit for the rest of fiscal 2023 is grim. Given this situation, are there any measures for improving the business you intend to take for fiscal 2024 and beyond?

A: One of the measures would be to launch new 5G products since telecommunications carriers have already switched their focus to those compatible with 5G. We also intend to focus on B2B sales, including handset sales to corporate customers. In addition, as we have already announced, we are working on backhaul systems which utilize 5G millimeter-wave in collaboration with SoftBank. We would like to expand our overall telecommunications business while shifting our focus a little in areas of infrastructure.

Q: Profit of Others have improved significantly. Please explain why.

A: In addition to improvement in profitability of the smart energy business, profitability of inkjet printing heads of the printing device business has also improved. The Solutions Business includes several businesses that handle more component-like products, and their performance showed an improvement.

Cautionary statement

This is an English translation of the Japanese original. This translation is prepared for the reference and convenience solely for those who do not use Japanese. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail. Except for historical information contained herein, the matters set forth in this document are forward-looking statements that involve risks and uncertainties including, but not limited to, product demand, competition, regulatory approvals, the effect of economic conditions and technological difficulties, and other risks detailed in the cautionary statements with respect to forward-looking statements on the company's website.

(<https://global.kyocera.com/ir/disclaimer.html>)