Kyocera IR Day
(Held on November 25, 2022)

(Note: For fiscal periods in this document)
Fiscal year ending March 31, 2023: fiscal 2023
All other fiscal years are stated in the same manner.

Speech by Hideo Tanomoto, President and Representative Director

<P1. Today's Explanation>

Today, I would like to first explain Kyocera Group's financial targets and strategy and then the officers in charge of each segment will explain their specific initiatives.

<P2. Kyocera Group Financial Targets>

This slide shows the Kyocera Group's financial targets. In fiscal 2023, we expect to achieve 2 trillion yen in sales revenue, a target we have been seeking since I assumed the position of president. Looking ahead, we are targeting sales revenue of 3 trillion yen, a profit before income taxes ratio of 20% and ROE of 10% or higher by fiscal 2029.

<P3. Management Strategy to Achieve Financial Targets>

To achieve our financial targets, we will focus on the two strategies shown on this slide. First, we aim to expand sales. We will do this by proactively investing in Kyocera's fields of expertise and areas of high growth potential, including cutting-edge semiconductors, telecommunications such as 5G, and mobility.
Second, we aim to enhance profitability. We will implement solid management-led reviews of both low-profit and high-profit businesses, with efforts made to further enhance the profitability of high-profit businesses and fundamentally reform challenging businesses.

<P4. Proactively Invest in Priority Areas (1)>

I will now explain our policy of proactively investing in priority areas. We will continue to aggressively invest in markets and products with high growth potential.
This graph shows trends in capital expenditures and R&D expenses. At far left, you can see the five-year average from fiscal 2014 to fiscal 2018. Kyocera invested about 120 billion yen in total during this period but spent approximately double this amount in fiscal 2022. We plan to further increase investment in fiscal 2023 to approximately 300 billion yen, a record high. We intend to maintain this high level of investment from fiscal 2024 onward as well, with plans to prioritize capital expenditures in products with high market share and those with high added value, and to promote R&D aimed at creating new businesses.

<P5. Proactively Invest in Priority Areas (2)>

Next, I will explain our capital expenditure plan. The graph on the left shows the outlook of semiconductor-related market in terms of logic and memory. We are currently witnessing a temporary adjustment in demand for previous-generation products due to an abundant supply. Nonetheless, we expect steady annual average growth of around 11% in the logic sector and 5% in the memory sector, primarily for leading-edge products, through to 2030.

As shown on the right, we plan to construct multiple new factory buildings in Japan and overseas from fiscal 2023 to fiscal 2025 in order to steadily secure sales and profit from this high demand. In particular, we plan to increase production of fine ceramic components for semiconductor processing equipment, ceramic packages and organic packages and boards.

<P6. Proactively Invest in Priority Areas (3)>

This slide shows details and progress of key R&D investments that are expected to contribute to business results in fiscal 2023 and fiscal 2024. Kyocera is strengthening the development of products and the creation of businesses that address various social issues by utilizing internal and external resources.

We are striving to increase the application of high-efficiency GaN lasers toward the realization of a low-carbon society. Currently, we are developing products mainly for the automotive-related markets, but will further expand into the telecommunications and medical-related markets in fiscal 2023. Efforts are also being made to build up our renewable energy business to reduce greenhouse gas emissions. We will expand the lineup in our three-energy equipment consisting of solar cells, energy storage batteries and fuel cells and look to enter further business domains such as power services.

In addition, in fiscal 2024, we plan to launch collaborative robots that address labor shortage issues in the manufacturing industry and inkjet textile printing system that will help reduce industrial wastewater in the apparel industry.

<P7. Strengthen Management-led Business Reviews>

I will now explain our efforts to strengthen management-led business reviews as an initiative to enhance profitability. We will work to raise the profitability of the entire Group by ranking businesses based on business profit.

The left of the slide shows initiatives for highly profitable businesses.

First, we will look to boost productivity in these businesses. Through the introduction of smart factories, we aim to save on labor by automating transport between processes and stabilize quality through the integration of information and analysis of big data using AI.

Second, we will respond to soaring costs. We are undertaking price negotiations with our business partners so that we can appropriately pass on the increase in costs caused by recent global inflation and other factors to product prices.

Third, we are working to enhance operational efficiency company-wide through digitization.

For challenging businesses, shown on the right, we are making a fundamental review of strategy and strengthening our monitoring function. Certain businesses have generated low profit over a prolonged period and have been unable to resolve issues on their own. In some other businesses acquired through M&A, we are seeing delays in post-merger integration. Management will take the lead in investigating measures to address these issues that include the possibility of downsizing certain businesses, integration with other divisions and business withdrawal. We aim to realize total optimization of resources by taking advantage of our business segment framework.

<P8. Estimate of Capital Allocation to Achieve Financial Targets>

A large amount of capital is required for business growth and improvement in order to achieve our financial targets. This slide shows Kyocera's preliminary estimate of future capital allocation. On the left, you can see the recent three-year cumulative total of capital allocation, including forecasts for fiscal 2023.

In the center, you can see the cumulative total of preliminary estimates for capital allocation for the three years from fiscal 2024 to fiscal 2026.

We are forecasting capital expenditures, shown in dark blue in the center of the slide, to increase to approximately 900 billion yen and R&D expenses, shown in light blue, to increase to approximately 400 billion yen. We are also expecting dividends to rise as profit increases, and we will continue to consider implementing M&A to expand business and share repurchases to drive further growth. To meet these funding needs, we plan to use KDDI shares as collateral to borrow approximately 500 billion yen from financial institutions in addition to allocating around 1.4 to 1.5 trillion yen from operating cash flow prior to deducting R&D expenses.

We will continue to make leading investments for the next three years. From fiscal 2027 onward, we will reconsider capital allocation given business conditions, progress made toward financial targets and other factors at the time.

<P9. Financial Targets by Business Segment>

This slide shows the latest segment targets to achieve its goals of 3 trillion yen in consolidated sales revenue and 20% in the profit before income taxes ratio. We have carefully reviewed progress made over the current year and outlook for the future and have updated the information presented in fiscal 2022.

An increase in demand for semiconductors and 5G has been reflected in higher targets for sales revenue and business profit in the Core Components Business and the Electronic Components Business. In the Solutions Business, we recognize the need for more time to make improvements and have revised our targets for sales revenue and business profit down accordingly.

Our latest targets are as follows: Sales revenue of 1 trillion yen and a business profit ratio of 24% in the Core Components Business; sales revenue of 600 billion yen and a business profit ratio of 25% in the Electronic Components Business; and sales revenue of 1.4 trillion yen and a business profit ratio of 14% in the Solutions Business.

Speech by Hiroshi Fure, Director, Managing Executive Officer,
Executive General Manager of Core Components Business

<P10. (Middle cover) Initiatives to Achieve Financial Targets (1) Core Components Business>

In the Core Components Business, we will strive to expand business through strategic capital investment aimed at boosting production capacity for the steadily growing semiconductor-related markets. We will also focus on cultivating human resources who can back up this growth and improving the efficiency of business processes to strengthen the management foundation and drive ongoing growth and development.

<P11. Vision and Key Actions to Achieve Financial Targets>

I will now explain the vision of the Core Components Business and the key actions we will take to achieve financial targets. Our vision we aim is to realize the management rationale by providing core products of sustainable society and creation of healthy and fulfilling life. Our medium-term initiatives to achieve this are outlined at the bottom of this slide.

Regarding the first point, thorough selection and concentration, we will work to develop and strengthen production bases, including considering further effective use of oversea bases, while also increasing production of growth items and considering a scrap and build approach.

To strengthen the management foundation, the second point, it is necessary to cultivate human resources who can support ongoing growth going forward. In addition, we will pour effort into developing and promoting effectiveness of business processes based on cooperation between departments.

<P12. 1. Thorough Selection and Concentration>

Our first priority action is to implement thorough selection and concentration. The left of the slide shows sales revenue by business unit. For the Core Components Business, we forecast sales revenue of 600 billion yen for fiscal 2023 and plan to increase this figure by 66.7% to 1 trillion yen by fiscal 2029. In the Semiconductor Components Unit, shown in blue at the bottom of the slide, we will focus on increasing production of organic packages and boards and ceramic packages for information communication-related markets and on high-value-added products for data centers. We will also look to enhance production technology for highly complex products through measures such as the introduction of the latest equipment.

In the Industrial & Automotive Components Unit, shown in orange at the top of the slide, we will increase production of fine ceramic components for cutting-edge semiconductor processing equipment supporting the manufacture of strong-selling logic ICs and respond to increasing demand for Advanced Driver Assistance Systems (ADAS)-related components such as automotive cameras and millimeter wave radar substrates and for electric vehicle (EV)-related components.

In this way, we plan to expand sales, mainly in growing markets such as the information communication-related, semiconductor-related and automotive-related markets.

<P13. Expand Business for Growth Items: Semiconductor Components Unit>

I will now explain the Semiconductor Components Unit. The graph on the left of the slide shows sales revenue and the business profit ratio. In this unit, we forecast sales revenue of 369 billion yen and a business profit ratio of 20.9% for fiscal 2023. For fiscal 2029, our sales revenue target is 62.6% higher at 600 billion yen and our business profit ratio target is 28%.

Our challenge for this unit, shown on the right of the slide, is to proactively increase production of high-value-added products. The strengths here revolve around technologies in organic packages and boards in terms of micro-wiring and high-frequency capability. In line with the growth of the semiconductor market, we will launch new buildings, and introduce the latest equipment to expand production capacity for high-end organic packages. At the Kyoto Ayabe No.3 Plant, we will produce high-performance SoC packages, and at the new building of the Kagoshima Sendai Plant we will produce large multilayer FCBGAs.

In addition, we will work to enhance mass-production technology for large, multilayer products. We will introduce cutting-edge equipment for micro-wiring and refine our manufacturing process by promoting automation and labor-saving techniques coupled with the processing technology we have cultivated, thereby enabling us to meet customer expectations.

<P14. Expand Business for Growth Items: Industrial & Automotive Components Unit>

Now, I will explain the Industrial & Automotive Components Unit. We are forecasting sales revenue of 202 billion yen and a business profit ratio of 14.4% for fiscal 2023, with targets for fiscal 2029 of 350 billion yen for sales revenue, increase of 73.3%, and business profit ratio of 19%.

As shown on the right of this slide, we will proactively increase production of components for cutting-edge semiconductor processing equipment. The strengths here are processing technology for special components used in cutting-edge semiconductor processing equipment and mass-production technology. Market demand continues to exceed our production capacity, however, driving the need for swift improvement. We will maintain efforts to expand production capacity, which includes construction of a new buildings at the Kagoshima Kokubu Plant. In the automotive-related fields, we will increase production of components for ADAS, including automotive camera modules, millimeter wave radar substrates and substrates for integrated Electronic Control Unit (ECU) as well as components for EVs such as insulated substrates and relay cases.

<P15. 2. Strengthen Management Foundation (Cross-Organizational Projects)>

Our second key action is to strengthen the management foundation. We have currently entered a phase of significant growth on the back of a booming semiconductor-related market. To maintain growth, critical challenges in the Core Components Business include developing human resources that will form the backbone of our management foundation and optimizing and promoting effectiveness of the business systems. We will take a multi-faceted approach to these challenges through the implementation of cross-organizational projects aimed at strengthening our management foundation.

Please take a look at the projects in order from the top of the slide. First, in the Technology Promotion Project, a team of engineers will come together to make focused improvements in businesses facing challenges. In the Strategic Planning Project, we will research specific markets and search for new themes that leverage our core technologies. In the Digital Transformation Promotion Project, we will promote digital transformation in manufacturing and sales in areas that include smart factories, sales force automation and marketing automation. In the HRD Promotion Project, we will strive to improve skills and increase motivation through various educational programs and train next-generation leaders by offering support for career development.

In the QMS Promotion Project, we will look to optimize business processes and build systems to properly implement the PDCA cycle for all work. With the help of these projects, we will strengthen the management foundation from the perspectives of human resource development and business process improvement in pursuit of ongoing growth and advancement.

Speech by Koichi Kano, Director, Managing Executive Officer,
Deputy Executive General Manager of Electronic Components Business

<P16. (Middle cover) Initiatives to Achieve Financial Targets (2) Electronic Components Business>
<P17. Focus on Growing Markets>

In the Electronic Components Business, we will focus on growing markets to expand business.

The graph on the left of this slide shows sales revenue by market. In fiscal 2023, we are forecasting sales revenue of 380 billion yen and a business profit ratio of 15.8%. In fiscal 2029, we aim to achieve sales revenue of 600 billion yen, an increase of 57.9% relative to fiscal 2023, and a business profit ratio of 25%. As you can see in the diagram on the right of the slide, the growing markets that we are focused on are the medical, aerospace, data storage and IC-related, industrial and automotive markets. By fiscal 2029, we expect total sales revenue from these priority fields to account for 65% of all sales, marking a growth rate of 2.1 times compared with fiscal 2023.

The four measures shown at the bottom right of this slide will be implemented to achieve these financial targets, namely: (1) Proactively invest in areas of competitive advantage; (2) Expand global production bases; (3) Secure labor force and further enhance productivity; and (4) Develop unique technology.

<P18. 1. Proactively Invest in Areas of Competitive Advantage>

I will now explain efforts to proactively invest in areas of competitive advantage, the first point. Turning to the products shown at the top of the slide, I will begin with the timing device products. For crystal devices, we will leverage our core in-house basic technology as well as capabilities in photolithography, Chemical Vaporization Machining (CVM) and ceramic packaging to further expand business. Micro Electro-Mechanical Systems (MEMS) devices revolve around next-generation oscillator products. Here, we will develop products for high-value-added markets by leveraging advantages in small-size, thin-profile and exceptional high-temperature properties.

In tantalum capacitors, we have secured approximately 50% market share in the base tantalum business and will expand our polymer product lineup, where demand is expected to increase in such areas as data storage going forward.

For multilayer ceramic chip capacitors (MLCCs), we are promoting the development of products to be embedded in next-generation ICs, a fast-growing market, using our patented technology. In addition, we will expand the lineup of high-value-added products for aerospace, medical and industrial markets in Europe and the United States to maximize the competitive advantages of Kyocera AVX Components Corporation (KAVX). On a sales front, we will further utilize our strong business relationships with distributors in the United States. Approximately 50% of sales at KAVX are made through distributors. We have built up relationships of trust with these distributors over many years by establishing a sales system for them and responding quickly under the direction of our U.S. headquarters. We will supply components made by Kyocera Electronic Components via this route to expand sales. We also have strong business relationships with automotive manufacturers in Europe. Approximately 50% of sales of the Electronic Component Business in Europe are in the automotive-related sector. The Sensing & Control Division deals directly with automakers for sales of accelerator pedals and temperature sensors, allowing us to enter from the early stages of design. We will leverage the benefits of these relationships to expand sales of other component lines to the growing automotive market. Concentrated investments will be made in such areas of competitive advantage where we can leverage our strengths.

<P19. 2. Expand global production bases

3. Secure labor force and further enhance productivity

4. Develop unique technology>

I will now explain efforts to expand global production bases, the second point. We will increase production of core products and create a supply system for them while also optimizing production sites globally. As shown at the bottom of the slide, we will increase production of MLCCs, tantalum capacitors and crystal devices, some of our core products, at the new Thai Plant, Vietnam Plant, new building at Kagoshima Kokubu Plant and El Salvador Plant.

Now, about the efforts to secure labor force and further enhance productivity, the third point. The strengths of KAVX concern its 33 bases spread across 18 countries and the knowhow to operate with only local personnel. By taking advantage of these attributes, we can secure a viable workforce and establish the optimal supply chain in consideration of geopolitics. In addition, the production technology applied by Kyocera Electronic Components to provide labor-saving merits through automation of production processes and to ensure stable quality through automated control via AI and robots will be deployed at our global production sites.

In terms of developing unique technology, the fourth point, we will leverage KAVX's low-ESL product design capabilities and Kyocera Electronic Component's small-size, thin-profile MLCC production technology to develop MLCCs for IC embedding using our patented technology. We will also establish a Group R&D base in the United States. The head of development at KAVX will concurrently take the lead on research here into cutting-edge technology originating in the United States with Kyocera Electronic Components serving as the hub for product development. A corporate venture capital (CVC) will be established as part of a system enabling fast decision-making handled locally. Priority fields will be semiconductor-related, 5G/6G, mobility, medical and aerospace.

A specialized team was formed in the United States in fiscal 2023 to deal with M&A and capital alliances. The team, headed by an American with an experience in investment at an American semiconductor manufacturer, is approaching targeted companies in Europe and the United States. The team aims to join a society related to investing in Europe and the United States for the purpose of obtaining information that will lead to appealing investments going forward.

Video message by John Sarvis, Managing Executive Officer,
Executive General Manager of Electronic Components Business

Mr. Kano has already provided a detailed explanation of strategy and plans, so I will focus on progress and plans regarding the integration of Kyocera Electronic Components and KAVX, the biggest challenge of the Electronic Components Business.

More than two years have passed since Kyocera made KAVX a wholly owned subsidiary. During that time, we have moved forward with plans to integrate the two companies. The integration, planned to complete in four years, is progressing smoothly, and efforts are being made to maximize the competitive advantages of both entities under the framework of the Electronic Components Business, which ties the two companies together.

Face-to-face meetings are held every quarter between executives from both companies to formulate joint global strategy and decide on actions for each division. We are starting to see the effects of these efforts to maximize synergies. Specifically, we have completed the integration of sales and marketing organizations in all regions and are undertaking joint initiatives such as cross-selling activities that utilize the robust sales channels of both companies.

In addition, in fiscal 2023, we established divisions as sub-segments to oversee the MLCC and connector businesses of both companies. Efforts include expanding the introduction of automated lines to boost efficiency, promoting joint purchasing to ensure the effective utilization of management resources and working to speed up the development of new products.

We expect the effects of integrating production, sales and development to be clearly reflected in business performance from fiscal 2024. In terms of human resources, we introduced a trainee system in fiscal 2023 to nurture future leaders and are actively promoting personnel exchanges between the two companies.

Despite concerns over the recent economic downturn, we will pursue synergies between the two companies toward the establishment of a truly global Electronic Components Business with the aim of achieving sales revenue of 600 billion yen and a business profit ratio of 25% by fiscal 2029.

<P20. Summary>

This slide summarizes the speech made by John Sarvis. We will further pursue synergies between the two companies to realize a truly global segment aimed at achieving 600 billion yen in sales revenue and 25% in business profit ratio by fiscal 2029.

<P21. unity>

Based on the motto, “unity, Shifting towards a better tomorrow,” we will create a truly global corporate entity and expand business by leveraging our unique strengths that set us apart from others.

Speech by Norihiko Ina, Director, Managing Executive Officer,
Executive General Manager of Solutions Business

<P22. (Middle cover) Initiatives to Achieve Financial Targets (3) Solutions Business>

<P23. Financial Targets>

I will explain financial targets for the Solutions Business. As shown on the left of this slide, in fiscal 2023, we are forecasting sales revenue of 1,033 billion yen and a business profit ratio of 5.2%. In fiscal 2029, we aim to achieve sales revenue of 1.4 trillion yen and a business profit ratio of 14%.

The right of the slide shows the vision the Solutions Business is aiming for. We will strive to provide solutions for social agendas and challenges facing customers as well as high-quality and high-value added products and services, and create innovation to contribute achievement of society and humankind with out-of-the-box thinking.

<P24. Key Actions to Achieve Financial Targets>

I will now explain the key actions we will undertake to achieve our financial targets. First, we will strengthen existing businesses. For this, I will explain initiatives in the Document Solutions Unit and Industrial Tools Unit. Second, we will reform low-profit, low-growth businesses. Here, I will explain initiatives in the telecommunications equipment business and smart energy business. Third, we will integrate businesses to create sustainable new businesses that address customer and social issues.

<P25. 1. Strengthen Existing Businesses>

Let me explain the first point to strengthen existing businesses. First, please take a look at the Document Solutions Unit on the left of this slide. In this unit, we aim to achieve sales revenue of 600 billion yen and a business profit ratio of 15% by fiscal 2029. For the office equipment products, we will work to strengthen and expand our lineup of environmentally friendly products in order to boost market share and contribute to the realization of a sustainable society by significantly reducing power consumption. We will also drive business growth by expanding lineups in promising fields, namely commercial inkjet printers, Enterprise Content Management (ECM) and document BPO (Business Process Outsourcing).

In the Industrial Tools Unit, shown on the right, we aim to achieve sales revenue of 400 billion yen and a business profit ratio of 15% by fiscal 2029. As key actions in the cutting tools business, we will develop new processing technology and products for growing industries, namely the EV, semiconductor, medical and aircraft sectors, and strengthen competitiveness through local production and sales in growing markets such as Asia. In the pneumatic and power tools business, we will standardize the charging platform and work to share products globally to increase business as well as sales and profit.

<P26. 2. Reform Low-Profit, Low-Growth Businesses: Telecommunications Equipment>

I will now explain the second point to reform low-profit, low-growth businesses. Firstly, we will start from the telecommunications equipment business. We will strive to convert this business into a highly profitable business by focusing on markets in which we can leverage the benefits of the “JAPAN MADE” concept and on markets that we can provide high added value to. Specifically, we will shift from “Consumer Model” to

“Business Use Model” and drive evolution from an equipment business to a telecommunications solutions service provider.

Regarding business use model, we will implement reforms so that we can effectively provide equipment and customized products, services and connectivity support, all required by business customers. In conducting these structural reforms, we will reorganize by integrating the Group’s telecommunications knowhow. We will also transform into a comprehensive telecommunications solutions service provider that offers 5G-related equipment from terminals to base stations and related services.

<P27. 2. Reform Low-Profit, Low-Growth Businesses: Smart Energy>

Secondly, in the smart energy business, we will shift from selling “products” to selling “services.” As shown on the left of this slide, Kyocera will leverage the competitive advantages it has built up by possessing business of three energy equipment comprised of solar cells, clay-type storage batteries and fuel cells and introduce a subscription model. Users can start with this model at no initial cost. In addition to increasing sales opportunities, another benefit to Kyocera will be the acquisition of surplus power.

I will now explain the development of renewable power services as shown on the right of the slide. We expect business opportunities to increase dramatically due to the social background of growing demand for renewable energy and soaring electricity prices. Next, about Kyocera’s business model, we will procure renewable energy from different sources, including surplus power from housing complex, our own power plants and subscription sales. Additionally, we will develop our own system enabling automatic control of supply and demand. In this way, we will use the renewable power we procure for internal purposes via our uniquely developed system and sell it as environmentally valuable energy to customers desiring renewable energy such as RE100 member companies.

By shifting from selling products centered around equipment to selling services, we will contribute to society and transform the smart energy business into a valuable profit-making business.

<P28. 3. Addresses customer and social issues
Business Integration Activities to Create New Businesses>

I will now explain our initiative to integrate businesses to create new businesses. We aim to implement the practice of the Kyocera Philosophy espousing a fighting and pioneering spirit by systematically promoting the creation of new businesses through integration of the Group’s competencies beyond existing frameworks and sharing activities related to product lines, company-wide marketing approach and technical approach.

As shown in the center of this slide, we regularly discuss new business ideas, related initiatives, Kyocera’s competencies, and the possibility of external alliances aimed at creating new businesses that resolve customer and social issues. We would like to further strengthen these activities and cultivate many new businesses that resolve such issues to drive growth, with examples including collaborative robots and an inkjet textile printing system.

<P29. Vision>

Through the measures explained here, we will strive to achieve our financial targets and realize our vision.

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.（https://global.kyocera.com/ir/disclaimer.html）