



Kyocera IR Day
(Held on February 18, 2021)

**Speech by Hideo Tanimoto, President and Representative Director,
Kyocera Corporation**

<Cover>

Today, I would like to explain Kyocera's initiatives for medium-to-long-term growth.

<P1. Details of Today's Explanation>

<P2. (Middle cover) 1. Changes in the business environment and Kyocera's initiatives>

<P3. Recognition of the Business Environment>

First, I will explain the changes in the business environment and Kyocera's initiatives.

During the past 10 years, our business environment has changed significantly. Besides a change in needs for things, there is also a rising awareness of the environment and society. Among these changes, digitization is suddenly accelerating due to the spread of COVID-19.

These changes can also be seen in our key markets, namely Information & Communication Markets, Automotive Related Markets, Environment & Energy Markets, and Medical & Health Care Markets, as customer needs are shifting to systemization and solutions.

As a fundamental reform to steadily and quickly connect these new business opportunities to profit growth we have decided to review our management system from the year ending March 31, 2022 ("the next fiscal year").

<P4. Overview of Business Segments from April 2021>

This shows an overview of our new business segments from April 2021. As recently announced, Kyocera will undertake an organizational restructuring that consolidates its current 16 main businesses and subsidiaries under three new business segments consisting of the Core Components Business, the Electronic Components Business and the Solutions Business.

On the basis of our forecast for the year ending March 31, 2021 ("the current fiscal year"), we anticipate our sales composition ratio will be approximately 30% for the Core Components Business, around 20% for the Electronic Components Business and about 50% for the Solutions Business.

<P5. Strengthening of Corporate Governance>

Next, I will explain our initiatives to strengthen corporate governance.

The first point is to fortify our management base through organizational restructuring. Besides the three business segments, the management departments will also be consolidated into Headquarters. At the same time, we have decided to appoint officers in charge of each segment from the next fiscal year.

To the present, I have made the final decisions for all segments. However, under the new system, we will delegate significant authority to the officers in charge, including decision-making authority for investments and human resources, with the aim of vitalizing of our organization for growth. In doing so, we will implement dynamic and speedy management that transcends the framework of our existing organizations. The officers in charge will create specific strategies and initiatives for each business segment in the future and I expect that we will be able to deploy the collective strengths of the Group more than ever before and accelerate our growth.

The second point is strengthening the supervisory functions of the Board of Directors.

As a result of executive officer rotations along with the reorganization, we will reduce the current 12 Internal Directors by half to 6 directors subject to approval at the Ordinary General Meeting of Shareholders scheduled for June 2021 and the Board of Directors will consist of nine members, including Outside Directors. This will enable us to further clarify the role of management supervision and execution while raising the ratio of Outside Directors to 1/3 as we work to strengthen the supervisory functions of the Board of Directors.

<P6. Toward Growth from the Next Fiscal Year and Beyond>

In working toward growth from the next fiscal year and beyond, besides operating under a new structure we will promote the following three management measures.

The first is the creation of new businesses for medium-to-long-term growth. We will make efforts toward the commercialization of next-generation technologies that contribute to solving social issues.

The second is working to achieve double productivity, which I have been promoting since assuming my position as president.

The third is to respond to ESG issues.

<P7. (Middle Cover) 2. Creation of new businesses>

First, I will explain the creation of new businesses.

<P8. Kyocera's AI Collaborative Robot System Business (1) Video>

Here I will explain Kyocera's AI Collaborative Robot System Business.

The use of collaborative robots as a substitute for humans at production sites is advancing with each passing year. However, introducing robots requires programming work for each production process and product type and under current circumstances this teaching work requires huge amounts of time and effort.

Kyocera has leveraged its unique AI utilization technologies to significantly reduce teaching and develop autonomously operating collaborative robot systems that we plan to commercialize during the current year. First, we will introduce this collaborative robot system in a video.

(Play video)

<P9. Kyocera's AI Collaborative Robot System Business (2) Overview and Future Development>

Kyocera aims for the quick commercialization of its robotics business by utilizing the Group's comprehensive strengths in addition to promoting external collaboration. There are four main resources needed for commercialization.

First of all, our efforts to build AI will center mainly around the AI venture Rist, which became part the group through M&A. For AI pre-learning data, we will utilize production data from the manufacturing sites of Kyocera, which is a manufacturer. In addition, any shortage of AI technology will be built up through open innovation with external AI ventures.

Regarding the cloud, we will utilize the cloud technologies of KCCS (Kyocera Communications Systems Co., Ltd.), which undertakes the system integration and IT solutions businesses. Controllers will utilize the machine control technology that Kyocera Document Solutions Inc. has cultivated during its manufacturing processes for multifunctional and other equipment.

By linking a wide range of technologies from hardware to software, Kyocera eliminates the need for information registration of objects gripped by robots as well as for routing the robot arms that will move these objects while also minimizing teaching, which is a bottleneck in collaborative robots.

In addition, providing AI solutions matched to each site as a subscription service will enable continuous value provision to users.

Utilizing these features, Kyocera will develop its business by targeting high-mix, low-volume production sites, which are an almost entirely undeveloped field in the industrial robot market.

Currently, we are proceeding with trial introduction in Kyocera's own plants. Regarding our future timetable, we will promote full-scale introduction in Kyocera's own plants and trial sales to outside customers in the next fiscal year ending March 2022. Kyocera aims to achieve growth in sales revenue to around 30 billion yen within the next five years and contribute to solving the social issue of labor shortages.

<P10. Commercialization of GaN Systems (1)>

Next, I will explain the commercialization of GaN (gallium nitride) systems, which we will expand as a driver of growth in the future. GaN is attracting increasing attention as a core material that contributes to the realization of a low-carbon society and in 2013 Kyocera began considering the utilization of this technology.

To the present, Kyocera lacked sufficient device technology needed for entering this market. However, in January 2021, we acquired SLD Laser, of the United States, a leading company in the commercialization of GaN technology, and in doing so we acquired a high-quality device (GaN laser).

This acquisition will eliminate bottlenecks for entering the business and together with Kyocera's existing components and equipment and systems technology will enable immediate business deployment all the way to systemization.

< P11. Commercialization of GaN Systems (2) Introducing the Features of the Technologies of U.S.-based SLD Laser>

This slide introduces the features of SLD Laser. This company's laser technologies using GaN substrates significantly increase high efficiency and high luminance compared with LEDs and have obtained safety certification from a third-party organization for assuring safety of the skin and eyeballs. Thanks to these features, these products are already being deployed in various fields such as mobility and specialty lighting, and commercialization is progressing.

<P12. Commercialization of GaN Systems (3) Future Business Development>

As future business development, Kyocera will promote the development of various systems through a strategy of vertical integration that combines SLD's industry top-level devices with Kyocera's technology capabilities such as its wide range of systems and solutions.

In the future, besides seamless and highly flexible laser illumination and automotive laser headlights capable of illumination over a distance of one kilometer, which cannot be achieved

with LEDs, we expect this technology will have applications in an extremely wide range of markets. These include information and communication fields such as high-speed wireless communication Li-Fi and fiber optic power supply as well as such medical fields as sterilization LD. We will strive to grow our annual sales to 100 billion yen level.

Next, I will explain the energy business and the medical and healthcare business, which we are undertaking from a longer-term perspective.

<P13. Development of Energy Business (1)>

First is the energy business. We are making efforts to supply renewable energy to consumers toward the full-scale development of this business. Our strengths are the four points listed here.

First, together with partner companies, we possess a solar photovoltaic power station that is already in operation with over 600MW/h capacity.

Second, is the aggregation of renewable energy and the development of storage battery control technologies through VPP demonstrations over five years.

Third, we have started production of clay-type lithium-ion storage batteries, which are needed for distributed power sources of renewable energy and have excellent competitiveness.

Fourth, we have plentiful in-house resources such as IoT, communications, and mobility resources needed for building an energy business.

<P14. Development of Energy Business (2) Energy Business Aimed for by Kyocera>

This slide shows the details of the energy business aimed for by Kyocera. Leveraging the strengths I have just described, Kyocera aims to undertake the PV power service business in 2025 and a CO2-free comprehensive energy business in 2030.

In working toward PV power service in 2025, Kyocera aims to build a system that comprehensively manages, operates and provides RE100 companies and others with stable supplies of power obtained from mega solar plants, surplus power of houses and companies, and VPP control through distributed storage batteries. For CO2 free energy in 2030, as shown on the right, along with solar PV systems, storage batteries, and fuel cells, we will utilize EVs and also combine these with other types of renewable energies. Through marketplace trading, supply-demand control, and frequency control, Kyocera will provide these CO2-free power supplies and related services as well as energy optimization services to companies, electric power providers, regions, and public facilities.

For that purpose, as shown on the left, off-site power stabilization, peer-to-peer (P2P) electric power interchange, VPP control of multiple power sources, and energy optimizing control technology are essential and we have commenced demonstrations at each of our bases and in Odawara city to acquire specific business know-how.

<P15. Development of Energy Business (3) Actions for Realization>

Next, I would like to introduce our main actions for commercialization of the energy business. Regarding (1) relative P2P power supply and (2) utilize non-fossil values of solar power plants, we are proceeding with commercialization through demonstrations at the Kyocera Nakayama Office.

Residential post-FIT (Feed-in Tariff) distributed surplus electricity, electricity from non-FIT solar power plants and power from FIT power plants with environmental value tracking is supplied to the Kyocera Nakayama Office as P2P electricity utilizing the Digital Grid platform. We will package this and supply this to companies aiming for RE100 through renewable energy and environmental values.

Number (3) is a scheme for stable power supplies that also utilizes other renewable energy power sources in addition to solar power generation. Industrial-use solar power surplus and power from non-FIT solar power plants is combined with other renewable power such as wind power generation and is stabilized and supplied to companies and local governments.

We will start proposing all of these from the next fiscal year. For our future energy business, we will first launch the businesses that we explained today and then strive to expand these further.

Next, I will explain our regenerative medicine business.

<P16. Regenerative Medicine (1) Technical Tie-up with Regeneus Ltd., of Australia>

In working toward the full-scale development of the regenerative medicine business, in August 2020 Kyocera concluded a technical tie-up and license agreement for a cell-preparation for knee osteoarthritis with Australia-based Regeneus and acquired the exclusive rights for using Regeneus' allogeneic mesenchymal stem cell technologies in Japan.

Allogeneic shown in red means the cells of another person. Compared with the method of using the patient's own cells, this technology enables low-cost and stable production and also assures safety.

The features of this technology are shown in the middle of the slide. The first is treatment by intraarticular injection instead of surgery, which means the burden on the patient is small.

Second, this is the only technology to pass clinical trial phase I in Japan. As a result, we are able to aim for a launch in the Japanese market ahead of other companies and we are currently making preparations for clinical trials after Phase II trials.

Third, Regeneus possesses manufacturing technology expected to be highly effective. As shown in the diagram on the right, Regeneus has obtained a patent for a cell preparation manufacturing technology and in a phase I exploratory clinical trial in Australia evidence of an analgesic effect and a keeping chondrogenesis effect have been obtained.

<P17. Regenerative Medicine (2) Future Business Development>

In the future, Kyocera will expand its business domains by utilizing Regeneus' high-level regenerative medicine technologies while taking advantage of our existing business positioning such as our high presence in the domestic implant market and will strive to contribute to improving the QOL of many patients suffering from knee osteoarthritis.

There are about 8 million patients suffering from knee osteoarthritis in Japan and around 100,000 people are indicated for artificial joint surgery, a segment currently being targeted by Kyocera. In the future, Kyocera intends to enter this field at the stage prior to when patients require artificial joint surgery, which is an approachable business field, and this will enable more patients to receive treatment with this new technology.

Kyocera will undertake the regenerative medicine business from a long-term perspective. We believe this business will contribute to solving social issues in the future and we will position this business as one new growth pillar of our medical business while aiming for quick approval and commercialization.

This concludes my explanation of initiatives for new businesses.

<P18. (Middle Cover) 3. Double productivity>

While creating new businesses, Kyocera recognizes that improving productivity at manufacturing sites is also an important issue. Today, I would like to introduce one example of current efforts for achieving a "double productivity."

<P19. Building Smart Factories>

This shows an overview of Kyocera's smart factory. Currently, at our Shiga Yasu Plant, we are working on making the clay-type storage battery "Enerezza" production line into a smart factory and full-scale operations are scheduled to begin in the current fiscal year. This line has been

built as an autonomous line for all processes in the plant, starting from receiving raw materials, by using AI control and linking data by IoT.

This smart factory collects all data from each process in the order from the left side of the slide and by linking this with AIMEE, our proprietary data platform, it optimally arranges the placement of such resources such as people, materials, and equipment and will perform automated adjustment of work in process for all processes. In addition, AI forecasts the workmanship and automatically controls the equipment to improve quality aiming for realization of a line with zero defects. Furthermore, the actual data such as the start and completion of each process is immediately recalculated to reflect the actual situation at the site in real time.

<P20. Introduction of Smart Factories>

Although it is still in trial operations, through this video we introduce part of our smart factory that includes automated transport equipment and an unmanned inspection process.

(Play video)

In the future, we plan to promote the horizontal deployment of the smart factory to other businesses as we strive to raise the productivity of the entire Kyocera Group.

This concludes my explanation of initiatives for achieving double productivity.

<P21. (Middle cover) 4. Responding to ESG issues>

Next, I would like to explain our initiatives for responding to ESG issues.

In aiming for sustainable growth, we consider ESG initiatives and the disclosure of these initiatives as one of our most important issues alongside the expansion of business results.

<P22. Responding to Environmental Issues>

First, as a response to environmental issues, we are promoting efforts to reduce greenhouse gas emissions such as CO₂. Kyocera has set long-term environmental targets while actively introducing renewable energy, such as installing solar power generation systems in plants. These initiatives have led to evaluations by third-party organizations, such as the obtaining of SBT certification and being certified as a Supplier Engagement Leader for the CDP Supplier Engagement Rating Leaderboard and selected for its A list.

In addition, we affirmed the TCFD recommendations to promote information disclosure on climate change and as disclosed in our Integrated Report, we established a governance system, manage risk and set goals while performing scenario analysis and consider business strategies based on the results of this analysis.

As a manufacturer, Kyocera recognizes that responding to the environment is a key issue that it faces every day at its manufacturing sites. We will continue to make efforts to enhance these issues and their disclosure.

Next, I will explain our approach to diversity.

<P23. Promotion of Diversity & Inclusion>

Kyocera is promoting various efforts toward being a company filled with vitality and appeal that continues to grow in the future. Among these, we are focusing on promoting diversity and inclusion.

As our first main initiative, we are promoting the creation of a friendly working environment. From the current fiscal year, in addition to introducing flexible work systems such as telework from home and a flextime system, we also revised internal regulations to address issues such as LGBT issues and long-term nursing care.

The second initiative is to promote the active participation of women. Currently, the ratio of female managers at Kyocera on a non-consolidated basis is 3.6%. However, we have set the numerical target of raising this to 6% by the fiscal year ending March 2023. To attain this, we are promoting the utilization of educational programs.

In addition, as shown on the right side of the slide, management is also promoting the appointment of women to management level positions. Currently, one female outside director and two female executive officers are participating in Kyocera's management.

The third initiative is cultivating diverse human resources. We are seconding personnel to external ventures, implementing diversity management training and raising the skills of our employees while also reforming their awareness. Through these efforts, we are striving to create a work environment where highly motivated diverse human resources can play active roles.

<P24. Aiming for Sustainable Growth in Corporate Value>

Kyocera will promote the main initiatives I have explained today and will strive to improve its corporate value.

For the current fiscal year, we forecast sales revenue of 1.5 trillion yen, profit before income taxes margin of 8% and ROE of 3.6%. From the next fiscal year onward, we will strive to return our business results to a growth trajectory and aim to quickly achieve sales revenue of 2 trillion yen. In conjunction, we will aim to raise ROE to a level that exceeds 8% over the medium term.

Looking at the lower column management measures, we launched and have worked on various measures in the fiscal year ended March 2020. However, in some categories we are still not fully meeting your expectations. By steadily promoting the initiatives I explained today, I am hoping that we can meet your expectations in the next fiscal year and beyond..

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.