



Telephone Conference Call for the Nine Months Ended December 31, 2020
(Held on February 1, 2021)

Hideo Tanimoto
President and Representative Director

<(Cover) 1. Financial Results for the Nine Months Ended December 31, 2020>

<2. Financial Results for the Nine Months Ended December 31, 2020>

In the nine months ended December 31, 2020 (“the nine months”) both sales revenue and profits declined from the nine months ended December 31, 2019 (“the previous nine months”) due mainly to the impact of COVID-19. Sales revenue decreased 8.1% to 1,100.5 billion yen, operating profit decreased 54.7% to 43.0 billion yen, profit before income taxes decreased 38.4% to 87.2 billion yen, and profit attributable to owners of the parent decreased 36.9% to 63.9 billion yen compared with the previous nine months.

Average exchange rates for the nine months were 106 yen to the U.S. dollar, marking appreciation of 3 yen, and 122 yen to the Euro, marking depreciation of 1 yen, from the previous nine months. As a result, sales revenue and profit before income taxes for the nine months were pushed down by approximately 10.0 billion yen and 1.0 billion yen, respectively, from the previous nine months.

<3. Summary of Financial Results for the Nine Months Ended December 31, 2020>

Let me explain three points in giving you a summary of our financial results for the nine months.

First, demand declined in main markets due to COVID-19. In document markets and automotive-related markets, demand in the nine months decreased from the previous nine months despite a recovery trend after bottoming out in the three months ended June 30, 2020.

Second, an impairment loss in the amount of 11.5 billion yen was recorded in the Life & Environment Group. In the smart energy business, an impairment loss relating to machinery, equipment and goodwill as well as intangible assets was recorded. In working to improve the profitability of this business, we are shifting our emphasis toward the energy business. These efforts include focusing on the development and sales of systems such as storage batteries as a response to self-consumption of energy in addition to promoting the solar power generation system business such as mega solar systems. On the other hand, there is a lag regarding the outlook for future demand due in part to the impact of postponements of energy-related investment at customers and restrictions on face-to-face sales resulting from the recent spread of COVID-

19. In view of these circumstances, we reviewed our future business plan and calculated business value and as a result we recorded an impairment loss for the current fiscal year.

Third, demand for semiconductor and 5G-related components increased.

In the Industrial & Automotive Components Group, demand increased for fine ceramic components for semiconductor processing equipment while in the Semiconductor Components Group demand increased for ceramic packages for image sensors and crystal and SAW devices for 5G capable devices.

<4. Sales Revenue by Reporting Segment for the Nine Months Ended December 31, 2020>

Sales revenue for the Industrial & Automotive Components Group and the Semiconductor Components Group increased from the previous nine months but sales revenue in other reporting segments decreased.

<5. Business Profit by Reporting Segment for the Nine Months Ended December 31, 2020>

Business profit for all reporting segments decreased.

<6. Financial Results by Reporting Segment for the Nine Months Ended December 31, 2020>

(1) Industrial & Automotive Components Group

I will now explain results by reporting segment. The left side of the slide shows a comparison between the nine months and the previous nine months and the right side shows quarterly trends of this fiscal year from the first quarter through the three months of the third quarter.

In the Industrial & Automotive Components Group, compared with the previous nine months shown on the left, sales revenue increased due to higher sales of pneumatic and power tools thanks to the contribution of M&A activities and an increase in demand for components for semiconductor processing equipment. However, business profit decreased due mainly to the impact of sluggishness in automotive-related markets.

In quarterly trends on the right, demand for automotive-related components such as automotive cameras and cutting tools is rebounding and demand for components for semiconductor processing equipment continued to trend at a high level. As a result, both sales revenue and business profit steadily moved upward.

<7. Financial Results by Reporting Segment for the Nine Months Ended December 31, 2020>

(2) Semiconductor Components Group

Sales revenue of the Semiconductor Components Group, shown in a comparison with the previous nine months on the left, increased thanks to growth in 5G-related products. However, business profit decreased due to an increase in costs such as depreciation charges.

On the other hand, in quarterly trends on the right, both sales revenue and business profit improved further due mainly to increased demand for ceramic packages, primarily for 5G capable smartphones.

<8. Financial Results by Reporting Segment for the Nine Months Ended December 31, 2020>

(3) Electronic Devices Group

Sales revenue and business profit of the Electronic Devices Group, shown in a comparison with the previous nine months on the left, decreased due mainly to lower sales of AVX Corporation. Demand was sluggish in main markets such as in the industrial machinery and automotive-related markets.

On the other hand, in quarterly trends on the right, both sales revenue and business profit improved along with a market recovery. In addition to increased sales of AVX Corporation, crystal devices, and connectors for automotive-related markets, demand for ceramic capacitors and other products for 5G capable smartphones has trended firmly since the second quarter (from July 1, 2020 to September 30, 2020) and demand for printing devices for the textiles market recovered.

<9. Financial Results by Reporting Segment for the Nine Months Ended December 31, 2020>

(4) Communications Group

In the Communications Group, as shown in a comparison with the previous nine months on the left, sales revenue and business profit decreased in both the telecommunication equipment business and the information system and telecommunication services business. However, the business profit margin improved due to cost reductions.

In quarterly trends on the right, sales revenue and business profit trended upward driven by a recovery of demand in the telecommunication equipment business and the information system and telecommunication services business as well as ongoing cost reductions.

<10. Financial Results by Reporting Segment for the Nine Months Ended December 31, 2020>

(5) Document Solutions Group

Sales revenue and business profit of the Document Solutions Group, shown in a comparison with the previous nine months on the left, decreased due to lower demand for equipment and consumables resulting from restrictions on office attendance. In quarterly trends on the right, a recovery in global demand continued after bottoming out in the first quarter. In addition, business profit increased significantly in the third quarter due to cost reductions and the impact of exchange rates.

<11. Financial Results by Reporting Segment for the Nine Months Ended December 31, 2020>

(6) Life & Environment Group

In the Life & Environment Group, as shown in a comparison with the previous nine months on the left, sales revenue of the smart energy business decreased due to lower sales of solar power generation systems. Business loss expanded due in part to the recording of an impairment loss in the amount of 11.5 billion yen.

In quarterly trends on the right, in the smart energy business sales are recovering due to the gradual resumption of sales activities in the domestic market. The size of the business loss is shrinking when excluding the impairment loss.

The preceding is an overview of our results for the nine months by reporting segment. Next, I will explain our full-year financial forecasts for the fiscal year ending March 31, 2021.

<(Cover) 12 Financial Forecasts for the Year Ending March 31, 2021.>

<13. Financial Forecasts for FY3/2021>

Despite concerns about the impact of COVID-19 in the fourth quarter (from January 1, 2021 to March 31, 2021), in the Components Business demand in 5G-related and semiconductor markets is expected to continue. In the Equipment & Systems Business, sales revenue is expected to increase due to the introduction of new products. Accordingly, the full-year earnings forecast for the Kyocera Group remains unchanged from the figures announced in April 2020. Based on progress made up through the third quarter and the outlook for the fourth quarter, we have revised the amount of capital investment upward to 110 billion yen from the previous forecast of 100 billion yen and revised R&D expenses downward from 80 billion yen to 75 billion yen. We have also revised segment forecasts based on our progress.

<14. Sales Revenue Forecasts by Reporting Segment for FY3/2021>

In the Components Business, although sales revenue of the Electronic Devices Group is expected to fall below the October forecast, sales revenue of the Industrial & Automotive Components Group and the Semiconductor Components Group are expected to exceed the October forecast, driven by demand in automobile, semiconductor, and 5G-related markets. Based on this outlook, we have revised our forecast for the entire Components Business upward by 14 billion yen.

On the other hand, in the Equipment & Systems Business, sales revenue of the Document Solutions Group is expected to exceed the October forecast thanks to a market recovery. However, because the Communications Group and the Life & Environment Group are expected to fall short of the forecast, we have revised sales revenue for the entire Equipment & Systems Business downward by 7 billion yen.

<15. Business Profit (Loss) Forecasts by Reporting Segment for FY3/2021>

In the Components Business, the upward revision in business profit for the Industrial & Automotive Components Group is expected to cover the downward revisions in the Semiconductor Components Group and the Electronic Devices Group. Therefore, we made no revision to our forecast for business profit for the total Components Business.

Despite the impact of an impairment loss in the Life & Environment Group, business profit for the total Equipment & Systems Business is expected to be increased by 1 billion yen due to upward revisions in the Document Solutions Group and the Communications Group.

<16. Strengthening Business Foundations for Growth>

(1) Entering the Gallium Nitride (GaN) Business

Now I would like to explain two points about strengthening our business foundations for future growth.

First is our entry into the gallium nitride (GaN) business, which is expected to play an important role toward realizing a low-carbon society. In January, we acquired Soraa Laser Diode, Inc. (SLD Laser), of the United States, a leading company in the commercialization of GaN technology based laser light sources. This company's GaN lasers realize characteristics such as high-efficiency, high-luminance and high safety and are used in a variety of applications, including mobility and specialty lighting. Going forward, Kyocera will utilize SLD Laser's products and technologies to accelerate the development of devices and systems while using its own production technologies to further improve productivity and profitability.

<17. Strengthening Business Foundation for Growth>

(2) Strengthen Research & Development System

Second, we will strengthen our research & development system. In 2019, we consolidated our software development, which was dispersed across the Kanto region, into the Minato Mirai area of Yokohama. Following this, we have decided to build a new research building for the purpose of speeding up development and promoting open innovation and human resource development at the Kagoshima Kokubu Plant, which is our base for *Monozukuri* development. The plant has three departments, namely the Materials technologies, Process technologies and Analysis evaluation technologies departments. By consolidating these into the new building, we will further speed up development in new fields such as aviation, space, medical, healthcare in addition to our existing fields of information and communication, environment and energy.

<18. Business Environment Outlook and Initiatives for FY3/2022>

In the fiscal year ending March 2022 (next fiscal year), despite concerns about the impact of COVID-19, we expect further advances in digitization and ADAS. To seize these business opportunities, Kyocera will continue to actively deploy its products and develop new products. In response to the advance of digitization, Kyocera will work to expand sales of products for 5G and semiconductor-related markets. In anticipation of business expansion in these markets, over the past several years Kyocera has been actively promoting capital investment to increase production and proceed with in-house trial introductions of new systems. We will steadily link these measures to sales and profits for the next fiscal year.

In the mobility market, we will strive to expand sales of various products by leveraging the comprehensive strengths of the Group. We will deploy a wide range of products by collaborating and utilizing technologies cultivated in each business to the present, from components and devices such as vehicle cameras and modules to systems such as roadside units that support the realization of ADAS.

<(Cover) 19. Reorganization of Business Structure>

<20. (1) Reorganization of Business Structure to Strengthen Management Foundation>

From April 2021, Kyocera will reorganize its current 16 main businesses and subsidiaries, integrating them into the three newly established business segments, namely, Core Components Business, Electronic Components Business and Solutions Business. Administrative divisions will also be reorganized and integrated into Headquarters. We plan to appoint officers in charge of each new segment.

Under the new organizational structure, from April 2021 we will execute dynamic and speedy management decision-making that transcends the framework of the existing organization.

<21. (2) Change of Business Segment>

This shows the details of changes in our business segment classification. The left side shows the business segments up to this fiscal term. Kyocera grouped 16 business divisions into six business segments. However, from the next fiscal year, we will change these segments into three business segments as shown on the right. Core Components will be mainly be composed of the previous Industrial & Automotive Components Group and Semiconductor Components Group. Electronic Components will consist of electronic components and AVX Corporation included in the current Electronic Devices Group. Solutions will mainly consist of industrial tools, printing devices, and smart energy in addition to the existing Communications Group and Document Solutions Group.

In the future, we will review products and businesses toward growth and profit expansion in each segment, with these efforts led by the officer in charge, while striving to strengthen cooperation within and among business divisions.

Cautionary statement

This is an English translation of the Japanese original. The translation is prepared solely for the reference and convenience of 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.