KYOCERA Corporation

Financial Presentation for the Nine Months Ended December 31, 2024

February 3, 2025

Event Summary

[Company Name]	KYOCERA Corporation
[Company ID]	6971-QCODE
[Event Language]	JPN
[Event Type]	Earnings Announcement
[Event Name]	Financial Presentation for the Nine Months Ended December 31, 2024
[Fiscal Period]	FY2025 3Q
[Date]	February 3, 2025
[Time]	17:30 – 18:14 (Total: 44 minutes, Presentation: 22 minutes, Q&A: 22 minutes)
[Venue]	Webcast
[Number of Speakers]	4

Hideo Tanimoto	President and Representative Director
Hiroshi Fure	Director, Managing Executive Officer
Koichi Kano	Director, Managing Executive Officer
Hiroaki Chida	Executive Officer, Senior General Manager of Corporate Management Control Group

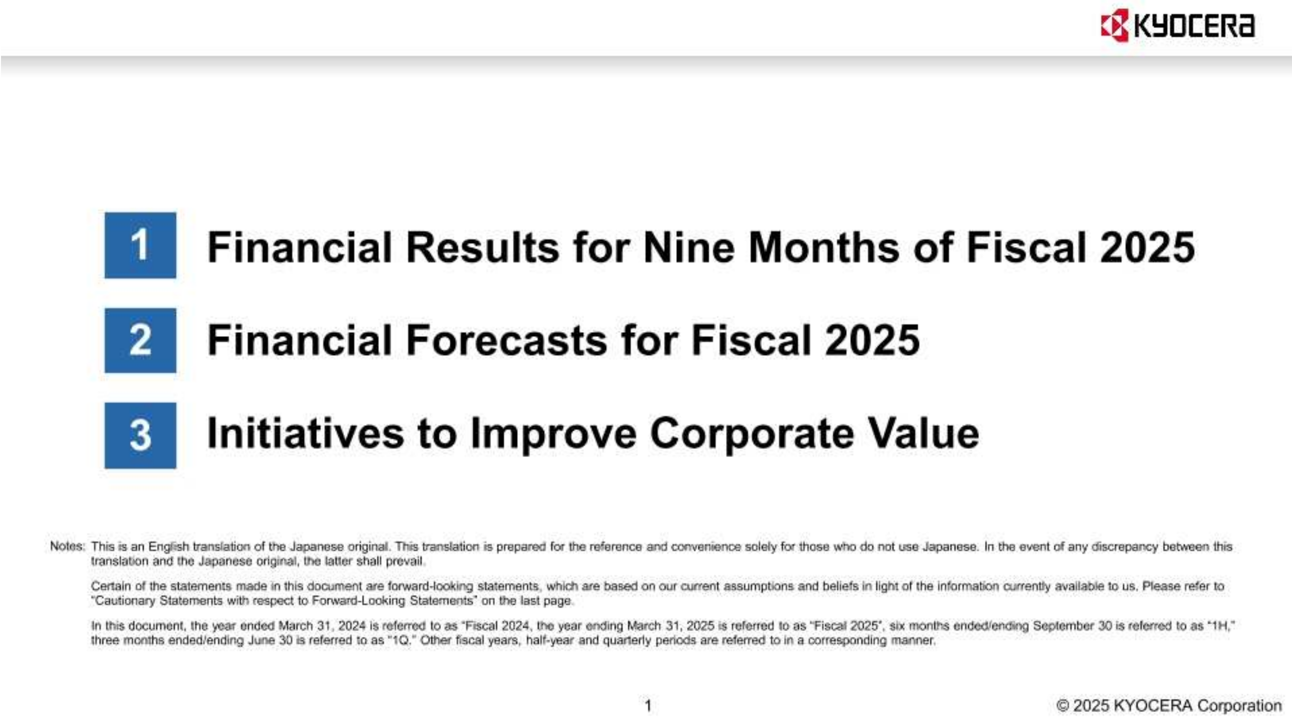
Presentation

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 result briefing for 3Q of the fiscal year ending March 2025.

First, I would like to introduce today's attendees. Hideo Tanimoto, President and Representative Director. Hiroshi Fure, Director, Managing Executive Officer in Charge of the Core Component Business and Senior General Manager of Corporate Components Sector QMS Promotion Group. Koichi Kano, Director, Managing Executive Officer, in charge of the Electronic Components Business. Hiroaki Chida, Executive Officer, Senior General Manager of Corporate Management Control Group. These four members are attending today.

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 of 3Q of the fiscal year ending March 2025.



See page one of the material. Today, we will explain the three items listed here.

First, I will give an overview of our financial results for the nine months of the fiscal year ending March 2025.

Financial Results for the Nine Months of Fiscal 2025 (1)

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(Unit: Yen in millions)

	Fiscal 2024 Nine months	Fiscal 2025 Nine months	Change	
			Amount	%
Sales Revenue	1,492,672	1,492,055	-617	-0.0%
Operating Profit	79,844 (5.3%)	12,275 (0.8%)	-67,569	-84.6%
Profit Before Income Taxes	125,638 (8.4%)	50,459 (3.4%)	-75,179	-59.8%
Profit Attributable to Owners of the Parent	90,366 (6.1%)	18,331 (1.2%)	-72,035	-79.7%
Average Exchange Rates US$	143 yen	153 yen		
Average Exchange Rates Euro	155 yen	165 yen		

Note: Figures in parentheses represent percentages to sales revenue.

- **Sales revenue: Almost flat; sluggish demands for general purpose data centers, smartphones and automotive markets offset the impact of a weaker yen**
- **Profits: Decreased mainly due to lower utilization ratio as well as an increase in labor costs, etc., and one-time costs**

Please see page three.

Sales for the nine months were JPY1.4921 trillion, almost flat YoY, due in part to the weaker yen, although demand for components for general-purpose data centers, smartphones, and the automotive market was sluggish.

Profits, on the other hand, declined due to lower utilization rate of production facilities, higher labor and other costs, and a one-time loss. Operating profit decreased 84.6% to JPY12.3 billion, profit before income taxes decreased 59.8% to JPY50.5 billion, and profit attributable to owners of the parent decreased 79.7% to JPY18.3 billion. I will explain the details of one-time loss in the next page.

Financial Results for the Nine Months of Fiscal 2025 (2) One-time Costs

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1. Operating Profit and Profit Before Income Taxes: Approx. -43 billion yen (Impairment Loss, etc.)

Organic Packages and Boards Business (Core Components Business)
Impairment loss for property, plant and equipment, etc. was recorded due to deterioration in profitability caused by prolonged adjustment in demand of FCBGAs, our main product, for general purpose data centers, despite rapid expansion in the AI-related markets.

2. Profit Attributable to Owner of the Parent: Approx. -48 billion yen

(1) Impairment Losses, etc.: Approx. -30 billion yen (After tax effect of above item 1)

(2) Reversal of Deferred Tax Assets, etc. at overseas subsidiaries: Approx. -18 billion yen (Mainly in Kyocera AVX Components Corporation ("KAVX"))

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Please refer to page four. I would like to explain the one-time loss recorded in 3Q of the current fiscal year.

The first was the impact of impairment losses of approximately JPY43 billion on operating profit and profit before income taxes. In the Organic Packages and Boards Business of the Core Components Business, while AI-related products have expanded rapidly in the data center market, demand for FCBGAs for general-purpose data centers, our main product for the business, has been sluggish for a prolonged period, and the profitability of this business is deteriorating. In addition, as the recovery in demand for the general-purpose data center market is unlikely to be happen in the foreseeable future, the impairment losses on property, plant and equipment, etc. has been recorded.

Second, the impact of one-time loss on profit attributable to owners of the parent was about JPY48 billion. In addition to approximately JPY30 billion of the after-tax impact of the impairment loss described in 1 above, tax expenses of approximately JPY18 billion were recorded due to the reversal of deferred tax assets at overseas subsidiaries, etc.

Financial Results for the Nine Months of Fiscal 2025 (3)

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(Unit: Yen in millions)

	Fiscal 2024 Nine months	Fiscal 2025 Nine months	Change	
			Amount	%
Capital Expenditures	105,242 (7.1%)	101,748 (6.8%)	-3,494	-3.3%
Depreciation Charge of Property, Plant and Equipment	82,231 (5.5%)	85,848 (5.8%)	3,617	4.4%
R&D Expenses	77,481 (5.2%)	87,197 (5.8%)	9,716	12.5%

Note: Figures in parentheses represent percentages to sales revenue.

- **Capital expenditures: Decreased since major part of investments to expand production capacity of the fine ceramic components has finished**
- **Depreciation charge of property, plant and equipment: Increased due to capital investment made in previous fiscal years**
- **R&D expenses: Increased mainly in the Telecommunication Infrastructure Equipment-related Business**

Please turn to page five. Capital investments in the nine months totaled JPY101.7 billion, depreciation charge of property, plant and equipment was JPY85.8 billion, and R&D expenses were JPY87.2 billion. With regard to capital investment, although major investment in increased production of fine ceramic components has finished and therefore the total amount was decreased, depreciation charge of property, plant and equipment increased due to the impact of capital investment made prior to the previous period. In addition, R&D expenses increased mainly in the Telecommunication Infrastructure Equipment-related business.

Sales Revenue by Reporting Segment for the Nine Months of Fiscal 2025

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(Unit: Yen in millions)

Sales Revenue by Reporting Segment	Fiscal 2024 Nine months		Fiscal 2025 Nine months		Change	
	Amount	Component Ratio	Amount	Component Ratio	Amount	%
Core Components Business	**432,152**	**29.0%**	**423,693**	**28.4%**	**-8,459**	**-2.0%**
Industrial & Automotive Components Unit	167,216	11.2%	173,338	11.6%	6,122	3.7%
Semiconductor Components Unit	242,676	16.3%	225,735	15.1%	-16,941	-7.0%
Others	22,260	1.5%	24,620	1.7%	2,360	10.6%
Electronic Components Business	**262,628**	**17.6%**	**266,301**	**17.8%**	**3,673**	**1.4%**
Solutions Business	**810,835**	**54.3%**	**816,114**	**54.7%**	**5,279**	**0.7%**
Industrial Tools Unit	235,406	15.8%	231,796	15.5%	-3,610	-1.5%
Document Solutions Unit	325,934	21.8%	352,061	23.6%	26,127	8.0%
Communications Unit	161,656	10.8%	158,827	10.7%	-2,829	-1.8%
Others	87,839	5.9%	73,430	4.9%	-14,409	-16.4%
Others	13,768	0.9%	12,721	0.9%	-1,047	-7.6%
Adjustments and Eliminations	-26,711	-1.8%	-26,774	-1.8%	-63	-
Sales Revenue	**1,492,672**	**100.0%**	**1,492,055**	**100.0%**	**-617**	**-0.0%**

Please refer to page six. This is a list of sales revenue by segment. I will explain the details later.

Business Profit (Loss) by Reporting Segment for the Nine Months of Fiscal 2025

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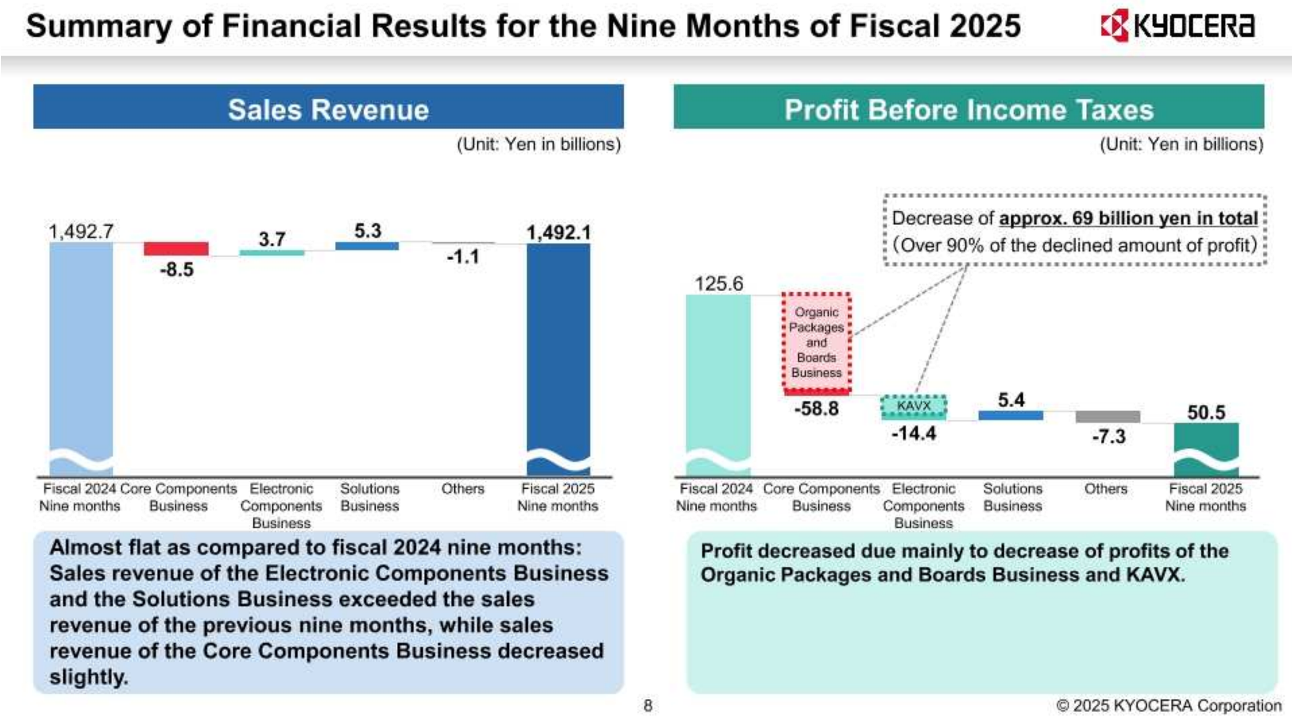
(Unit: Yen in millions)

Business Profit by Reporting Segment	Fiscal 2024 Nine months		Fiscal 2025 Nine months		Change	
	Amount	% to Sales Revenue	Amount	% to Sales Revenue	Amount	%
Core Components Business	**45,466**	**10.5%**	**-13,327**	**-**	**-58,793**	**-**
Industrial & Automotive Components Unit	18,873	11.3%	18,799	10.8%	-74	-0.4%
Semiconductor Components Unit	26,388	10.9%	-33,251	-	-59,639	-
Others	205	0.9%	1,125	4.6%	920	448.8%
Electronic Components Business	**13,033**	**5.0%**	**-1,411**	**-**	**-14,444**	**-**
Solutions Business	**45,802**	**5.6%**	**51,205**	**6.3%**	**5,403**	**11.8%**
Industrial Tools Unit	12,742	5.4%	11,804	5.1%	-938	-7.4%
Document Solutions Unit	28,653	8.8%	32,189	9.1%	3,536	12.3%
Communications Unit	2,356	1.5%	4,713	3.0%	2,357	100.0%
Others	2,051	2.3%	2,499	3.4%	448	21.8%
Others	-30,340	-	-35,165	-	-4,825	-
Total Business Profit	**73,961**	**5.0%**	**1,302**	**0.1%**	**-72,659**	**-98.2%**
Corporate Gains and Others	51,677	-	49,157	-	-2,520	-4.9%
Profit Before Income Taxes	**125,638**	**8.4%**	**50,459**	**3.4%**	**-75,179**	**-59.8%**

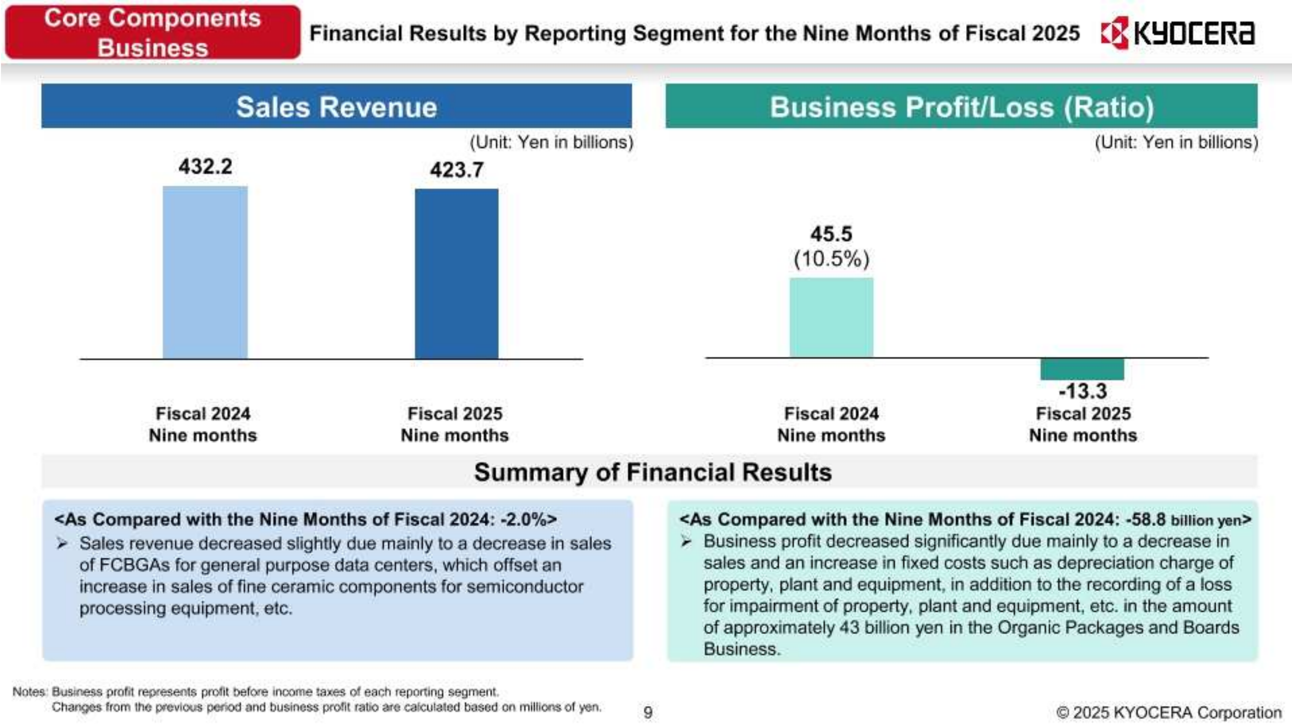
Please refer to page seven. This is a list of profits by segment.



Please see page eight. This is a summary of results for the nine months of the current fiscal year. Please look at the sales on the left side of the slide. The Electronic Components Business and the Solutions Business increased YoY, but the Core Components Business declined slightly. As a result, sales remained almost unchanged from the same period of the previous year.

Next, please look at the profit before income taxes on the right side. Profit before income tax decreased significantly from the same period of the previous year. The Organic Packages and Boards Business and KAVX, both of which urgently need to improve profitability, accounted for more than 90% of the total decrease in profit for the Group, amounting to approximately JPY69 billion. In both businesses, fundamental structural reforms are currently underway with the highest priority, and the status of these reforms will be explained on page 17.

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



Please see page nine. First, the Core Components Business. Sales for the nine months of current fiscal year totaled JPY423.7 billion. Sales of fine ceramic components for semiconductor manufacturing equipment and some other products increased, but sales of FCBGAs for general-purpose data centers declined. As a result, overall sales declined slightly. Business loss was JPY13.3 billion. Profit declined significantly due to the recording of approximately JPY43 billion in impairment losses on property, plant and equipment, etc. in the Organic Packages and Boards Business, in addition to the decrease in sales and the increase in depreciation and other fixed costs.

Financial Results by Reporting Segment for the Nine Months of Fiscal 2025

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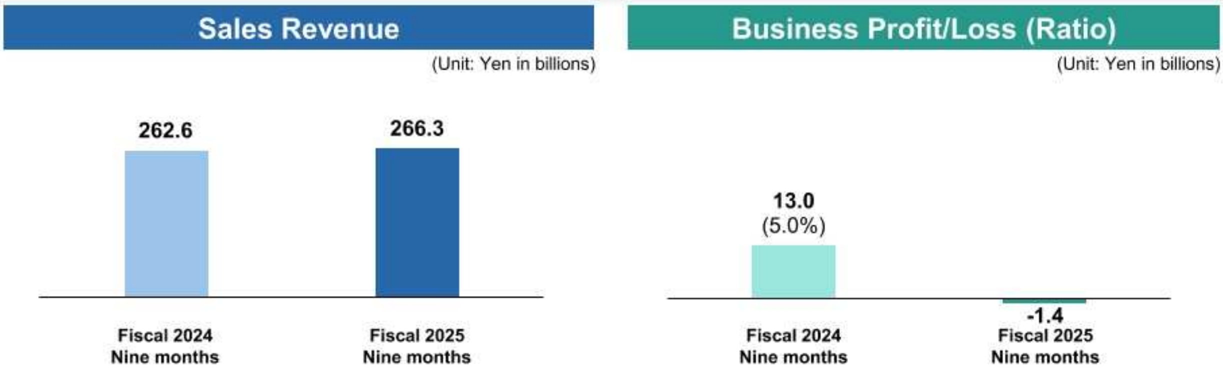


Summary of Financial Results

<As Compared with the Nine Months of Fiscal 2024: +1.4%>

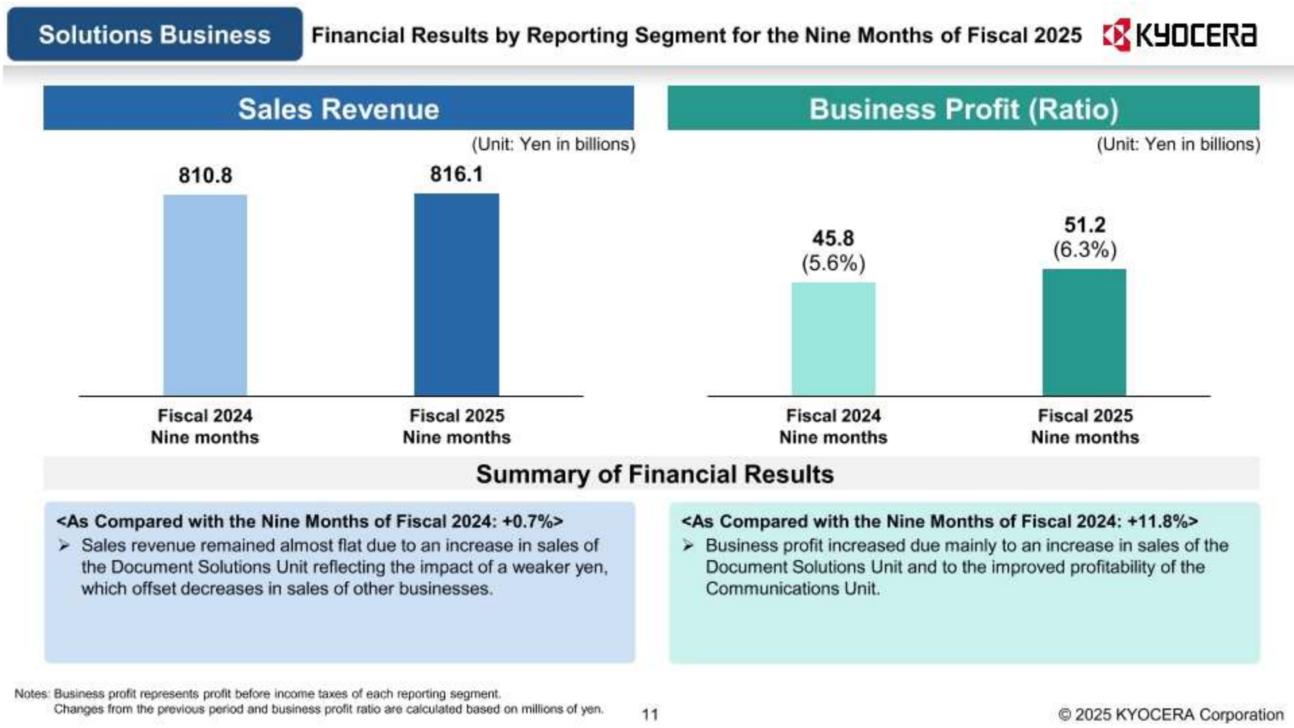
- Sales revenue remained almost flat: a decline in demand of our products from the sluggish European automotive markets was made up by an increase in sales of components such as capacitors and crystal devices in the information and communication markets and the industrial equipment markets and also by the impact of a weaker yen.

<As Compared with the Nine Months of Fiscal 2024: -14.4 billion yen>

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

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. The Electronic Components Business. Sales for the nine months of current fiscal year totaled JPY266.3 billion. Although demand for our products decreased due to the sluggish European automobile market, sales remained almost flat due to increased sales of products such as capacitors and crystal devices for the information and communications and industrial equipment markets, as well as the effect of yen depreciation. Business loss was JPY1.4 billion. 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.



Please refer to page 11. Lastly, the Solutions Business. Sales for the nine months of current fiscal year totaled JPY816.1 billion. Sales in the Document Solutions Unit increased due to the effect of yen depreciation, offsetting declines in other businesses, resulting in flat overall sales. Business profit was JPY51.2 billion. Business profit increased due to the positive effect of higher sales in the Document Solutions Unit and improved profitability in the Communications Unit.

Next, I will explain our full-year forecasts for the fiscal year ending March 2025.

Financial Forecasts for Fiscal 2025 (1)

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(Unit: Yen in millions)

	Fiscal 2024	Fiscal 2025 (Forecast)		Change in amount compared with	
		Previous (Oct. 2024)	Revised (Feb. 2025)	Fiscal 2024	Previous Forecast
Sales Revenue	2,004,221	2,020,000	2,000,000	-4,221	-20,000
Operating Profit	92,923 (4.6%)	68,000 (3.4%)	21,000 (1.1%)	-71,923	-47,000
Profit Before Income Taxes	136,143 (6.8%)	100,000 (5.0%)	57,000 (2.9%)	-79,143	-43,000
Profit Attributable to Owners of the Parent	101,074 (5.0%)	71,000 (3.5%)	20,000 (1.0%)	-81,074	-51,000
EPS (Basic-yen)	71.58	50.40	14.20		
Average Exchange Rates US$	145 yen	145 yen	150 yen		
Average Exchange Rates Euro	157 yen	155 yen	160 yen		

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

- **Sales revenue: Revised downward; market recovery in the Solutions Business has been lower than expected**
- **Profits: Revised downward; a decrease in sales as well as one-time costs such as a loss for impairment and tax expenses resulting from reversal of deferred tax assets, etc.**

Please refer to page 13. Today, we revised our full-year earnings forecast for the fiscal year ending March 2025. Forecast for sales was revised downward by JPY20 billion from the previous forecast to JPY2 trillion due to lower-than-expected market recovery in the Solutions Business. In addition to the decrease in revenue, due to reporting of one-time cost I explained earlier, we have revised our profit forecast downward by JPY47 billion to JPY21 billion for operating profit, by JPY43 billion to JPY57 billion for profit before income taxes, and by JPY51 billion to JPY20 billion for profit attributable to owners of the parent.

Financial Forecasts for Fiscal 2025 (2)

KYOCERA

(Unit: Yen in millions)

	Fiscal 2024	Fiscal 2025 (Forecast)		Change in amount compared with	
		Previous (Oct. 2024)	Revised (Feb. 2025)	Fiscal 2024	Previous Forecast
Capital Expenditures	**161,684** (8.1%)	**160,000** (7.9%)	**150,000** (7.5%)	**-11,684**	**-10,000**
Depreciation Charge of Property, Plant and Equipment	**111,724** (5.6%)	**120,000** (5.9%)	**110,000** (5.5%)	**-1,724**	**-10,000**
R&D Expenses	**104,290** (5.2%)	**120,000** (5.9%)	**120,000** (6.0%)	**15,710**	**-**

Note: Figures in parentheses represent percentages to sales revenue.

Capital expenditures and depreciation charge of property, plant and equipment decreased due to restraint on investment in the Core Components Business

Please refer to page 14. Here are the full-year forecasts for capital expenditures, depreciation charge of property, plant and equipment and R&D expenses. Due to restrained investment in the Core Components Business, we have revised our forecast for capital expenditures to JPY150 billion, down JPY10 billion from the previous forecast, and for depreciation charge of property, plant and equipment to JPY110 billion, down JPY10 billion from the previous forecast. Research and development expenses are expected to be JPY120 billion, 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)				Change in amount compared with	
			Previous (Oct. 2024)		Revised (Feb. 2025)			
	Amount	Component Ratio	Amount	Component Ratio	Amount	Component Ratio	Fiscal 2024	Previous Forecast
Core Components Business	**569,145**	**28.4%**	**559,000**	**27.7%**	**556,000**	**27.8%**	**-13,145**	**-3,000**
Industrial & Automotive Components Unit	224,574	11.2%	234,000	11.6%	231,000	11.6%	6,426	-3,000
Semiconductor Components Unit	314,649	15.7%	291,000	14.4%	291,000	14.5%	-23,649	-
Others	29,922	1.5%	34,000	1.7%	34,000	1.7%	4,078	-
Electronic Components Business	**352,277**	**17.6%**	**350,000**	**17.3%**	**351,000**	**17.6%**	**-1,277**	**1,000**
Solutions Business	**1,101,625**	**54.9%**	**1,132,700**	**56.1%**	**1,110,000**	**55.5%**	**8,375**	**-22,700**
Industrial Tools Unit	310,740	15.5%	313,700	15.5%	306,000	15.3%	-4,740	-7,700
Document Solutions Unit	452,162	22.5%	480,000	23.8%	482,000	24.1%	29,838	2,000
Communications Unit	224,403	11.2%	229,000	11.3%	223,000	11.2%	-1,403	-6,000
Others	114,320	5.7%	110,000	5.5%	99,000	4.9%	-15,320	-11,000
Others	17,680	0.9%	15,300	0.7%	17,000	0.8%	-680	1,700
Adjustments and Eliminations	-36,506	-1.8%	-37,000	-1.8%	-34,000	-1.7%	2,506	3,000
Sales Revenue	**2,004,221**	**100.0%**	**2,020,000**	**100.0%**	**2,000,000**	**100.0%**	**-4,221**	**-20,000**

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Please refer to page 15. This is a list of sales revenue forecasts by business segment. In each segment, the forecasts have been revised from the previous forecasts. In particular, the forecast was revised down in the Solutions Business, mainly due to the slow market recovery in the Industrial Tools Unit and the Smart Energy Business, which is included in the Others.

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

KYOCERA

(Unit: Yen in millions)

Business Profit by Reporting Segment	Fiscal 2024		Fiscal 2025 (Forecast)				Change in amount compared with	
			Previous (Oct. 2024)		Revised (Feb. 2025)			
	Amount	% to Sales Revenue	Amount	% to Sales Revenue	Amount	% to Sales Revenue	Fiscal 2024	Previous Forecast
Core Components Business	**57,226**	**10.1%**	**38,000**	**6.8%**	**-4,500**	**-**	**-61,726**	**-42,500**
Industrial & Automotive Components Unit	26,409	11.8%	25,000	10.7%	24,000	10.4%	-2,409	-1,000
Semiconductor Components Unit	30,375	9.7%	12,000	4.1%	-30,000	-	-60,375	-42,000*
Others	442	1.5%	1,000	2.9%	1,500	4.4%	1,058	500
Electronic Components Business	**6,521**	**1.9%**	**1,000**	**0.3%**	**-1,500**	**-**	**-8,021**	**-2,500**
Solutions Business	**69,841**	**6.3%**	**80,000**	**7.1%**	**72,000**	**6.5%**	**2,159**	**-8,000**
Industrial Tools Unit	16,837	5.4%	18,700	6.0%	14,700	4.8%	-2,137	-4,000
Document Solutions Unit	43,940	9.7%	48,000	10.0%	47,400	9.8%	3,460	-600
Communications Unit	6,964	3.1%	7,600	3.3%	8,300	3.7%	1,336	700
Others	2,100	1.8%	5,700	5.2%	1,600	1.6%	-500	-4,100
Others	-41,049	-	-50,000	-	-49,000	-	-7,951	1,000
Total Business Profit	**92,539**	**4.6%**	**69,000**	**3.4%**	**17,000**	**0.9%**	**-75,539**	**-52,000**
Corporate Gains and Others	43,604	-	31,000	-	40,000	-	-3,604	9,000
Profit Before Income Taxes	**136,143**	**6.8%**	**100,000**	**5.0%**	**57,000**	**2.9%**	**-79,143**	**-43,000**

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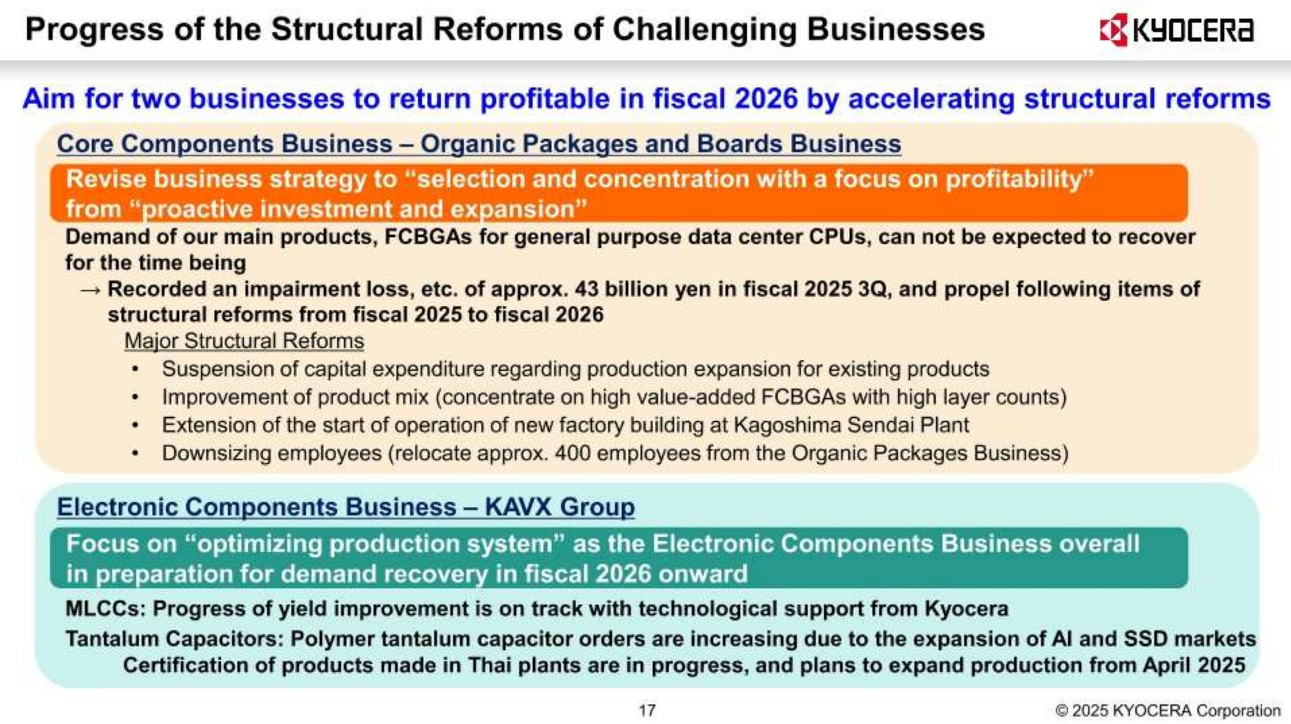
*Mainly due to an impairment loss of approx. 43 billion yen

Please refer to page 16. This is a list of business profits forecast by business segment. We revised the forecast in each segment, including the recording of impairment loss, etc. in the Organic Packages and Boards Business.



Please see page 17. Next, I will explain the progress of the structural reforms of challenging businesses.

With regard to the Organic Packages and Boards Business in the Core Component Business in the upper row, we will revise our business strategy to selection and concentration with a focus on profitability from proactive investment and expansion in the past. In addition to the recording of the impairment loss, etc. of about JPY43 billion for 3Q of the current fiscal year as explained earlier, from this fiscal year to the next, we will implement the structure reform by suspending capital expenditure related to increased production of existing products, improving the product mix by concentrating on high value-added FCBGAs with high layer counts, extending the start of the operation of the new building at the Kagoshima Sendai Plant, and relocating approx. 400 employees from the Organic Packages and Boards Business.

For the KAVX Group in the lower row, the electronic components business, the entire segment will focus on optimizing the production system in preparation for a recovery in demand in the next fiscal year and beyond. As for the current situation, the yield improvement of MLCC is progressing as planned with technical support from Kyocera. For tantalum capacitors, orders for polymer tantalum capacitors are on the rise in response to the expansion of the AI and SSD markets. Currently, certification of products manufactured in the Thailand plant is in progress, and increased production is scheduled to begin in April of this year. Through these efforts, we aim to return both businesses to profitability in the next fiscal year, ending March 2026.

Lastly, I would like to explain our future initiatives to improve corporate value.

Kyocera's Understanding of Current Situation

KYOCERA

Management policy and issues presented in the Medium-term Management Plan announced in May 2023

Basic Management Policy

Management Rationale: "To provide opportunities for the material and intellectual growth of all our employees, and through our joint efforts, contribute to the advancement of society and humankind."

→ Aim for **continuing expansion of sales and high profitability**

Medium-term Management Issues

Raise ROE and improve P/B ratio on a continuing basis

Implement Business Strategy

- ✓ **Strategic investments** in areas of competitive advantage (Components for semiconductor-related components, capacitors, timing devices, etc.)
- ✓ **Promote expansion of existing businesses and business restructuring** in the Solutions Business etc.

Strengthen Management Foundation

- ✓ **Capital strategies** (Clarification of capital allocation, share repurchases, reduction of cross-shareholdings, etc.)
- ✓ **Corporate governance initiatives** (Introduction of performance-linked stock compensation, etc.) etc.

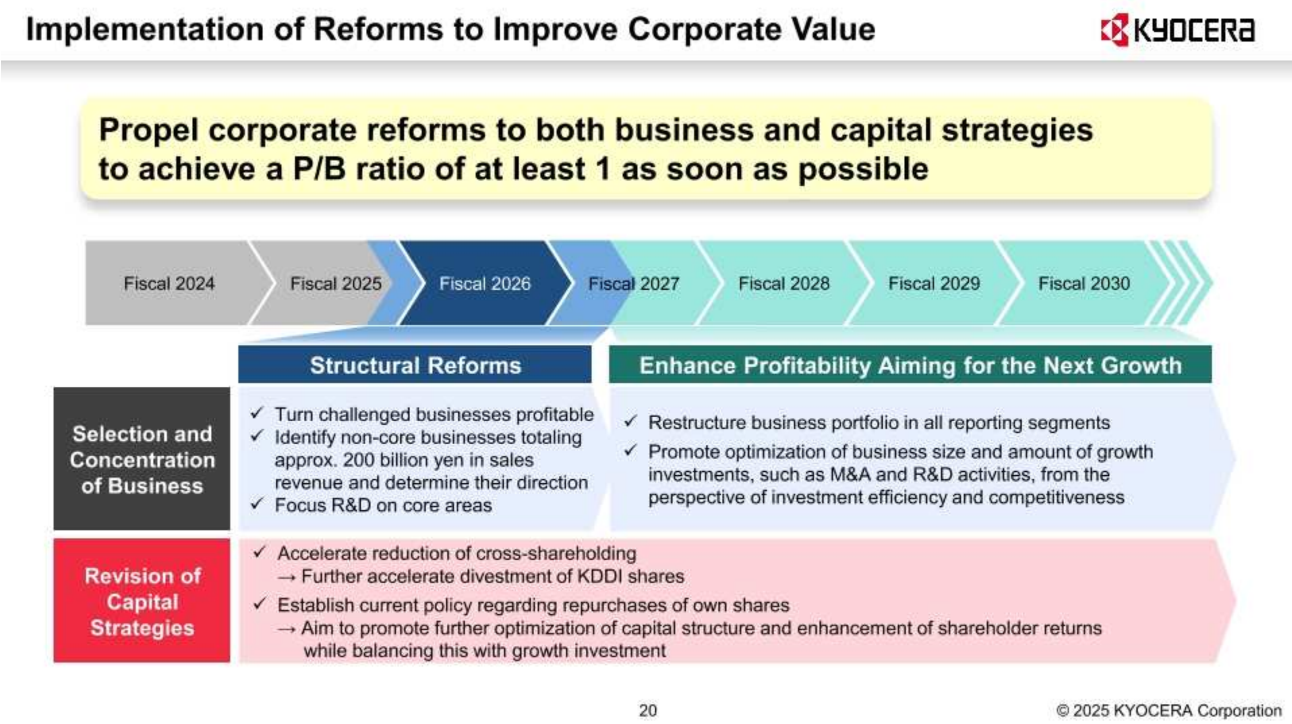
- **Business strategy: Not keeping up with market changes in low-market share businesses**
- **Capital strategy: Needs further implementation**

→ **Also aware that current stock price is a matter that requires fundamental action**

Please see page 19. First, our understanding of the current situation.

The top row shows the basic management policy and medium-term management issues announced in May 2023. In order to sustainably increase ROE and improve PBR, we have been working to execute our business strategies, including strategic investments in areas of competitive advantage, expansion of existing businesses and promotion of structural reforms in the Solutions Business, as well as to strengthen our management foundation, including capital strategies and corporate governance initiatives.

However, as shown in the bottom line, in terms of business strategy, we have not been able to keep up with changes in market conditions in low market share businesses such as the Organic Packages Business and the Electronic Components Business. In terms of capital strategy, we believe that we need to be even faster in meeting the expectations of capital market participants in reducing our cross-shareholdings and in other areas. Given this situation, the Company has decided that drastic measures are essential to address the current level of its stock price, and has decided to undertake reforms aimed at increasing its corporate value.



Please see page 20. The Company's management team will work together to promote corporate reforms with greater speed than ever before in terms of both business and capital strategies, aiming first of all to achieve a P/B ratio of 1x or more at the earliest possible time.

The first point of reforms is the selection and concentration of businesses. We will define the period from this fiscal year through 1H of the next fiscal year as a period of structural reform to rebuild our business. First, we will give top priority to turning challenging business profitable. Furthermore, we will narrow down the areas we will focus on in the future by reviewing non-core businesses with sales of around JPY200 billion and concentrating our R&D activities on core areas.

From the fiscal year ending March 2027 onward, we will work to strengthen profitability in preparation for the next stage of growth. In addition to restructuring our business portfolio in all segments, we will optimize the size of our businesses and investments for growth, including M&A and R&D activities, with an emphasis on investment efficiency and competitive advantage perspectives.

In parallel with these changes, we plan to revise our capital strategy as the second point of reforms. We have been in dialogue with the capital market and have been implementing measures on a case-by-case basis. After the announcement of our interim financial results last October, we have continued to consider what we should and can do now to enhance our corporate value.

The first of these is the acceleration of reduction of cross-shareholdings. We have decided to further accelerate the sale of KDDI shares. The second point is the formulation of a current policy for share buybacks. We will promote further optimization of capital structure and enhancement of shareholder returns by balancing investment in growth and conducting share buybacks in a planned manner. Today, I will provide details on revision of capital strategy.

Please see page 21. First, I would like to explain the accelerated reduction of cross-shareholdings.

The left side shows what we announced when we announced our financial results last October. Previously, we announced that we had changed our policy to sell KDDI shares, and that we would sell about one-third of our holdings over the next five years, and that we would consider continuing to reduce our shareholdings thereafter. This time, in light of the current situation, we have made further consideration to decide to shorten the period to two years.

As a rough estimate, at the current stock price level, the total amount to be sold over the two-year period ending March 2026 and March 2027 will be in the order of JPY500 billion. In the fiscal year ending March 2028 and thereafter, we will continue to reduce the amount of cross-shareholdings to less than 20% of net assets. As soon as the details are determined, we will announce them in our quarterly financial results announcements and other timing when appropriate.

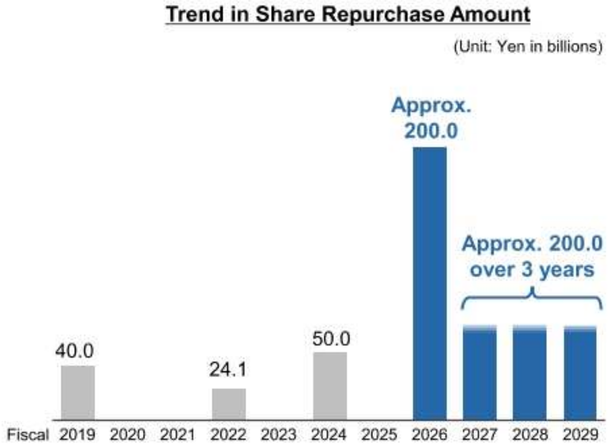
Revision of Capital Strategy (2)
Current Policy Regarding Repurchases of Own Shares

During fiscal 2026

Plan to **repurchase approx. 200 billion yen worth of own shares,** to enhance capital efficiency and improve shareholder returns while restraining capital expenditures in the Organic Packages Business, etc.

From fiscal 2027 to fiscal 2029

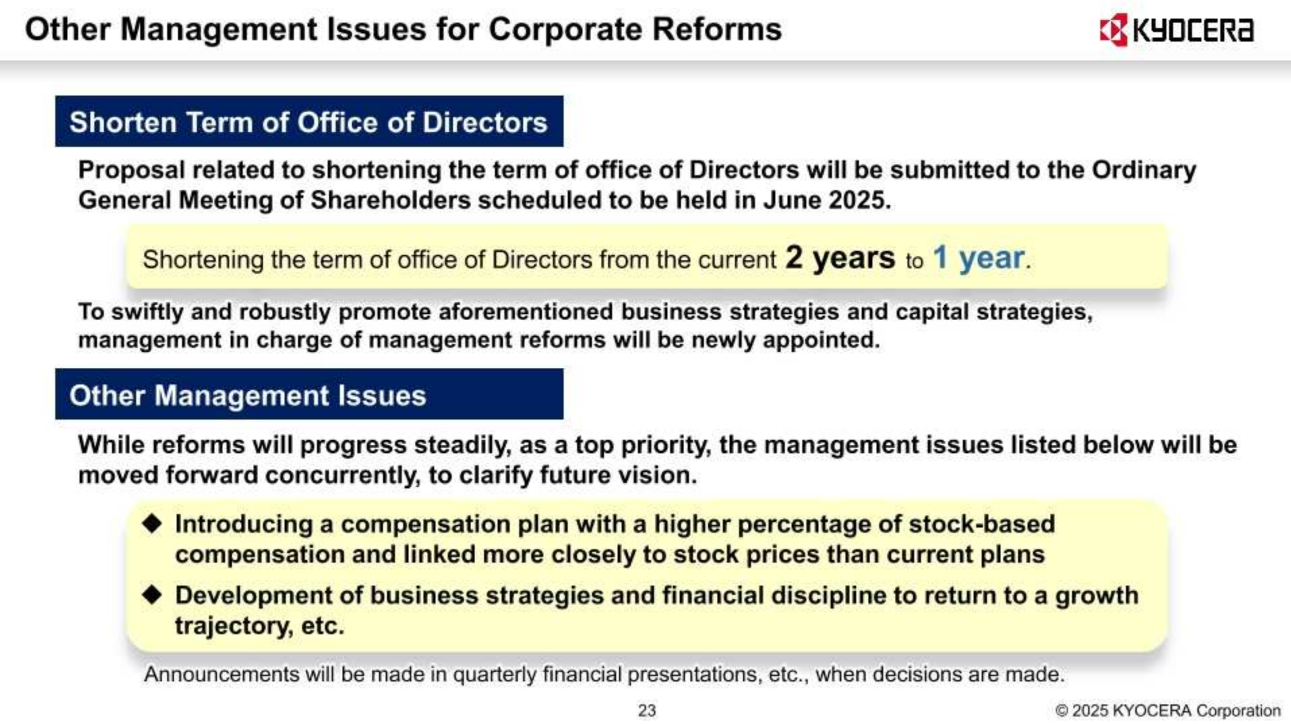
Plan to **repurchase approx. 200 billion yen worth of own shares** over 3 years, to maintain a certain level of shareholder returns while making flexible investments for growth opportunities, e.g., M&As



Please see page 22. Next, I will explain our current policy regarding share buybacks.

We have decided to implement a policy of systematic share buybacks over the next four years starting from the next fiscal year. In the next fiscal year ending March 2026, we plan to buy back about JPY200 billion of our own shares to improve capital efficiency and enhance shareholder returns, while curbing capital investment, including in the Organic Packages and Boards Business.

In addition, during the three-year period from the fiscal year ending March 2027 to the fiscal year ending March 2029, we plan to buy back about JPY200 billion of our own stock over the three-year period in order to maintain a certain level of shareholder return and to make flexible investments in M&A and other growth opportunities. Details of future share buybacks will be disclosed as soon as they are determined.



Please see page 23. Next, I will explain other management issues for corporate reforms.

First is the shortening of the term of office of Directors. At the 71st Ordinary General Meeting of Shareholders to be held in June this year, a resolution is scheduled to be submitted to amend the Articles of Incorporation regarding the change in the term of office of Directors, which will be shortened from the current two years to one year. To swiftly and robustly promote aforementioned business strategies and capital strategies, management in charge of management reforms will be newly appointed.

Below that are other management issues. While we will steadily implement the reforms with the highest priority, in parallel, we have also begun to examine management issues to clarify our vision for the future, such as increasing the ratio of stock-based compensation to introduce a system more closely linked to stock prices, and developing business strategies and financial discipline to return to a growth trajectory. As soon as the results of these studies are determined, they will be announced in future quarterly financial results announcements and other appropriate opportunities.

Please refer to page 24. Lastly, I would like to talk about our efforts to enhance corporate value. Regarding the business and capital strategies explained today, first, we will steadily implement the initiatives described in the slide for the next fiscal year ending March 2026.

In terms of business strategy, we aim to turn two challenging businesses, the Organic Packages and Boards Business and the KAVX Group, profitable. We will also review our business and R&D activities in order to reorganize our portfolio.

In terms of capital strategy, we will implement the plan to sell KDDI shares of about JPY500 billion in two years. At the same time, we will buy back about JPY200 billion of our own stock in the next fiscal year. We are currently examining the earnings forecast for the fiscal year ending March 2026, and will report it in the announcement of full-year financial results scheduled in the end of April.

That is all for the explanation from me. As I explained today, we are moving forward with full-fledged corporate reform, and I believe that the first step in this direction is to complete the initiatives shown on this slide in the next fiscal year. More than ever, the entire management team is committed to a sense of urgency and reforms aimed at enhancing corporate value, and we look forward to your continued support. Thank you for your attention.

Question & Answer

<Questioner 1>

[Q]: Let me ask you a few questions. First, let me understand the thinking behind the accelerated sale of KDDI shares and the share buyback announced this time. Looking only at the immediate future, there may have been the purpose of gaining the vote of shareholders at the general shareholders' meeting, or some feedback from the stock market, but listening to the content of the announcement this time, I think that for the time being, the company is in a period of structural reform and that its funding needs are changing a little, such as focusing on improving profitability rather than aggressively making investments. If so, is the reason you decided to use the funds for share buybacks that you don't need that much for your capital needs? If that is the case, did you have the idea that you would focus on improvement for next year and half and put off growth investment and M&A including the needs and timeframe a little later instead of implementing both improvement and aggressive action at the same time? I would like to understand how you come to the decision of buying back shares.

Tanimoto [A]: First of all, we have concluded that, as a result of accelerating the sale of KDDI shares, funds will be available in the fiscal year with a slightly lower capital requirement, and that we will prioritize share buybacks with that amount. As for M&A, since it involves the other party, we would like to do so in the next fiscal year or the year after next if the opportunity arises, but it is not something that we can do right now. Therefore, as you mentioned, we reached the conclusion to use the fund for share buybacks first in the next fiscal year.

[Q]: Even if there were to be a large-scale M&A, even if you decide now that the use of the money would be JPY400 billion for share repurchases, the JPY500 billion loan secured by KDDI stock would still be available, so you would still have some flexibility?

Tanimoto [A]: That’s right.

[Q]: Is my understanding correct that the priority has changed so that rather than continuing to invest aggressively in M&A, the first priority is to focus on improving current profitability, including shareholder returns?

Tanimoto [A]: That is correct.

[Q]: I understand very well. Second, what is the probability that Organic Packages Business and KAVX will be profitable in the next fiscal year? In previous briefings, the tone was that it would take several years until a full recovery, but my impression is that this has been accelerated in response to various feedback. I am not sure if the Organic Packages Business will really be profitable in the next fiscal year, and you said that KAVX is on schedule, but I am not sure if the current initiative is enough. Please let me understand what you are aiming in terms of the timing of making them profitable.

Tanimoto [A]: Fure and Kano will answer the question.

Fure [A]: I am Fure, in charge of the Core Components Business. I would like to explain about the Organic Packages Business. Firstly, the depreciation charge for the next fiscal year will be significantly reduced as a result of the large impairment loss recorded this fiscal year. Secondly, we will improve profitability by changing the product mix. We have been producing products with low profitability, but we are now expanding orders for high multilayer packages of middle sized to a bit less than large size in the information and communications field, where we are relatively strong. This is more profitable than conventional ones, and this leads to significant improvements. In addition, although capital investment for increased production has been halted, investments related to quality improvement and yield enhancement are continuing.

There was talk that recovery would take two to three years, but we will make significant improvements in the next fiscal year through the measures I mentioned. In the next fiscal year, we will hardly expand sales, but we plan to reach break-even by replacing products and making internal improvements, and also by reducing fixed costs in this area, including capacity adjustments and reallocation of human resources, since we will reduce overall capacity.

[Q]: How much depreciation will be reduced in the next fiscal year, and how many fixed costs will be reduced due to the reallocation of personnel? Regarding the reallocation, will it be in such a way that the fixed costs of the entire company will not be reduced, or will it include a natural decrease?

Fure [A]: First of all, we can reduce over JPY5 billion in depreciation. Regarding the decrease in labor costs, we expect an improvement of about JPY4 billion including labor costs, through reducing equipment operation and other measures.

[Q]: I understand. How about KAVX?

Kano [A]: My name is Kano and I am in charge of the Electronic Components Business. As President Tanimoto announced earlier, the yield of KAVX's automotive capacitors has deteriorated greatly, partly because MLCC products have become higher capacitance. Therefore, we have invested nearly 20 Japanese engineers, who originally possessed high-capacity, compact technology, in this profitability improvement project. Compared to 1Q of this fiscal year, 4Q saw a less than half in production defects, which we call scrap. This has been extremely effective, and now we can see the capacitor business to reach almost break-even at the end of this March or April.

Capacitor inventory was also very large, but we have been able to optimize it by curbing production. As a result, the yield rate has increased, and we can generally produce something that can take orders. On the other hand, the European automotive industry is the core of KAVX's business, but the market there has not yet fully recovered, so we will start with break-even and expect to see a profit of a few percent in the next fiscal year. However, in order to grow from there, in addition to a recovery of the market, further cost reductions and, above all, the introduction of new small-sized, high-capacitance products using technology of Kyocera’s Electronic Components Business will be necessary, and I believe this will make a big change.

On the other hand, the investment in the Thai plant has resulted in heavy depreciation, etc., and there is a large operating loss, but orders for polymer tantalum capacitor are growing rapidly every quarter at this point. Demand for AI and SSD is particularly high. The certification process here is now well underway, and we plan to increase production by about 1.5 times next fiscal year. This will help profit recovery largely. These two are the main reasons why we are planning a profitable business plan for the next fiscal year. This is all from myself.

[Q]: Thank you. I forgot to ask earlier. You mentioned that the Organic Packages and Boards Business will be break-even in the next fiscal year. Do you mean by break-even on an annual basis?

Fure [A]: We plan to reach break-even on an annual basis.

[Q]: I understand. Thank you for your answers.

Tanimoto [A]: Let me add a little about personnel. We will reallocate 400 people from the Organic Packages Business, but we have stopped hiring mid-career workers because it would not make much sense if the company did not reduce its workforce as a whole. According to our current forecast, we can reduce the number of employees by 500 per year by curbing mid-career hires, and we plan to reallocate 400 employees from the Organic Packages and Boards Business to other businesses. We plan to reduce the total number of Kyocera employees in Japan by 500 to 600 during the next fiscal year.

[Q]: I understand. Thank you.

<Questioner 2>

[Q]: Thank you for your presentation.

I understand that the challenging businesses are the Organic Packages Business and KAVX. On the other hand, what kind of businesses do you consider to be non-core businesses? This is my first question.

Tanimoto [A]: Tanimoto will answer the question. Non-core businesses are those that are unlikely to grow significantly even if we develop them, and we are selecting those to be sold in the next fiscal year. As for what we will do after that, we will set various KPIs, such as business growth potential and market share, and based on these figures, we will select non-core businesses for the year after next fiscal year and beyond.

[Q]: Thank you. Just to confirm one point, will the business be sold in the next fiscal year ending March 2026?

Tanimoto [A]: We plan to sell businesses with a sales scale of around JPY200 billion.

[Q]: Is my understanding correct that this is becoming quite concrete, including buyers?

Tanimoto [A]: Half of them have been in progress to a great extent, and the other half have begun to start the procedures.

[Q]: Thank you. Over the past few years, you have made KAVX a wholly owned subsidiary and have made aggressive capital investments in organic packages and electronic components such as MLCCs, and as a result, these are now the same kind of business as the challenging businesses. What are your thoughts on the timing of the return in the future from the past large-scale investments, and are you sure that these businesses are growth areas in the medium term?

Tanimoto [A]: I believe that making KAVX a wholly-owned subsidiary was effective in terms of early restructuring, because we were able to quickly dispatch Japanese engineers to KAVX when its performance became very difficult, which would probably not have been possible without making KAVX a wholly-owned subsidiary due to antitrust law issues.

In addition, regarding investment in capacitors, although the overall market share of capacitors is very low, Kyocera’s Electronic Components Business has secured a certain share of the market for small, high-capacity capacitors for smartphones. In order to expand this share, we will continue to invest in specific areas where we can win, such as capacitors around semiconductors. This idea has not changed.

As for the Organic Packages and Boards Business, as I mentioned earlier, we have had to suspend operations for the large investment we made last year, and I regret that it was clearly a failure. However, we would like to continue developing in the area where we can play to our strengths such as packages with ceramic or glass cores that minimize warping and photoelectric integration modules, in response to the trend toward larger substrates in conjunction with AI and chiplets, and once again work toward commercialization.

[Q]: Thank you very much.

<Questioner 3>

[Q]: Thank you for your explanation. I would like to ask two questions. I would like to ask my first question to Mr. Tanimoto. Your plans to aggressively invest in facilities to take advantage of business opportunities and to change the organization so as to capture synergies within the Group were, I think, appropriate as a direction. However, since the actual business performance is now in this situation, I would like to know your idea on what has been wrong with the management so far by looking back to the past. Also, what are your thoughts on how to correct or improve the current situation in the direction for the next fiscal year and beyond that you have just described?

In particular, when you talk about selecting non-core business, you said you would choose the business with the sales of JPY200 billion as a guideline or direction, but are there any directions or possibilities to do it more aggressively?

Tanimoto [A]: Making aggressive capital investment ultimately led to a very large loss this year. In this sense, we have many things to reflect on, including the timing. In addition to the sale of JPY200 billion worth of non-core business in the next fiscal year, although we have not yet announced this, if there are businesses that we can expand with other manufacturers by spinning them out from Kyocera, we may consider doing so and have them become self-supporting businesses. We are now considering such a plan.

In this context, since we need to invest a large amount of money in businesses that we can promote as Kyocera's strengths, we need to think more carefully about the selection of such businesses. We also regret that when investing in a business with a very low market share, it was necessary to clearly narrow down the target for investment, rather than targeting the entire market.

[Q]: From what you just said, is it your understanding that the target of JPY200 billion business is just an idea at this stage, or a passing point, and that it is possible to exceed it in the future after examining the need for it?

Tanimoto [A]: You can say so.

[Q]: I see. Secondly, looking at the revisions to the forecast, there was a rather large downward revision to profits in the Industrial Tools Unit, as well as Others in the Solutions Business. This time, you have addressed the issue with KAVX and the Organic Packages and Boards Business, but please let us know your current understanding of whether there is any possibility or need for additional impairment or other costs to improve the soundness of the company. Also, I know that many of your businesses in “Others” are upfront, but please tell us about them as well, since their negative numbers are growing.

Tanimoto [A]: First of all, the revision of forecast of “Others” in the Solutions Business are mainly related to the Smart Energy Business. We transferred the batteries business from R&D to the business this fiscal year but its sales is slightly less than the plan. However, these are clay-type storage batteries, which are extremely safe and are the only batteries that have been certified as non-hazardous. We will continue to develop strategies and make improvements based on how we can expand this business in the future.

Regarding the Industrial Tools Unit, we are also considering how to concentrate this business, which includes power tools and various other products. Also, we are in the process of transferring the production of power tools to Vietnam plant in the Document Solutions Unit. In this way, we would like to keep improving profitability.

[Q]: How about the business in Others?

Tanimoto [A]: The main issue is that we were unable to turn a profit on the Smart Energy Business's storage battery production which has been transferred to the business, so we will work to improve the situation in the next fiscal year and beyond, including sales methods.

[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.***