Outline of Q&A on Financial Presentation for the Six Months Ended September 30, 2022
(Held on October 31, 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
   • Market condition
   Q: Please elaborate the current market conditions of the Core Components Business and the Electronic Components Business.
   A: As for the semiconductor-related markets, especially for memory, demand is expected to deteriorate considerably due to slow sales of smartphones and PCs. On the other hand, same number of semiconductors can only be produced with about twice the capacity of conventional production equipment, due to finer wiring. Therefore, we do not expect a significant decline in sales of components for semiconductor processing equipment (“SPE”) and cutting-edge packages in 2H.
   As for consumer market, we expect a drop in sales of components for smartphones and PCs. However, since we do not account for a large share of the Chinese smartphones, we expect the decline to be relatively small.

   Q: Please elaborate your understanding of the inventory status of customers by application.
   A: For automotive-related components, semiconductors have been in short supply for some time, but the semiconductor inventory is filling up. I believe other electronic components are relatively heavily stocked.
   As for smartphones, since the replacement cycle has been extended by more than one and a half years, sales have been slower than expected. We believe that the inventory is plentiful as a result.
   On the other hand, when taking components for SPE, our specialty, as an example of industrial machineries, inventory has yet to become sufficient in this area. Customers are demanding shorter lead times.
Q: Regarding your components for automotive-related markets, do you see adjustment of inventories?
A: We see a decline in demand of internal combustion engine-related components. On the other hand, we believe that demand of EV-related components is increasing and continue to rise, rather than adjust. As a result, we expect sales to slightly increase in total.

• Financial results for 1H
Q: In which department is the litigation-related costs of approximately 7 billion yen included?
A: It is included in corporate gains and others.

2. Situations by reporting segment
• Core Components Business
Q: Would the demand of components for SPE not be affected by the deterioration of the memory market?
A: Our components for SPE for film deposition and etching equipment used for 3D NAND structures have been affected, but the backlog of orders in other areas is very large, and thus we have not reached the point where we have to reduce production in 2H.

Q: I believe that demand of ceramic packages for consumer applications such as smartphones are decreasing. Please elaborate the current situation.
A: Ceramic packages used in smartphones can broadly be divided into two; electronic component packages such as packages for crystal oscillators, and packages for image processing such as CMOS image sensors. As for CMOS packages, we have been able to increase sales as planned. For the electronic component packages, due to the slump in Chinese smartphones, we already see inventory adjustments in some products, and anticipate a sharper adjustment toward 2H. In total, we expect sales to grow slightly.

Q: Regarding situation of ceramic packages. Up until now, your market share has been very high with a near monopoly, but now Chinese companies have entered the market one after another, especially for packages for crystal oscillators. Please tell us how you plan to compete with the Chinese companies.
A: We are also aware that a Chinese manufacturer has been quite active in ceramic packages, especially for crystal oscillators, but they are only capable of producing large-size packages at this point. Our focus is on smaller sizes, and we are the only company that can technically produce packages for the smallest 1005-type crystal oscillators. So our strategy is to maintain a high market share by focusing on miniaturization.
• **Electronic Components Business**

Q: When comparing the financial results of 2Q with 1Q, sales revenue increased by 5 billion yen, but business profit decreased by 1.5 billion yen. Please explain the reason why.

A: In addition to the slight decline of crystal devices, SAW filters, which has relatively high sales weight to smartphone manufacturers in China, have sharply declined. Connectors are also struggling.

Q: My impression is that sales of Kyocera's electronic components business for smartphones usually increase in 2Q of each year, due to seasonality. Was there any difference in such seasonal movements in 2Q of fiscal 2023?

A: Smartphone manufacturers can be broadly divided into Chinese, North American, and Korean manufacturers. This year, Chinese manufacturers did not perform well. Therefore, the increase was smaller as compared with previous years.

Q: Please tell us about the contributions from Kyocera AVX Components Corporation (“KAVX”) becoming a wholly owned subsidiary. Also, please tell us about the effects which will be apparent in the future.

A: Regarding the integration of KAVX and Kyocera's electronic components business, the two companies have very different sales methods and sales destinations. Kyocera's electronic components business has high sales weight in components for telecommunication equipment such as smartphones. KAVX, on the other hand, specializes in different fields, such as automotive, aerospace, and medical components. In addition, as for sales channel, while Kyocera’s electronic components business is based on direct sales, KAVX sells more through distributors. The integration of sales organizations has been underway since fiscal 2022, and has already been completed in Europe and the US, while integration was also completed in Asia during 1H of fiscal 2023. With regard to how we are taking advantage of the strengths of each company, we have been working to sell Kyocera's electronic components to automakers, where KAVX excels, and to sell KAVX's tantalum capacitors to the communications market, where Kyocera excels. Thus, the contributions are gradually emerging, and we believe that this collaboration will progress further hereafter.
Q: Please explain the progress of integrating production bases of Kyocera’s electronic components business and KAVX, taking place in Thailand plant etc.
A: We have given priority to the transfer of production technology from Kyocera to KAVX. For the tantalum capacitors, one of KAVX’s strengths, we will apply Kyocera’s fully automated production lines along with the transfer of the production equipment of Adogawa plant acquired from Nichicon Corporation and the technology acquired from ROHM Co., Ltd. to the new Thailand plant. We expect the plant to start operation in 2H of fiscal 2024. In conjunction, we will work on the production lines of MLCCs etc. as well.

Q: Regarding the release about constructing new building at the Kagoshima Kokubu Plant, how will this affect production capacity of MLCCs?
A: Once the new building is fully operational, we expect our production capacity of MLCCs to increase by about 40% over current level of Kyocera’s electronic component business.

• Solutions Business
Q: Please explain the reasons why forecast of sales revenue for the Industrial Tools Unit had been raised while leaving the profit forecast unchanged. Also, please elaborate the measures taken to improve sales and profit in the Document Solutions Unit and the Communications Unit, as well as the estimated timing of improvement.
A: In the Industrial Tools Unit, we sell two types of tools: cutting tools and pneumatic and power tools. As for cutting tools, due to the recovery of automobile production, we expect the situation to improve in 2H, especially in Japan. However, for pneumatic and power tools, due to the decline in housing starts in North America, it is likely to have a negative impact on sales and profit.
In the Document Solutions Unit, although sales are recovering, profits did not improve due to soaring component prices, etc. We are negotiating price hikes step by step, the effects of which are expected to gradually emerge from 2H, resulting in profits of 2H to improve as compared with 1H. On the other hand, for the Communications Unit, the significant decline in the mobile phone sales caused a loss in profit. Although we are implementing price increases and other remedial measures, we do not expect a recovery in 2H of fiscal 2023.
Q: Would the profitability in the Document Solutions Unit and the Communications Unit recover to past levels? Also, do you believe that you need to take remedial measures at an accelerated pace?

A: In the Document Solutions Unit, we will introduce price revisions and launch commercial inkjet printers and textile printers in line with the shift in sales ratio from office printers to industrial printers, and aim to further improve profitability. On the other hand, demand for our mobile phones is not expected to recover in the consumer market, because of the overwhelming strength of a North American manufacturer. We are striving to capture the demand in the BtoB domain, focusing more on companies undergoing digital transformation as well as base-station-related businesses. We believe this will take another one to two years for these efforts to bear fruit.

3. Other topics

• Capital expenditures

Q: You said that you would continue promoting aggressive capital investment for the next few years, but I can’t help but to see that you are investing at the peak of the cycle. Do you not think that capital investment will have negative impacts on your financial results?

A: Most of the capital expenditures are semiconductor related. Ceramic packages, organic packages and boards, and components for SPE account for a very high percentage. We recognize market condition of semiconductors have been deteriorating, but it should be noted that there are technological differences from the past that need to be addressed as various new technologies emerge, including metaverse and VR/AR technologies, especially as various things have been digitized under COVID-19. There will inevitably be some ups and downs but looking at the longer term, for example, it is said that by 2030, the size of the semiconductor industry will roughly double what it is today. Therefore, while there may be some risks that become very apparent in the short term, we believe that now is the time to invest in this area from a medium- to long-term perspective.

Q: I believe that the investment happening in the electronics industry as a whole is probably concentrated in the automotive-related markets. In that sense, the way Kyocera invests is quite loosely tied to applications compared to other companies, saying that you invest in semiconductors in general, not specific applications. Are the capital investments tied to applications?

A: Semiconductors are no longer used in one particular field, but for everything. For example, AI chips are mainly used in data centers now, and cutting-edge chips will be needed for ADAS in cars. We manufacture components for the SPE and packages, so they do not tie to applications.
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