



Financial Presentation for the Nine Months Ended December 31, 2022

(Held on February 1, 2023)

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President and Representative Director

<1. (Cover) 1. Financial Results for the Nine Months Ended December 31, 2022>

<2. Financial Results for the Nine Months Ended December 31, 2022 (1)>

Sales revenue in the nine months ended December 31, 2022 (“the nine months”) increased by 12.6% to 1,526.5 billion yen, compared with the nine months ended December 31, 2021 (“the previous nine months”), reached a record high for a nine-month period, due to the contribution of investment in expanding component production for semiconductor-related markets, as well as the positive impact of the weaker yen.

On the other hand, despite an increase in sales revenue and the positive impact of the weaker yen, profit decreased. This was due to increases in costs for raw materials and logistics, etc., a sharp decrease in sales revenue in the Communications Unit and a slowdown in demand for smartphone-related components during the three months ended December 31, 2022 (“the third quarter”), as well as the record of one-time costs totaling approximately 10 billion yen in connection with litigation and pension obligations.

<3. Financial Results for the Nine Months Ended December 31, 2022 (2)>

Capital expenditures and depreciation charge of property, plant and equipment increased due to the introduction of equipment to expand production capacity for high-demand components and the construction of new buildings. In addition, R&D expenses increased due to the promotion of development aimed at creating new businesses.

<4. Sales Revenue by Reporting Segment for the Nine Months Ended December 31, 2022>

Sales revenue increased in all reporting segments.

<5. Business Profit (Loss) by Reporting Segment for the Nine Months Ended December 31, 2022>

The Core Components Business showed a substantial increase in business profit. However, business profit in the Electronic Components Business remained flat and the Solutions Business decreased.

Next, I will explain the situation of each reporting segment for the nine months compared with the previous nine months.

<6. Financial Results by Reporting Segment for the Nine Months Ended December 31, 2022

(1) Core Components Business >

First, in the Core Components Business, sales revenue increased due to increased demand for ceramic packages and organic packages and boards in the Semiconductor Components Unit for the information and communication-related markets, including the 5G market, as well as stronger demand for high-value-added products such as fine ceramic components for semiconductor processing equipment in the Industrial & Automotive Components Unit.

Business profit increased significantly due to increased sales revenue and the positive impact of the weaker yen, and the business profit ratio for the nine months improved to 15.7%.

<7. Financial Results by Reporting Segment for the Nine Months Ended December 31, 2022

(2) Electronic Components Business >

In the Electronic Components Business, sales revenue increased due to higher demand for components such as capacitors mainly for the industrial and the automotive-related markets, and the positive impact of the weaker yen.

On the other hand, despite the positive impact of higher sales revenue and the weaker yen, business profit remained almost flat, due to the impact of higher price for raw materials, a slowdown in demand for smartphone components, as well as the recording of the additional charge of approximately 3 billion yen in connection with pension obligations at a subsidiary.

<8. Financial Results by Reporting Segment for the Nine Months Ended December 31, 2022

(3) Solutions Business >

In the Solutions Business, sales revenue increased due to higher sales of major products in the Industrial Tools Unit and the Document Solutions Unit as well as the positive impact of the weaker yen.

Business profit decreased due to a loss recorded in the Communications Unit by a steep drop in mobile phone sales volume, as well as increase in the price of raw materials and logistics costs in each business.

This concludes my summary of financial results for the nine months. Next, I will explain financial forecasts for the year ending March 31, 2023 (“fiscal 2023”).

<9. (Cover) 2. Financial Forecasts for the Year Ending March 31, 2023 >

<10. Financial Forecast for the Year Ending March 31, 2023 (1) >

We have revised our financial forecast for the fiscal 2023 based on the results through the nine months and our outlook for the three months ending March 31, 2023 (“the fourth quarter”).

Even amid accelerating global inflation and a sluggish economy, our sales revenue has been growing, especially in the semiconductor-related market. However, in the fourth quarter, we expect a drop in demand for smartphone components and further increases in the price of raw materials and other costs.

In light of these prospects, although we have not changed sales revenue forecast for the fiscal 2023 from the previous forecast, we have reduced our profit forecasts by 54 billion yen for operating profit, 50 billion yen for profit before income taxes, and 30 billion yen for profit attributable to owners of the parent.

We have not changed our full-year forecast for the foreign currency exchange rates.

<11. Financial Forecast for the Year Ending March 31, 2023 (2)>

We have also revised our forecasts for capital expenditures and depreciation charge of property, plant and equipment.

We have not changed our forecast for R&D expenses.

<12. Sales Revenue Forecast by Reporting Segment for FY Mar. 2023>

We revised downward our sales revenue forecasts for the Core Components Business and the Electronic Components Business by 15 billion yen and 7 billion yen, respectively, while we revised upward our sales revenue forecasts for the Solutions Business by 23 billion yen.

<13. Business Profit (Loss) Forecast by Reporting Segment for FY Mar. 2023>

We have revised downward our business profit forecasts for all segments.

<14. Factors behind Revisions to Financial Forecast by Reporting Segment for FY Mar. 2023>

I will explain the factors behind revisions to financial forecast by reporting segment.

In the Core Components Business, we expect both sales revenue and business profits to fall short of our previous forecast due to a decrease in demand for ceramic packages for smartphones in the Semiconductor Components Unit, as well as soaring raw material and energy costs.

In the Electronic Components Business, we have reduced both our sales revenue and business profit forecasts due to lower demand for the various electronic components for smartphones and higher costs as well as the additional charge of approximately 3 billion yen in connection with pension obligations, which was recorded in the third quarter.

In the Solutions Business, we have revised our sales revenue forecast upward from the previous forecast based on the results through the third quarter. On the other hand, we have revised our profit forecast downward, mainly due to the expansion of the loss in the Communications Unit and the impact of increased costs in each business.

We are currently facing a difficult business environment due to the impact of the economic slowdown.

However, we will continue to build a system to increase production, focusing on highly profitable components, so that we can steadily gain profits during the period of demand recovery. At the same time, we will continue our efforts to improve low-profit businesses.

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.

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