



## **Kyocera Corporation Company Presentation**

**(Held in February 2023)**

(Note: Fiscal periods used in this document)

Fiscal year ending March 31, 2023: fiscal 2023

Other fiscal years are referred to in a corresponding manner.

**Hiroaki Chida**

**Executive Officer, Senior General Manager of Corporate Management Control Group**

**<Cover>**

**<1, 2. (Middle cover)>**

**<3. Corporate Profile of Kyocera>**

Kyocera Corporation was founded in Kyoto in 1959 by Kazuo Inamori as Kyoto Ceramic Co., Ltd. and is currently operating under the direction of Chairman Yamaguchi and President Tanimoto.

As of March 31, 2022, Kyocera had grown to 299 group companies worldwide and approximately 83,000 employees across the group. It is listed on the Tokyo Stock Exchange Prime Market and had a market capitalization of approximately 2.5 trillion yen as of closing on February 17, 2023. Sales revenue for fiscal 2022 amounted to approximately 1.8 trillion yen, roughly 70% of which was accounted for by overseas sales.

**<4. Corporate Motto and Management Rationale>**

Next, I will explain the Corporate Motto and Management Rationale.

Our Corporate Motto is to “respect the divine and love people” and our Management Rationale is “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.” The origin of Kyocera group management lies in this philosophy set forth by our founder, Kazuo Inamori, and we continue to develop various businesses based on this Management Rationale.

**<5. Strengths of Kyocera: 1) Unique Philosophy and Management Methods>**

Let's turn to Kyocera's strengths.

First, we have a unique philosophy and management methods. Kyocera's management is built on the Kyocera Philosophy based on a single criterion — “Do what is right as a human being” — as shown in red in the diagram. This philosophy is shared among all employees as a guideline for achieving our Management Rationale. We also apply a unique management system called “Amoeba Management,” as shown in blue.

Under this system, the company is organized into small groups called amoebas, which operate on a financially independent manner. Amoeba Management is supported by highly fair and transparent accounting principles known as the Kyocera Accounting Principles, shown in green. Kyocera conducts business based on this corporate philosophy, approach to accounting, and “Management by All” practice through Amoeba Management.

#### **<6. Strengths of Kyocera: 2) Strong Financial Base>**

Second, Kyocera has a strong financial base.

Total assets were approximately 4 trillion yen as of December 31, 2022, with shareholder’s equity ratio amounting to around 74%. This strong financial base and high shareholder’s equity ratio enable sustainable management even in a rapidly changing business environment.

#### **<7. Strengths of Kyocera: 3) Various Element Technology and Global Business Operations>**

Third, we possess various elemental technologies and develop business on a global scale.

In addition to fine ceramic technologies, our core technologies since our earliest days, we provide a wide range of products and services to diverse markets by leveraging the wireless communications technologies we have cultivated in our mobile terminals and other areas. In developing these businesses, we engage in production, sales, and research and development activities around the world, as well as provide support to our customers.

On the following slides, I will explain fine ceramics of Kyocera, one of our strengths since our founding.

#### **<8. Fine Ceramics of Kyocera (1)>**

Ceramics are regarded as non-metallic, inorganic substances that are manufactured through exposure to high temperatures. Of these, fine ceramics are carefully engineered materials in which the chemical composition has been finely adjusted with a well-controlled manufacturing process. Fine ceramics boast advanced material properties and dimensional precision.

They are wear resistant, heat resistant, and insulative, so have been applied in a wide range of fields.

Kyocera utilizes more than 200 kinds of fine ceramic materials to provide many unique products based on research and development, and our exceptional technological competencies honed over more than 60 years.

#### **<9. Fine Ceramics of Kyocera (2)>**

As an example, many semiconductors are employed in smartphones and automobiles that are now indispensable in our everyday life. The process of manufacturing semiconductors includes a harsh environment where plasma is generated, which is why plasma-resistant fine ceramic components are employed.

Kyocera’s fine ceramics are also used in the aerospace field. The Japanese asteroid explorer Hayabusa, the first of its kind to successfully bring back sample materials from an asteroid, contains lithium-ion batteries that

serve as the emergency power source, and Kyocera's fine ceramic components were used for the battery terminals.

In these ways, fine ceramics support our daily lives and a variety of industries by applying their numerous characteristics.

#### **<10. Path of Growth (1) Sales Revenue>**

Next, I will explain Kyocera's growth trajectory.

This slide shows sales revenue since our founding and path of development of our core businesses. The first product manufactured by Kyocera was the U-Shaped Kelcima, an insulating part for cathode-ray tube (CRT) televisions. Ever since then, we have developed fine ceramic technology for diverse fields. In 1966, Kyocera's ceramic substrates were used in large computers produced by IBM in the United States, which gained us high credibility in the industry. Sales of Kyocera's ceramic packages, a component that protects integrated circuits, surged as a result, driving corporate growth. In the 1970s, we further applied our accumulated technologies and started developing solar cells, while also expanding our business domains through mergers and acquisitions, and entering the equipment business, which includes mobile phones and printers.

On the back of these efforts to increase sales by venturing into new fields, we are forecasting a record high of 2 trillion yen in sales revenue for fiscal 2023.

#### **<11. Path of Growth (2) Profit Before Income Taxes>**

Kyocera has faced many challenges throughout its history such as the oil shocks of the 1970s, the 2008 global financial crisis and the COVID-19 pandemic, which has lingered now for three years. Despite these challenges, we have continued to post profitability since our founding without ever recording a loss by expanding into a wide range of markets with multiple core businesses.

#### **<12. Business Overview>**

Next, I will introduce Kyocera's businesses. Our operations consist of three businesses. The pie chart on this slide shows the sales composition of the businesses.

In the Core Components Business, which accounts for approximately 29% of total sales revenue, we are developing various components such as fine ceramic components, our founding business, for the industrial, automotive-related, and information and communications markets. The main products in this segment are components for semiconductor processing equipment, packages for semiconductors, and automotive camera modules. It also includes medical-related products such as artificial joints.

Next, in the Electronic Components Business, which accounts for around 19% of total sales revenue, we are developing various electronic components and devices for the information and communications, industrial, automotive-related, and consumer markets. The main products in this segment include ceramic and tantalum capacitors, crystal products, and connectors.

Finally, in the Solutions Business, which accounts for approximately 53% of total sales revenue, we are developing a wide variety of equipment and systems such as pneumatic and power tools for general and industrial use, MFPs and printers, smartphones, and residential electricity storage systems as well as solutions-based services.

### **<13. (Middle cover) Initiatives for a New Stage of Growth>**

Next, I will explain initiatives toward a new stage of growth for Kyocera.

### **<14. Kyocera Group Financial Targets>**

Let's look at Kyocera group's financial targets. We are targeting 3 trillion yen in sales revenue, 20% in the profit before income taxes ratio and 10% or more in return on equity (ROE) by fiscal 2029. Efforts are being made to increase sales and enhance profitability in order to achieve these targets.

### **<15. Proactively Invest in Priority Areas>**

First, I will explain our aggressive investment approach in core areas to expand sales revenue. Kyocera continues to proactively invest for capital expenditures and research and development to meet the diverse needs of a digital society.

This graph shows changes in capital expenditures and research and development expenses. We invested only around 190 billion yen in fiscal 2021, shown at left, but now in fiscal 2023, we are planning to make a record-high investment of 275 billion yen. Our policy is to maintain a high level of investment going forward, and we plan to invest more than 1 trillion yen in total over the next three years.

We will continue to invest in products with high market share and high added value and promote research and development to create new businesses.

### **<16. Invest in Products with High Market Share and High Added Value (1)>**

I will now touch on our capital expenditure plans. The graph on the left of this slide shows the forecast for the semiconductor logic and memory markets. Currently, we are seeing a temporary slowdown in demand on the back of sufficient supply of older generation products. Nonetheless, we are forecasting steady annual average growth of approximately 11% in the logic market and around 5% in the memory market, centered on cutting-edge products, in the years to 2030, in line with advances in 5G and digital transformation (DX).

Kyocera supplies many high-market-share, high-profit components for advanced semiconductors, including fine ceramic components for semiconductor processing equipment and various packages and capacitors, as shown on the right of this slide. We project demand for these components to continue increasing going forward.

### **<17. Invest in Products with High Market Share and High Added Value (2)>**

To turn this high demand into profit, we are constructing multiple factory buildings in Japan and overseas, which are scheduled to become operational gradually from the second half of fiscal 2023.

At the end of 2022, we announced plans to acquire land for a new manufacturing plant in Isahaya, Nagasaki as the existing plants have little or no room to expand, with the aim of increasing production to drive future development. This is the first time for Kyocera to establish a production base in Nagasaki Prefecture, and operations are scheduled to begin in 2026.

### **<18. Promote R&D to Create New Businesses (1)>**

Let's turn to research and development. Kyocera has been engaging in research and development aimed at creating new businesses that address social issues by leveraging the diverse technologies and resources we have cultivated over the years.

Our high-efficiency gallium nitride (GaN) laser, shown at top left, can contribute to the realization of a low-carbon society. Applications are growing for this laser, and we are releasing new products in fiscal 2023. We also have an AI collaborative robot system, shown at top right, that can help alleviate labor shortage issues at production sites. Sales of this system are expected to commence in fiscal 2024.

We have also developed an inkjet textile printing system, shown at bottom left, and a cooperative road-vehicle system, shown at bottom right. These systems are being developed through the fusion of technologies amassed across multiple divisions.

### **<19. Promote R&D to Create New Businesses (2) >**

First, I will explain our inkjet textile printing system.

Textile printing refers to the printing of designs onto fabric. Kyocera's system can contribute to resolving social issues facing the apparel industry such as generation of industrial wastewater during the printing process and mass disposal of stocks due to overproduction. Our system uses uniquely developed pigment inks which can reduce the amount of water used by 99% compared with conventional dyeing. In addition, the ability to deliver small-lot printing easily and flexibly while reducing lead times using the shortest processes possible helps avoid the mass disposal of stocks.

Kyocera has been supplying inkjet printheads for textile printing equipment in the apparel industry for years. Our inkjet textile printing system is developed jointly by business of inkjet printheads and the Information Equipment Division of Kyocera Document Solutions, which has been manufacturing printers and MFPs that print on paper.

### **<20. Promote R&D to Create New Businesses (3)>**

Let's look at our cooperative road-vehicle system. Please watch the video first.

#### **<21. Promote R&D to Create New Businesses (4)>**

Kyocera is developing an intelligent transport systems (ITS) wireless roadside system and a far infrared rays (FIR) camera sensing system that apply technologies amassed in the communications and automotive fields. We aim to contribute to the realization of a safe and secure mobility society by promoting a cooperative road-vehicle system based on infrastructure systems.

#### **<22. Enhance Productivity and Review Business Strategies (1)>**

Next, I will explain improvements to operating efficiency and revisions to business strategy aimed at enhancing profitability.

Our first initiative concerns making improvements to operating efficiency by promoting digitalization.

Kyocera has been pushing ahead with digitalization on a company-wide basis in fiscal 2023, which includes distributing smartphones to all employees in Japan so that internal procedures and attendance management can be completed on the devices. In our manufacturing divisions, we are striving to achieve labor saving and stabilize product quality by introducing smart factories. In our sales and back-office divisions, we are introducing various systems that help enhance productivity.

In addition to working to improve operating efficiency through digitalization, we will encourage changes in employee awareness and corporate culture to achieve sustainable growth.

#### **<23. Enhance Productivity and Review Business Strategies (2)>**

Our second initiative involves implementing a fundamental review of our business strategy and strengthening monitoring.

We have ranked each business based on profit ratio, and for businesses with low profit margins, low growth rates or delays in post-merger integration, we are considering measures, led by management, that include significant downsizing, integration with another division, and withdrawal.

We seek to strengthen our management base by implementing new initiatives in these challenging businesses.

#### **<24. Summary: Initiatives to Achieve the Financial Targets>**

Kyocera aims to achieve financial targets by fiscal 2029 by expanding sales and enhancing profitability. In the Core Components Business and the Electronic Components Business, our component businesses, we will make capital expenditures in high-market-share, high-value-added products and work to double productivity through digitalization. In the Solutions Business, we will promote research and development to create new businesses and build a new business model through fundamental revisions to strategy in challenging businesses.

The graph at the bottom of the slide shows the sales revenue and profit ratio targets for each business segment. When we reach sales revenue target of 3 trillion yen, we are forecasting sales revenue of 1 trillion yen and a profit ratio of 24% in the Core Components Business, sales revenue of 600 billion yen and a profit

ratio of 25% in the Electronic Components Business, and sales revenue of 1.4 trillion yen and a profit ratio of 14% in the Solutions Business.

#### **<25. (Middle Cover) ESG Initiatives>**

Next, let's look at our main initiatives for environment, social and corporate governance (ESG).

#### **<26. Major ESG Initiatives>**

We would start from the initiatives that address environmental issues.

Kyocera is taking steps to reduce greenhouse gas emissions such as CO<sub>2</sub>. As part of our efforts, we have set long-term environmental goals and received certification from the Science Based Targets initiative, an international organization in the environmental field. Our first goal is to reduce greenhouse gas emissions by 46% by fiscal 2031 relative to fiscal 2020 levels. Second, we are targeting a 20x increase in renewable energy adoption by fiscal 2031 compared to fiscal 2014. Third, we aim to be carbon neutral by fiscal 2051 in line with the goal stated by the Japanese government.

For our social initiatives, shown at bottom left, we are taking numerous steps to reform work styles, promote female employee engagement, and provide support for childcare and nursing care, among others, to realize a work environment in which diverse human resources feel motivated and can play an active role.

In terms of governance-related efforts, shown at bottom right, we revised the composition of the Board of Directors in June 2021 to accelerate decision-making and strengthen the supervisory function. As a result, the ratio of Independent Outside Directors increased from one-fifth to one-third. In addition, the appointment of persons with management experience as Independent Outside Director has served to further enhance the level of discussion by the Board.

We intend to continue bolstering corporate governance moving forward.

#### **<27. Create a More Employee-Friendly Working Environment>**

Kyocera believes that the utilization of diverse human resources drives corporate growth and development, and we are making various efforts to make the work environment more comfortable so that each employee can work to his or her full potential. One such initiative aims to create appealing offices and pleasant work environments.

We are striving to establish communication spaces and workspaces in each location to promote more dynamic exchanges between employees as well as with our business partners. We will also open a new office in Tokyo in the summer of 2023. Our plan is to integrate locations currently scattered throughout Tokyo metropolis into the new office in Minato Ward, Tokyo, a highly convenient area.

### **<28. (Reference) Support of Initiatives and Third-Party Evaluations>**

For reference, I will now introduce some examples of our support of initiatives and external evaluations in the ESG fields.

As shown in the upper left of this slide, in March 2020, Kyocera officially announced the supports of the Task Force on Climate-related Financial Disclosures (TCFD), a framework for disclosing climate-related information. As shown in the upper right of the slide, Kyocera has been selected for inclusion in Dow Jones Sustainability Asia Pacific Index, which covers the Asia-Pacific region, including Japan, for two consecutive years since fiscal 2021. This index is a part of the Dow Jones Sustainability Index, a globally recognized ESG investment index. As in the lower left, Platinum Kurumin Certification is given by Japan's Ministry of Health, Labour and Welfare to companies with exceptional support for parents with young children. Kyocera received certification in 2021. As shown in the bottom right, Kyocera was awarded the top rating of Gold in the PRIDE Index for 2021 and 2022, which evaluates a company's initiatives related to sexual minority groups such as LGBTQs.

We will continue to promote ESG-related initiatives to help drive sustainable corporate growth.

### **<29. (Middle Cover) Shareholder Returns>**

Finally, I will introduce our shareholder returns.

### **<30. Shareholder Returns>**

On this slide, the bar graph shows dividends per share and the line graph shows the dividend payout ratio. Kyocera's basic policy for shareholder returns is to maintain a dividend payout ratio of around 50% and to implement acquisition of our own shares when appropriate. We have gradually increased the payout ratio, as shown at the upper part of this slide, and are currently targeting around 50%.

In light of this dividend policy, we are planning to distribute an annual dividend per share of 200 yen for fiscal 2023, an increase of 20 yen from fiscal 2022, with a forecast payout ratio of 57.9%. Going forward, we will strive to further enhance shareholder returns by improving business performance.

### **<31. Shareholder Benefits>**

In terms of shareholder benefits, we offer our shareholders products and services of Kyocera Group at special prices and in special programs. Please take the time to read and make use of the related information we send out twice a year.



**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>)*