



## **Outline of Q&A on Conference Call for the Six Months Ended September 30, 2020**

**(Held on October 29, 2020)**

- \* Fiscal year ending March 31, 2021: This fiscal year
- Fiscal year ending March 31, 2022: Next fiscal year
- 1st quarter (from April 1, 2020 to June 30, 2020): 1Q
- 2nd quarter (from July 1, 2020 to September 30, 2020): 2Q
- 3rd quarter (from October 2020 to December 31, 2020): 3Q
- 4th quarter (from January 1, 2021 to March 31, 2021) : 4Q

### **1. Business results**

#### **【Business results in this fiscal year】**

Q: Other electronics components manufacturers outperformed forecasts in their 2Q business results and numerous companies are performing reasonably well in the second half versus their initial forecasts. Compared with these companies, there is a sense that Kyocera is lagging behind. Please explain the difference in circumstances between Kyocera and these other companies.

A: Although we have solid prospects for smartphones and 5G-related products, a main reason for this difference is that prospects for automotive-related business are still not favorable at AVX Corporation (AVX).

Q: I get the impression that the recovery in profits is weak. Do you need to take additional measures?

A: We recognize no significant issues as we had in the telecommunications equipment business in the past. More time will still be needed before we can normalize operations such as at AVX.

Q: How much are the respective amounts of the impact of COVID-19 on your first half results and second half forecast?

A: In the first half, we believe COVID-19 had a negative impact of approximately 120.0 billion yen on sales revenue and approximately 41.0 billion yen on profit before income taxes. We anticipate that about one half of the negative impact experienced in the first half will remain in the second half.

Q: Regarding the future impact of US-China trade frictions, which of your products will be particularly affected?

A: In the second half, we expect that the Electronic Devices Group will be affected. In terms of specific products, we foresee an impact on all communications-related components such as capacitors, SAW filters and crystal devices.

**【Outlook for financial results in the second half of this fiscal year】**

Q: Sales revenues of Industrial & Automotive Components Group and Semiconductor Components Group have been revised upward. However, please explain the reasons why the forecast for business profit is unchanged and why you made a downward revision in the Electronic Devices Group.

A: 1. Industrial & Automotive Components Group

Although a general recovery trend is underway, recoveries in some businesses are weak and so we are making conservative assumptions for business profits.

2. Semiconductor Components Group

In a normal year, production peaks from 2Q to 3Q and then decreases in 4Q. However, this fiscal year we foresee little decline in 4Q. It should be noted that we plan to make capital investments in 4Q to increase production from the next fiscal year onward. We have set a low target for business profits because the sales contribution from the investment in this fiscal year is limited.

3. Electronic Devices Group

We have factored in uncertainties such as the impact of the US-China trade frictions and the future direction of automotive-related businesses in Europe.

Q: What are your assumptions for sales trends from 2Q to 3Q?

A: In terms of an overall recovery, we foresee a virtually linear recovery heading toward the end of the fiscal year after bottoming out in 1Q. Automotive-related and document-related businesses are rebounding faster than expected. On the contrary, the state of recovery in industrial equipment-related businesses is less favorable than we had expected. Normally, demand for electronic components decreases from around November. However, this fiscal year customers halted production in 1Q. For this reason, it appears that production plans for the portion that was halted in 1Q have been pushed back and so there is no sign of any decrease this year.

**2. Conditions by reporting segment**

**【Semiconductor Components Group】**

Q: Business profit appears to have declined sharply compared with the previous fiscal year. Is there any unusual change that is occurring?

A: There are ceramic packages and organic packages in this reporting segment. This decline is due to the impact of a decrease in orders for organic packages. Ceramic packages performed well. Organic packages were strong in telecommunications fields. However, overall results remained almost flat due to declines in automotive-related packages and substrates. Automotive-related components are also gradually recovering so we believe that business profit will normalize in the second half.

### **【Electronic Devices Group】**

Q: What is the reason for the weak rise in business profit versus sales revenues growth from 1Q through 2Q?

A: This is because of a sharp decline at AVX, which generates a large amount of sales in automotive-related markets. Although automotive-related business has begun recovering, the impact of a decline in the operation of its main plant in El Salvador until 2Q has lingered. We expect operations to normalize from 3Q toward 4Q

Q: Are most of the factors for the downward revisions in both sales revenues and business profits due to AVX? Did any changes occur because you made AVX into a wholly owned subsidiary?

A: AVX had a significant impact on the Electronic Devices Group in the first half.

Up to the previous fiscal year, Kyocera Corporation and AVX were unable to share information including order information. We are now able to share such information after making AVX into a wholly owned subsidiary. We are currently in the process of determining policies that will enable us to bring out each other's strengths such as by having Kyocera Corporation handle sales in Japan.

Q: When do you expect the results of these efforts to emerge?

A: We are considering initiatives that will enable Kyocera Corporation's electronic components and AVX to operate in an integrated manner. We expect the results of these efforts to emerge in the second half of the next fiscal year.

### **【Document Solutions Group】**

Q: What additional measures do you believe must be taken to raise profit levels with demand not immediately returning to previous levels?

A: We do not believe print volumes will return to previous levels. We are making efforts to reduce costs in consumables and we have almost reached our objectives. We believe that sales only in office equipment will be unable to return to the previous sales scale. For this reason, we will focus on developing industrial inkjet printers and ECM-related software such as document management.

Q: Will each respective result emerge from next fiscal year?

A: We believe so. We have received numerous business inquiries about commercial inkjet printers, and we expect the contribution of sales will increase from the next fiscal year. In software-related business as well, we believe that the positive effects of M&A activities in Europe and the United States will emerge.

**【Life & Environment Group (smart energy business)】**

Q: Are there any changes in trends in solar power generating systems and fuel cells? Also, please provide us with any updates on the status of the storage battery business.

A: We recognize that environmental problems are global social challenges and we hope to address these issues by helping to increase renewable energy. In the first half, we were unable to undertake sales activities in the way we hoped due to the impact of COVID-19. However, we have gradually resumed these activities. From the second half onward, we plan to further strengthen our business model of installing solar power generating systems at no initial cost and recovering costs by selling electricity. Storage batteries enable people to build a zero-emission house even for private homes. With this in mind, we will thus also focus on manufacturing and selling storage batteries. We expect to commence mass production of storage batteries in 4Q as planned.

Q: What about fuel cells? Subsidies are available in Europe and the United States.

A: For single houses, we are thinking about realizing zero emission houses through the use of solar power generation and storage batteries.

With multi-dwelling residences, solar panels cannot be installed so we are targeting the development of renewable energy using compact fuel cells and in some instances adding storage batteries.

Q: Do you presently envision any initiatives such as large-scale solar power plants?

A: We are considering promoting efforts for roof-installed types for small and medium-sized enterprises. However, we are still in the process of considering future initiatives for large-scale solar power generation systems.

**【Corporate and others profit】**

Q: What was the reason for making an upward revision of 10 billion yen in Corporate and others profit?

A: We completely curbed company-wide corporate expenses.

Q: In your financial forecast announced in April, you did not proactively incorporate cost reductions. So, did you make the recent revisions based on the results of the first half?

A: We factored these in as of April. Nevertheless, the impact of COVID-19 on our business emerged more quickly than we had expected and therefore we also quickly implemented cost reductions wherever possible.

Q: Are these cost reductions one-time reductions or are these sustainable?

A: Many are one-time reductions.

### **3. Other**

#### **【State of plant operations】**

Q: Although 2Q inventories have declined significantly, in which segments were there particularly severe reductions in production?

A: Inventories in 2Q decreased by 26.2 billion yen compared with at the end of 1Q. The largest reduction was in the Document Solutions Group. Inventories in 1Q were shipped in 2Q. In AVX, although operations were at a low level in 1Q, the production situation recovered month by month in 2Q. The utilization rates for electronic components and semiconductor packages-related are becoming considerably high.

#### **【M&A activities】**

Q: Is there anything you would like to add to your business portfolio through M&A activities?

A: I would like strengthen components for cutting-edge devices such as sensors and optical related devices.

Q: Do you have any intention of moving toward leading industry restructuring through M&A activities? Or will you prioritize investments toward new fields?

A: We are not giving much thought to any M&A activities that will lead to industry restructuring. We wish to make efforts toward projects that will lead to new products.

#### **Cautionary statement**

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