



KYOCERA Corporation

Financial Presentation for the Nine Months Ended December 31, 2023

February 1, 2024

Event Summary

[Company Name]	KYOCERA Corporation	
[Company ID]	6971-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Financial Presentation for the Nine Months Ended December 31, 2023	
[Fiscal Period]	FY2024 3Q	
[Date]	February 1, 2024	
[Time]	17:00 – 17:35 (Total: 35 minutes, Presentation: 11 minutes, Q&A: 24 minutes)	
[Venue]	Webcast	
[Number of Speakers]	2	
	Hideo Tanimoto	President and Representative Director
	Hiroaki Chida	Executive Officer, Senior General Manager of Corporate Management Control Group

Presentation

Moderator: Hello, everyone. Thank you for taking time out of your busy schedules to participate in KYOCERA Corporation's webinar today. We will now begin the financial results briefing for 3Q of the fiscal year ending March 31, 2024. Please refer to our website for the materials that will be used today.

Please note that today's webinar is being recorded. We kindly ask for your understanding in advance.

Let me first introduce today's attendees. Hideo Tanimoto, President and Representative Director.

Tanimoto: I am Tanimoto. Thank you.

Moderator: Hiroaki Chida, Executive Officer, Senior General Manager of Corporate Management Control Group.

Chida: I am Chida. Thank you.

Moderator: We will now begin the explanation. President Tanimoto, please begin.

Tanimoto: I would like to take this opportunity to thank you all for your continued support. Thank you very much for taking time out of your busy schedule today to attend our financial results briefing.

I will now explain according to the presentation materials for 3Q of FY2024.

1 Financial Results for 3Q of Fiscal 2024

2 Financial Forecasts for Fiscal 2024

3 Status of Discussion regarding Cross-shareholdings

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 current assumptions and beliefs in light of the information currently available to us. Please refer to "Cautionary Statements with respect to Forward-Looking Statements" on the last page. In this document, the year ending March 31, 2024 is referred to as "Fiscal 2024," six months ended/ending September 30 is referred to as "1H," three months ended/ending June 30 is referred to as "1Q." Other fiscal years, half-year and quarterly periods are referred to in a corresponding manner.

Please see page one of the documents. Today, I would like to explain in the following order: summary of financial results for 3Q of FY2024, financial forecasts for FY2024, and the status of discussion regarding cross-shareholdings, as described here.

First, I will explain the summary of the financial results for 3Q of FY2024.

Financial Results for the Nine Months of Fiscal 2024 (1)



(Unit: Yen in millions)

	Fiscal 2023 Nine months	Fiscal 2024 Nine months	Change	
			Amount	%
Sales Revenue	1,526,497	1,492,672	-33,825	-2.2%
Operating Profit	113,884 (7.5%)	79,844 (5.3%)	-34,040	-29.9%
Profit Before Income Taxes	162,756 (10.7%)	125,638 (8.4%)	-37,118	-22.8%
Profit Attributable to Owners of the Parent	118,783 (7.8%)	90,366 (6.1%)	-28,417	-23.9%
Average Exchange Rate	US\$ 137 yen Euro 141 yen	143 yen 155 yen		

Note: Figures in parentheses represent percentages to sales revenue.

Sales revenue and profits decreased due mainly to sluggish demand in our principal markets and lower utilization ratio of production facilities etc.

3

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See page three.

Sales revenue for the nine months of FY2024 decreased by 2.2% YoY to JPY1,492.7 billion. Operating profit decreased by 29.9% to JPY79.8 billion, profit before income taxes decreased by 22.8% to JPY125.6 billion, and profit attributable to owners of the parent decreased by 23.9% to JPY90.4 billion.

Both sales and profits declined mainly due to lower demand in the semiconductor-related and information and telecommunications-related markets, which are our principal markets, and lower utilization ratio of production facilities as a result of lower orders.

Financial Results for the Nine Months of Fiscal 2024 (2)



(Unit: Yen in millions)

	Fiscal 2023 Nine months	Fiscal 2024 Nine months	Change	
			Amount	%
Capital Expenditures	127,137 (8.3%)	105,242 (7.1%)	-21,895	-17.2%
Depreciation Charge of Property, Plant and Equipment	80,330 (5.3%)	82,231 (5.5%)	1,901	2.4%
R&D Expenses	69,530 (4.6%)	77,481 (5.2%)	7,951	11.4%

Note: Figures in parentheses represent percentages to sales revenue.

Some capital expenditures were delayed to Fiscal 2025 onward in light of demand situation.

See page four.

Capital expenditures were JPY105.2 billion, depreciation charge of property, plant and equipment was JPY82.2 billion, and R&D expenses were JPY77.5 billion.

Capital expenditures decreased mainly due to postponement of some capital expenditures to FY2025 onward in light of demand situation.

Sales Revenue by Reporting Segment for the Nine Months of Fiscal 2024



(Unit: Yen in millions)

Sales Revenue by Reporting Segment	Fiscal 2023 Nine months		Fiscal 2024 Nine months		Change	
	Amount	Component Ratio	Amount	Component Ratio	Amount	%
Core Components Business	453,238	29.7%	432,152	29.0%	-21,086	-4.7%
Industrial & Automotive Components Unit	147,163	9.6%	167,216	11.2%	20,053	13.6%
Semiconductor Components Unit	284,764	18.7%	242,676	16.3%	-42,088	-14.8%
Others	21,311	1.4%	22,260	1.5%	949	4.5%
Electronic Components Business	290,538	19.1%	262,628	17.6%	-27,910	-9.6%
Solutions Business	792,643	51.9%	810,476	54.3%	17,833	2.2%
Industrial Tools Unit	238,368	15.6%	235,406	15.8%	-2,962	-1.2%
Document Solutions Unit	318,476	20.9%	325,934	21.8%	7,458	2.3%
Communications Unit	147,155	9.6%	161,656	10.8%	14,501	9.9%
Others	88,644	5.8%	87,480	5.9%	-1,164	-1.3%
Others	17,091	1.1%	14,176	0.9%	-2,915	-17.1%
Adjustments and Eliminations	-27,013	-1.8%	-26,760	-1.8%	253	—
Sales Revenue	1,526,497	100.0%	1,492,672	100.0%	-33,825	-2.2%

5

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See page five. This is a list of sales revenue by reporting segment. Details will be provided later.

Business Profit (Loss) by Reporting Segment for the Nine Months of Fiscal 2024



(Unit: Yen in millions)

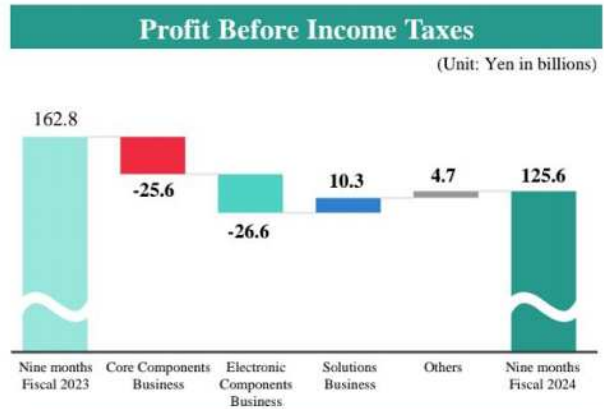
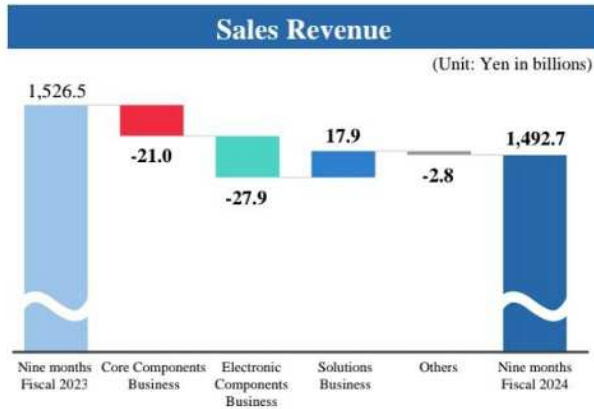
Business Profit by Reporting Segment	Fiscal 2023 Nine months		Fiscal 2024 Nine months		Change	
	Amount	% to Sales Revenue	Amount	% to Sales Revenue	Amount	%
Core Components Business	71,148	15.7%	45,466	10.5%	-25,682	-36.1%
Industrial & Automotive Components Unit	17,685	12.0%	18,873	11.3%	1,188	6.7%
Semiconductor Components Unit	56,296	19.8%	26,388	10.9%	-29,908	-53.1%
Others	-2,833	—	205	0.9%	3,038	—
Electronic Components Business	39,572	13.6%	13,033	5.0%	-26,539	-67.1%
Solutions Business	36,480	4.6%	46,817	5.8%	10,337	28.3%
Industrial Tools Unit	20,097	8.4%	12,742	5.4%	-7,355	-36.6%
Document Solutions Unit	21,981	6.9%	28,653	8.8%	6,672	30.4%
Communications Unit	-5,553	—	2,356	1.5%	7,909	—
Others	-45	—	3,066	3.5%	3,111	—
Others	-20,016	—	-32,067	—	-12,051	—
Total Business Profit	127,184	8.3%	73,249	4.9%	-53,935	-42.4%
Corporate Gains and Others	35,572	—	52,389	—	16,817	47.3%
Profit Before Income Taxes	162,756	10.7%	125,638	8.4%	-37,118	-22.8%

6

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See page six. This is a list of business profit by reporting segment.

Summary of Financial Results for the Nine Months of Fiscal 2024



Sales revenue decreased, due mainly to a decrease in demand for our principal products in the Core Components Business and the Electronic Components Business as a result of sluggish condition in our principal markets, which more than offset an increase in sales in the Solutions Business.

Profit decreased, due mainly to lower utilization ratio of production facilities caused by a decrease in orders, as well as an increase in labor costs and R&D expenses.

See page seven. Here is a summary of the results for the nine months of FY2024.

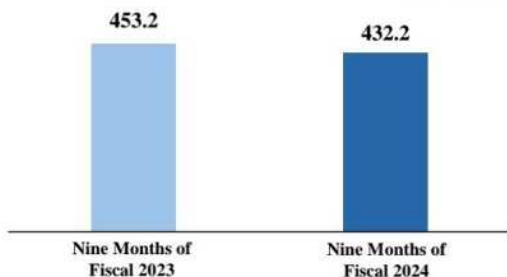
See the sales revenue figures on the left side of the slide. By reporting segment, sales revenue decreased due mainly to a decrease in demand for our principal products in the Core Components Business and the Electronic Components Business, which more than offset an increase in sales in the Solutions Business, shown in blue in the center of the graph.

Then look at the profit before income taxes on the right side. Similar to sales revenue, profit of the Solutions Business increased while the Core Components Business and the Electronic Components Businesses saw a decrease. Profit decreased due mainly to lower utilization ratio of production facilities caused by a decrease in orders, as well as an increase in labor costs and R&D expenses for the entire group.

Details of sales revenue and profit for each segment are explained in the following pages.

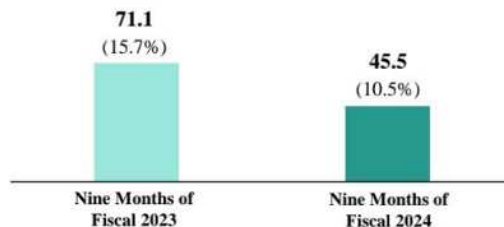
Sales Revenue

(Unit: Yen in billions)



Business Profit (Ratio)

(Unit: Yen in billions)



Summary of Financial Results

<As Compared with Nine Months of Fiscal 2023: -4.7%>

- Sales revenue decreased due mainly to soft market conditions for ceramic packages in smartphone markets and for organic packages and boards in information and communication infrastructure-related markets.

<As Compared with Nine Months of Fiscal 2023: -36.1%>

- Business profit decreased due to the decline in sales of ceramic packages for smartphone markets and organic packages and boards for information and communication infrastructure-related markets, as well as an increase in depreciation charge of property, plant and equipment, etc.

Notes: Business profit represents profit before income taxes of each reporting segment.
Changes from the previous period and business profit ratio are calculated based on millions of yen. 8

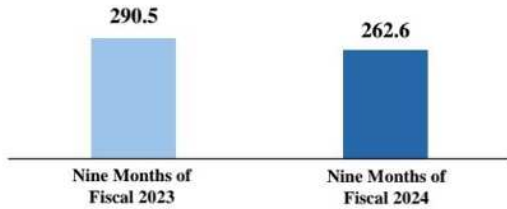
See page eight. First, the Core Components Business.

Sales revenue for the nine months of FY2024 totaled JPY432.2 billion. Sales revenue decreased due mainly to soft market conditions for ceramic packages in smartphone markets and for organic packages and boards in information and communication infrastructure-related markets.

Business profit was JPY45.5 billion. Profit decreased due to the decrease in sales of these products, as well as an increase in depreciation charge of property, plant and equipment, etc.

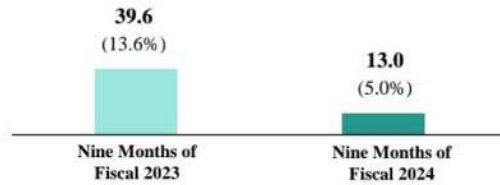
Sales Revenue

(Unit: Yen in billions)



Business Profit (Ratio)

(Unit: Yen in billions)



Summary of Financial Results

<As Compared with Nine Months of Fiscal 2023: -9.6%>

- Sales revenue decreased due mainly to inventory adjustments and decreased demand for components such as capacitors and crystal devices for information and communication markets.

<As Compared with Nine Months of Fiscal 2023: -67.1%>

- Business profit decreased significantly due to higher cost of sales associated with a lower utilization ratio as well as increases in raw material costs, etc.

Notes: Business profit represents profit before income taxes of each reporting segment.
Changes from the previous period and business profit ratio are calculated based on millions of yen. 9

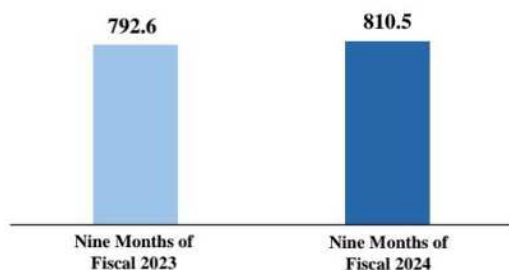
See page nine. Next, the Electronic Components Business.

Sales revenue for the nine months of FY2024 totaled JPY262.6 billion. Sales revenue decreased due mainly to inventory adjustments and decreased demand for components such as capacitors and crystal devices for information and communication markets.

Business profit was JPY13 billion. Profit decreased significantly due to higher cost of sales ratio associated with a lower utilization ratio as well as increases in raw material costs, etc.

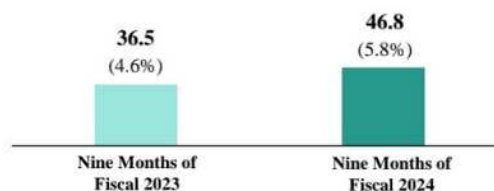
Sales Revenue

(Unit: Yen in billions)



Business Profit (Ratio)

(Unit: Yen in billions)



Summary of Financial Results

<As Compared with Nine Months of Fiscal 2023: +2.2%>

- Industrial Tools Unit: Sales decreased due to inventory adjustment of cutting tools.
- Document Solutions Unit: Sales increased due to the impact of weaker yen, etc.
- Communications Unit: Sales of the information systems and telecommunication services business increased.

<As Compared with Nine Months of Fiscal 2023: +28.3%>

- Business profit increased due to the increased sales and to improved profitability in the Communications Unit as a result of the progress of structural reforms initiated in Fiscal 2023.

Notes: Business profit represents profit before income taxes of each reporting segment.
Changes from the previous period and business profit ratio are calculated based on millions of yen. 10

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See page 10. Finally, the Solutions Business.

Sales revenue for the nine months of FY2024 totaled JPY810.5 billion. While sales in the cutting tools business of the Industrial Tools Unit declined due to inventory adjustment, sales in the Document Solutions Unit increased due to the impact of weaker yen and other factors, and sales in the information systems and telecommunication services business of the Communications Unit increased, resulting in an overall increase in sales for the segment.

Business profit was JPY46.8 billion. Profit increased due to the increased sales and to improved profitability in the Communications Unit as a result of the progress of structural reforms initiated in FY2023.

Financial Forecasts for Fiscal 2024 (1)



(Unit: Yen in millions)

	Fiscal 2023	Fiscal 2024 (Forecast)		Change in amount compared with	
		Previous (November 2023)	Revised (February 2024)	Fiscal 2023	Previous Forecast
Sales Revenue	2,025,332	2,050,000	2,000,000	-25,332	-50,000
Operating Profit	128,517 (6.3%)	120,000 (5.9%)	95,000 (4.8%)	-33,517	-25,000
Profit Before Income Taxes	176,192 (8.7%)	170,000 (8.3%)	140,000 (7.0%)	-36,192	-30,000
Profit Attributable to Owners of the Parent	127,988 (6.3%)	123,000 (6.0%)	100,000 (5.0%)	-27,988	-23,000
EPS (Basic-yen)	89.15	86.89	70.76		
Average Exchange Rate	US\$ 135 yen	140 yen	143 yen		
	Euro 141 yen	152 yen	155 yen		

Notes:
 Figures in parentheses represent percentages to sales revenue.
 Forecast of EPS (Basic-yen) for Fiscal 2024 as of Nov. 2023 is calculated using the average number of shares outstanding during 1H of Fiscal 2024, and forecast of EPS (Basic-yen) for Fiscal 2024 as of Feb. 2024 is calculated using the average number of shares outstanding during nine months of Fiscal 2024 (after the stock split in Jan. 2024.)

Financial forecasts have been revised due mainly by slower recovery of the semiconductor-related markets and information and communications-related markets, as compared with our expectations.

Next, I will explain the financial forecast for FY2024.

See page 12. Today, we have revised our full-year forecasts for FY2024.

Due to the slowdown in the global economy and the impact of a slower-than-expected recovery of the semiconductor-related and information and telecommunications-related markets, which are our principal markets, our performance in the first nine months of FY2024 was below expectations.

We expect this difficult business environment to continue in 4Q, and have revised downward our forecasts for sales revenue to JPY2 trillion, down JPY50 billion from the previous forecast, and operating profit to JPY95 billion, down JPY25 billion, profit before income taxes to JPY140 billion, down JPY30 billion, and profit attributable to owners of the parent to JPY100 billion, down JPY23 billion. We have revised downward both sales and profit.

Financial Forecasts for Fiscal 2024 (2)



(Unit: Yen in millions)

	Fiscal 2023	Fiscal 2024 (Forecast)		Change in amount compared with	
		Previous (November 2023)	Revised (February 2024)	Fiscal 2023	Previous Forecast
Capital Expenditures	173,901 (8.6%)	170,000 (8.3%)	160,000 (8.0%)	-13,901	-10,000
Depreciation Charge of Property, Plant and Equipment	108,757 (5.4%)	115,000 (5.6%)	115,000 (5.8%)	6,243	—
R&D Expenses	94,277 (4.7%)	106,000 (5.2%)	106,000 (5.3%)	11,723	—

Note: Figures in parentheses represent percentages to sales revenue.

Forecasts of capital expenditures have been revised as well, due to the postponement of some capital expenditures to Fiscal 2025 onward.

See page 13. Here are the full-year forecasts for capital expenditures, depreciation charge of property, plant and equipment, and R&D expenses.

Due to the postponement of some capital expenditures to FY2025 or later, the forecast for capital expenditures has also been revised downward by JPY10 billion from the previous forecast to JPY160 billion.

Sales Revenue Forecasts by Reporting Segment for Fiscal 2024



(Unit: Yen in millions)

Sales Revenue by Reporting Segment	Fiscal 2023		Fiscal 2024 (Forecast)				Change in amount compared with	
	Amount	Component Ratio	Previous (November 2023)		Revised (February 2024)		Fiscal 2023	Previous Forecast
			Amount	Component Ratio	Amount	Component Ratio		
Core Components Business	592,376	29.2%	567,000	27.6%	562,000	28.1%	-30,376	-5,000
Industrial & Automotive Components Unit	199,194	9.8%	221,000	10.8%	222,000	11.1%	22,806	1,000
Semiconductor Components Unit	364,579	18.0%	315,000	15.3%	310,000	15.5%	-54,579	-5,000
Others	28,603	1.4%	31,000	1.5%	30,000	1.5%	1,397	-1,000
Electronic Components Business	378,536	18.7%	358,000	17.5%	349,000	17.4%	-29,536	-9,000
Solutions Business	1,068,597	52.8%	1,146,000	55.9%	1,109,000	55.5%	40,403	-37,000
Industrial Tools Unit	308,406	15.2%	325,000	15.8%	316,000	15.8%	7,594	-9,000
Document Solutions Unit	434,914	21.5%	473,000	23.1%	457,000	22.9%	22,086	-16,000
Communications Unit	207,793	10.3%	231,000	11.3%	223,000	11.2%	15,207	-8,000
Others	117,484	5.8%	117,000	5.7%	113,000	5.6%	-4,484	-4,000
Others	23,403	1.2%	18,000	0.9%	18,000	0.9%	-5,403	—
Adjustments and Eliminations	-37,580	-1.9%	-39,000	-1.9%	-38,000	-1.9%	-420	1,000
Sales Revenue	2,025,332	100.0%	2,050,000	100.0%	2,000,000	100.0%	-25,332	-50,000

See page 14. This is a list of sales revenue by reporting segment.

Compared to the previous forecast, we have revised downward our forecasts for the Core Components Business by JPY5 billion, the Electronic Components Business by JPY9 billion, and the Solutions Business by JPY37 billion.

Business Profit (Loss) Forecasts by Reporting Segment for Fiscal 2024



(Unit: Yen in millions)

Business Profit by Reporting Segment	Fiscal 2023		Fiscal 2024 (Forecast)				Change in amount compared with	
	Amount	% to Sales Revenue	Previous (November 2023)		Revised (February 2024)		Fiscal 2023	Previous Forecast
			Amount	% to Sales Revenue	Amount	% to Sales Revenue		
Core Components Business	89,475	15.1%	65,000	11.5%	57,000	10.1%	-32,475	-8,000
Industrial & Automotive Components Unit	24,743	12.4%	24,500	11.1%	25,000	11.3%	257	500
Semiconductor Components Unit	67,702	18.6%	39,500	12.5%	31,000	10.0%	-36,702	-8,500
Others	-2,970	—	1,000	3.2%	1,000	3.3%	3,970	—
Electronic Components Business	44,064	11.6%	24,500	6.8%	15,000	4.3%	-29,064	-9,500
Solutions Business	42,239	4.0%	85,000	7.4%	70,000	6.3%	27,761	-15,000
Industrial Tools Unit	23,279	7.5%	22,000	6.8%	17,000	5.4%	-6,279	-5,000
Document Solutions Unit	33,706	7.8%	51,000	10.8%	45,000	9.8%	11,294	-6,000
Communications Unit	-11,729	—	5,500	2.4%	5,000	2.2%	16,729	-500
Others	-3,017	—	6,500	5.6%	3,000	2.7%	6,017	-3,500
Others	-28,795	—	-43,000	—	-44,000	—	-15,205	-1,000
Total Business Profit	146,983	7.3%	131,500	6.4%	98,000	4.9%	-48,983	-33,500
Corporate Gains and Others	29,209	—	38,500	—	42,000	—	12,791	3,500
Profit Before Income Taxes	176,192	8.7%	170,000	8.3%	140,000	7.0%	-36,192	-30,000

15

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See page 15. This is a list of business profit by reporting segment.

Compared to the previous forecast, we have revised downward our forecasts for the Core Components Business by JPY8 billion, the Electronic Components Business by JPY9.5 billion, and the Solutions Business by JPY15 billion. Although the current business environment continues to be difficult, we will continue to build a system to increase production and at the same time, promote efforts to improve productivity so that we can steadily improve profitability during the demand recovery period in FY2025 and beyond.

Key issue identified through dialogue with the stock market

“Kyocera should effectively utilize cross-shareholdings for the Group’s further growth.”

Continuously discuss specific measures as a key issue

Investments for components for semiconductor industries	Strategic M&A	Enhancement of management foundation
<p>Increase production capacity in anticipation of demand growth</p> <ul style="list-style-type: none"> ◆ Shiga Yohkaichi Plant ◆ Kagoshima Sendai Plant ◆ Nagasaki Isahaya Plant (Tentative name) 	<p>Consider business areas with high synergy potential as areas of M&A</p> <ul style="list-style-type: none"> ◆ Electronic Components Business ◆ Industrial Tools Unit <p style="text-align: right;">etc.</p>	<p>Further expansion of digital transformation investment and human capital investment</p> <ul style="list-style-type: none"> ◆ Introduce generative AI into work ◆ Promote reskilling of employees

Future capital policy, including a clarification of funding needs, is planned to be announced in autumn of 2024 or onward.

Finally, I would like to explain the status of discussion regarding cross-shareholdings.

See page 17. Based on the recognition that Kyocera should effectively utilize cross-shareholdings for the Group’s further growth, which we have gained through dialogue with the stock market, including our major shareholders, we are continuously discussing specific measures as a key issue for the future.

The first measure is investments for components for semiconductor industries. In order to increase production capacity in anticipation of demand growth after 2025, we will build a system to increase production by adding a new plant in Isahaya City, Nagasaki Prefecture, in addition to the expansion of the Shiga Yohkaichi Plant and the Kagoshima Sendai Plant.

The second measure is strategic M&A. We are considering business areas with high synergy potential as areas of M&A, such as the Electronic Components Business and the Industrial Tools Unit.

The third measure is the enhancement of management foundation. We will further expand our DX and human capital investments in order to actively introduce generative AI into our work and promote reskilling of employees.

The future capital policy, including a clarification of funding needs, is planned to be announced in the autumn of 2024 or later.

That concludes my presentation. We sincerely ask for your continued support for our company. Thank you for your attention.

Question & Answer

<Questioner 1>

[Q]: First, profit from the Electronic Components Business has decreased significantly. Please break this down into Kyocera itself and KAVX. Also, please explain the status by product, dividing into major products such as MLCCs, crystal devices and connectors, and how they will change from 4Q onward.

[A]: For the nine-month period, profit of Kyocera's electronic components business decreased by about JPY11 billion from the previous period, and KAVX's profit decreased by JPY15 billion, with the decrease being larger for KAVX. Demand for our main products fell, which is the reason for both, but KAVX fell more than Kyocera's electronic components business because when we invested in the construction of a new plant in Thailand, demand fell and we were barely able to operate it.

By product, MLCCs and crystal-related oscillator components have fallen sharply due to declining demand. Other than that, the decrease in connectors and tantalum capacitors was small.

[Q]: Thank you very much. A year ago, you explained that inventory adjustments for MLCC would be completed relatively quickly, but that it would take time for crystal devices. Please explain how this situation is changing.

[A]: KAVX has a large sales proportion for automotive applications in Europe, and we have heard that the inventory adjustment by automotive manufacturers has progressed quite well, but since we use distributors, their inventories are still high, and we have heard that it will take some more time for inventory adjustment.

As for Kyocera's electronic components business, MLCCs are mainly for cell phones. Although cell phone production is on the road to recovery, inventory adjustment has been protracted because the increase is in low-priced cell phones for Africa and India, areas where our capacitor components are not widely used. On the other hand, we have received information that the market is expected to turn up slightly this spring, due to the inclusion of AI in smartphones and other factors.

[Q]: Is what you just said about MLCC?

[A]: Yes, MLCC.

[Q]: Thank you very much. The second question is about the relationship with KDDI. I imagine that opportunities to work with KDDI in various fields are increasing. What results have been achieved so far in the collaboration with KDDI? In what areas can we expect product development and collaboration in the future? And what kind of things can be achieved by bringing together the technologies in which your company and KDDI excel?

[A]: As already announced, KDDI and Kyocera have established a joint company to collect renewable energy and sell it mainly in-house. I believe this will grow as the amount of electricity we collect increases each year.

In addition, we hear that 5G millimeter waves are difficult to utilize, and are currently working with KDDI to study this issue. For example, the area that can be covered by a single millimeter wave base station is very small, so we are working with KDDI to develop a repeater to expand the area that can be utilized with a single millimeter wave base station.

And since millimeter waves have a very strong linearity, we are also working together to develop refractive plates and other equipment to deliver millimeter waves to the backside of obstacles. We are collaborating on how to best use millimeter waves.

[Q]: Is it correct to think that the breadth or depth of such collaboration will increase in the future?

[A]: Yes, that is correct.

<Questioner 2>

[Q]: I have two questions regarding the slide of cross-shareholdings.

First, I would like to confirm in terms of changes compared to the medium-term plan announced last year. In addition to the borrowings of maximum of JPY500 billion by using KDDI shares as a collateral which has been announced in the medium-term plan, is it correct to say that Kyocera is currently considering the sale of its cross-shareholdings?

Also, as you are considering aggressive investment for growth, if there is not that much demand for funds, do you have an option to consider increasing ROE more than before, including return of capital through share buybacks, for example, as a supplemental measure?

[A]: First of all, we have already executed some of the borrowing by pledging as collateral, but I don't think we will have borrowed all of the JPY500 billion at the time of the announcement this autumn, so we will announce how much we will borrow and how much we will use in other ways in the autumn. Some borrowing is already in place, and this is an additional measure to be considered. Does this answer your question?

[Q]: Okay.

[A]: Regarding capital investment, etc., I think we will be more aggressive, but as for M&A, it involves other companies, so it is possible that things may not go as we expect. In such cases, we have done some share buybacks this fiscal year, and will continue to consider including share buybacks in the future.

[Q]: Let me confirm the nuance of what you just said. Firstly, I think that growth investment or M&A is a good use of money for the future, but of course there is also a time axis, and in terms of how quickly the Company can improve, is it correct to think that there will be options such as aggressive share buybacks in a supplemental sense?

[A]: Yes, that is correct.

[Q]: Okay. Second, it has been one year since the medium-term management plan was announced, and unfortunately the business environment has changed, but is it correct to assume that the targets for the final year of the medium-term plan, FY2026, will remain unchanged?

[A]: Yes, it will become clear in the autumn how much the semiconductor-related market will rise, but we have received information from our customers that semiconductor-related markets will rise considerably in the next calendar year, 2025. Therefore, at this point, we have not yet changed our FY2026 target.

[Q]: I see. Is it correct to think that you will take additional measures to respond to the new business environment and to the demands of the stock market in order to achieve your mid-term plan?

[A]: Yes, that is correct.

<Questioner 3>

[Q]: First of all, could you give us the details of the downward revision of the financial results by segment? In the four segments of the Semiconductor Components Unit, the Electronic Components Business, the Industrial Tools Unit, and the Document Solutions Unit, where the change in profit is particularly large, please explain the details of the profit decline and why it was this amount.

[A]: First, regarding components for the semiconductor-related markets in the Core Components Business, there was a slight increase in components for semiconductor production equipment, which are included in the Industrial & Automotive Components Unit as shown on page 14. On the other hand, ceramic packages used in crystal oscillators and SAW filters for smartphones fell sharply, while organic packages and boards for semiconductors used in data centers fell sharply, resulting in this figure for the Core Components Business.

In the Industrial Tools Unit, the sales of cutting tools, especially for Asia, did not increase due to distribution inventories, although sales of automobiles in Japan recovered relatively well. Currently, the distribution inventory has settled down and we are starting to see a slight upward trend.

As for the Document Solutions Unit, we had hoped for a considerable effect of the weak yen, but the actual sales volume did not increase much.

[Q]: From what you just said, the Document Solutions Unit actually purely saw a downward swing, but is your understanding that the large factors are market factors and inventory cycles?

[A]: Yes. That's right.

[Q]: Okay. Profit levels have dropped considerably compared to previous years. Is there any intrinsic deterioration that is hidden amidst the effects of this inventory cycle? Could you tell us about your current perception of other risks?

[A]: First, for the Core Components Business, purely the demand has declined, and I don't think that our profitability has declined as a business or anything like that. If demand rises, profits will rise proportionately.

The market share of the Electronic Components Business is not very high to begin with, and I think tantalum capacitors, which have a high market share, will recover as soon as demand returns, but we are a little concerned about whether we will be able to recover at the same level when MLCCs are on the road to recovery. We are slightly concerned that as the overall market rises, orders for our company will not return unless there is a shortage in the market.

And as for the Industrial Tools Unit, we believe this will also return once inventory adjustments are completed.

[Q]: How about the Document Solutions Unit?

[A]: The document solutions market itself is already completely saturated, so we planned to increase our market share in order to boost sales, but we were not able to do so as expected. We still think that we need to put a little more focus on textile printers and industrial printers.

<Questioner 4>

[Q]: First, regarding the Electronic Components Business, could you tell us if there is any time frame you are thinking about regarding the recovery of MLCCs and crystal devices, including your company? At the same time, I would like to know if it is still difficult for the ceramic package to recover if crystal devices and others do not recover?

[A]: As I mentioned earlier, MLCCs and crystal devices in Kyocera's electronic components business have a very high proportion for mobile phones, and moreover, a large number of them are used in relatively high-end models, so demand will not increase unless the number of high-end models increases. Seasonal factors tend to cause production to rise in the summer, build up for the Christmas shopping season, and then fall off in the winter. In line with that, I think they will go up towards this summer.

Also, since cell phones with AI have recently started to appear on the market, if the number of high-end models with AI increases, we will move in an even better direction.

[Q]: Thank you. What about crystal devices?

[A]: Crystal devices are almost the same, and the overwhelming majority are used in cell phones, so we expect a similar trend. They are also used for automotive applications in Europe. We are struggling a little because the economy in Europe is not so good right now, but we would like to obtain certification to increase the number of automotive applications.

[Q]: Thank you. Second, I would like to ask you again about your vision for future capital investment. You mentioned earlier that you would like to aggressively expand the semiconductor-related business. In considering the next fiscal year and beyond, will you maintain the fairly large scale that you have set forth in your mid-term plan, or will there be some adjustments?

[A]: We intend to continue our aggressive investment in semiconductor-related areas, but we have clearly stepped back for a year, especially in organic packages and boards, so we do not intend to change the overall investment amount, but it may be shifted back about one year.

On the other hand, we have received information that demand of components for semiconductor production equipment will increase considerably at the forecast level, and we intend to make investments as planned so as not to fall behind in this area.

Notes

1. *This document was edited from the original recording and transcripts provided by SCRIPTS Asia, Inc.*
2. *In this document, the year ending March 31, 2024 is referred to as "Fiscal 2024," six months ended/ending September 30 is referred to as "1H," three months ended/ending June 30 is referred to as "1Q." Other fiscal years, half-year and quarterly periods are referred to in a corresponding manner.*

Cautionary statement

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