



Notes: 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. Certain of the statements made in this document are forward-looking statements, which are based on our assumptions and beliefs in light of the information that had been available to us in December 2023. Please refer to “Cautionary Statements with respect to Forward-Looking Statements” on the last page.

# Action to Implement Management that is Conscious of Cost of Capital and Stock Price

December 28, 2023

## Basic Management Policy

**Management Rationale:** To provide opportunities for the material and intellectual growth of all our employees, and through our joint efforts, contribute to the advancement of society and humankind.



Aim for **continuous increase of sales revenue and realization of high profitability**

## Two Systems which Support the Realization of Management Rationale

### The Amoeba Management System

The Amoeba Management System is a management method which organizes the company into small units called “Amoebas” that operate with their own P&L accounting systems. The profitability of an Amoeba is calculated as the added value it creates, which helps raise employees’ engagement in management.

### Kyocera Accounting Principles

Kyocera Accounting Principles are a set of accounting principles to determine the true operational status of the company, playing a role akin to a compass. They include the principles such as “The Muscular Management” and “The Cash-Basis Management,” which helps strengthen management foundation and improve capital efficiency.

**FY2026 Medium-term targets: Sales Revenue: 2.5 trillion yen, Profit Before Income Taxes: 350 billion yen, ROE: 7% or higher**

### Implement Business Strategy

- ✓ **Strategic investments** in areas of competitive advantage (components for semiconductor-related markets, capacitors and timing devices)
- ✓ Promote **expansion of existing businesses** as well as **restructuring** in the Solutions Business
- ✓ **Create new businesses that address social issues**
- ✓ **Strengthen management-led business reviews**

### Strengthen Management Foundation

- ✓ **Implement capital strategies** (clarifying the capital allocation, repurchase of its own shares and reduction of cross-shareholdings)
- ✓ **Implement corporate governance initiatives** (introduction of performance-linked stock compensation)
- ✓ **Promote sustainable management**

## Group-wide Targets and Strategies

FY2026

Sales Revenue: **2.5 Trillion Yen**

PBT\*: **350.0 Billion Yen**

Profit Ratio: **14.0%**

ROE: **7.0% or higher**

- Continue proactive investment on a record scale
- Realize high growth by concentrating internal resources into areas of competitive advantage
- Enhance profitability by maximizing use of digital technology
- Allocate management resources optimally by expediting decision-making on business continuity/withdrawal

\*PBT: Profit before income taxes

## Targets and Strategies By Reporting Segments

### Core Components Business

FY2026

Sales Revenue: **780.0 Billion Yen**

Business Profit: **140.4 Billion Yen**

Profit Ratio: **18.0%**

- Focus on components for high-growth potential semiconductor-related markets
- Make aggressive capital investment to increase production and productivity

### Electronic Components Business

FY2026

Sales Revenue: **500.0 Billion Yen**

Business Profit: **100.0 Billion Yen**

Profit Ratio: **20.0%**

- Increase market share by maximizing synergies between Kyocera and KAVX
- Focus on capacitors and timing devices

### Solutions Business

FY2026

Sales Revenue: **1,250.0 Billion Yen**

Business Profit: **125.0 Billion Yen**

Profit Ratio: **10.0%**

- Expand eco-friendly products and businesses that address social issues
- Enhance profitability through structural reform in the Communications Unit and the energy business

## Raise profitability by ranking businesses based on business profit

### Highly Profitable Businesses

#### 1. Improve productivity

- ◆ Introduce smart factories
  - Save labor through automated transport between processes
  - Stabilize quality through analysis of big data using AI

#### 2. Respond to soaring costs

- ◆ Pass costs onto product prices

#### 3. Promote digitization

- ◆ Further enhance operational efficiency and streamlining

### Challenging Businesses

#### Make a fundamental review of strategy and strengthen monitoring

<Target Businesses>

- ◆ Low profit businesses
- ◆ Low growth businesses
- ◆ Businesses with delayed post-merger integration



**Resolve management issues and realize total optimization**

## Clarified capital allocation for three years based on the medium-term management plan

### Capital Allocation for FY2024 through FY2026

(Unit: Yen in billions)



**Funding Policy**

- Raise funds by borrowings to meet future funding needs, such as active investment and for maintenance and improvement of shareholder returns
- Use KDDI shares as collateral to reduce borrowing costs in anticipation of future increases in interest rates

**Proactive investment for business growth**

- Focus on investments to increase production capacity and improve productivity of the Semiconductor Components Unit and the Electronic Components Business

**Proactive investment in R&D activities**

- Continue investments necessary for expansion of the Solutions Business and the creation of new businesses

**Shareholder Return Policy**

- Maintain current dividend policy

**Other Policies**

- Consider M&A with an emphasis on synergy
- Conduct share repurchases when appropriate

## Adopt a numerical target to further reduce its shareholdings

**Reducing its shareholdings from the past, at appropriate timing**



**Set a numerical target to clarify the immediate policy to further reduce its shareholdings**

- **Conduct an annual review of all individual shareholdings, considering the need to maintain the business relationship and/or efficiency in use of assets**
- **Conduct assessment at the Board of Directors' meeting whether the Company's holding of the relevant shares is appropriate**

<Reference: Number of its shareholdings of listed company stocks in Japan>

FY2017: 37 → FY2023: 17

### Target

**Amount of reduction:**

**At least 5% on a book value basis**

**Period: By FY2026**

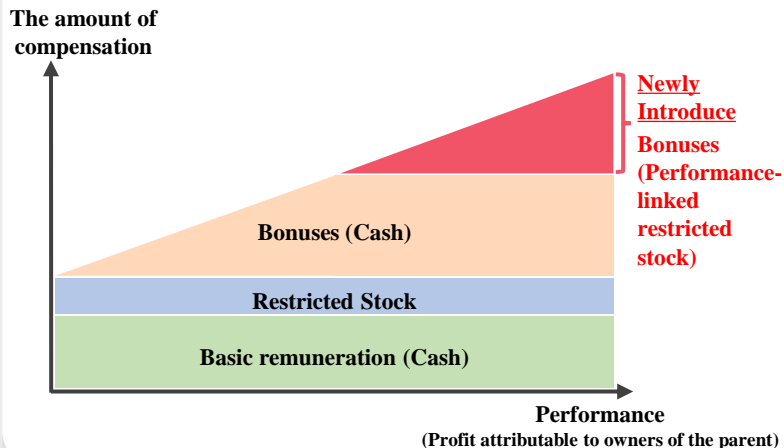
(Within the time frame of the medium-term management plan)

- **Updated the Corporate Governance Report and specified the above-mentioned target**

## (1) Align Interest with Shareholders

### Introduction of Performance-Linked Restricted Stock Compensation Plan

Reinforce incentives to continuously improve corporate value, as well as to promote even further aligning interest with shareholders.



## (2) Appointment of an Outside Director

### New Outside Director with management experience

**Shigenobu Maekawa**  
(Chairman of Nippon Shinyaku Co., Ltd.)

## (3) Enhance Effectiveness of the Board of Directors

### Introduce off-site meeting

Conducted two meetings during FY2023 regarding the medium-term management plan separately from the Board of Directors meetings and had active discussions about strategies and policies

## Implement Business Strategy

- **Strategic investments in areas of competitive advantage**
  - ✓ Core Components Business: Active investment for components for semiconductor-related markets
  - ✓ Electronic Components Business: Focus on capacitors and timing devices by maximizing synergies between Kyocera's electronic components business and KAVX
- **Promote expansion of existing businesses as well as restructuring**
  - ✓ Solutions Business: Expand market shares for the Industrial Tools Unit and the Document Solutions Unit, as well as the drastic restructuring of business structure of the Communications Unit and the energy business
- **Create new businesses that address social issues**
  - ✓ Active investment in R&D and technology acquisition
- **Strengthen management-led business reviews**

## Strengthen Management Foundation

- **Capital strategies**
  - ✓ Procure fund by effectively combining capital assets and borrowings
  - ✓ Shareholder return initiatives; combination of dividends and share repurchases
  - ✓ Reducing cross-holding of shares
- **Corporate governance initiatives**
  - ✓ Introduction of performance-linked stock compensation
  - ✓ Appointment of a new outside director
  - ✓ Enhancing the effectiveness of the Board of Directors
- **Promotion of sustainable management**
  - ✓ Environment: Initiatives to achieve carbon neutrality
  - ✓ Human capitals etc.: Recruitment strategies, respect for human rights, diversity, and increased employee engagement



**Aim to continuously increase ROE and improve PBR**



# Cautionary Statements with respect to Forward-Looking Statements

Certain of the statements made in this document are forward-looking statements, which are based on our current assumptions and beliefs in light of the information currently available to us. These forward-looking statements involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors include, but are not limited to the following:

- (1) General conditions in the Japanese or global economy;
- (2) Unexpected changes in economic, political and legal conditions in countries where we operate or export;
- (3) The effect of foreign exchange fluctuations on our results of operations;
- (4) Intense competitive pressures to which our products are subject;
- (5) Fluctuations in the price and ability of suppliers to provide the required quantity of raw materials for use in our production activities;
- (6) Manufacturing delays or defects resulting from outsourcing or internal manufacturing processes;
- (7) The possibility that future initiatives and in-process research and development may not produce the desired results;
- (8) Companies or assets acquired by us not produce the returns or benefits, or bring in business opportunities;
- (9) Inability to secure skilled employees;
- (10) Damages on our information security systems from cyberattacks, etc. and significant costs in order to recover and maintain the systems;
- (11) Insufficient protection of our trade secrets and intellectual property rights including patents;
- (12) Expenses associated with licenses we require to continue to manufacture and sell products;
- (13) Unintentional conflict with laws and regulations or newly enacted laws and regulations;
- (14) Environmental liability and compliance obligations by tightening of environmental laws and regulations;
- (15) Inability to respond to global climate change problems or delay in such response, which may lead to increased costs and negatively impact our corporate brands;
- (16) Our market or supply chains being affected by plague, infectious diseases, terrorism, wars or similar events;
- (17) Earthquakes and other natural disasters affecting our headquarters and major facilities as well as our suppliers and customers;
- (18) Credit risk on trade receivables;
- (19) Fluctuations in the value of financial instruments held by us;
- (20) Impairment losses on property, plant and equipment, goodwill and intangible assets;
- (21) Uncertainty over income tax and deferred tax assets; and
- (22) Changes in accounting standards.

Due to such risks, uncertainties and other factors, our actual results, performance, achievements or financial condition may be substantially different from any future results, performance, achievements or financial condition expressed or implied by these forward-looking statements.

We undertake no obligation to publicly update any forward-looking statements included in this document.



KYOCERA Corporation