KYOCERA Corporation

Financial Presentation for the Six Months Ended September 30, 2024

October 30, 2024

Event Summary

[Company Name]	KYOCERA Corporation
[Company ID]	6971-QCODE
[Event Language]	JPN
[Event Type]	Earnings Announcement
[Event Name]	Financial Presentation for the Six Months Ended September 30, 2024
[Fiscal Period]	FY2025 2Q
[Date]	October 30, 2024
[Time]	16:10 – 17:04 (Total: 54 minutes, Presentation: 26 minutes, Q&A: 28 minutes)
[Venue]	Webcast
[Number of Speakers]	5

Hideo Tanimoto	President and Representative Director
Hiroshi Fure	Director, Managing Executive Officer
Norihiko Ina	Director, Managing Executive Officer
Koichi Kano	Director, Managing Executive Officer
Shoichi Aoki	Director, Managing Executive Officer

Presentation

Moderator: Thank you very much for taking time out of your busy schedules to join KYOCERA Corporation's webinar today. We will start the financial results briefing for 1H of the fiscal year ending March 2025.

The materials used today are posted on our website for your reference. Please note that the webinar is being recorded. We ask for your understanding in advance.

First, I would like to introduce today's speakers. Hideo Tanimoto, President and Representative Director. Hiroshi Fure, Director, Executive General Manager of Core Component Business, Senior General Manager of Corporate Components Sector QMS Promotion Group. Koichi Kano, Director, Executive General Manager of Electronic Components Business. Norihiko Ina, Director, Executive General Manager of Solutions Business. Shoichi Aoki, Director, Executive General Manager of Headquarters, Senior General Manager of Corporate Development Group. These are the five participants.

We will now begin the presentation. President Tanimoto, please go ahead.

Tanimoto: I would like to take this opportunity to express my sincere gratitude to all of you for your continued support. Thank you very much for taking time out of your busy schedules to participate in our financial results briefing today.

I will now present based on the material for the financial results for 1H of the fiscal year ending March 2025.

1 Financial Results for 1H of Fiscal 2025

2 Financial Forecasts for Fiscal 2025

3 Progress of Medium-term Management Plan and Future Direction

4 Change in Policy Regarding “Cross-shareholdings”

5 Management Reforms to Enhance Corporate Value

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 ended March 31, 2024 is referred to as “Fiscal 2024, the year ending March 31, 2025 is referred to as “Fiscal 2025”, 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.

Today, we will explain each of the five items listed here in order.

First, I would like to provide an overview of our financial results for 1H of the fiscal year ending March 2025.

Financial Results for 1H of Fiscal 2025 (1)

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(Unit: Yen in millions)

	Fiscal 2024 1H	Fiscal 2025 1H	Change	
			Amount	%
Sales Revenue	985,290	998,588	13,298	1.3%
Operating Profit	54,002 (5.5%)	37,876 (3.8%)	-16,126	-29.9%
Profit Before Income Taxes	77,867 (7.9%)	51,820 (5.2%)	-26,047	-33.5%
Profit Attributable to Owners of the Parent	56,487 (5.7%)	36,078 (3.6%)	-20,409	-36.1%
Average Exchange Rates US$	141 yen	153 yen		
Average Exchange Rates Euro	153 yen	166 yen		

Note: Figures in parentheses represent percentages to sales revenue.

Sales revenue increased compared to 1H of fiscal 2024;
however, profits decreased mainly due to lower utilization ratio which resulted from slowdown of component orders as well as an increase in labor costs etc.

Please see page three.

Sales revenue for 1H increased 1.3% from the previous 1H to JPY998.6 billion. Operating profit decreased 29.9% to JPY37.9 billion, profit before income taxes decreased 33.5% to JPY51.8 billion, and interim profit attributable to owners of the parent decreased 36.1% to JPY36.1 billion.

While sales increased compared to the same period of the previous year, profits decreased mainly due to lower utilization ratio of production facilities resulting from sluggish orders for components and higher labor and other costs.

Financial Results for 1H of Fiscal 2025 (2)

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(Unit: Yen in millions)

	Fiscal 2024 1H	Fiscal 2025 1H	Change	
			Amount	%
Capital Expenditures	**65,963** (6.7%)	**68,933** (6.9%)	**2,970**	**4.5%**
Depreciation Charge of Property, Plant and Equipment	**54,077** (5.5%)	**57,154** (5.7%)	**3,077**	**5.7%**
R&D Expenses	**50,757** (5.2%)	**57,932** (5.8%)	**7,175**	**14.1%**

Note: Figures in parentheses represent percentages to sales revenue.

Depreciation charge of property, plant and equipment increased due mainly to capital investment made in fiscal 2024, and R&D expenses increased mainly in the Telecommunication Infrastructure Equipment-related Business etc.

Please see page four.

Capital expenditures totaled JPY68.9 billion, depreciation charge of property, plant and equipment was JPY57.2 billion, and R&D expenses was JPY57.9 billion.

Depreciation charges increased due to the impact of capital investments made in the previous fiscal year. In addition, R&D expenses increased in the Telecommunication Infrastructure Equipment-related Business and other businesses.

Sales Revenue by Reporting Segment for 1H of Fiscal 2025

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(Unit: Yen in millions)

Sales Revenue by Reporting Segment	Fiscal 2024 1H		Fiscal 2025 1H		Change	
	Amount	Component Ratio	Amount	Component Ratio	Amount	%
Core Components Business	**282,402**	**28.7%**	**281,678**	**28.2%**	**-724**	**-0.3%**
Industrial & Automotive Components Unit	109,165	11.1%	113,857	11.4%	4,692	4.3%
Semiconductor Components Unit	158,916	16.1%	151,741	15.2%	-7,175	-4.5%
Others	14,321	1.5%	16,080	1.6%	1,759	12.3%
Electronic Components Business	**174,758**	**17.7%**	**180,923**	**18.1%**	**6,165**	**3.5%**
Solutions Business	**537,094**	**54.5%**	**546,187**	**54.7%**	**9,093**	**1.7%**
Industrial Tools Unit	159,622	16.2%	160,810	16.1%	1,188	0.7%
Document Solutions Unit	212,891	21.6%	232,222	23.2%	19,331	9.1%
Communications Unit	105,045	10.7%	105,480	10.6%	435	0.4%
Others	59,536	6.0%	47,675	4.8%	-11,861	-19.9%
Others	9,749	1.0%	8,079	0.8%	-1,670	-17.1%
Adjustments and Eliminations	-18,713	-1.9%	-18,279	-1.8%	434	-
Sales Revenue	**985,290**	**100.0%**	**998,588**	**100.0%**	**13,298**	**1.3%**

Please turn to page five. This is a list of sales revenue by reporting segment. We will explain the details later.

Business Profit (Loss) by Reporting Segment for 1H of Fiscal 2025

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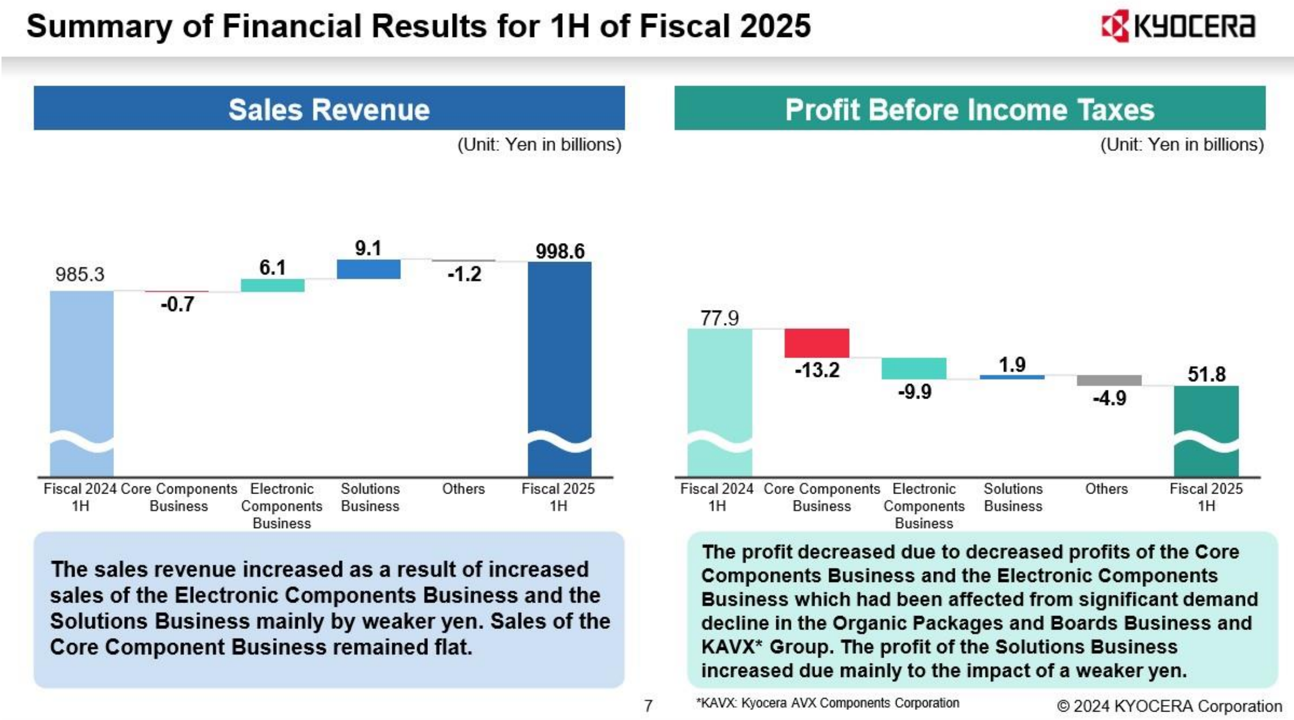
(Unit: Yen in millions)

Business Profit by Reporting Segment	Fiscal 2024 1H		Fiscal 2025 1H		Change	
	Amount	% to Sales Revenue	Amount	% to Sales Revenue	Amount	%
Core Components Business	**30,466**	**10.8%**	**17,295**	**6.1%**	**-13,171**	**-43.2%**
Industrial & Automotive Components Unit	11,737	10.8%	10,983	9.6%	-754	-6.4%
Semiconductor Components Unit	18,767	11.8%	5,634	3.7%	-13,133	-70.0%
Others	-38	-	678	4.2%	716	-
Electronic Components Business	**9,860**	**5.6%**	**47**	**0.0%**	**-9,813**	**-99.5%**
Solutions Business	**31,377**	**5.8%**	**33,299**	**6.1%**	**1,922**	**6.1%**
Industrial Tools Unit	9,212	5.8%	9,434	5.9%	222	2.4%
Document Solutions Unit	19,352	9.1%	21,491	9.3%	2,139	11.1%
Communications Unit	593	0.6%	1,119	1.1%	526	88.7%
Others	2,220	3.7%	1,255	2.6%	-965	-43.5%
Others	-20,130	-	-23,023	-	-2,893	-
Total Business Profit	**51,573**	**5.2%**	**27,618**	**2.8%**	**-23,955**	**-46.4%**
Corporate Gains and Others	26,294	-	24,202	-	-2,092	-8.0%
Profit Before Income Taxes	**77,867**	**7.9%**	**51,820**	**5.2%**	**-26,047**	**-33.5%**

Please refer to page six. This is a list of business profits by reporting segment.

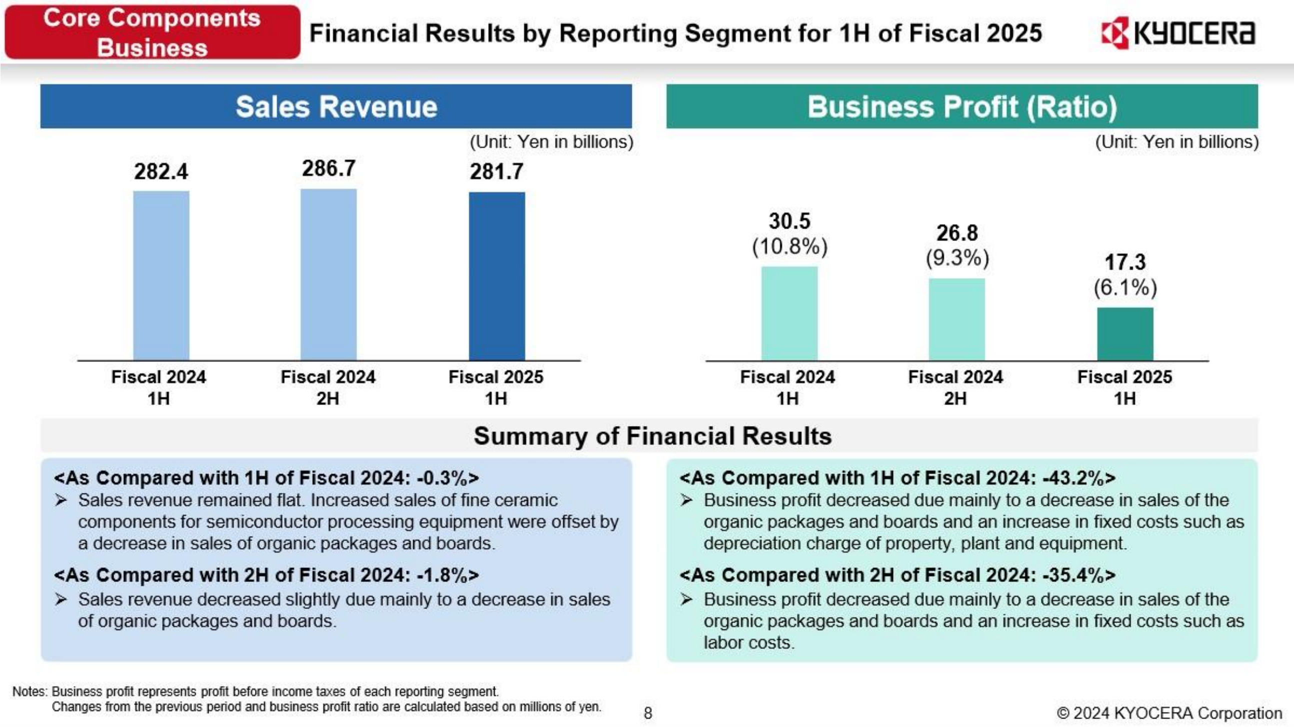


Please refer to page seven. This page shows a summary of the results for 1H of FY2025.

Please look at the sales revenue on the left side of the slide. While the Core Components Business remained flat, sales of the Electronic Components Business and the Solutions Business increased mainly due to the impact of yen depreciation.

Next, please look at the profit before income taxes on the right side. Solutions Business reported an increase mainly due to the impact of yen depreciation, while the Core Components Business and the Electronic Components Business reported a decrease due to a significant decline in demand in the Organic Packages and Boards Business and the KAVX Group.

Details of sales and profit for each reporting segment are explained on the next and subsequent pages.



Please see page eight. First, the Core Components Business.

Sales for 1H of FY2025 were JPY281.7 billion. Sales of fine ceramic components for semiconductor processing equipment and other products increased, but sales of organic packages and boards declined, resulting in flat sales compared to 1H of the previous fiscal year. Compared to 2H of the previous fiscal year, sales of organic packages and boards decreased slightly, mainly due to a decline in sales.

Business profit was JPY17.3 billion. Compared to 1H of the previous fiscal year, the decrease was mainly due to lower sales of organic packages and boards and higher fixed costs such as depreciation charge of property, plant and equipment, and compared to 2H of the previous fiscal year, the decrease was mainly due to lower sales of organic packages and boards and higher fixed costs such as labor costs.

Electronic Components Business — Financial Results by Reporting Segment for 1H of Fiscal 2025

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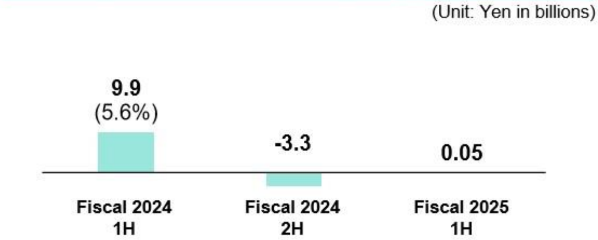
Sales Revenue

Business Profit/Loss (Ratio)



Summary of Financial Results

<As Compared with 1H of Fiscal 2024: +3.5%>

- Sales revenue increased due to an increase in sales of components such as capacitors and crystal devices in the information and communication markets and the industrial equipment markets, due to factors such as the impact of a weaker yen.

<As Compared with 2H of Fiscal 2024: +1.9%>

- Sales revenue increased due to an increase in sales of components such as capacitors and crystal devices in the information and communication markets and the industrial equipment markets, due to factors such as the impact of a weaker yen.

<As Compared with 1H of Fiscal 2024: -99.5%>

- Business profit significantly decreased due to a higher cost of sales ratio, which resulted from the lower utilization ratio of a new factory and an increase in labor and other costs in KAVX Group, as well as losses incurred from an earthquake that occurred under the Hyuga-Nada, a zone of the Pacific Ocean off the coast of Miyazaki Prefecture, Japan.

<As Compared with 2H of Fiscal 2024: +3.3 billion yen>

- Business profit increased mainly due to the absence of a restructuring costs etc., which was recorded in 4Q of fiscal 2024.

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.

Please see page nine, Electronic Components Business.

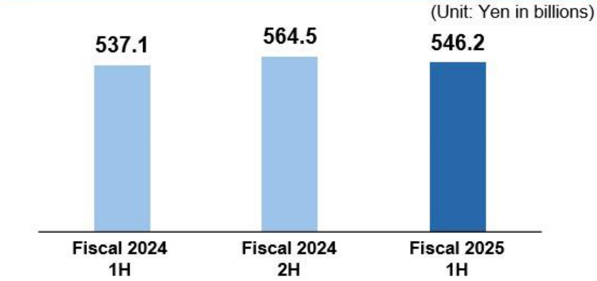
Sales for 1H of FY2025 were JPY180.9 billion. Sales of components such as capacitors and crystal devices in the information and communication markets and the industrial equipment markets increased due to factors such as the impact of a weaker yen. As a result, sales for the reporting segment increased compared to 1H and 2H of the previous year.

Profits were breakeven. The significant decrease compared to 1H of the previous fiscal year was due to an increase in the cost ratio and labor and other expenses resulting from the low utilization rate of the new KAVX Group plant, as well as the losses incurred from the earthquake occurred at the Hyuga Sea, Miyazaki Prefecture.

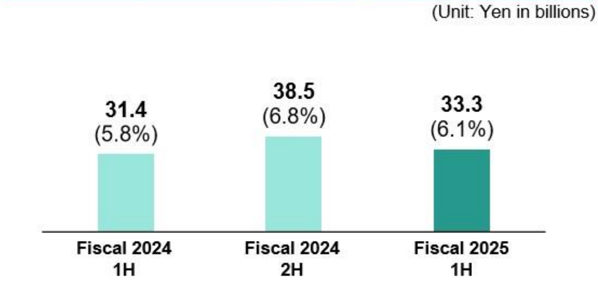
On the other hand, profits increased significantly compared to 2H of the previous year, mainly due to the absence of one-time restructuring and other costs that were recorded in 4Q of the previous year.

Solutions Business Financial Results by Reporting Segment for 1H of Fiscal 2025 KYOCERA

Sales Revenue



Business Profit (Ratio)



Summary of Financial Results

<As Compared with 1H of Fiscal 2024: +1.7%>
- Sales revenue increased due mainly to an increase in sales in the Document Solutions Unit and the impact of a weaker yen.

<As Compared with 2H of Fiscal 2024: -3.2%>
- Sales revenue decreased due to seasonality in the Communications Unit and the Document Solutions Unit, which more than offset the impact of a weaker yen.

<As Compared with 1H of Fiscal 2024: +6.1%>
- Business profit increased due mainly to an increase in sales of the Document Solutions Unit and the impact of a weaker yen.

<As Compared with 2H of Fiscal 2024: -13.4%>
- Business profit decreased due to seasonal sales decline in the Communications Unit and the Document Solutions Unit.

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.

Please see page 10. Solutions business.

Sales for 1H of FY2025 were JPY546.2 billion. Sales increased compared to 1H of the previous year mainly due to higher sales in the Document Solutions Unit and the effect of the yen's depreciation. On the other hand, compared to 2H of the previous year, sales decreased due to seasonal factors in the Document Solutions Unit and the Communications Unit, despite the effect of yen depreciation.

Business profit was JPY33.3 billion. Sales increased compared to 1H of the previous year mainly due to higher sales in the Document Solutions Unit and the effect of the yen's depreciation. On the other hand, comparison to 2H of the previous year showed a decrease in earnings due to seasonal sales declines in the Document Solutions Unit and the Communications Unit.

Financial Forecasts for Fiscal 2025 (1)

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(Unit: Yen in millions)

	Fiscal 2024	Fiscal 2025 (Forecast) Previous (Apr. 2024)	Fiscal 2025 (Forecast) Revised (Oct. 2024)	Change in amount compared with Fiscal 2024	Change in amount compared with Previous Forecast
Sales Revenue	2,004,221	2,050,000	2,020,000	15,779	-30,000
Operating Profit	92,923 (4.6%)	110,000 (5.4%)	68,000 (3.4%)	-24,923	-42,000
Profit Before Income Taxes	136,143 (6.8%)	150,000 (7.3%)	100,000 (5.0%)	-36,143	-50,000
Profit Attributable to Owners of the Parent	101,074 (5.0%)	112,000 (5.5%)	71,000 (3.5%)	-30,074	-41,000
EPS (Basic-yen)	71.58	79.51	50.40		
Average Exchange Rates US$	145 yen	145 yen	145 yen		
Average Exchange Rates Euro	157 yen	155 yen	155 yen		

Notes:
Figures in parentheses represent percentages to sales revenue.
Forecasts of EPS (Basic-yen) for Fiscal 2025 as of Apr. 2024 is calculated using the average number of shares outstanding for Fiscal 2025 1Q, and forecast of EPS (Basic-yen) for Fiscal 2025 as of Oct. 2024 is calculated using the average number of shares outstanding during Fiscal 2025 1H.

Financial forecasts have been revised due to the anticipation that the recovery of demands for the Organic Packages Business and KAVX will not take place soon after 3Q of fiscal 2025

I would like to explain our earnings forecast for the fiscal year ending March 2025. Please see page 12.

Today, we revised our full-year earnings forecast for the fiscal year ending March 2025.

Since it is expected that the recovery in demand will take time even after 3Q, mainly in the Organic Packages Business and the KAVX Group, the Company has revised downward its forecasts for sales revenue by JPY30 billion from the previous forecast to JPY2.020 trillion, operating profit by JPY42 billion to JPY68 billion, income before income taxes by JPY50 billion to JPY100 billion, and net income attributable to owners of the parent by JPY41 billion to JPY71 billion.

Financial Forecasts for Fiscal 2025 (2)

(Unit: Yen in millions)

	Fiscal 2024	Fiscal 2025 (Forecast)		Change in amount compared with	
		Previous (Apr. 2024)	Revised (Oct. 2024)	Fiscal 2024	Previous Forecast
Capital Expenditures	161,684 (8.1%)	200,000 (9.8%)	160,000 (7.9%)	-1,684	-40,000
Depreciation Charge of Property, Plant and Equipment	111,724 (5.6%)	120,000 (5.9%)	120,000 (5.9%)	8,276	-
R&D Expenses	104,290 (5.2%)	120,000 (5.9%)	120,000 (5.9%)	15,710	-

Note: Figures in parentheses represent percentages to sales revenue.

Forecast of capital expenditures has been revised in light of the anticipated demand conditions from 3Q onward

Please refer to page 13.

Considering the demand situation from 3Q onward, we have revised our CapEx forecast to JPY160 billion, a reduction of JPY40 billion from the previous forecast.

Depreciation charge of property, plant and equipment are estimated at JPY120 billion, and R&D expenses are estimated at JPY120 billion, respectively, unchanged from the previous forecast.

Sales Revenue Forecasts by Reporting Segment for Fiscal 2025

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(Unit: Yen in millions)

Sales Revenue by Reporting Segment	Fiscal 2024		Fiscal 2025 (Forecast) Previous (Apr. 2024)		Fiscal 2025 (Forecast) Revised (Oct. 2024)		Change in amount compared with	
	Amount	Component Ratio	Amount	Component Ratio	Amount	Component Ratio	Fiscal 2024	Previous Forecast
Core Components Business	**569,145**	**28.4%**	**580,000**	**28.3%**	**559,000**	**27.7%**	**-10,145**	**-21,000**
Industrial & Automotive Components Unit	224,574	11.2%	232,000	11.3%	234,000	11.6%	9,426	2,000
Semiconductor Components Unit	314,649	15.7%	315,000	15.4%	291,000	14.4%	-23,649	-24,000
Others	29,922	1.5%	33,000	1.6%	34,000	1.7%	4,078	1,000
Electronic Components Business	**352,277**	**17.6%**	**360,000**	**17.5%**	**350,000**	**17.3%**	**-2,277**	**-10,000**
Solutions Business	**1,101,625**	**54.9%**	**1,131,000**	**55.2%**	**1,132,700**	**56.1%**	**31,075**	**1,700**
Industrial Tools Unit	310,740	15.5%	313,700	15.3%	313,700	15.5%	2,960	-
Document Solutions Unit	452,162	22.5%	470,000	22.9%	480,000	23.8%	27,838	10,000
Communications Unit	224,403	11.2%	231,300	11.3%	229,000	11.3%	4,597	-2,300
Others	114,320	5.7%	116,000	5.7%	110,000	5.5%	-4,320	-6,000
Others	17,680	0.9%	16,000	0.8%	15,300	0.7%	-2,380	-700
Adjustments and Eliminations	-36,506	-1.8%	-37,000	-1.8%	-37,000	-1.8%	-494	-
Sales Revenue	**2,004,221**	**100.0%**	**2,050,000**	**100.0%**	**2,020,000**	**100.0%**	**15,779**	**-30,000**

Please refer to page 14.

This is a list of sales forecasts by reporting segment.

Compared to the previous forecast, we have revised downward our forecasts for the Core Components Business by JPY21 billion and for the Electronic Components Business by JPY10 billion.

Business Profit (Loss) Forecasts by Reporting Segment for Fiscal 2025

(Unit: Yen in millions)

Business Profit by Reporting Segment	Fiscal 2024		Fiscal 2025 (Forecast)				Change in amount compared with	
			Previous (Apr. 2024)		Revised (Oct. 2024)			
	Amount	% to Sales Revenue	Amount	% to Sales Revenue	Amount	% to Sales Revenue	Fiscal 2024	Previous Forecast
Core Components Business	**57,226**	**10.1%**	**61,000**	**10.5%**	**38,000**	**6.8%**	**-19,226**	**-23,000**
Industrial & Automotive Components Unit	26,409	11.8%	29,000	12.5%	25,000	10.7%	-1,409	-4,000
Semiconductor Components Unit	30,375	9.7%	31,000	9.8%	12,000	4.1%	-18,375	-19,000
Others	442	1.5%	1,000	3.0%	1,000	2.9%	558	-
Electronic Components Business	**6,521**	**1.9%**	**30,000**	**8.3%**	**1,000**	**0.3%**	**-5,521**	**-29,000**
Solutions Business	**69,841**	**6.3%**	**86,000**	**7.6%**	**80,000**	**7.1%**	**10,159**	**-6,000**
Industrial Tools Unit	16,837	5.4%	22,000	7.0%	18,700	6.0%	1,863	-3,300
Document Solutions Unit	43,940	9.7%	47,000	10.0%	48,000	10.0%	4,060	1,000
Communications Unit	6,964	3.1%	10,000	4.3%	7,600	3.3%	636	-2,400
Others	2,100	1.8%	7,000	6.0%	5,700	5.2%	3,600	-1,300
Others	-41,049	-	-47,000	-	-50,000	-	-8,951	-3,000
Total Business Profit	**92,539**	**4.6%**	**130,000**	**6.3%**	**69,000**	**3.4%**	**-23,539**	**-61,000**
Corporate Gains and Others	43,604	-	20,000	-	31,000	-	-12,604	11,000
Profit Before Income Taxes	**136,143**	**6.8%**	**150,000**	**7.3%**	**100,000**	**5.0%**	**-36,143**	**-50,000**

Please refer to page 15.

This is a list of business profits forecast by reporting segment.

Compared to the previous forecast, we have revised downward our forecasts for the Core Components Business by JPY23 billion and for the Electronic Components Business by JPY29 billion.

Dividends for Fiscal 2025

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(1) Interim Dividend

25 yen per share (same amount as the interim dividend of fiscal 2024 after the stock-split basis)

(2) Year-end Dividend (Forecast)

25 yen per share (same amount as the year-end dividend of fiscal 2024)

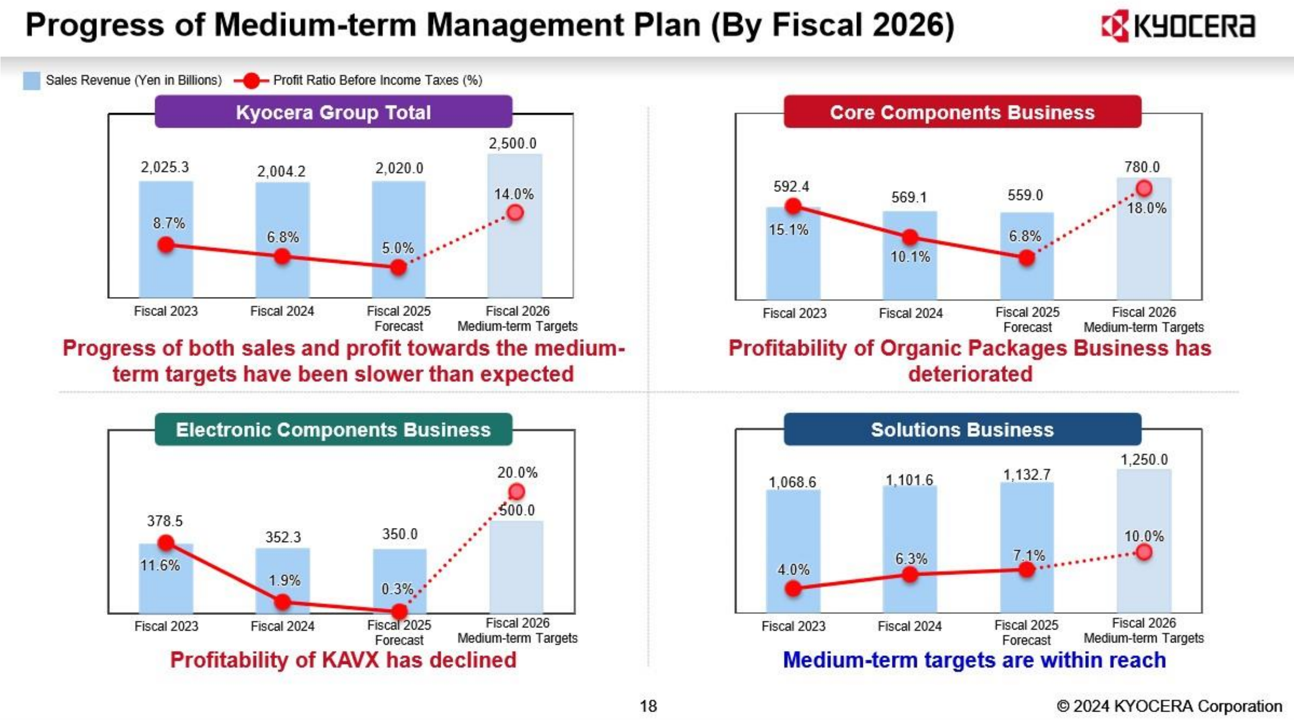
*All figures are calculated based on the basis after the stock split implemented on January 1, 2024.

Please refer to page 16.

Last, I will explain dividends. The interim dividend per share for the fiscal year is JPY25, the same amount as the previous interim dividend on a post–stock-split basis.

The year-end dividend is forecast to be JPY25 per share, for an annual payout ratio of 99.2%.

Although it is expected that the recovery in business performance will take time, we will continue to maintain a high level of shareholder returns.



I will explain the progress of our Medium-term Management Plan and our future direction.

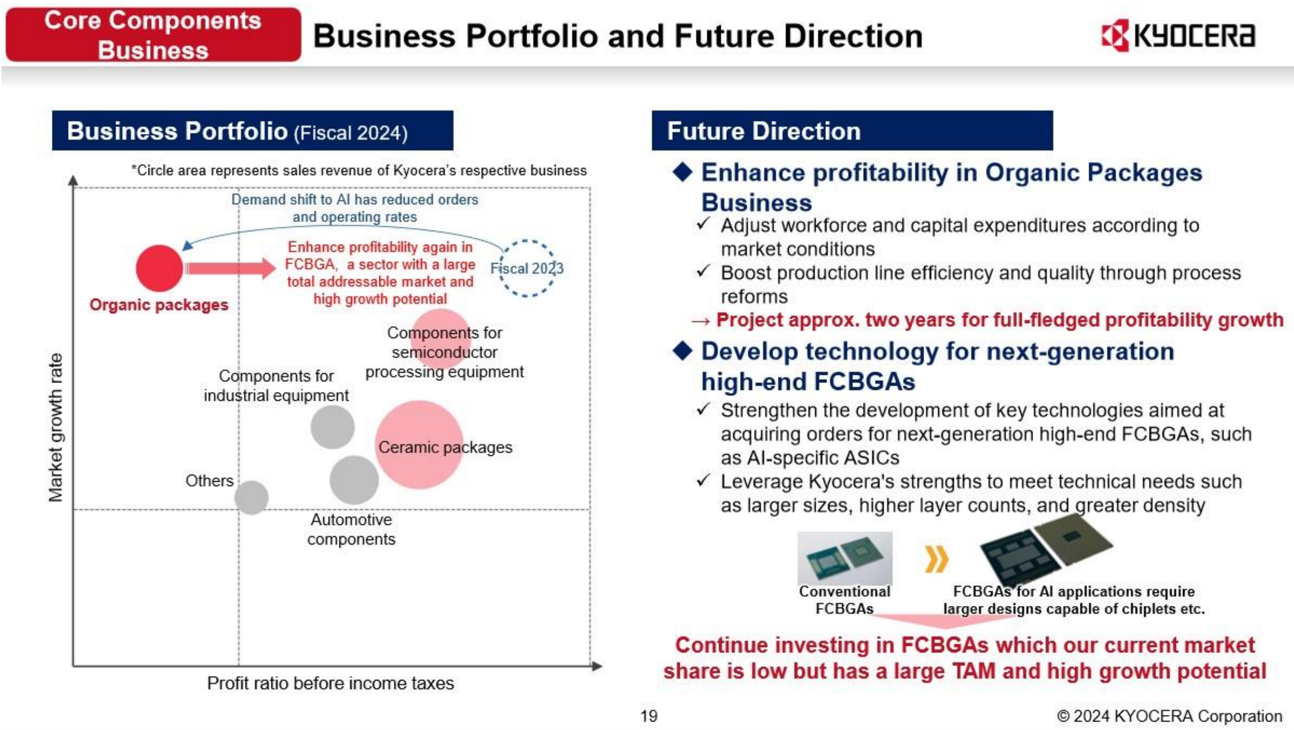
Please see page 18.

The bar graph shows net sales for the Kyocera Group as a whole and for the Core Components Business, the Electronic Components Business, and the Solutions Business, and the line shows the pre-tax profit margin. The figures for the fiscal year ending March 31, 2025, represent the forecast for the current fiscal year; and those for the fiscal year ending March 31, 2026, represent the target figures set in the Medium-term Management Plan.

As shown for the Kyocera Group as a whole in the upper-left corner, both sales and profit margins are lagging behind medium-term targets, mainly due to the Organic Packages Business in the Core Components Business in the upper right corner and the deteriorating profitability of the KAVX Group in the Electronic Components Business in the lower left corner.

The Solutions Business in the lower right are generally on track to achieve the medium-term targets.

The status for each reporting segment will be explained on the following pages.



Please see page 19.

First, the Core Components Business.

The graph on the left shows the major business portfolios within the Core Components Business for the previous fiscal year ended March 31, 2024, with the horizontal axis representing pre-tax profit margin, the vertical axis representing market growth, and the pie size representing net sales.

In the fiscal year ended March 31, 2023, the Organic Packages Business was at the dotted circle in the upper-right corner of the graph as sales grew for general-purpose data centers, and together with ceramic packages and components for semiconductor processing equipment, the business maintained high profitability. However, in the fiscal year ended March 2024, orders decreased due to a sharp shift in demand of organic packages, particularly for FCBGA, to AI.

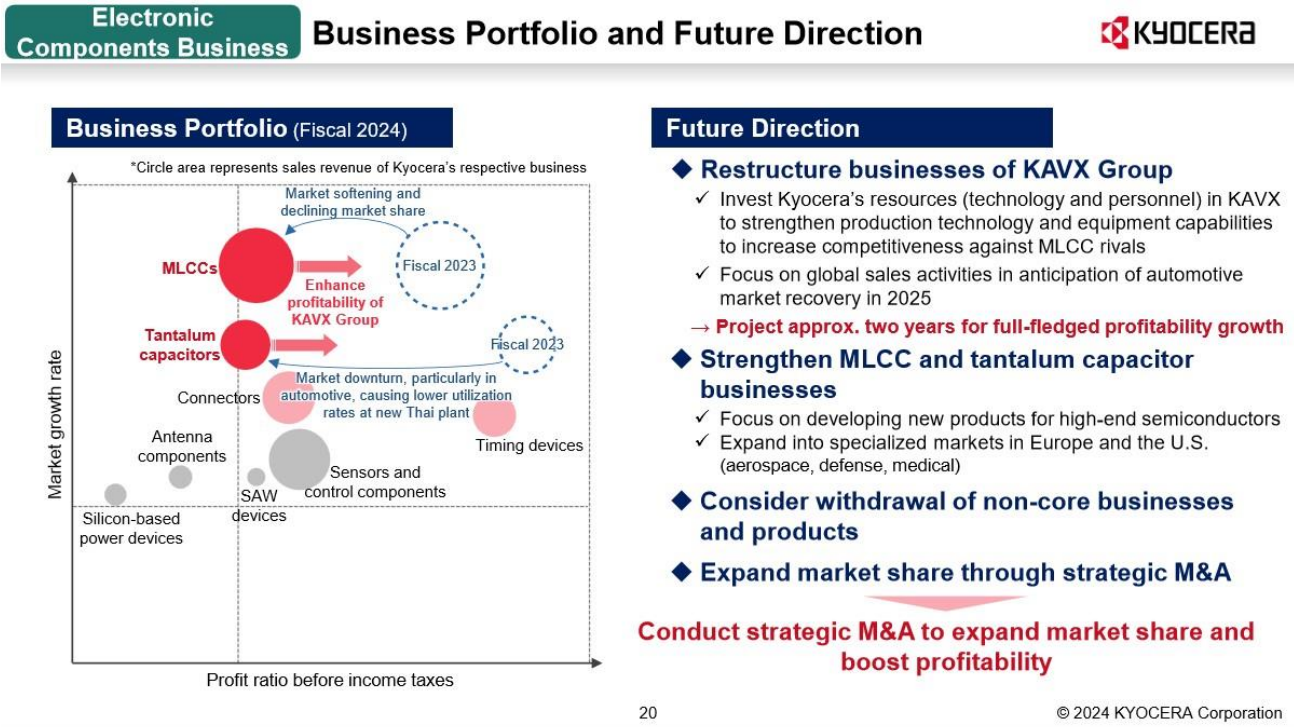
As a result, the utilization rate of our facilities declined, and the Organic Packages Business faced difficult condition in the previous fiscal year, and this situation continues to this day.

Next, I would like to explain our future plans.

The first is to improve profitability through structural reforms in the Organic Packages Business. We will control personnel structure and capital investment according to market conditions and improve production line efficiency and quality through process reforms. We expect that it will take about two years to achieve a full-fledged improvement in earnings through these initiatives.

We will also work to develop technologies for next-generation high-end FCBGAs to expand our business. To win orders for next-generation high-end FCBGAs, such as AI-specific ASICs, we will strengthen the development of key technologies and leverage our strengths to meet technological needs for larger size, higher layer counts, and greater density.

FCBGA is a market with a large TAM and is expected to grow at a high rate in the future, so although our current market share is low, we intend to continue to invest in this market and make it one of our business axes again.



Please see page 20.

The Electronic Components Business.

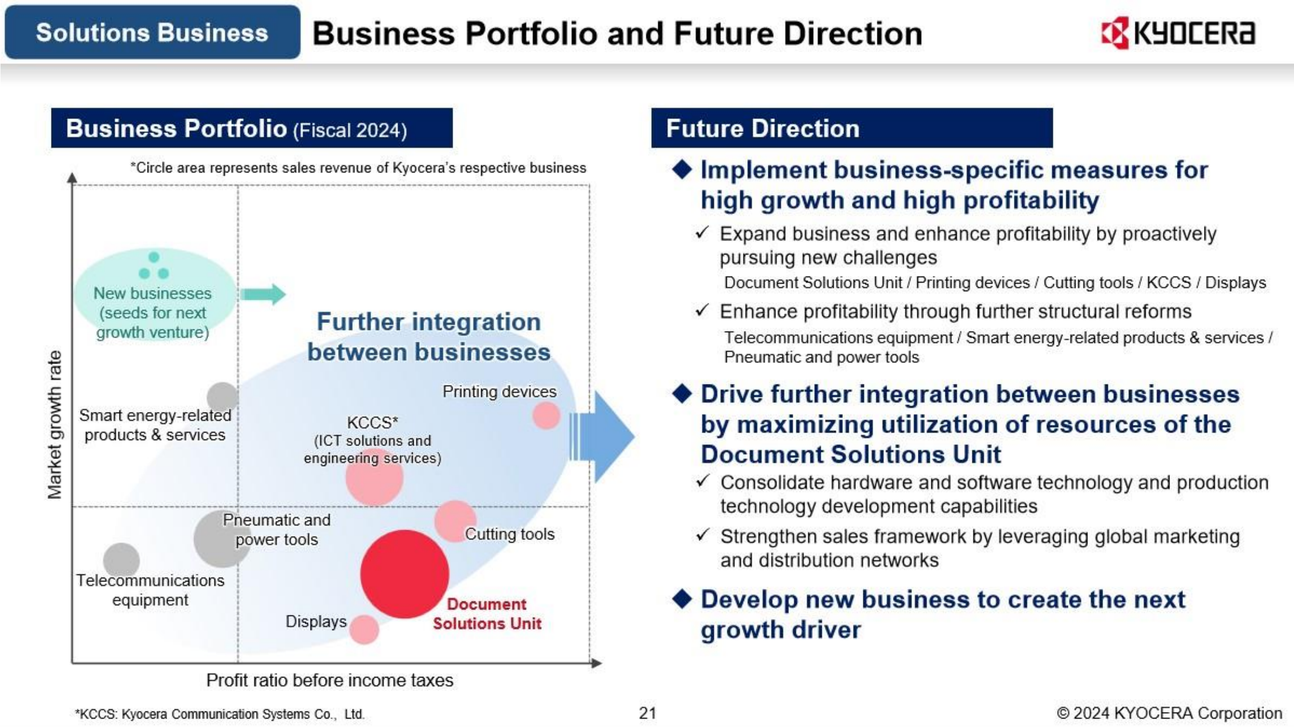
The graph on the left shows the main product portfolio within the Electronic Components Business, and it works the same way as the previous reporting segments.

In the previous fiscal year, the KAVX Group's profitability declined significantly due to the softening of the MLCC market, a decline in market share, and the significant impact of lower capacity utilization at the new plant in Thailand as a result of sluggish market conditions, particularly in the automotive market.

First, we will work to rebuild the business of this KAVX group. To compete with MLCC competitors, we will invest Kyocera's resources in terms of technology and human resources to fundamentally strengthen our production technology and facility capabilities, and since we expect the automotive market to recover next year, we will strengthen our global sales activities. We expect that it will take about two years for these efforts to fully improve profitability.

While striving to rebuild KAVX's business, the Company will also work to strengthen its product capabilities. To strengthen the business of MLCCs, which are expected to grow at a high rate, and tantalum capacitors, in which we have a large market share, we will focus on developing new products for high-end semiconductors and expand the business for special applications in Europe and the United States.

In addition, we will consider withdrawal from non-core businesses and products and take measures to expand market share through strategic M&A. Thus, we believe that strategic M&A to expand market share and improve profitability is important for the growth of the Electronic Components Business.



Please see page 21.

Lastly, the Solutions Business.

The graph on the left shows the main business portfolios within the Solutions Business.

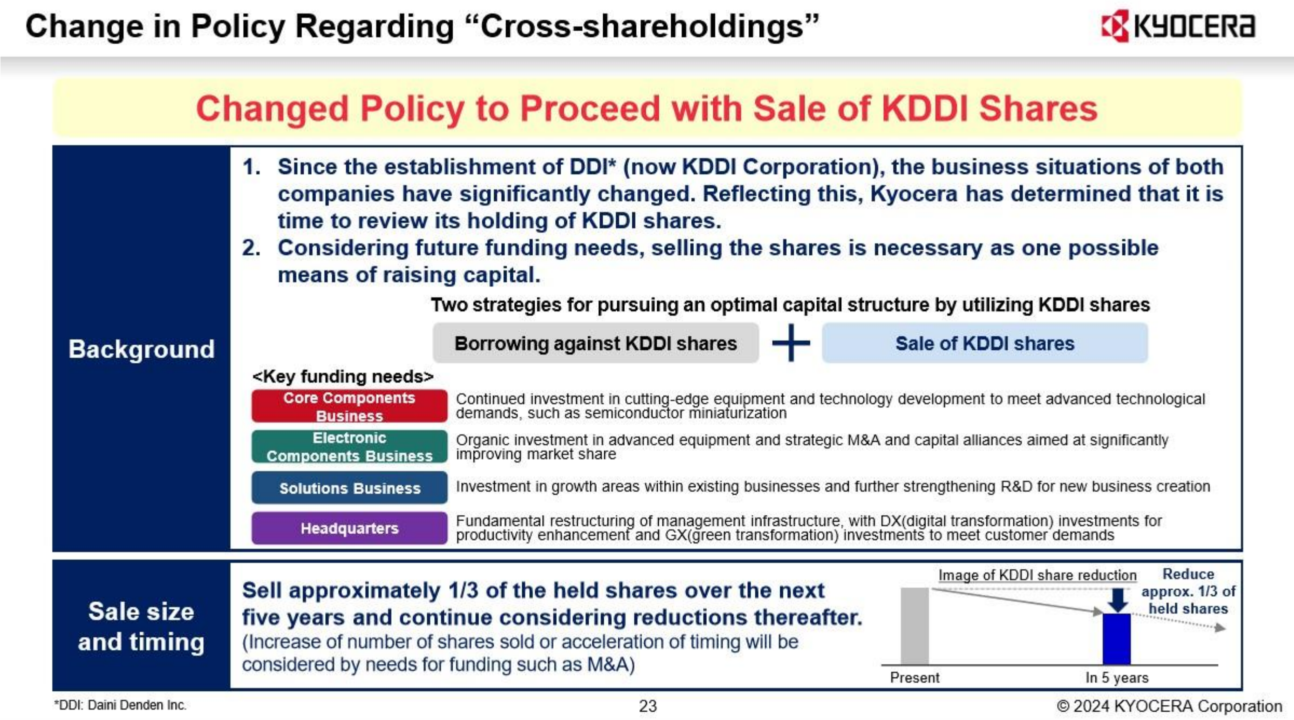
We will further improve profitable businesses such as Document Solutions Unit, Printing Devices Business, and Cutting Tools Business, while continuing to implement structural reforms in Telecommunication Equipment Business and Smart Energy Business, as indicated in the Medium-term Management Plan, to improve profitability of the reporting segment as a whole.

We will work on three major areas as our future direction.

The first is the implementation of business-specific measures to achieve high growth and high profitability. In the Document Solutions Unit, Printing Devices, Cutting Tools, KCCS and Displays , we will work to expand business and improve profitability by aggressively addressing new issues, while in the Telecommunications Equipment, Smart Energy–related Products and Services, Pneumatic and Power Tools, we will improve profitability through structural reforms.

The second point is further integration between the businesses, making the most of the resources that Document Solutions Unit has. We will work to strengthen our sales structure by consolidating our hardware and software technology development and production technology development capabilities, and by leveraging our global marketing and sales network.

The third point is new business development for the creation of the next growth business. We will actively invest in R&D in new businesses, which is shown on the left side of the portfolio, to create businesses that will drive the future growth of the solutions business.



I would like to explain the change in our policy regarding cross-shareholdings. Please see page 23.

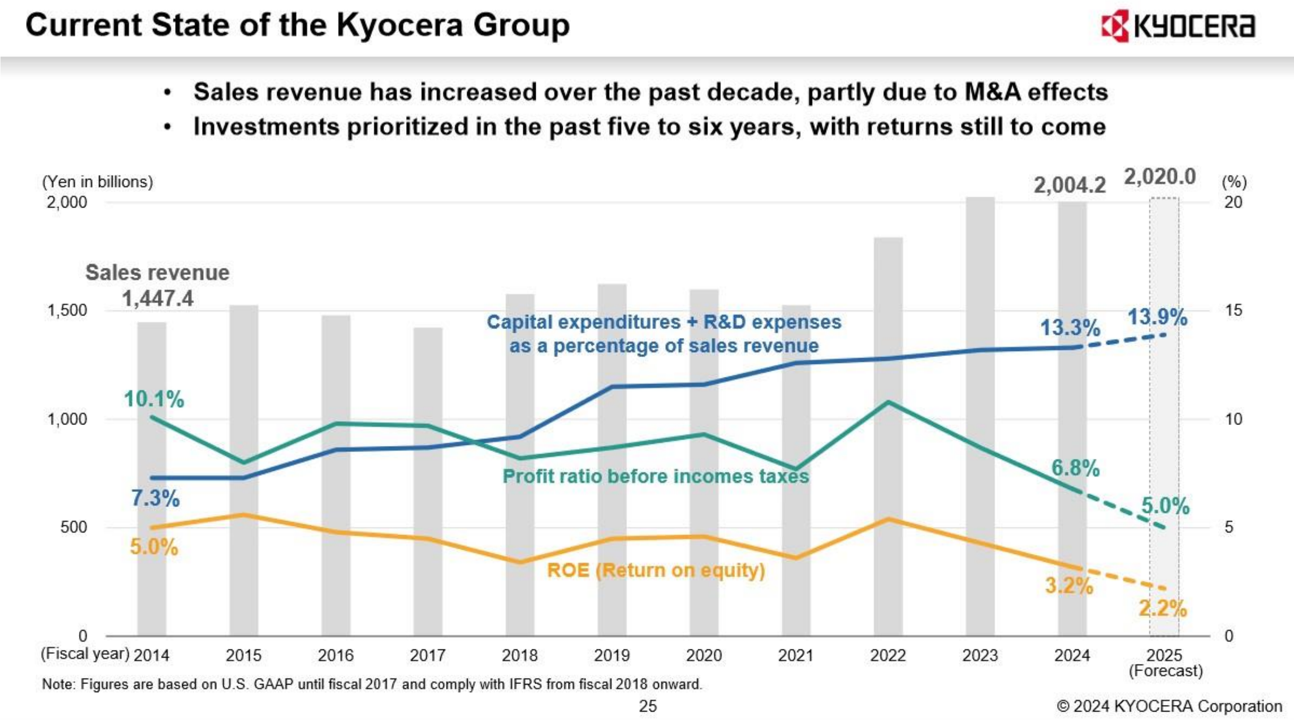
Our basic policy has been to maintain our holdings of KDDI shares. We are now determined to proceed with the sale of KDDI shares.

One of the reasons for this is that since the establishment of Daini-Denden Inc., the business conditions of both companies have changed significantly, and it is time to reconsider shareholdings. In addition to this, in view of our future capital needs, we have determined that a sale is also necessary as a means of raising funds.

Currently, we are borrowing against KDDI stock, but since this has kept our financing costs low, we will continue to borrow against collateral and sell KDDI stock.

The middle part of the slide shows the major capital needs of each segment. We believe that further investment is necessary for our sustainable growth, including the introduction of state-of-the-art facilities, strategic M&A, and company-wide DX investment.

As for the scale and timing of the sale, as shown at the bottom, we will sell about one-third of our shareholdings over the next five years and will consider continuous reductions thereafter. We will consider increasing the number of shares sold or shortening the timeframe as needed to meet funding needs for M&A and other purposes.



Last, I would like to explain our future initiatives to enhance corporate value. Please see page 25.

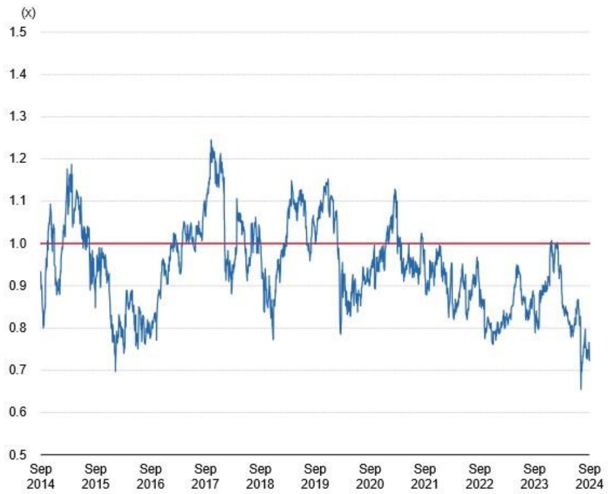
This chart shows the performance trend from the fiscal year ended March 31, 2014, to the current fiscal year ending March 31, 2025. The gray bar graph shows net sales, the blue line shows the ratio of total capital expenditures and R&D expenses to net sales, the green line shows the pre-tax profit margin, and the orange line shows the ROE.

While sales have increased over the past 10 years, due in part to M&A, the most recent several years have been preceded by capital expenditures and R&D investments, the contribution of which is still expected to be far in the future.

Kyocera from the Perspective of the Capital Market

KYOCERA

Kyocera's Price-to-Book (P/B) Ratio



Capital Market Assessment of Kyocera

- ✓ Kyocera has diverse businesses but lacks a clear driver for overall profitability.
- ✓ Financial assets make up over half of market capitalization, highlighting the need for active investment in core businesses to foster investors' confidence on growth expectations for driving share price appreciation.

<Future Initiatives of Kyocera>

- Clearly outline the strategic direction for each reporting segment and the overall goals of the Kyocera Group.
- Implement management reforms focused on capital efficiency, including a review of the business portfolio.

26

Please see page 26.

As for Kyocera from the perspective of the capital market, the left side of the slide shows our price-to-book ratio (PBR) since September 2014, which has remained around one time for the past 10 years.

As shown on the right, we have received feedback that Kyocera has diverse businesses and lacks a clear driver for overall profitability. We have also received expectations for the use of our financial assets for business growth with the opinion such as, "financial assets make up over half of market capitalization, highlighting the need for active investment in core businesses to foster investors' confidence on growth expectations for driving share price appreciation."

In the future, along with business strategies for each reporting segment, we intend to clearly state the direction that the Kyocera Group as a whole should aim for and implement management reforms with an awareness of capital efficiency, including a review of our business portfolio.

Overview of Management Reforms for Enhancing Corporate Value

KYOCERA

【Policy】
Strengthen business portfolio management across the three reporting segments, namely the Core Components Business, the Electronic Components Business, and the Solutions Business, focusing on a management approach that further prioritizes profitability.

1. Conduct a business portfolio analysis to categorize businesses into core and non-core

2. Implement divestitures or withdrawals from certain non-core businesses to concentrate resources on core businesses

3. Effectively utilize proceeds from the sale of cross-shareholdings to enhance growth and profitability in core businesses

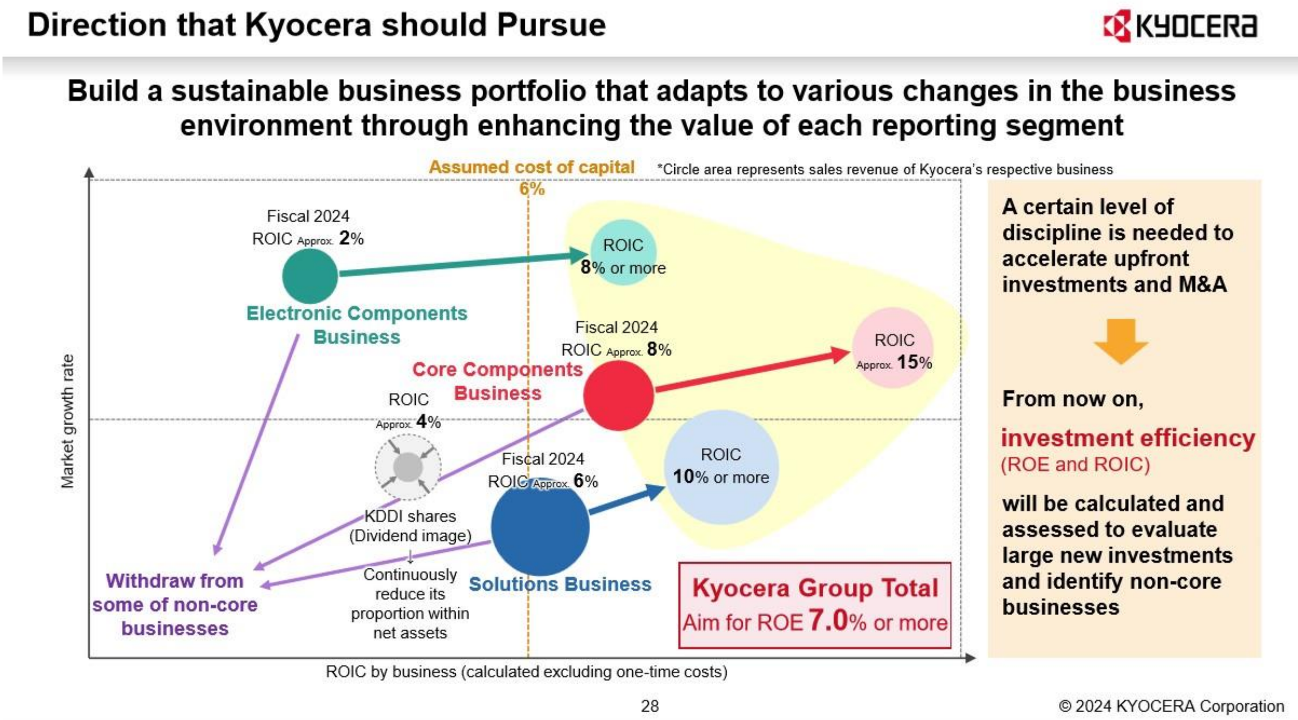
Strive to achieve ROE of 7% and a P/B ratio of at least 1 as an initial step, and aim for further improvement

Please see page 27.

This is an overview of management reforms aimed at enhancing corporate value.

The first major policy is to strengthen business portfolio management in the three reporting segments of the Core Components Business, the Electronic Components Business, and the Solutions Business; and to manage the business with a greater emphasis on profit, and the specific steps are as described.

First, we will conduct a business portfolio analysis to categorize the businesses into core and non-core. Next, we will partially withdraw from non-core businesses and concentrate resources on core businesses. In order to grow our core business and improve profitability, we will first achieve ROE of 7% or more and P/B ratio of one time or more by effectively using the funds from the sale of strategic shares and then aim for further improvement.



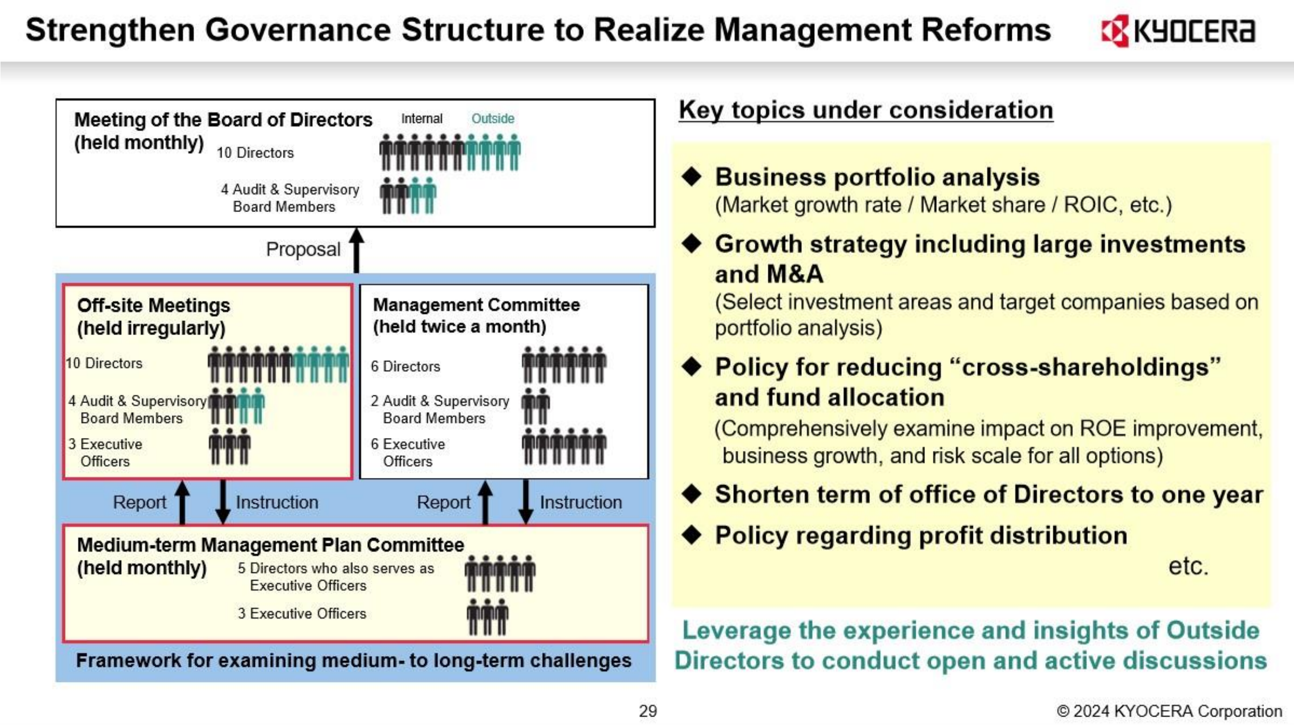
Please see page 28.

We will explain the direction that the Kyocera Group should aim for.

The graph here shows the portfolio of three segments: the Core Components Business in red, the Electronic Components Business in green, and the Solutions Business in blue, with ROIC by business on the horizontal axis and market growth rate on the vertical axis. The orange dashed line in the center represents 6% of our assumed cost of capital, with KDDI shares shown in gray for reference.

We believe that a certain degree of discipline is necessary in accelerating upfront investments and M&A, using funds from the sale of cross-shareholdings as well. In order to identify large new investments and non-core businesses, we intend to make decisions in light of investment efficiency, such as ROE and ROIC.

In each of the three reporting segments, we will focus on core businesses and partially withdraw from non-core businesses to increase growth and profitability to the upper right area, and at the same time, by continuously reducing the ratio of KDDI stock to net assets, we will build a sustainable business portfolio that can respond to various changes in the business environment through improving the business value of each segment.



Please see page 29.

Finally, I will explain how we are strengthening our governance structure to achieve management reform.

Currently, in order to intensively consider medium- and long-term management measures, in addition to the existing Management Committee and Meeting of the Board of Directors, we hold monthly Medium-term Management Plan Committee and Off-site Meetings for discussions with Outside Directors and Outside Audit & Supervisory Board Members which are held irregularly, as shown in the red frame in the figure on the left.

In addition to the business portfolio analysis for each reporting segment and the entire company, growth strategies including major investments in core businesses and M&A, policy for reducing cross-shareholdings and the use of funds, as explained in the overview today, the shortening of the term of office of Directors to one year, and profit distribution policies such as dividend payout ratio and DOE are also under consideration. We will make an official announcement as soon as a decision is made.

In this way, we will continue to build a governance structure that allows frank and lively discussions, taking advantage of the experience and insights of outside directors and officers, and will continue to study ways to improve our corporate value.

This concludes all for the explanation from me.

We would like to ask for your continued support of our company.

Thank you for your attention.

Question & Answer

<Questioner 1>

[Q]: First of all, this is the first time you have given us the idea of separating businesses into core and non-core, but looking at the three reporting segments, how much of this is core and how much is non-core? Also, what is the time horizon for growing the selected cores and addressing non-cores? If non-core is addressed, how much would that alone increase ROIC? I would like to ask you to share any thoughts you have now about such a broad framework assembly.

Tanimoto [A]: We are in the process of discussing core and non-core businesses, but at least one business in each reporting segment will be settled by the end of the next fiscal year.

[Q]: When you say "one," the size of the business may be large or small, but what do you think about whether the impact on the entire group will be commensurate or not?

Tanimoto [A]: We are now considering it on the scale that will give the impact on the entire group to a certain extent.

[Q]: The second big question. This time, you explicitly mentioned the sale of KDDI shares, and you are considering borrowing as well as funds for the core businesses and also a large-scale M&A. First of all, regarding M&A, you focused on the Electronic Components Business this time, but has the target of M&A changed from the past in terms of applications and products you focus on? Also, excluding M&A, I think there is about JPY500 billion in borrowing and JPY500 billion from the sale of KDDI shares. Is this much fund really necessary?

After assessing that, as you mentioned earlier that you are also considering the idea of DOE in profit sharing, is there a possibility of capital allocation to that as well? I would be interested to hear your thoughts on how the funds will be planned and used.

Tanimoto [A]: Nowadays, with the miniaturization of semiconductors, we are receiving demands for substrates at a level that cannot be achieved with our conventional technology, so basically, we have to make a substantial capital investment there.

In addition to that, the company-wide structure. In the past, each department has promoted various things on its own, and as a result, we now have a business structure with very strong partial optimization. This may take about five years, but we are planning to start the project in the next fiscal year to change the Company into one that runs on a company-wide unified system. The investment in software is also a fairly large investment, and our policy remains the same, which is basically to use it for internal capital investment or M&A.

[Q]: What did you mean when you mentioned earlier about considering DOE in terms of the kind of cases in which DOE is possible?

Tanimoto [A]: In the past, we have reduced the dividend when we were facing the COVID-19 pandemic, but apart from that, we do not think we can reduce dividends just because we have poor performance. If so, it may be better to change it to DOE rather than say that the dividend payout ratio should be around 50% in principle. We are currently going through that kind of discussion.

[Q]: Last, how long do you think it will take to complete the plan you just mentioned? You mentioned earlier about rebuilding major businesses in two years and systems in five years. For example, do you envision a state where you aim for ROE of 7% or more in the fiscal year after next, rather than the next fiscal year? How much do you envision?

Tanimoto [A]: As I mentioned earlier, we are now facing two very big problems: rebuilding of the Organic Packages and Board Business and KAVX. We believe that it will take about two years to resolve these issues, so we are looking at those two years, and especially the next fiscal year, as being difficult to improve significantly from the current fiscal year. Considering this, we are thinking that it will be about three years later.

[Q]: You mean on a company-wide basis as well.

Tanimoto [A]: Yes.

<Questioner 2>

[Q]: I have two questions.

In the downward forecast revision you made this time, revisions of the Semiconductor Components Unit and the Electronic Components Business are quite large. If we divide the Semiconductor Components Unit into ceramic package and organic packages and boards, and the Electronic Components Business into the Electronic Component Business of Kyocera and KAVX, what kind of changes have occurred from 1Q to 2Q and how do you expect them to change from 3Q onward?

Tanimoto [A]: First, ceramic packages and organic packages and boards for the Semiconductor Components Unit. Ceramic packages are up slightly compared to the previous period.

Conversely, organic packages and boards have deteriorated slightly since 2H of the previous fiscal year, and although we had estimated at the beginning of the fiscal year that it would begin to rise in 2H of this fiscal year, we now believe that it will not rise until the end of the next fiscal year. Because of this forecast, all the downward revision in the Semiconductor Components Unit is in the Organic Packages and Boards Business.

As for the Electronic Components Business, Kyocera's Electronic Components Business was flat from the previous year due to the loss of products from the Hyuga Nada Earthquake and the cost to fix manufacturing equipment which costed JPY2 billion to JPY3 billion combined, but MLCCs and crystal devices improved from the previous year.

KAVX, on the other hand, has deteriorated since 2H of the previous year, and has not shown any tendency to improve in 1H, 1Q or 2Q. We no longer expect its recovery in 2H, therefore, the downward revision we made is all for KAVX.

[Q]: Regarding the Organic Packages and Boards Business, what differences have arisen at this point from the demand and competitive environment that was assumed six months ago? Is there a situation where the industry as a whole is overcapacity, especially in FCBGA? Please let me confirm that there has been no change in your thinking about continuing capital investment as an area of growth, per se.

Another thing is that KAVX has been creating synergies with Kyocera's Electronic Components Business. I believe that KAVX itself is in need of rebuilding, but can you give us some background on why it will take the entire next fiscal year to rebuild?

Tanimoto [A]: First, regarding FCBGAs, conventional data centers use conventional SoCs and CPUs. We knew from the beginning of the fiscal year that demand for conventional products had stopped due to the rapid shift to AI applications, but we also expected that demand for FCBGAs for conventional CPUs would gradually return in 2H of the fiscal year, once inventory adjustments were completed.

In reality, what is happening is that investment in data centers has risen considerably this quarter, but almost all of them are AI data centers, and the number of data centers has not returned to where it was two years ago. Since each individual data center has become an AI data center, the total amount of money invested has increased dramatically, but the number of units has not increased much.

Since we do not provide any FCBGAs for the GPUs used in AI data centers, we have changed our view at this time that the FCBGAs we produce will not recover for some time in the future.

As for capital expenditure, the industry as a whole probably has a surplus of production lines to make conventional FCBGAs. For this reason, we are now in the process of postponing the facilities that we have considered for increasing conventional FCBGA production or changing to facilities that can produce the new generation of FCBGA.

As for what will be done for the next generation of FCBGAs, the kind used in AI data centers, or the next generation of data centers, will also have memory for high-speed data exchange around the GPU and AI accelerator as a chiplet, which will make them much larger than conventional FCBGAs. We are now in the process of developing how to make large user-friendly FCBGAs.

As for KAVX, as you pointed out, it needs to be rebuilt. The bad ones are MLCCs and tantalum capacitors.

First of all, in terms of MLCCs, half of the products of KAVX are for automotive applications in Europe, and the market there is not doing very well.

Another thing is that there is a shift in demand of capacitors from the conventionally used ones to slightly smaller and higher capacitance products is occurring in this market, but we have not been able to successfully launch products with that performance at KAVX, and we are sending capacitor engineers of Kyocera to plants of KAVX to follow up on this. We have already found a solution, but some of the facilities themselves will have to be replaced, and we expect that this will take at least the entire next fiscal year due to the equipment arrangements.

Also, our market share for conventional tantalum capacitors with manganese dioxide was quite high, but MLCCs are gradually taking over this market, and the market size is shrinking. That is one thing.

The other is the significant growth of polymer tantalum capacitors, which have replaced manganese dioxide tantalum capacitors as they are used in large quantities in SSDs and other products. In response, we have been preparing to build an automated line at our new factory in Thailand, but we have not been able to keep up with the growth of the market. We are in the process of starting up, so we expect this one to recover a little faster than MLCC.

<Questioner 3>

[Q]: First, I would like to check the numbers. While the Semiconductor Components Unit fell into the red in 2Q, not in 1H, sales increased QoQ. What happened here? Likewise, the Electronic Components Business also increased revenues and decreased profits QoQ. What is the background here?

Similar question, but since finance expenses are up, perhaps the foreign exchange loss is in non-operating expenses in 2Q. In your company's case, since you disclose the result on a business profit basis, please tell me whether the foreign exchange loss is allocated to each business or not related to business profit since it is mostly in corporate gains and others. If it relates to each business, please tell me by after allocating to each business as well.

I will continue with my questions regarding figures. Looking at the new revised plan, sales seem reasonable. However, the sales forecast for the Electronic Components Business was lowered by JPY10 billion, while the profit forecast was lowered by JPY29 billion, a much larger downward revision than sales. In the Semiconductor Components Unit as well, the balance between the downward revision of sales and the downward revision of profit has been a bit out of the ordinary. I was wondering if there is some kind of structural reform that is factored in. What is the background there?

Tanimoto [A]: The 2Q figures are as you indicated. First of all, the Semiconductor Components Unit were slightly negative due to a loss in the Organic Packages and Boards Business, which was more than the profit generated by the Ceramic Packages Business. In the Electronic Components Business as well, KAVX's loss was larger than the profit generated by Kyocera's Electronic Components Business, and looking at 2Q alone, the situation is as you indicated.

Aoki will answer this question about exchange loss.

Aoki [A]: Foreign exchange gains and losses is recorded in each business.

Tanimoto [A]: Also, in terms of the large revision in profit for the Electronic Components Business and the Organic Packages and Boards Business, we had initially forecasted a recovery in sales in 2H of the year. If we assume that the business will not recover, since capital investment has been made in the Organic Packages and Boards Business and KAVX, which will partially come in 2H of the fiscal year, a drop in profits is greater than the drop in sales due to the loss of operation. We are very sorry.

[Q]: I would like to confirm about 2Q. Is it correct to understand that both the Organic Packages and Boards Business and KAVX had quite extraordinary losses in 2Q, in terms of operations and so on? KAVX may not have that large loss, but in the Organic Packages and Boards Business, I wonder if there was a quite large unusual expense.

Tanimoto [A]: We made a fairly large capital expenditure, so we recognize that this is not a problem that will end only in 2Q.

[Q]: Is it depreciation?

Tanimoto [A]: Yes.

[Q]: Second, on the medium-term topic of selecting businesses, you gave us a specific figure of one-third for KDDI shares, but when I want to calculate ROIC, I would really like to have a sense of the scale of businesses to be sold or to be withdrawn. I don't mean in detail for each business, but in terms of the total scale of sales and the total scale of profits or losses, how much do you think we need to separate the businesses from the group? I don't mind a summary figure, so if you have an image, could you please share it with us?

Tanimoto [A]: We have employees, so we are not able to tell which business, but in terms of scale of sales, we are thinking of about 10% of the total.

[Q]: Approximately what kind of ROIC does that business have now; is it negative, positive, or break even?

Tanimoto [A]: Some are break-even, and some are negative.

[Q]: The tone is that you are going to continue with the Organic Packages and Boards Business, but it is usually the case that after a boom in organic package, one company is usually gone from the industry, and to double down and invest more in it, frankly speaking, there is a risk of doubling your losses. What is the basis for this decision? I still think the loss is quite significant even now and I honestly don't think this is a business that is worth double down.

Tanimoto [A]: As you say, we considered many things.

In this context, as I mentioned earlier, as chipletization is progressing rapidly and the size of substrates is becoming very large, we believe that packages with organic materials alone will probably not be able to be mounted at that size. We are doing various basic experiments to determine if we need to put something hard in the core, ceramic or glass.

Also, the so-called photoelectric integration module. If we continue as we are now, it is obvious that we will not have enough electricity, so we would like to change to a module that uses light.

We have decided to continue with the Organic Packages and Boards Business as we believe we need to challenge to develop modules related to light and the ceramicization of the core of larger-sized organic packages.

<Questioner 4>

[Q]: Regarding the approach to M&A, you explained that the total size of borrowings using KDDI shares as collateral and the sale of shares is nearly JPY1 trillion, and that most of this is internal investment and M&A. I think that M&A will be of a reasonably large monetary scale, but I would like to know how you would draw the line for M&A as you make decisions, taking ROE and ROIC into consideration.

What I would like to ask you is, when we talk about strategic M&A to improve profitability, I think it would be like buying a company of a certain high quality at a certain premium. I would appreciate it if you could share with us some more in-depth information about the field and the way of thinking.

Tanimoto [A]: It is true that M&A does not go as smoothly as we would like, because there are other parties involved. However, the target of M&A will be at least the company with high profitability.

We should receive a return of about three-point-several percent in the form of a dividend if we leave it as it is. So, since we are selling KDDI shares, one guideline would be to have at least a double-digit profit and a double-digit return on the acquisition price.

[Q]: You are emphasizing electronic components more this time, but is it correct to understand this would be the field?

Tanimoto [A]: We would like to go ahead with the field of electronic components, as well as cutting tools and ceramics, if there are any good ones, as we have said in the past. However, there are not many companies that we are in contact with at the moment, so our stance of focusing on the Electronic Components Business and the Industrial Tools Unit has not changed.

[END]

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, 2025 is referred to as "FY2025," 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