

November 25, 2022

# Kyocera IR Day

Hideo Tanimoto  
President and Representative Director

Note: 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.

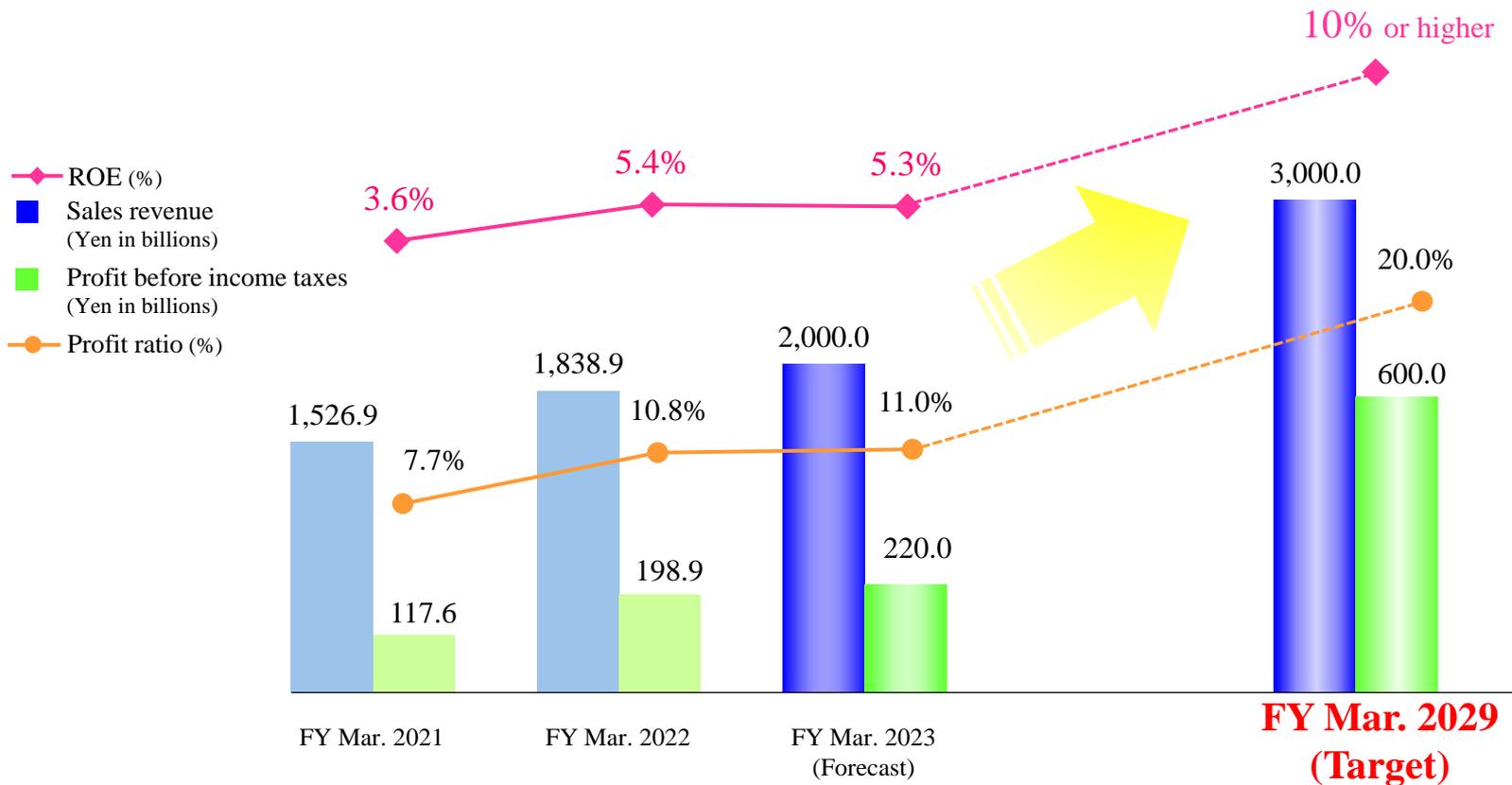
## Today's Explanation

- **Kyocera Group Financial Targets**
- **Management Strategy to Achieve Financial Targets**
  - (1) Proactively Invest in Priority Areas
  - (2) Strengthen Management-led Business Reviews
- **Capital Allocation to Achieve Financial Targets**
- **Financial Targets by Business Segment**
  - (1) Core Components Business
  - (2) Electronic Components Business
  - (3) Solutions Business

Note: Effective from the three months ended March 31, 2022, certain sales of by-products generated by each reporting segment, which was included in "Others," has been recorded into respective reporting segments due to their materiality in terms of amount. This change has been applied to annual sales revenue by reporting segment for the year ended March 31, 2022.

# Kyocera Group Financial Targets

**Aim for sales revenue of 3 trillion yen by FY Mar. 2029**



# Management Strategy to Achieve Financial Targets

**Expand  
Sales**

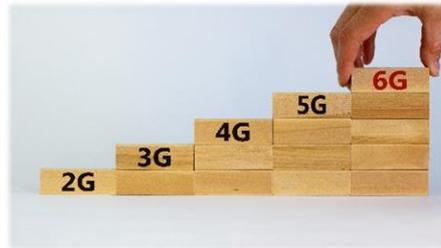
Proactively invest in priority areas

Fields of expertise x High growth potential

Cutting-edge semiconductors



5G/6G



Mobility etc.



**Enhance  
Profitability**

Strengthen management-led business reviews

- Further enhance profitability in highly profitable businesses
- Implement fundamental reform of challenging businesses

Expand Sales

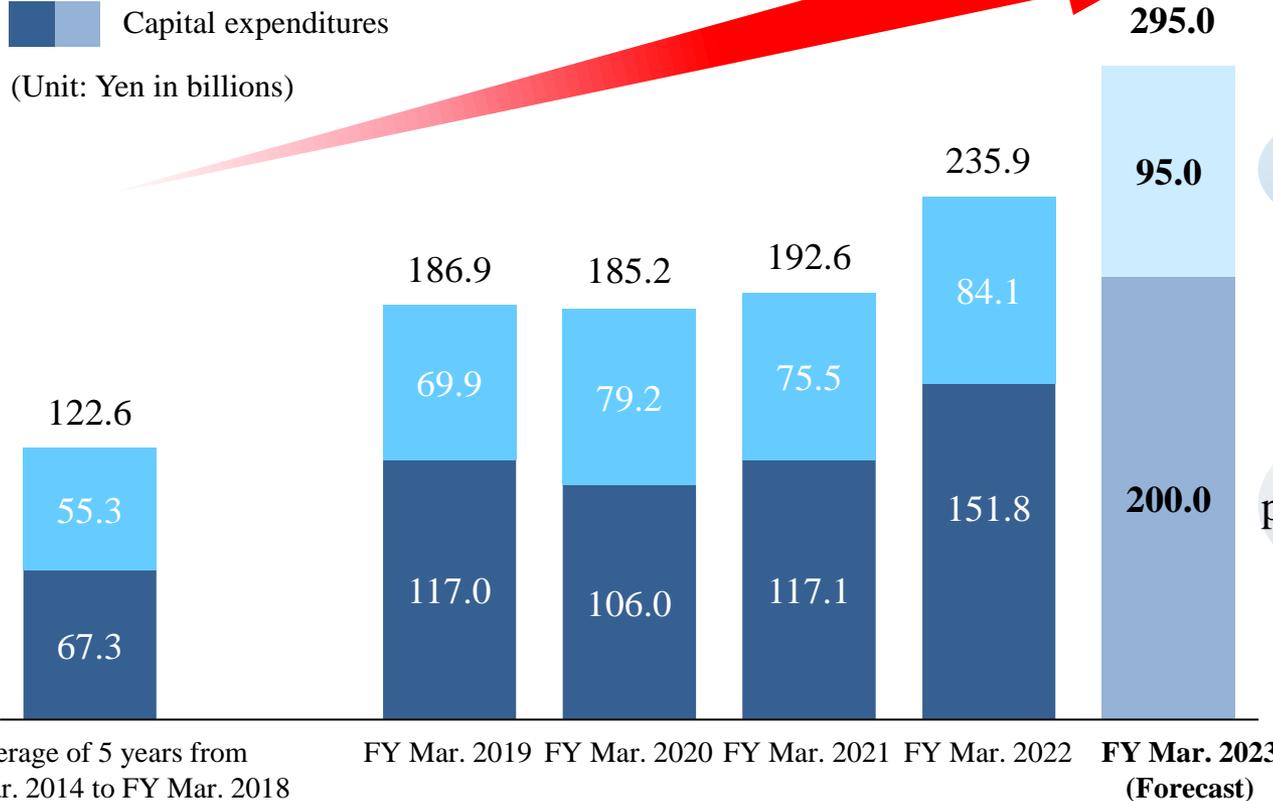
# Proactively Invest in Priority Areas (1)

**Concentrate investment in markets and products with high growth potential**

Trends of capital expenditures and R&D expenses

R&D expenses  
 Capital expenditures

(Unit: Yen in billions)



**Continue high-level investment from FY Mar. 2024 onward**

Promote R&D aimed at creating new businesses

Prioritize capital investment in products with high market share and high added value

Expand Sales

# Proactively Invest in Priority Areas (2)

## Prioritize capital investment in products with high market share and high added value

### Outlook of semiconductor-related markets (Kyocera forecast)

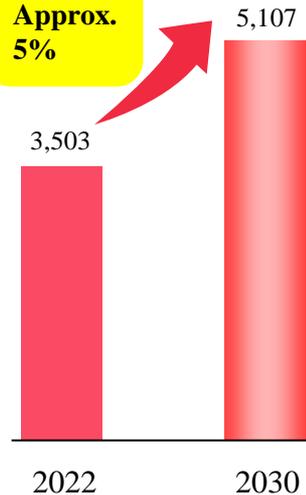
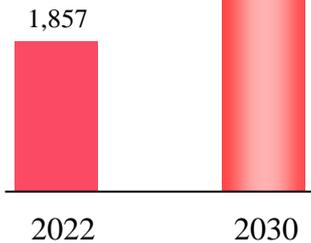
Expect continued demand, mainly for cutting-edge products

**Logic** (k wpm)

**Memory** (k wpm)

CAGR Approx. 11%

CAGR Approx. 5%



### FY Mar. 2023



#### New buildings at Kagoshima Kokubu Plant

Scheduled to sequentially commence production from Nov. 2022  
 Major production items:  
 Fine ceramic components for semiconductor processing equipment

### FY Mar. 2024



#### New building in Vietnam Plant

Scheduled to sequentially commence production from Apr. 2023  
 Major production items:  
 Ceramic packages

### FY Mar. 2025



#### New building in Kagoshima Sendai Plant

Scheduled to sequentially commence production from Apr. 2024  
 Major production items:  
 · Organic packages and boards  
 · Ceramic packages



Expand Sales

# Proactively Invest in Priority Areas (3)

## Promote R&D to create new businesses

Development theme

Address social issues

Products under development and new businesses

<p>Realize a low-carbon society</p>		<p>M&amp;A</p> <p>High efficiency GaN lasers</p>		<p><b>FY Mar. 2023</b> Expand application</p>
<p>Reduce greenhouse gas emissions</p>		<p>External collaboration</p> <p>Renewable energy</p>		<p><b>FY Mar. 2023</b> Develop products and expand business domains</p>
<p>Eliminate labor shortages in manufacturing industry</p>		<p>Internal synergy External collaboration</p> <p>Collaborative robots</p>		<p><b>FY Mar. 2024</b> Planned launch</p>
<p>Suppress industrial wastewater in apparel industry</p>		<p>Internal synergy</p> <p>Inkjet textile printing system</p>		<p><b>FY Mar. 2024</b> Planned launch</p>



# Strengthen Management-led Business Reviews

**Raise profitability by ranking businesses based on business profit**

## Highly Profitable Businesses

### 1. Improve productivity

- ◆ Introduce smart factories
  - Save labor through automated transport between processes
  - Stabilize quality through analysis of big data using AI

### 2. Respond to soaring costs

- ◆ Pass costs onto product prices

### 3. Promote digitization

- ◆ Further enhance operational efficiency and streamlining

## Challenging Businesses

### Make a fundamental review of strategy and strengthen monitoring

[Target Businesses]

- ◆ Low profit businesses
- ◆ Low growth businesses
- ◆ Businesses with delayed post-merger integration following M&A

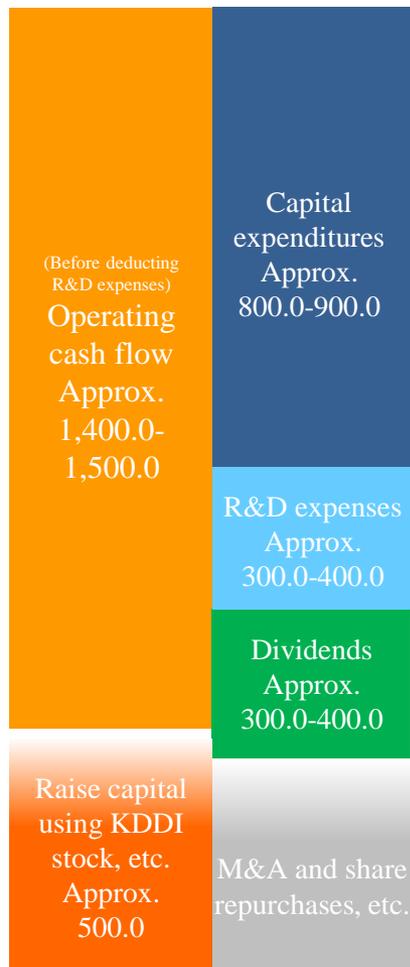
**Resolve management issues and realize total optimization**

# Estimate of Capital Allocation to Achieve Financial Targets

(Unit: Yen in billions)

## Three-Year Cumulative Total from FY Mar. 2024 to FY Mar. 2026 (Preliminary Estimate)

### Recent Three-Year Cumulative Total (From FY Mar. 2021 to FY Mar. 2023 (Forecast))



### Proactively invest in growth areas

- Increase production capacity after clarifying priority for products with high demand, high market share and high profitability
- Strengthen efforts to create new businesses

### Dividends

- Stable and ongoing dividends based on dividend policy

### M&A and share repurchases, etc.

- Appropriate implementation

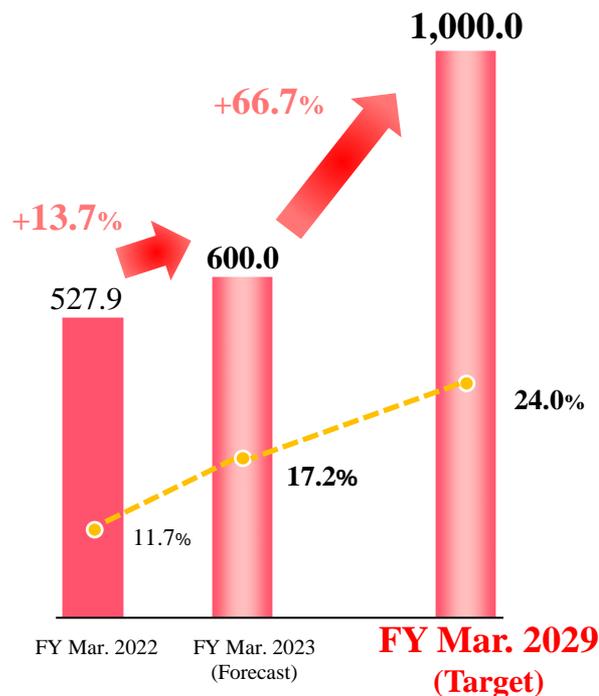
**From FY Mar. 2027 onward:  
Re-examine optimal capital allocation based on progress toward achievement of financial targets**

# Financial Targets by Business Segment

## Core Components Business

Sales revenue **1,000 billion yen** /  
Profit ratio **24.0%**

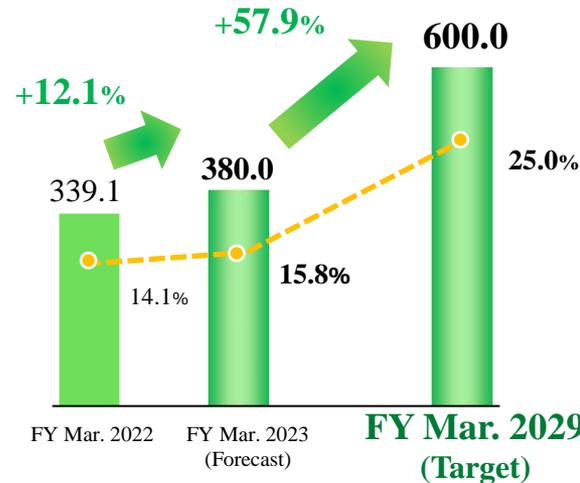
(Former target announced on Nov. 2021:  
Sales revenue 750B yen / Profit ratio 17.0%)



## Electronic Components Business

Sales revenue **600 billion yen** /  
Profit ratio **25.0%**

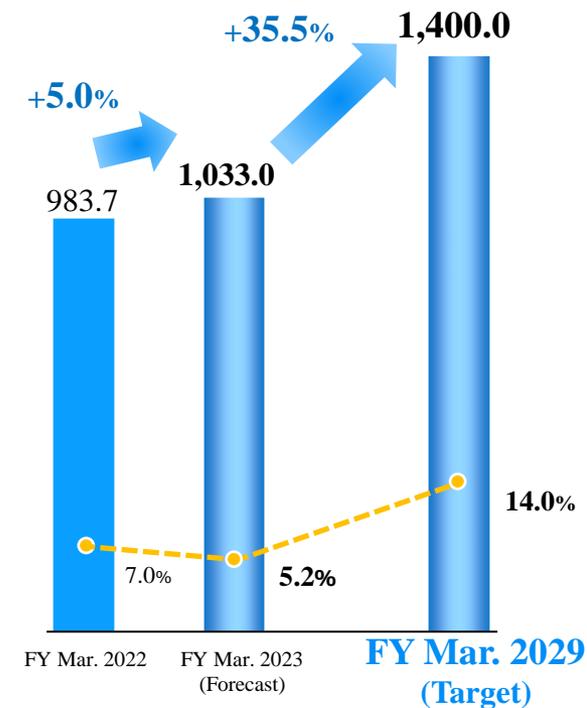
(Former target announced on Nov. 2021:  
Sales revenue 500B yen / Profit ratio 20.0%)



## Solutions Business

Sales revenue **1,400 billion yen** /  
Profit ratio **14.0%**

(Former target announced on Nov. 2021:  
Sales revenue 1,500B yen / Profit ratio 15.0%)



□ Sales revenue (Yen in billions)    ●-●- Business profit ratio (%)

# Initiatives to Achieve Financial Targets

## (1) Core Components Business

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

## Vision and Key Actions to Achieve Financial Targets

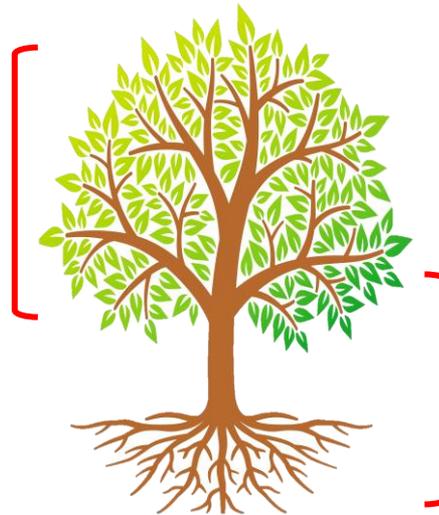
### Vision

**We realize the management rationale by providing core products of sustainable society and creation of healthy and fulfilling life.**

### Medium-term initiatives

#### 1. Thorough selection and concentration

- Increase production of growth items
- Scrap and build
- Consider further effective use of overseas bases



#### 2. Strengthen management foundation

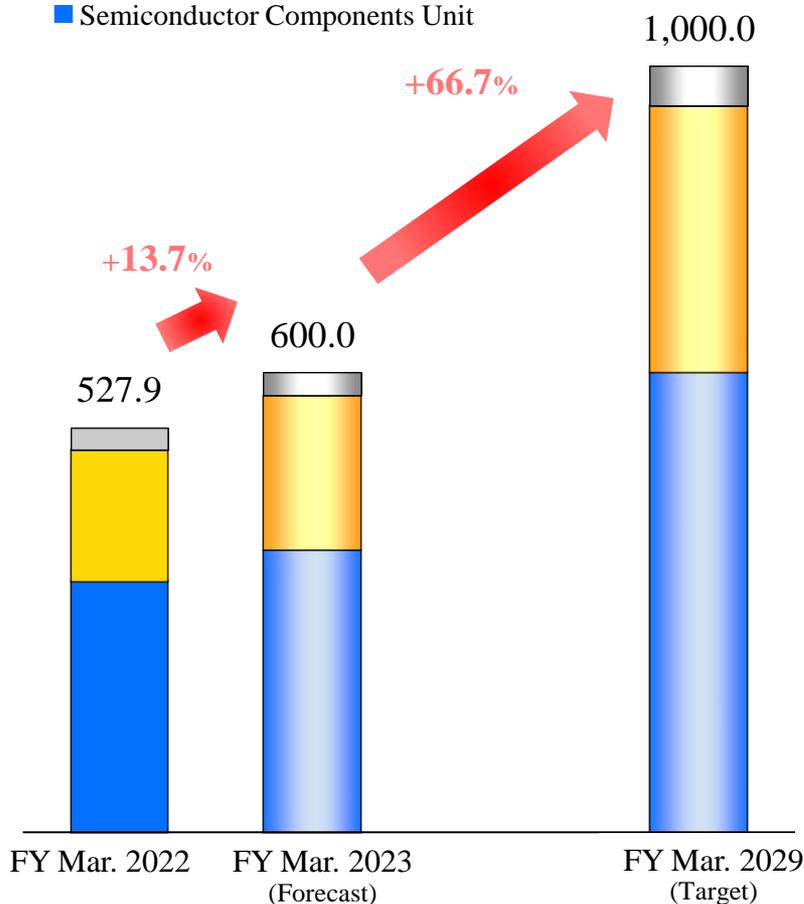
- Enhance human resources development
- Promote collaboration between departments
- Promote effectiveness of operating processes

# 1. Thorough Selection and Concentration

## Sales revenue by business unit

(Unit: Yen in billions)

- Others
- Industrial & Automotive Components Unit
- Semiconductor Components Unit



Expand sales mainly in growing markets such as information communications, semiconductors and automotives

### Industrial & Automotive Components Unit

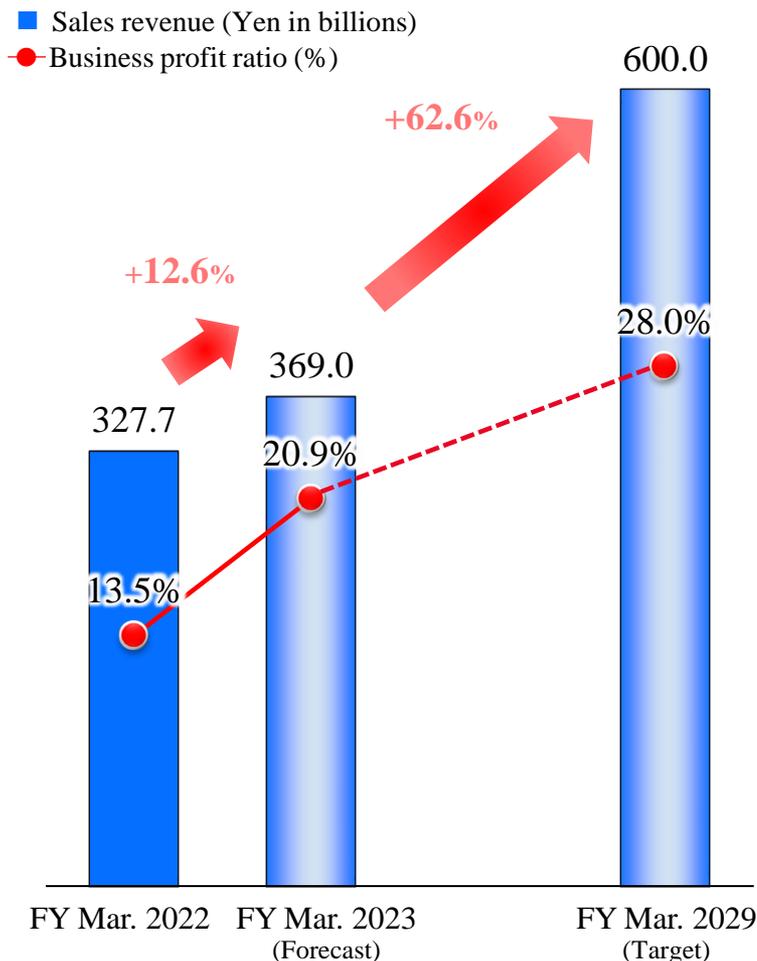
- Increase production of **fine ceramic components** for cutting-edge semiconductor processing equipment (“SPE”)
- Increasing demand for ADAS-related components
- Capture **EV-related** demand

### Semiconductor Components Unit

- Increase production of **organic packages and boards** for information communications and ceramic packages
- Focus on high-value-added products
- Enhance production technology for highly complex products

# Expand Business for Growth Items: Semiconductor Components Unit

## Sales revenue and profit ratio by business unit



## Increase production of high-value-added products

### Strengths

Micro-wiring and high-frequency capability of organic packages and boards

- Increase production of high-end organic packages

### Launch new buildings to expand production capacity

[Kyoto Ayabe No.3 Plant]



High-performance SOC packages  
Scheduled to sequentially commence operation from 2023

[New building in Kagoshima Sendai Plant]



Large multilayer FCBGAs  
Scheduled to sequentially commence operation from 2024

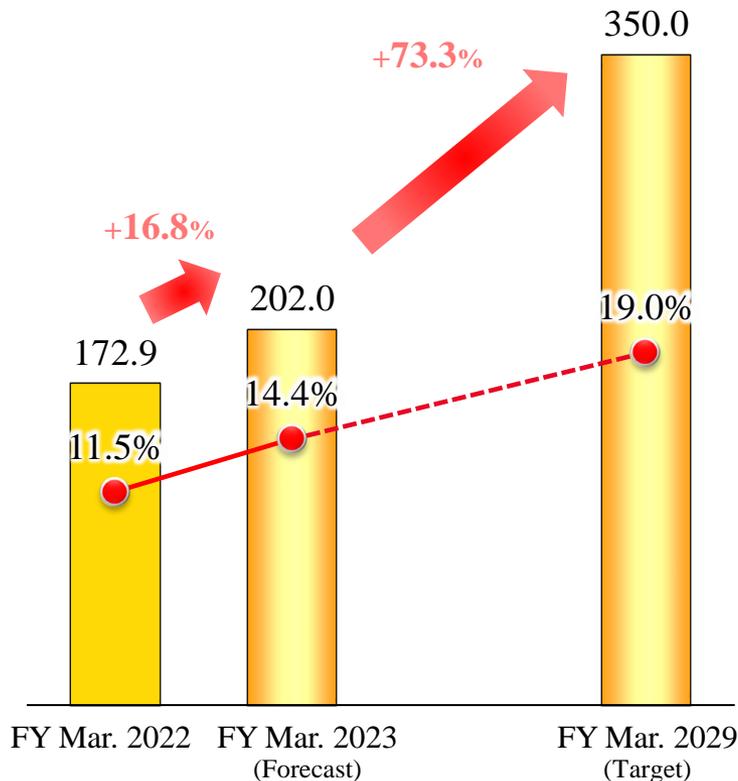
### Establish mass-production technology for large multilayer products

- Introduce facilities for micro-wiring
- Promote automation and labor-saving

# Expand Business for Growth Items: Industrial & Automotive Components Unit

## Sales revenue and profit ratio by business unit

■ Sales revenue (Yen in billions)  
● Business profit ratio (%)



### Increase production of components for advanced equipment

#### Strengths

Processing technology for large components used in cutting-edge SPE

- Increase production of fine ceramic components for SPE

Launch new buildings to expand production capacity

[New buildings in Kagoshima Kokubu Plant]



Architect's rendering of the new facilities  
Fine ceramic components for SPE

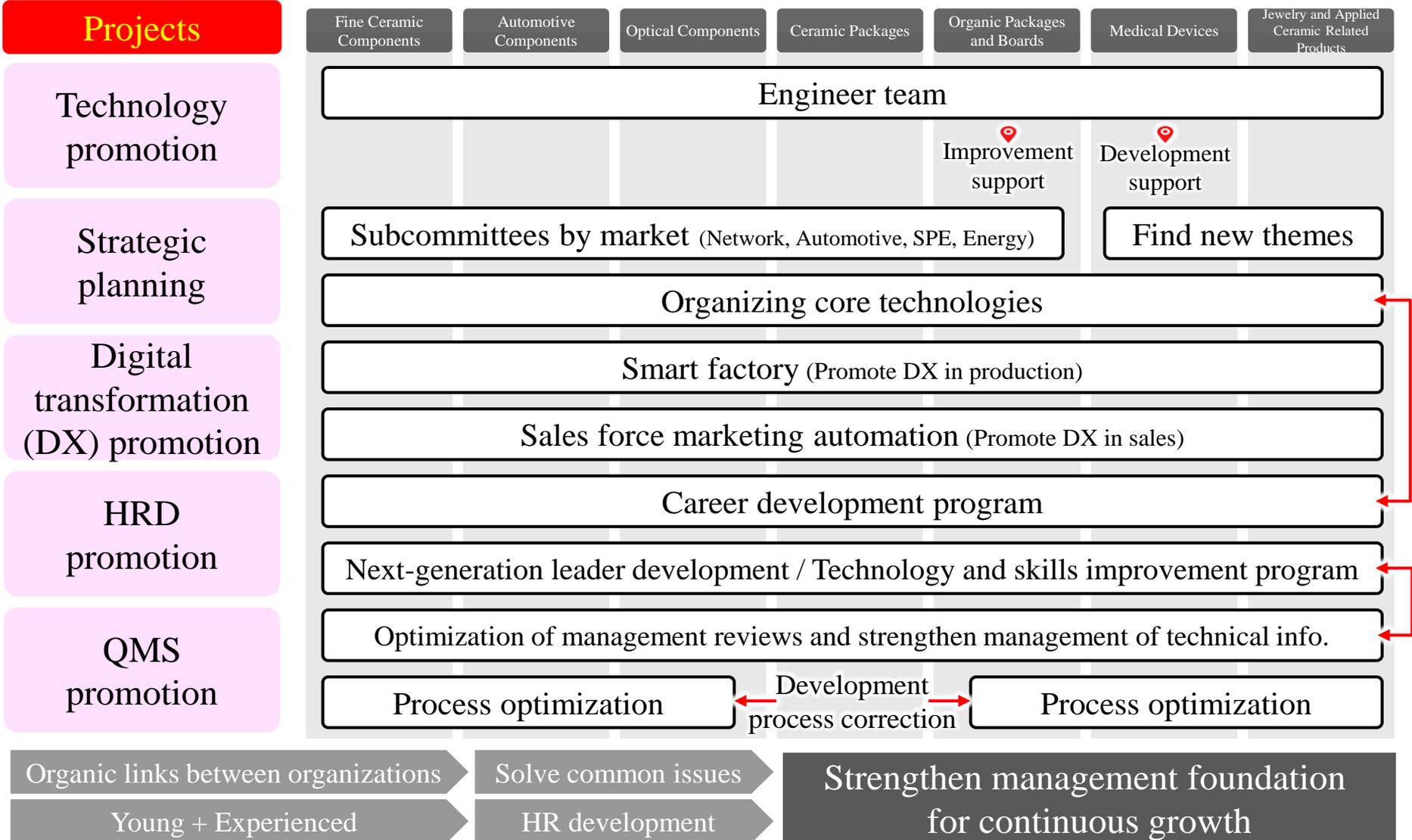
Scheduled to sequentially commence operation from 2023

### Capture automotive-related demand

For ADAS

For EV

## 2. Strengthen Management Foundation (Cross-Organizational Projects)



# Initiatives to Achieve Financial Targets

## (2) Electronic Components Business

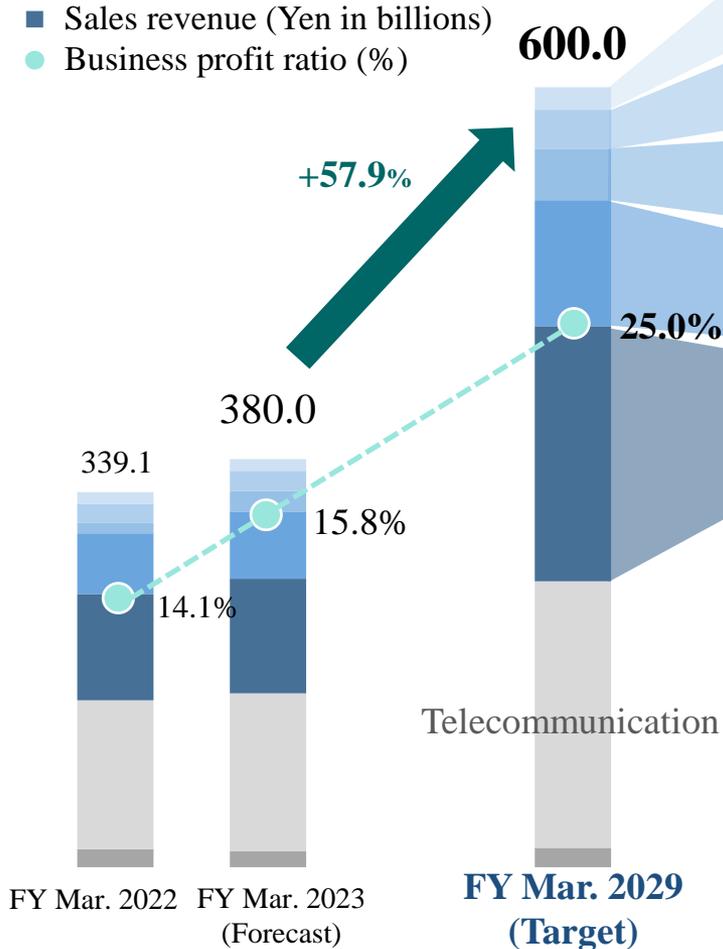
John Sarvis  
Managing Executive Officer  
Executive General Manager of  
Electronic Components Business

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

# Focus on Growing Markets

## Sales revenue by market

■ Sales revenue (Yen in billions)  
● Business profit ratio (%)



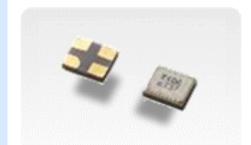
Market	FY Mar. 2029 (Target) % of sales revenue to total	Growth vs FY Mar. 2023
Medical	3%	x 1.9
Aerospace	5%	x 2.0
Data storage IC-related	7%	x 2.4
Industrial	16%	x 1.9
Automotive	34%	x 2.2

**Total**                      **65%**                      **x 2.1**

### Measures

1. Proactively invest in areas of competitive advantage
2. Expand global production bases
3. Secure labor force and further enhance productivity
4. Develop unique technology

# 1. Proactively invest in areas of competitive advantage

<b>Products</b>		<b>Timing devices</b>	Crystal devices Core in-house basic technology (Photolithography & CVM & Packaging)	MEMS devices Next-generation oscillator products (Small, thin, high-temperature properties)
		<b>Tantalum capacitors</b>	50% share of base tantalum	Expand polymer products
		<b>MLCCs</b>	To be built-in in next-generation ICs	Expand aerospace, medical and industrial applications

<b>Sales</b>	<b>Strong relationships with U.S.-based global distributors</b>	<ul style="list-style-type: none"> <li>• Accounts for 50% of KAVX* sales</li> <li>• Sales system for distributors</li> <li>• Rapid U.S.-led response</li> <li>• Long-term trusting relationships</li> <li>• Expansion of Kyocera components</li> </ul>	<b>Strong business ties with European automotive manufacturers</b>	<ul style="list-style-type: none"> <li>• Accounts for over 50% of European sales</li> <li>• Sensing &amp; control products (Accelerator pedals, temperature sensors, etc.)</li> <li>• Direct dealings with automakers</li> <li>• Participation from early stages of design</li> <li>• Sales expansion of other product groups</li> </ul>
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**Concentrate investment in areas of competitive advantage and leverage strengths**

\*KAVX: Kyocera AVX Components Corporation

Please refer to "Cautionary Statements with respect to Forward-Looking Statements" on the last page.

## 2. Expand global production bases

- Build increased production and supply systems for priority products
- Optimize production sites globally

From FY Mar. 2023 3Q



**New Thai Plant**  
MLCCs/Tantalum capacitors

From FY Mar. 2024 2Q



**Vietnam Plant**  
Crystal devices

From FY Mar. 2025 1Q



**New building in Kokubu Plant**  
MLCCs

From FY Mar. 2026



**El Salvador Plant**  
MLCCs/Tantalum capacitors

## 3. Secure labor force and further enhance productivity

- Taking advantage of having global production bases

KAVX strengths:

33 bases in 18 countries

Knowhow to operate only with local employees

- ▶ Secure labor force and build supply chain in consideration of geopolitics

- Save labor by automating production processes

- Enhance stability in quality through automated control via AI and robots



## 4. Develop unique technology

- KAVX's low-ESL product design capabilities

×

Kyocera's small, thin MLCC production technology



MLCC for IC embedding (Kyocera patent)

- Establish Group R&D base in U.S.\*1
  - Cutting-edge tech research from U.S.
  - Incl. top of the dev. team of KAVX
  - Product dev. with Kyocera Japan as hub
  - Started Corporate Venture Capital (CVC)
  - Priority fields: Semiconductors, 5G/6G, mobility, medical, aerospace
- M&A, capital alliances
  - Established specialized team in U.S.\*2
    - Appointed a member with experience in investment team of U.S. semiconductor manufacturer

\*1: April 2023 (Planned)

\*2: April 2022

## Summary

- Hold face-to-face meetings each quarter with executives from both Japan (Kyocera) and U.S. (KAVX)
- Completed integration of sales and marketing organizations in all regions
- Established a sub-segment to oversee the businesses of both companies from 2022 (MLCC and connector businesses)
- Effects of integration will be clearly reflected in performance from FY Mar. 2024
- Started a trainee system in FY Mar. 2023 to revitalize personnel exchange and develop future leaders

**Pursue synergies between the two companies and realize a truly global segment**

**Achieve sales revenue of 600 billion yen and  
profit ratio of 25% in FY Mar. 2029**



unity

Shifting towards a better tomorrow

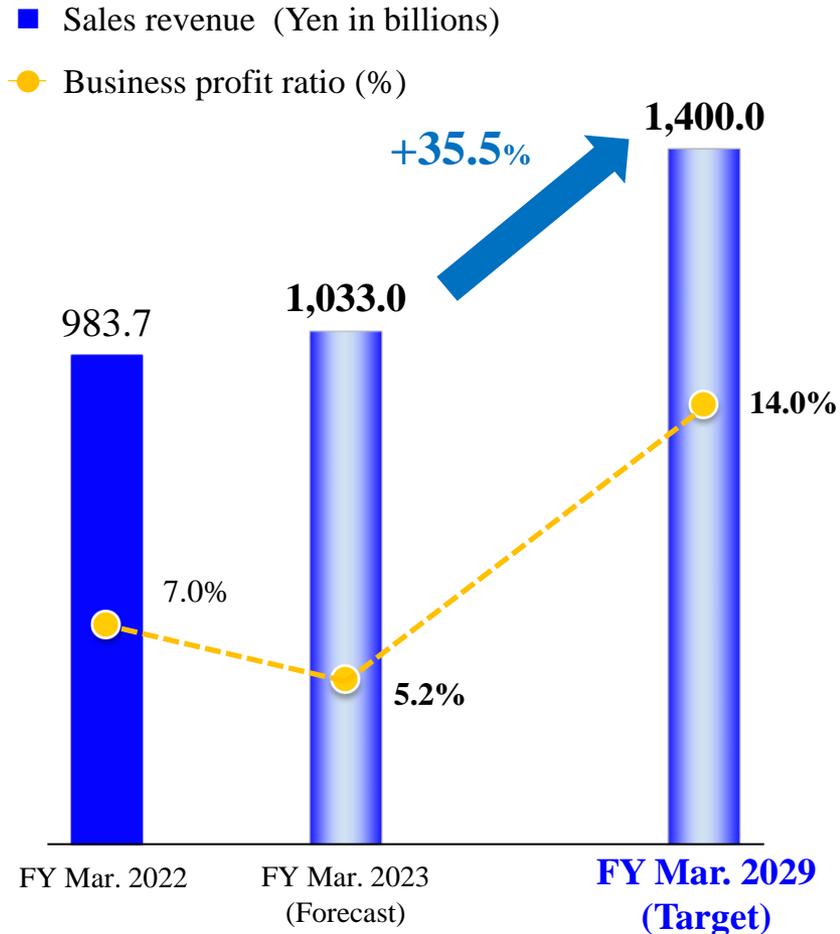
# Initiatives to Achieve Financial Targets

## (3) Solutions Business

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

# Financial Targets

## ■ Vision



**Create as much happiness as possible,  
and build a better society**

To provide **solutions** for social agendas and challenges facing customers as well as high-quality and high-value added products and services, and create **innovation** to contribute achievement of society and humankind **with out-of-the-box thinking**

## Key Actions to Achieve Financial Targets

1

### **Strengthen existing businesses**

Document Solutions Unit and Industrial Tools Unit

2

### **Reform low-profit, low-growth businesses**

Telecommunications equipment and Smart energy

3

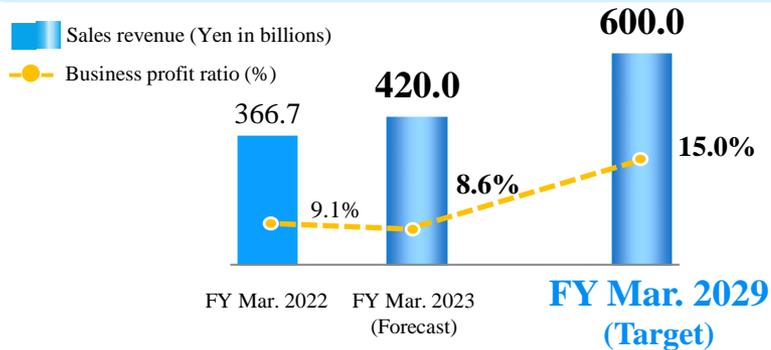
Addresses customer and social issues

**Business integration activities to create new businesses**

# ① Strengthen Existing Businesses

## Document Solutions Unit

Sales revenue 600 billion yen /  
Profit ratio 15.0%



### Key actions

#### Office equipment (MFPs/Printers)

- Strengthen and expand environmentally friendly products

#### Commercial inkjet printers

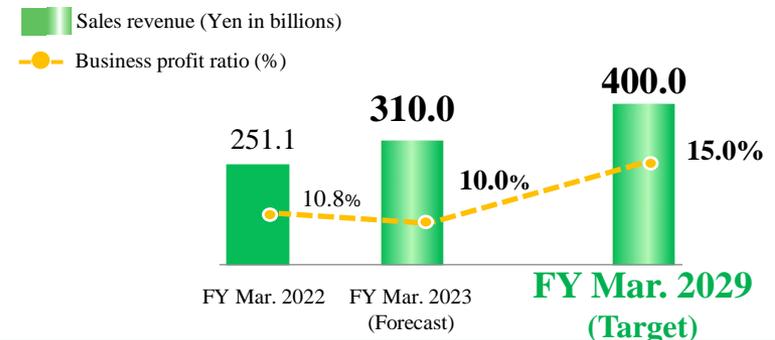
- Expand product lineup
- Achieve in-house ink production

#### ECM, Document BPO

- Expand lineup of in-house ECM software and deploy globally
- Create platform business

## Industrial Tools Unit

Sales revenue 400 billion yen /  
Profit ratio 15.0%



### Key actions

#### Cutting tools

- Develop new processing technology and products for growing industries (EVs, semiconductor-related, medical, aircraft)
- Strengthen competitiveness through local production and sales in growing markets (Asia)

#### Pneumatic and power tools

- Standardize charging platform
- Expand globally by increasing product sharing

## ② Reform Low-profit, Low-growth Businesses: Telecommunications Equipment

Transform the business to highly profitable by focusing on markets that can leverage the benefits of “**JAPAN MADE**” concept and that high added value can be provided



**Shift from “Consumer Model” to “Business Use Model”**

**~Evolve from equipment business to telecommunications solutions business~**

Consumer Model

Business Use Model

### 1. Provide Equipment and Customized Products required by business customers

- ✓ Develop high-value-added smartphones, tablets and customized products that meet corporate needs



### 2. Provide Services required by business customers

- ✓ Offer kitting service
- ✓ Expand services such as long-term warranty for equipment, remote monitoring and predictive maintenance



### 3. Provide Connectivity Support required by business customers

- ✓ Support the incorporation of telecommunications functions into customer products
- ✓ Assist with the construction of telecommunications environment required by business customers, including local 5G capability
- ✓ Provide 5G millimeter-wave repeater



**Reorganize by concentrating Kyocera Group’s telecommunications knowhow**

Provide total solution from 5G-related equipment, from terminals to base stations, and services

**Evolve into telecommunications solutions business**

# ② Reform Low-profit, Low-growth Businesses: Smart Energy

**Shift from selling “Products” to “Services”**

**Kyocera’s strength: possessing business of three energy equipment**  
 Introduce usage fee model  
**Subscription sales**

**High renewable energy demand + Soaring electricity prices**  
 Procure renewable energy + Manage supply/demand  
 + Sell power with environmental value  
**Renewable power services**



**High renewable energy demand**      **Soaring electricity prices**

- ✓ **User benefits**
  - Can be installed with no initial cost
  - Fixed monthly payment
- ✓ **Kyocera benefits**
  - Increased sales opportunities
  - Acquisition of surplus power**

Various sources of procurement of renewable energies

- Source of power supply (Stable power supply)**
- (1) Surplus power from housing complex  
 Housing complex
  - (1) Solar power generation business  
 Solar power plant  
 Off-site PPA model Non-FIT
  - (2) Industrial PPA model  
 On-site PPA      Kyocera EPA LLC
  - (3) Residential PPA model  
 Solar cells/ Storage battery  
 PPA\* model

**Operation (Added value)**

Manage supply and demand

**Sales destination of electricity (Consumer company)**



**Procure renewable energy**

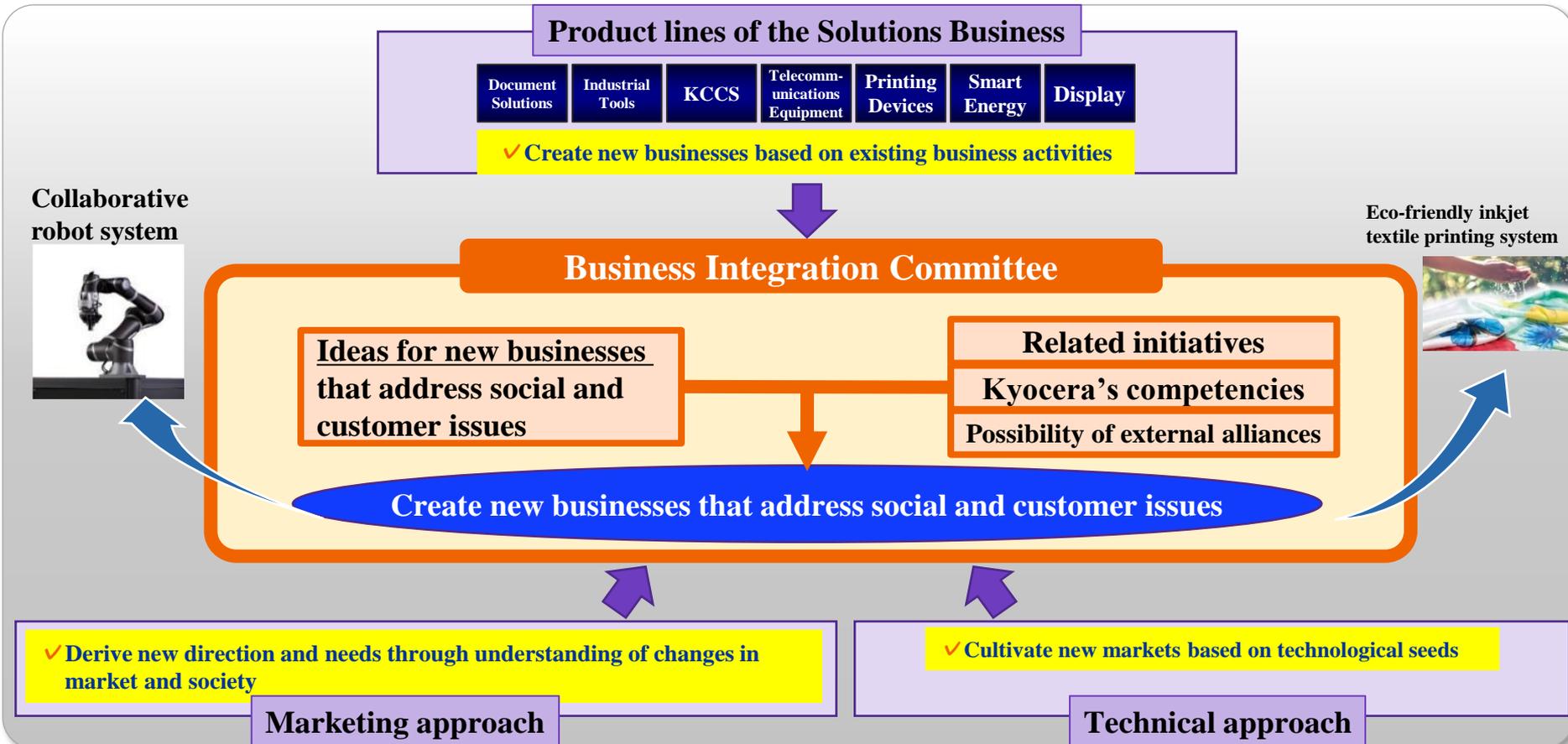
**Sales of power with environmental value**

\*PPA: Power Purchase Agreement

### ③ Addresses customer and social issues

# Business Integration Activities to Create New Businesses

By sharing activities of business product lines, company-wide marketing approach and technical approach in R&D and **integrating competencies of the Kyocera Group beyond existing frameworks**, we will systematically promote the creation of new businesses and practice of the Kyocera Philosophy espousing a fighting and pioneering spirit.





## **Create as much happiness as possible, and build a better society**

To provide **solutions** for social agendas and challenges facing customers as well as high-quality and high-value added products and services, and create **innovation** to contribute achievement of society and humankind **with out-of-the-box thinking**



## Cautionary Statements with respect to Forward-Looking Statements

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. These forward-looking statements involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors include, but are not limited to the following:

- (1) General conditions in the Japanese or global economy;
- (2) Unexpected changes in economic, political and legal conditions in countries where we operate or export;
- (3) The effect of foreign exchange fluctuations on our results of operations;
- (4) Intense competitive pressures to which our products are subject;
- (5) Fluctuations in the price and ability of suppliers to provide the required quantity of raw materials for use in our production activities;
- (6) Manufacturing delays or defects resulting from outsourcing or internal manufacturing processes;
- (7) The possibility that future initiatives and in-process research and development may not produce the desired results;
- (8) Companies or assets acquired by us not produce the returns or benefits, or bring in business opportunities;
- (9) Inability to secure skilled employees;
- (10) Damages on our information security systems from cyberattacks, etc. and significant costs in order to recover and maintain the systems;
- (11) Insufficient protection of our trade secrets and intellectual property rights including patents;
- (12) Expenses associated with licenses we require to continue to manufacture and sell products;
- (13) Unintentional conflict with laws and regulations or newly enacted laws and regulations;
- (14) Environmental liability and compliance obligations by tightening of environmental laws and regulations;
- (15) Inability to respond to global climate change problems or delay in such response, which may lead to increased costs and negatively impact our corporate brands;
- (16) Our market or supply chains being affected by plague, infectious diseases, terrorism, wars or similar events;
- (17) Earthquakes and other natural disasters affecting our headquarters and major facilities as well as our suppliers and customers;
- (18) Credit risk on trade receivables;
- (19) Fluctuations in the value of financial instruments held by us;
- (20) Impairment losses on property, plant and equipment, goodwill and intangible assets;
- (21) Uncertainty over income tax and deferred tax assets; and
- (22) Changes in accounting standards.

Due to such risks, uncertainties and other factors, our actual results, performance, achievements or financial condition may be substantially different from any future results, performance, achievements or financial condition expressed or implied by these forward-looking statements. We undertake no obligation to publicly update any forward-looking statements included in this document.