



KYOCERA Corporation

Financial Presentation for the Three Months Ended June 30, 2024

August 1, 2024

Event Summary

[Company Name]	KYOCERA Corporation	
[Company ID]	6971-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Financial Presentation for the Three Months Ended June 30, 2024	
[Fiscal Period]	FY2025 1Q	
[Date]	August 1, 2024	
[Time]	16:15 – 16:51 (Total: 36 minutes, Presentation: 9 minutes, Q&A: 27 minutes)	
[Venue]	Webcast	
[Number of Speakers]	2	
	Hideo Tanimoto	President and Representative Director
	Hiroaki Chida	Executive Officer, Senior General Manager of Corporate Management Control Group

Presentation

Moderator: Hello, everyone, thank you for your patience. 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 1Q of FY2025.

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 from the Company. Hideo Tanimoto, President and Representative Director.

Tanimoto: Hello, everyone. This is Tanimoto. Thank you.

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

Chida: Hello everyone. This is Chida. Thank you.

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

Tanimoto: I would like to express my sincere gratitude to all of you for your continued support. Thank you very much to participate in our financial results briefing today.

I will now present based on the material for the financial results for the three months ended June 30, 2024.

1 Financial Results for 1Q of Fiscal 2025

2 Financial Forecasts for Fiscal 2025

Note 1: 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.

Note 2: Kyocera decided to change the classification of Energy Solutions Business, which was included in "Others," and share of net profit (loss) of investments accounted for using the equity method regarding investments in energy businesses, which was included in "Corporate gains and others," to "Others" under "Solutions Business" from the year ending March 31, 2025. With this change, the business results for the year ended March 31, 2024 have been reclassified in the same manner.

See page one of the material. Today, I would like to explain the financial results for 1Q of FY2025 and the forecast for FY2025, in this order, as described here.

Financial Results for 1Q of Fiscal 2025 (1)



(Unit: Yen in millions)

	Fiscal 2024 1Q	Fiscal 2025 1Q	Change	
			Amount	%
Sales Revenue	479,420	498,868	19,448	4.1%
Operating Profit	25,677 (5.4%)	20,956 (4.2%)	-4,721	-18.4%
Profit Before Income Taxes	50,477 (10.5%)	47,765 (9.6%)	-2,712	-5.4%
Profit Attributable to Owners of the Parent	37,392 (7.8%)	36,797 (7.4%)	-595	-1.6%

Average Exchange Rate US\$ 137 yen 156 yen Note: Figures in parentheses represent percentages to sales revenue.
 Euro 149 yen 168 yen

While sales revenue increased mainly due to the impact of a weaker yen, profits decreased mainly due to an increase in fixed costs such as labor costs and depreciation charge of property, plant and equipment, as well as higher research and development expenses.

Please see page three.

Net sales for 1Q increased 4.1% from the previous quarter to JPY498.9 billion. Operating profit decreased 18.4% to JPY21 billion. Profit before income taxes decreased 5.4% to JPY47.8 billion. Net income attributable to owners of the parent decreased by 1.6% to JPY36.8 billion.

Despite the effect of yen depreciation, investments for future production expansion led to higher fixed costs, such as personnel expenses and depreciation charge of property, plant and equipment, and R&D expenses, resulting in higher sales and lower profits.

Financial Results for 1Q of Fiscal 2025 (2)



(Unit: Yen in millions)

	Fiscal 2024 1Q	Fiscal 2025 1Q	Change	
			Amount	%
Capital Expenditures	29,961 (6.2%)	31,914 (6.4%)	1,953	6.5%
Depreciation Charge of Property, Plant and Equipment	26,399 (5.5%)	28,844 (5.8%)	2,445	9.3%
R&D Expenses	24,984 (5.2%)	29,529 (5.9%)	4,545	18.2%

Note: Figures in parentheses represent percentages to sales revenue.

R&D expenses increased in communication infrastructure equipment-related business etc., and depreciation charge of property, plant and equipment increased due mainly to capital investment made in fiscal 2024.

Please see page four.

Capital investments totaled JPY31.9 billion, depreciation charge of property, plant and equipment was JPY28.8 billion, and R&D expenses was JPY29.5 billion. R&D expenses increased due mainly in the communications infrastructure equipment business and other businesses. Depreciation charge of property, plant and equipment increased due to capital investments made in the previous fiscal year.

Sales Revenue by Reporting Segment for 1Q of Fiscal 2025



(Unit: Yen in millions)

Sales Revenue by Reporting Segment	Fiscal 2024 1Q		Fiscal 2025 1Q		Change	
	Amount	Component Ratio	Amount	Component Ratio	Amount	%
Core Components Business	134,065	28.0%	138,434	27.7%	4,369	3.3%
Industrial & Automotive Components Unit	52,864	11.0%	57,089	11.4%	4,225	8.0%
Semiconductor Components Unit	74,307	15.5%	73,597	14.7%	-710	-1.0%
Others	6,894	1.5%	7,748	1.6%	854	12.4%
Electronic Components Business	84,565	17.6%	89,712	18.0%	5,147	6.1%
Solutions Business	264,757	55.2%	275,718	55.3%	10,961	4.1%
Industrial Tools Unit	80,448	16.8%	85,865	17.2%	5,417	6.7%
Document Solutions Unit	103,574	21.6%	115,037	23.1%	11,463	11.1%
Communications Unit	49,954	10.4%	51,318	10.3%	1,364	2.7%
Others	30,781	6.4%	23,498	4.7%	-7,283	-23.7%
Others	5,177	1.1%	4,214	0.8%	-963	-18.6%
Adjustments and Eliminations	-9,144	-1.9%	-9,210	-1.8%	-66	-
Sales Revenue	479,420	100.0%	498,868	100.0%	19,448	4.1%

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Please see 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 1Q of Fiscal 2025



(Unit: Yen in millions)

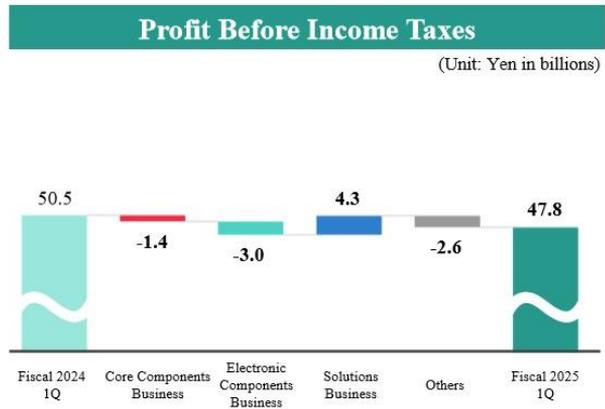
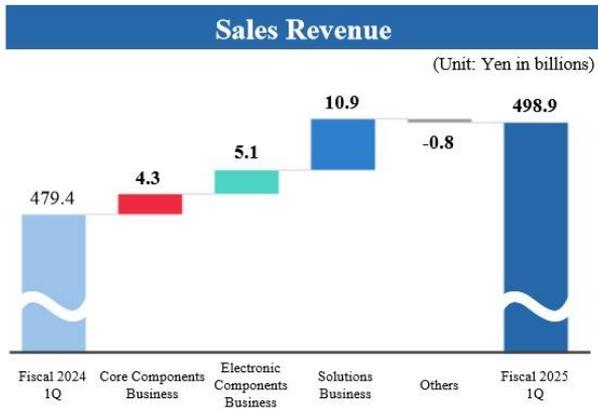
Business Profit by Reporting Segment	Fiscal 2024 1Q		Fiscal 2025 1Q		Change	
	Amount	% to Sales Revenue	Amount	% to Sales Revenue	Amount	%
Core Components Business	13,835	10.3%	12,440	9.0%	-1,395	-10.1%
Industrial & Automotive Components Unit	6,218	11.8%	5,756	10.1%	-462	-7.4%
Semiconductor Components Unit	7,903	10.6%	6,472	8.8%	-1,431	-18.1%
Others	-286	-	212	2.7%	498	-
Electronic Components Business	4,062	4.8%	1,055	1.2%	-3,007	-74.0%
Solutions Business	15,730	5.9%	20,047	7.3%	4,317	27.4%
Industrial Tools Unit	5,024	6.2%	6,010	7.0%	986	19.6%
Document Solutions Unit	9,022	8.7%	11,340	9.9%	2,318	25.7%
Communications Unit	-543	-	679	1.3%	1,222	-
Others	2,227	7.2%	2,018	8.6%	-209	-
Others	-9,387	-	-11,388	-	-2,001	-
Total Business Profit	24,240	5.1%	22,154	4.4%	-2,086	-8.6%
Corporate Gains and Others	26,237	-	25,611	-	-626	-2.4%
Profit Before Income Taxes	50,477	10.5%	47,765	9.6%	-2,712	-5.4%

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

Summary of Financial Results for 1Q of Fiscal 2025



All reporting segments posted higher sales revenue, centered in the Document Solutions Unit, due mainly to the impact of weaker yen.

Profit decreased due to a decline in profits in the Core Components Business and the Electronic Components Business, as well as higher R&D expenses in Others, despite an increase in the Solutions Business.

Please see page seven.

This is a summary of results for 1Q of the current fiscal year.

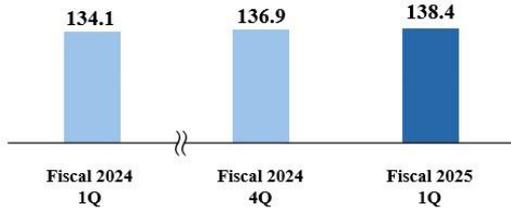
Please look at the sales revenue on the left side of the slide. Net sales increased in all reporting segments, mainly driven by the Solutions Business, particularly in the Document Solutions Unit, and mainly due to the impact of the yen's depreciation.

Next, please look at the profit before income taxes on the right side. Although the Solutions Business saw an increase, decrease in profit of the Core Components Business and the Electronic Components Business as well as an increase in R&D expenses in the Others led to an overall decline in profit.

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

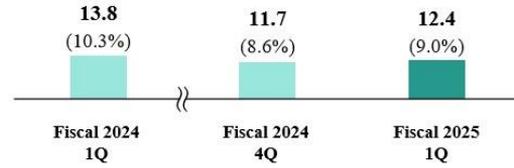
Sales Revenue

(Unit: Yen in billions)



Business Profit (Ratio)

(Unit: Yen in billions)



Summary of Financial Results

<As Compared with 1Q of Fiscal 2024 (YoY) : +3.3%>

> Sales revenue increased due to higher sales in the Industrial & Automotive Components Unit, mainly reflecting increased sales of components for semiconductor processing equipment.

<As Compared with 4Q of Fiscal 2024 (QoQ) : +1.1%>

> While sales revenue was slightly decreased in the Industrial & Automotive Components Unit due to the decline in sales of automotive components, sales of ceramic packages increased in the Semiconductor Components Unit partly due to the yen's depreciation.

<As Compared with 1Q of Fiscal 2024 (YoY) : -10.1%>

> Business profit decreased mainly due to a decrease in sales in the organic packages and boards business and an increase in the fixed costs such as depreciation charge of property, plant and equipment.

<As Compared with 4Q of Fiscal 2024 (QoQ) : +6.0%>

> Business profit increased due to higher sales in the Semiconductor Components 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. 8

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Please see page eight.

First, the Core Components Business. Sales for 1Q of the current fiscal year totaled JPY138.4 billion. Sales increased YoY, driven by the Industrial & Automotive Components Unit, especially components for semiconductor processing equipment.

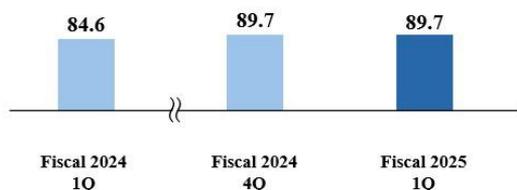
Compared to the previous quarter, sales in the Industrial & Automotive Components Unit declined slightly due to lower sales of automotive components, while sales of ceramic packages increased in the Semiconductor Components Unit partly due to the yen's depreciation.

Business profit was JPY12.4 billion. Profit decreased YoY due to lower sales in the Organic Packages and Boards Business and higher fixed costs such as depreciation charge of property, plant and equipment.

On the other hand, compared to the previous quarter, profit increased due to higher sales in the Semiconductor Components Unit.

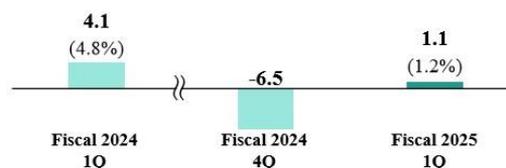
Sales Revenue

(Unit: Yen in billions)



Business Profit/Loss (Ratio)

(Unit: Yen in billions)



Summary of Financial Results

<As Compared with 1Q of Fiscal 2024 (YoY) : +6.1%>

> Sales revenue increased due to higher 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 4Q of Fiscal 2024 (QoQ) : +0.1%>

> Sales revenue remained almost flat, due to a decline of sales in components for the automotive markets, which offset higher sales of components such as capacitors and crystal devices in the information and communication markets and the industrial equipment markets, as well as the impact of a weaker yen.

<As Compared with 1Q of Fiscal 2024 (YoY) : -74.0%>

> Business profit decreased significantly due to higher cost of sales ratio which resulted from a lower utilization ratio of the new factory and an increase in labor and other costs in KAVX* Group.

<As Compared with 4Q of Fiscal 2024 (QoQ) : +7.6 Yen in billions>

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

* Kyocera AVX Components Corporation

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

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Please turn to page nine, the Electronic Components Business.

Sales for 1Q of the current fiscal year totaled JPY89.7 billion. Sales revenue increased YoY due to higher 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.

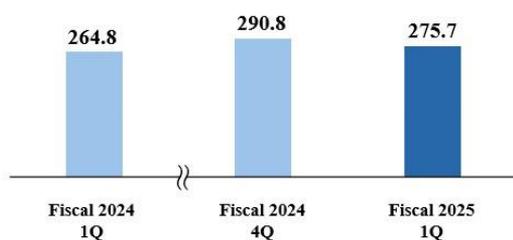
Compared to the previous quarter, sales of capacitors and crystal devices in the information and communication market, and industrial equipment market increased, and also the yen's depreciation had a positive effect. However, sales in components for the automotive market declined. as a result, sales overall were in flat.

Business profit was JPY1.1 billion. Business profit decreased significantly YoY due to a higher cost of sales ratio, which resulted from a lower utilization ratio of the new factory and an increase in labor and other costs in KAVX Group.

On the other hand, profit increased significantly QoQ, mainly due to the absence of one-time restructuring and other costs that were recorded in the previous quarter.

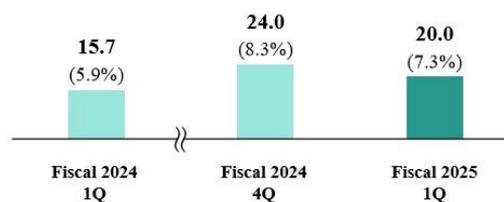
Sales Revenue

(Unit: Yen in billions)



Business Profit (Ratio)

(Unit: Yen in billions)



Summary of Financial Results

<As Compared with 1Q of Fiscal 2024 (YoY) : +4.1%>

- > Sales revenue increased for the reporting segment overall due mainly to an increase in sales in the Document Solutions Unit and the impact of a weaker yen.

<As Compared with 4Q of Fiscal 2024 (QoQ) : -5.2%>

- > Sales revenue decreased due to seasonality in the Document Solutions Unit and the Communications Unit, which more than offset the impact of a weaker yen.

<As Compared with 1Q of Fiscal 2024 (YoY) : +27.4%>

- > Business profit increased due mainly to an increase in sales revenue and the impact of a weaker yen.

<As Compared with 4Q of Fiscal 2024 (QoQ) : -16.6%>

- > Business profit decreased due to seasonal sales decline in the Document Solutions Unit and the Communications 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. 10

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See page 10. Last, the Solutions Business.

Sales for 1Q of the current fiscal year totaled JPY275.7 billion. Sales increased YoY mainly due to higher sales in the Document Solutions Unit and the effect of the yen's depreciation.

On the other hand, compared to the previous quarter, sales decreased due to seasonal factors in the Document Solutions Unit and the Communications Unit, despite the effect of yen depreciation.

Business profit was JPY20 billion. In addition to the increase in sales, the effect of the yen's depreciation resulted in a YoY increase in earnings.

On the other hand, QoQ comparisons 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)



(Unit: Yen in millions)

	Fiscal 2024	Fiscal 2025	Change	
		No Revision From the April 2024 Forecast	Amount	%
Sales Revenue	2,004,221	2,050,000	45,779	2.3%
Operating Profit	92,923 (4.6%)	110,000 (5.4%)	17,077	18.4%
Profit Before Income Taxes	136,143 (6.8%)	150,000 (7.3%)	13,857	10.2%
Profit Attributable to Owners of the Parent	101,074 (5.0%)	112,000 (5.5%)	10,926	10.8%
EPS (Basic-yen)	71.58	79.51		
Average Exchange Rate	US\$ Euro	145 yen 157 yen	145 yen 155 yen	

Notes:
- Figures in parentheses represent percentages to sales revenue.
- Forecast of EPS (Basic-yen) for Fiscal 2025 is calculated using the average number of shares outstanding for Fiscal 2025 1Q.

Next, I will explain our full-year forecasts for FY2025.

Please see page 12. We have not changed our full-year forecasts from the figures announced in April this year.

Compared to the previous year, both sales and profits are expected to increase with a forecast of JPY2.5 trillion for sales, JPY110 billion for operating profit, and JPY150 billion for profit before income taxes.

Net income attributable to owners of the parent is expected to be JPY112 billion. We expect a full-fledged recovery in demand in the semiconductor market, and information and communications markets, which are our major markets, in 2H of the year or later.

Financial Forecasts for Fiscal 2025 (2)



(Unit: Yen in millions)

	Fiscal 2024	Fiscal 2025	Change	
		No Revision From the April 2024 Forecast	Amount	%
Capital Expenditures	161,684 (8.1%)	200,000 (9.8%)	38,316	23.7%
Depreciation Charge of Property, Plant and Equipment	111,724 (5.6%)	120,000 (5.9%)	8,276	7.4%
R&D Expenses	104,290 (5.2%)	120,000 (5.9%)	15,710	15.1%

Note: Figures in parentheses represent percentages to sales revenue.

Please see page 13.

There is no change in capital expenditures, depreciation charge of property, plant and equipment, and R&D expenses from the figures announced in April this year.

With regard to capital investment, we will proceed with it while keeping an eye on trends in demand for components, so as not to miss any opportunities.

Sales Revenue Forecasts by Reporting Segment for Fiscal 2025



(Unit: Yen in millions)

Sales Revenue by Reporting Segment	Fiscal 2024		Fiscal 2025		Change	
	Amount	Component Ratio	No Revision from the April 2024 Forecast		Amount	%
			Amount	Component Ratio		
Core Components Business	569,145	28.4%	580,000	28.3%	10,855	1.9%
Industrial & Automotive Components Unit	224,574	11.2%	232,000	11.3%	7,426	3.3%
Semiconductor Components Unit	314,649	15.7%	315,000	15.4%	351	0.1%
Others	29,922	1.5%	33,000	1.6%	3,078	10.3%
Electronic Components Business	352,277	17.6%	360,000	17.5%	7,723	2.2%
Solutions Business	1,101,625	54.9%	1,131,000	55.2%	29,375	2.7%
Industrial Tools Unit	310,740	15.5%	313,700	15.3%	2,960	1.0%
Document Solutions Unit	452,162	22.5%	470,000	22.9%	17,838	3.9%
Communications Unit	224,403	11.2%	231,300	11.3%	6,897	3.1%
Others	114,320	5.7%	116,000	5.7%	1,680	1.5%
Others	17,680	0.9%	16,000	0.8%	-1,680	-9.5%
Adjustments and Eliminations	-36,506	-1.8%	-37,000	-1.8%	-494	-
Sales Revenue	2,004,221	100.0%	2,050,000	100.0%	45,779	2.3%

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



(Unit: Yen in millions)

Business Profit by Reporting Segment	Fiscal 2024		Fiscal 2025		Change	
	Amount	% to Sales Revenue	No Revision from the April 2024 Forecast		Amount	%
			Amount	% to Sales Revenue		
Core Components Business	57,226	10.1%	61,000	10.5%	3,774	6.6%
Industrial & Automotive Components Unit	26,409	11.8%	29,000	12.5%	2,591	9.8%
Semiconductor Components Unit	30,375	9.7%	31,000	9.8%	625	2.1%
Others	442	1.5%	1,000	3.0%	558	126.2%
Electronic Components Business	6,521	1.9%	30,000	8.3%	23,479	360.1%
Solutions Business	69,841	6.3%	86,000	7.6%	16,159	23.1%
Industrial Tools Unit	16,837	5.4%	22,000	7.0%	5,163	30.7%
Document Solutions Unit	43,940	9.7%	47,000	10.0%	3,060	7.0%
Communications Unit	6,964	3.1%	10,000	4.3%	3,036	43.6%
Others	2,100	1.8%	7,000	6.0%	4,900	233.3%
Others	-41,049	-	-47,000	-	-5,951	-
Total Business Profit	92,539	4.6%	130,000	6.3%	37,461	40.5%
Corporate Gains and Others	43,604	-	20,000	-	-23,604	-54.1%
Profit Before Income Taxes	136,143	6.8%	150,000	7.3%	13,857	10.2%

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There is no change to the forecasts by reporting segment shown on pages 14 and 15. That is 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]: Thank you very much. First, on a business basis, please summarize by segment where the result was stronger or weaker in 1Q compared to your initial estimates, and where recovery was faster or slower than you had initially expected in the direction of 2Q. I know that the exchange rate has made it somewhat difficult to see the changes, but please summarize how things have changed from your initial view in your sense. Thank you.

[A]: First, in the Core Components Business, we continue to see an increasing trend in components for semiconductor processing equipment as in the previous fiscal year. We expect that this number will probably increase even more in 2H of the year and beyond.

Demand for ceramic packages, mainly for smartphones, seems to be recovering a little faster than expected. In addition, in the area of automotive components, Kyocera Corporation's automotive components are mainly automotive cameras, and the recovery in automotive cameras was a little better than expected. This was due to the relatively strong performance of Japanese automakers.

On the other hand, the organic packages are not progressing as expected at all. It seems that those for AI are moving a little, but apart from that, switches for servers, et cetera, are not moving at all yet. We had expected a slight recovery from 2H of the year, but it appears that it will take a little more time.

In the Electronic Components Business, Kyocera Corporation's Electronic Components Business are mainly smartphone-related components, so we are seeing a recovery trend a little faster than expected. On the other hand, KAVX is mainly for automotive applications in Europe, which accounts for more than 50% of KAVX sales. We have not seen its recovery at all, and we saw a decline in 1Q, with the result falling below the expectation.

Although the Solutions Business was probably affected by the weak yen, the Document Solutions Unit and the Industrial Tools Unit performed slightly better than expected. Smart Energy Business, which is engaged in the renewable energy business, had to temporarily stop its production line in order to install additional production equipment, which caused a slight decline in 1Q, but we expect to recover a little in 2Q and onward. That is all.

[Q]: I see. Just to confirm, from what you just said, for ceramic packages for smartphones and Electronic Components Business of Kyocera Corporation, I think your company has more products for North American smartphones than for Chinese smartphones. I assume that the uptake there is relatively strong. Is that correct?

Also, on company-wide basis, I think you were expecting a slightly lower start for 1Q. Am I correct in thinking that the start was higher than company-wide plan?

[A]: Yes. You are correct.

[Q]: I see. I understand. Also, as for the second question, I understand that there has not been much talk about the capital allocation discussion since the beginning of the year and that it will be officially announced in early fall around the time of the mid-year results.

What I would like to ask you today is what kind of discussions and what kind of progress has been made in the last three to six months. Also, in what ways do you need to further consider this in the future? I would appreciate it if you could share the current status of your progress. Thank you.

[A]: We are discussing management strategies to improve profitability from two main perspectives.

First, as a source of funds for investment, we are currently using KDDI shares as collateral for borrowing, but we are now discussing the reduction of cross-shareholdings in general. As for specific numbers, as you said, we would like you to wait until early fall. However, in any case, we are definitely heading in the direction of reducing them.

The other is amoeba management. Until now, the stance has been for divisions to make capital investment according to their own scale. However, recently, specialized manufacturers are making considerable investment intensively. As I mentioned earlier, we have decided that if we are to expand our organic packages and MLCCs, we will have to invest intensively in order to win the competition, and we will be more selective and focused in our capital investment than before. These two are at the center of the major discussions.

[Q]: I see. In terms of challenges, I think it may be difficult to use up all the fund gained by reducing overall assets and strategic shareholdings if it is just for the balanced investment for growth. Also, you may not be able to figure out where to invest immediately. Please let us know your thoughts on whether it is still difficult after this six-month study or whether there are some things that you are beginning to see.

[A]: I just mentioned that we are going to invest quite a bit in organic growth, but of course we have been discussing M&A for a long time, and we have some concrete discussions underway. If we find a good deal in M&A, we will use the funds ahead of schedule.

[Q]: I see. Okay. Thank you.

<Questioner 2>

[Q]: Thank you for your explanation. I have two questions.

The first point is about the Semiconductor Components Unit. You explained that ceramic packages are doing well, and organic packages are having a tough time. Are you going to invest in capital as planned for organic packages? Please let me know your current thinking given the business environment is changing.

Also, regarding ceramic packages, I wonder if there might be an investment ahead of the schedule for North American smartphones. Please let me know whether we can assume a seasonal increase as usual from 2Q onward. This is the first point.

[A]: First, regarding the investment in organic packages, to be honest, our initial plan was to build a large factory in the Sendai Plant and install all the equipment there at once. However, sales for AI-related applications, which are different from what we used to manufacture, are getting strong. In order to accommodate this, the equipment in the existing plants had to be slightly upgraded, so the allocation of equipment that was to be installed in the new plant in Sendai was changed considerably to install them to the existing plants in Ayabe and Sendai.

So, in that sense, please understand that the content of the investment has changed considerably from what we planned last year.

Also, in terms of ceramic packaging for North America, the ceramic packaging is mostly for smartphones. Therefore, it is originally strong, rather than being ahead of schedule. We have no information on changes for 2Q and beyond, so we expect that they will move in the same way as in a normal year.

[Q]: Thank you. Regarding the investment in organic packaging, can you tell us whether the major investment in the Sendai plant has not changed from what you had planned? Also, I understand that you will be installing new equipment at your existing plants in Ayabe and Sendai due to strong AI-related demand. Please explain when this will be up and running and when it will contribute to sales and profits.

[A]: We are not cutting back on the amount we had invested in the Sendai Plant. Since the new building has already been constructed, the investment in the necessary equipment for the new building has been allocated to the existing plants in Ayabe and Sendai. In that sense, the start-up of the new plant in Sendai will probably be delayed by about two years. It will probably be in the next fiscal year that production will start after the facilities that have been allocated to Ayabe and Sendai are up and running and certified.

[Q]: So, the contribution will start in the next fiscal year?

[A]: Yes, that's right.

[Q]: Thank you. Also, I would like to ask about the Electronic Components Business. While KAVX is having a tough time, please tell us how the Electronic Components Business of Kyocera Corporation will change when excluding the impact of the weak yen. Could you please explain the current situation and the outlook for 2Q and beyond for each of your major products, including MLCCs, crystal devices, and connectors?

[A]: With regard to Kyocera's Electronic Components Business, there is a large number of components for smartphones. We have been able to recover some market share in MLCCs and crystal devices, so we expect our sales to increase compared to last year. As for connectors, we were able to obtain orders for new automotive connectors and other products. We expect both profitability and sales for connectors to continue to recover.

Among Kyocera's Electronic Components Business, one area that is not doing well at all is power device-related products, which are showing no signs of recovery at all. Also, regarding SAW filter-related products, last year there was a bit of special demand, but this year we do not expect it to be as good as last year.

As I mentioned earlier, nearly half of KAVX's sales are for automotive applications in Europe, and there is no sign of a recovery in this area at this point. The only positive thing is tantalum capacitors. They are used in large quantities for SSDs, and with SSDs moving a bit toward AI data centers, we expect this to go up a bit toward 2H of the year.

[Q]: Thank you very much.

<Questioner 3>

[Q]: Thank you very much. I have just one point. You commented about the benefit of a weaker yen for overall result. How much impact did it have on sales and profits as a whole? In addition, among other things, how much impact did it have on sales and profit in the Solutions Business? I would like to know the sense of scale of the impact. That is all.

[A]: First, overall sales increased by about JPY39 billion. Profits are not known precisely because of the exchange of various currencies, but we estimate that the increase was about JPY5 billion. Also, in the Solutions Business alone, the impact on sales is an increase of about JPY22 billion, and that on profit is an increase of about JPY3.7 billion.

[Q]: I understand. Thank you very much for the detailed explanation. That's all from me.

<Questioner 4>

[Q]: Thank you. First, let me ask you two questions on the detail of your business.

One is that the Industrial Tools Unit is doing quite well in terms of both sales and profits. Especially, if we look at the changes from 4Q, both sales and profits have been rising. What is the background to this? Also, there has been a substantial increase in R&D expenses for the Others. What are they? This is the first point.

[A]: First, in the Industrial Tools Unit, we have a power tool business called KIT, which we inherited from Ryobi Ltd. Of these, air-conditioned clothing is by far the most successful right now. We assemble fans for air-conditioned clothing and supply them exclusively to air-conditioned clothing stores. Sales were exceptionally strong in 1Q, but I think they will probably drop in 2Q and beyond due to the very strong seasonality in the business. I think this is probably the biggest reason for the increase in the Industrial Tools Unit compared to the previous quarter.

As for R&D expenses, while we have stopped dealing with consumer smartphones in the Communications Unit, we are now working to launch development related to 5G base stations, and we have added an extra JPY4 billion to our existing development budget.

In addition to the 5G base stations themselves, we are also working on repeaters to reduce the number of base stations, and these two are major development projects.

[Q]: In the future, how would you position that, in terms of whether it is intended to be a sub-segment of the Communications Unit or a new business?

[A]: I think it will be in the Communications Unit.

[Q]: I see. Since you are doing the advanced development, you are doing it separately. Is that correct?

[A]: Yes, that's right.

[Q]: Thank you very much. The second point is that, in the earlier question, you mentioned that you would be looking to sell some of your strategic shareholdings. Can you please tell me, to the extent possible, whether it would include KDDI or KDDI will be considered separately?

[A]: We have not yet officially decided, but we are not thinking of KDDI stock in a special way at this time.

[Q]: I see. I understand that you have many businesses that can be done together, such as roadside equipment and base stations, et cetera. However, you would consider KDDI stock as a financial asset rather than a business asset. Is that correct?

[A]: We have not yet decided how far we will reduce the stock, but we do not intend to leave them totally untouched, as we have done in the past.

[Q]: I understand. Thank you very much.

<Questioner 5>

[Q]: Thank you for your explanation today.

First, regarding the organic packages, you mentioned earlier that you are changing the content of investment in the Sendai plant. You mentioned that it is for AI application, but can you tell me specifically what kind of investment it is?

Also, how much will this change your company's production capacity this fiscal year compared to the end of last fiscal year, and what changes do you expect to see in the coming fiscal year?

[A]: For organic packages, the most important process is to build up the package through repeated plating and etching, and we are replacing the equipment there to accommodate thinner wiring. What will happen as a result is that the production capacity of older generation products will decrease while the production capacity of newer products will increase, and we believe that the total output in terms of board area will not change much.

In order to increase production, a new plant has just been built in Sendai, and it will be necessary to install new equipment there. We would like to consider the timing and the amount of investments for equipment to be put into the new plant in Sendai while keeping an eye on the market situation.

[Q]: Thank you very much. Am I correct in understanding that the amount of investment itself will remain the same?

[A]: The total amount will not change, but we will invest keeping an eye on the situation. So, of course, there was a decrease in the last fiscal year, but in terms of whether the investment will go as planned in this fiscal year, we will proceed keeping an eye on the situation.

[Q]: Thank you very much. One more point: You mentioned that you would not give any special consideration to KDDI stock. I understand that it will be mainly used for growth investment. I believe that the president commented previously that he would do in the order of selling after identifying a company to invest in or M&A.

Am I correct in assuming that the order of the process is still that there must be a case in order to sell? Or is there a possibility of selling in advance without such a specific case?

[A]: Investment for organic growth will be done according to the plan we make. Therefore, for the portion to fund this investment, we will proceed accordingly.

As for M&A that involves the other party, we will probably dispose of it when we have a good deal. We will be able to announce in early fall the amount to be allocated for organic growth, but I think we will say that M&A will be carried out as needed.

[Q]: Thank you very much. Last, please let me confirm the numbers. You explained earlier that on a company-wide basis, the 1Q results exceeded the plan, but is it correct to say that, excluding the impact of foreign exchange rates, the 1Q results also exceeded the plan?

[A]: Yes, that's correct.

[Q]: Is it your understanding that the Solutions Business was strong?

[A]: Yes. The components business was good and bad, but the Solutions Business was generally good overall.

[Q]: I see. Thank you very much.

[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

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