



Consolidated Financial Results for the Year Ended March 31, 2023 (IFRS)

May 15, 2023

Company name: **KYOCERA CORPORATION** Stock Listing: Tokyo Stock Exchange
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Scheduled date of Ordinary General Meeting of Shareholders: June 27, 2023

Scheduled date of Annual report filing: June 27, 2023

Scheduled date for commencement of dividend payment: June 28, 2023

Supplementary documents of the financial results: Yes

Holding financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded)

1. Consolidated Financial Results for the Year Ended March 31, 2023

(1) Consolidated operating results

(% of change from the previous year)

Year ended	Sales revenue		Operating profit		Profit before income taxes		Profit attributable to owners of the parent		Comprehensive income for the year	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2023	2,025,332	10.1	128,517	(13.7)	176,192	(11.4)	127,988	(13.8)	227,233	(38.7)
March 31, 2022	1,838,938	20.4	148,910	110.8	198,947	69.2	148,414	64.5	370,604	72.5

Year ended	Earnings per share attributable to owners of the parent - Basic		Earnings per share attributable to owners of the parent - Diluted		Ratio of profit to equity attributable to owners of the parent		Ratio of profit before income taxes to total assets		Ratio of operating profit to sales revenue	
	Yen	Yen	Yen	Yen	%	%	%	%	%	%
March 31, 2023	356.60	—	—	—	4.3	4.4	4.4	4.4	6.3	6.3
March 31, 2022	411.15	—	—	—	5.4	5.4	5.4	5.4	8.1	8.1

(Reference) Share of net profit (loss) of investments accounted for using the equity method:

For the year ended March 31, 2023 695 million yen For the year ended March 31, 2022 (807) million yen

(2) Consolidated financial position

As of	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity per share attributable to owners of the parent
	Million yen	Million yen	Million yen	%	Yen
March 31, 2023	4,093,928	3,048,835	3,023,777	73.9	8,424.82
March 31, 2022	3,917,265	2,898,273	2,871,554	73.3	8,000.97

(3) Consolidated cash flows

Year ended	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at the end of the year
	Million yen	Million yen	Million yen	Million yen
March 31, 2023	179,212	(168,833)	(61,257)	373,500
March 31, 2022	201,957	(79,457)	(111,473)	414,129

2. Cash Dividends

Year ended	Annual dividends per share					Annual dividends (Total)	Dividend payout ratio (Consolidated)	Dividends on equity attributable to owners of the parent
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total			
March 31, 2022	—	90.00	—	90.00	180.00	64,922	43.8	2.4
March 31, 2023	—	100.00	—	100.00	200.00	71,783	56.1	2.4
Year ending March 31, 2024 (forecast)	—	—	—	—	200.00		49.5	

(Note) Dividends per share for the year ending March 31, 2024 are forecasted to be 200 yen on an annual basis.

3. Consolidated Financial Forecasts for the Year Ending March 31, 2024

(% of change from the previous year)

Year ending	Sales revenue		Operating profit		Profit before income taxes		Profit attributable to owners of the parent		Earnings per share attributable to owners of the parent - Basic
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
March 31, 2024	2,100,000	3.7	147,000	14.4	200,000	13.5	145,000	13.3	404.00

(Note) "Earnings per share attributable to owners of the parent - Basic" is calculated using the average number of shares outstanding for the year ended March 31, 2023.

Notes

(1) Changes in significant subsidiaries during the period

(Changes in specified subsidiaries that caused a change in the scope of consolidation): None

(2) Changes in accounting policies and accounting estimates

(i) Changes in accounting policies required under IFRS: None

(ii) Changes in accounting policies due to reasons other than (i): None

(iii) Changes in accounting estimates: Yes

Please refer to page 21 “(6) Changes in Accounting Estimates” under “6. Consolidated Financial Statements and Primary Notes” for details.

(3) Number of shares issued (common stock)

(i) Number of shares issued (including treasury stock):

As of March 31, 2023 377,618,580 shares

As of March 31, 2022 377,618,580 shares

(ii) Number of treasury stock:

As of March 31, 2023 18,705,580 shares

As of March 31, 2022 18,717,679 shares

(iii) Average number of shares outstanding:

Year ended March 31, 2023 358,910,262 shares

Year ended March 31, 2022 360,969,460 shares

(Reference) Outline of Non-Consolidated Results for Kyocera Corporation

Non-consolidated Financial Results for the Year Ended March 31, 2023

(1) Non-consolidated operating results

(% of change from the previous year)

Year ended	Net sales		Profit from operations		Recurring profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2023	856,866	1.0	39,464	(14.5)	136,878	(7.0)	113,321	(14.4)
March 31, 2022	848,253	19.8	46,169	290.3	147,160	42.5	132,442	42.0

Year ended	Net income per share -Basic		Net income per share -Diluted	
	Yen		Yen	
March 31, 2023	315.73		—	
March 31, 2022	366.91		—	

(2) Non-consolidated financial condition

As of	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
March 31, 2023	3,080,630		2,379,161		77.2		6,628.80	
March 31, 2022	2,998,363		2,309,953		77.0		6,436.19	

(Reference) Owned capital As of March 31, 2023: 2,379,161 million yen, As of March 31, 2022: 2,309,953 million yen

*Explanation for appropriate use of forecast and other notes

1. Cautionary statements with respect to forward-looking statements

With regard to forecasts set forth above, please refer to the accompanying “Cautionary statements with respect to forward-looking statements” on page 7.

2. This consolidated financial results report is not subject to audit by certified public accountants or audit firms.

3. Method of obtaining supplementary materials on the financial results

The supplementary documents will be posted on the website of Kyocera Corporation on May 15, 2023.

4. English translation

This is an English translation of the Japanese original of “Consolidated Financial Results for the Year Ended March 31, 2023.” The 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.

(Attachment)

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1. Overview of Operating Results and Other Information

(1) Overview of Operating Results

a. Consolidated Financial Results

During the year ended March 31, 2023 (“fiscal 2023”), global economic growth slowed due to persisting economic instabilities caused by interest rate hikes in global economies, rising uncertainty regarding the global situation and continuing inflation etc. The substantial depreciation of the yen also impacted the economy. With respect to our major markets, in addition to the weakening demand in the smartphone market, demand adjustment has strengthened mainly for commodity products in the semiconductor-related markets, which demand has previously been strong.

At Kyocera, in the above-mentioned business environment, our sales were affected by the weakening demand in the smartphone market. However, sales revenue for fiscal 2023 increased by 186,394 million yen, or 10.1%, to 2,025,332 million yen, as compared with the year ended March 31, 2022 (“fiscal 2022”), achieving our long-stated target of 2 trillion yen in sales revenue. This was due to increased sales by the Document Solutions Unit and the Industrial Tools Unit, and also to the impact of the weaker yen, in addition to a contribution from the expansion of our component production for cutting-edge semiconductors, demand for which has been strong.

However, despite the impacts of this sales revenue increase and the weaker yen, profit decreased as compared with fiscal 2022, due to factors such as increases in costs for raw materials, energy and logistics, as well as a sharp decrease in sales revenue in the Communications Unit. In addition, three one-time costs totaling approximately 19 billion yen were recorded during fiscal 2023, namely, a litigation cost, an additional cost in connection with pension obligations and costs associated with structural reforms. As a result, operating profit decreased by 20,393 million yen, or 13.7%, to 128,517 million yen, profit before income taxes decreased by 22,755 million yen, or 11.4%, to 176,192 million yen, and profit attributable to owners of the parent decreased by 20,426 million yen, or 13.8%, to 127,988 million yen.

Consolidated Financial Results

(Yen in millions)

	For the year ended March 31, 2022		For the year ended March 31, 2023		Change	
	Amount	%*	Amount	%*	Amount	%
Sales revenue	1,838,938	100.0	2,025,332	100.0	186,394	10.1
Operating profit	148,910	8.1	128,517	6.3	(20,393)	(13.7)
Profit before income taxes	198,947	10.8	176,192	8.7	(22,755)	(11.4)
Profit attributable to owners of the parent	148,414	8.1	127,988	6.3	(20,426)	(13.8)
Average US\$ exchange rate (Yen)	112	—	135	—	—	—
Average Euro exchange rate (Yen)	131	—	141	—	—	—
Capital expenditures	151,771	8.3	173,901	8.6	22,130	14.6
Depreciation charge of property, plant and equipment	90,229	4.9	108,757	5.4	18,528	20.5
Research and development expenses	84,123	4.6	94,277	4.7	10,154	12.1

* % represents the percentage to sales revenue.

b. Consolidated Financial Results by Reporting Segment

1) Core Components Business

Sales revenue for fiscal 2023 increased by 64,443 million yen, or 12.2%, to 592,376 million yen as compared with fiscal 2022. Business profit increased by 27,835 million yen, or 45.2%, to 89,475 million yen as compared with fiscal 2022. The business profit ratio for fiscal 2023 improved to 15.1%.

Sales revenue increased due mainly to an increase in sales of high-value-added products, such as organic packages and boards for the information and communication infrastructure-related markets in the Semiconductor Components Unit, as well as fine ceramic components for semiconductor processing equipment in the Industrial & Automotive Components Unit. Business profit increased significantly due to increased sales, as well as the impact of the weaker yen.

2) Electronic Components Business

Sales revenue for fiscal 2023 increased by 39,434 million yen, or 11.6%, to 378,536 million yen as compared with fiscal 2022. However, business profit decreased by 3,832 million yen, or 8.0%, to 44,064 million yen as compared with fiscal 2022. The business profit ratio for fiscal 2023 declined to 11.6%.

Sales revenue increased due to growing demand for components such as ceramic capacitors mainly for the industrial and the automotive-related markets, and due also to the weaker yen. However, business profit decreased due to increases in costs for raw materials, etc. and weakening demand for smartphone components, as well as the recording of additional cost in the amount of approximately 3 billion yen such as costs relating to pension obligations in Kyocera AVX Components Corporation Group.

3) Solutions Business

Sales revenue for fiscal 2023 increased by 84,908 million yen, or 8.6%, to 1,068,597 million yen as compared with fiscal 2022. However, business profit decreased by 26,491 million yen, or 38.5%, to 42,239 million yen as compared with fiscal 2022. The business profit ratio for fiscal 2023 declined to 4.0%.

Sales revenue increased due to increased sales of major products as well as the impact of the weaker yen in the Document Solutions Unit and the Industrial Tools Unit. Business profit, however, decreased due to a substantial decrease in mobile phone sales volume in the Communications Unit, as well as the recording of a one-time cost in the amount of approximately 8 billion yen in connection with structural reforms, including the write-down of inventory, and increases in costs for raw materials, energy and logistics, etc. in each business.

Sales Revenue by Reporting Segment

(Yen in millions)

	For the year ended March 31, 2022		For the year ended March 31, 2023		Change	
	Amount	%*	Amount	%*	Amount	%
Core Components Business	527,933	28.7	592,376	29.2	64,443	12.2
Industrial & Automotive Components Unit	172,908	9.4	199,194	9.8	26,286	15.2
Semiconductor Components Unit	327,746	17.8	364,579	18.0	36,833	11.2
Others	27,279	1.5	28,603	1.4	1,324	4.9
Electronic Components Business	339,102	18.4	378,536	18.7	39,434	11.6
Solutions Business	983,689	53.5	1,068,597	52.8	84,908	8.6
Industrial Tools Unit	251,062	13.7	308,406	15.2	57,344	22.8
Document Solutions Unit	366,691	19.9	434,914	21.5	68,223	18.6
Communications Unit	262,306	14.3	207,793	10.3	(54,513)	(20.8)
Others	103,630	5.6	117,484	5.8	13,854	13.4
Others	17,817	1.0	23,403	1.2	5,586	31.4
Adjustments and eliminations	(29,603)	(1.6)	(37,580)	(1.9)	(7,977)	—
Sales revenue	1,838,938	100.0	2,025,332	100.0	186,394	10.1

* % represents the component ratio.

Business Profit (Loss) by Reporting Segment

(Yen in millions)

	For the year ended March 31, 2022		For the year ended March 31, 2023		Change	
	Amount	%*	Amount	%*	Amount	%
Core Components Business	61,640	11.7	89,475	15.1	27,835	45.2
Industrial & Automotive Components Unit	19,872	11.5	24,743	12.4	4,871	24.5
Semiconductor Components Unit	44,239	13.5	67,702	18.6	23,463	53.0
Others	(2,471)	—	(2,970)	—	(499)	—
Electronic Components Business	47,896	14.1	44,064	11.6	(3,832)	(8.0)
Solutions Business	68,730	7.0	42,239	4.0	(26,491)	(38.5)
Industrial Tools Unit	27,211	10.8	23,279	7.5	(3,932)	(14.5)
Document Solutions Unit	33,334	9.1	33,706	7.8	372	1.1
Communications Unit	15,288	5.8	(11,729)	—	(27,017)	—
Others	(7,103)	—	(3,017)	—	4,086	—
Others	(14,649)	—	(28,795)	—	(14,146)	—
Total business profit	163,617	8.9	146,983	7.3	(16,634)	(10.2)
Corporate gains and others	35,330	—	29,209	—	(6,121)	(17.3)
Profit before income taxes	198,947	10.8	176,192	8.7	(22,755)	(11.4)

* % represents the percentage to sales revenue of each corresponding segment.

[Consolidated Financial Forecasts for the Year Ending March 31, 2024]

During the year ending March 31, 2024 (“fiscal 2024”), the unstable global situation and economic environment is expected to continue. With respect to our major markets, namely the semiconductor-related, automotive-related and smartphone markets, demand adjustments are expected to continue for the time being. However, we expect the environment to gradually improve from the latter half of the six months ending September 30, 2023.

Kyocera will continue to increase production capacity and expand production mainly for components for semiconductor-related markets to further expand the Core Components Business and the Electronic Components Business. Also, in the Solutions Business, in addition to aggressive development of new products and services, mainly in the Document Solutions Unit, we will restructure low growth and/or low profitability businesses, aiming to improve profitability.

As for anticipated exchange rates, we expect the exchange rates for fiscal 2024 to be 125 yen to the U.S. dollar and 130 yen to the euro.

Forecasts of Consolidated Financial Results

(Yen in millions)

	Results for the year ended March 31, 2023		Forecasts for the year ending March 31, 2024		Change	
	Amount	%*	Amount	%*	Amount	%
Sales revenue	2,025,332	100.0	2,100,000	100.0	74,668	3.7
Operating profit	128,517	6.3	147,000	7.0	18,483	14.4
Profit before income taxes	176,192	8.7	200,000	9.5	23,808	13.5
Profit attributable to owners of the parent	127,988	6.3	145,000	6.9	17,012	13.3
Average US\$ exchange rate (Yen)	135	—	125	—	—	—
Average Euro exchange rate (Yen)	141	—	130	—	—	—

Capital expenditures	173,901	8.6	275,000	13.1	101,099	58.1
Depreciation charge of property, plant and equipment	108,757	5.4	123,000	5.9	14,243	13.1
Research and development expenses	94,277	4.7	115,000	5.5	20,723	22.0

* % represents the percentage to sales revenue.

Sales Revenue by Reporting Segment

(Yen in millions)

	Results for the year ended March 31, 2023		Forecasts for the year ending March 31, 2024		Change	
	Amount	%*	Amount	%*	Amount	%
Core Components Business	592,376	29.2	620,000	29.5	27,624	4.7
Industrial & Automotive Components Unit	199,194	9.8	225,000	10.7	25,806	13.0
Semiconductor Components Unit	364,579	18.0	365,000	17.4	421	0.1
Others	28,603	1.4	30,000	1.4	1,397	4.9
Electronic Components Business	378,536	18.7	390,000	18.6	11,464	3.0
Solutions Business	1,068,597	52.8	1,115,000	53.1	46,403	4.3
Industrial Tools Unit	308,406	15.2	315,000	15.0	6,594	2.1
Document Solutions Unit	434,914	21.5	455,000	21.7	20,086	4.6
Communications Unit	207,793	10.3	225,000	10.7	17,207	8.3
Others	117,484	5.8	120,000	5.7	2,516	2.1
Others	23,403	1.2	20,000	0.9	(3,403)	(14.5)
Adjustments and eliminations	(37,580)	(1.9)	(45,000)	(2.1)	(7,420)	—
Sales revenue	2,025,332	100.0	2,100,000	100.0	74,668	3.7

* % represents the component ratio.

Business Profit (Loss) by Reporting Segment

(Yen in millions)

	Results for the year ended March 31, 2023		Forecasts for the year ending March 31, 2024		Change	
	Amount	%*	Amount	%*	Amount	%
Core Components Business	89,475	15.1	86,000	13.9	(3,475)	(3.9)
Industrial & Automotive Components Unit	24,743	12.4	32,000	14.2	7,257	29.3
Semiconductor Components Unit	67,702	18.6	53,000	14.5	(14,702)	(21.7)
Others	(2,970)	—	1,000	3.3	3,970	—
Electronic Components Business	44,064	11.6	55,000	14.1	10,936	24.8
Solutions Business	42,239	4.0	79,000	7.1	36,761	87.0
Industrial Tools Unit	23,279	7.5	26,000	8.3	2,721	11.7
Document Solutions Unit	33,706	7.8	40,000	8.8	6,294	18.7
Communications Unit	(11,729)	—	3,000	1.3	14,729	—
Others	(3,017)	—	10,000	8.3	13,017	—
Others	(28,795)	—	(45,000)	—	(16,205)	—
Total business profit	146,983	7.3	175,000	8.3	28,017	19.1
Corporate gains and others	29,209	—	25,000	—	(4,209)	(14.4)
Profit before income taxes	176,192	8.7	200,000	9.5	23,808	13.5

* % represents the percentage to sales revenue of each corresponding segment.

Note: 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.

(2) Overview of Financial Position

<Consolidated Cash Flows>

Cash and cash equivalents at March 31, 2023 decreased by 40,629 million yen to 373,500 million yen from 414,129 million yen at March 31, 2022.

1) Cash flows from operating activities

Net cash provided by operating activities for fiscal 2023 decreased by 22,745 million yen to 179,212 million yen from 201,957 million yen for fiscal 2022. This was due mainly to an increase in cash outflows with increased payments regarding trade payables and income taxes, and a transfer of retirement benefit liabilities of TA Triumph-Adler GmbH, a consolidated subsidiary of Kyocera Document Solutions Inc., to a third party in cash and other consideration, although trade receivables increased in fiscal 2022 were collected in fiscal 2023.

2) Cash flows from investing activities

Net cash used in investing activities for fiscal 2023 increased by 89,376 million yen to 168,833 million yen from 79,457 million yen for fiscal 2022. This was due mainly to an increase in capital expenditures as well as a decrease in proceeds from maturities of securities.

3) Cash flows from financing activities

Net cash used in financing activities for fiscal 2023 decreased by 50,216 million yen to 61,257 million yen from 111,473 million yen for fiscal 2022. This was due mainly to an increase in proceeds from borrowings, which exceeded repayments, and a decrease in payments for purchase of treasury stock, despite an increase in dividends paid.

Consolidated Cash Flows

(Yen in millions)

	For the year ended March 31, 2022	For the year ended March 31, 2023	Change
Cash flows from operating activities	201,957	179,212	(22,745)
Cash flows from investing activities	(79,457)	(168,833)	(89,376)
Cash flows from financing activities	(111,473)	(61,257)	50,216
Effect of exchange rate changes on cash and cash equivalents	16,375	10,249	(6,126)
Increase (decrease) in cash and cash equivalents	27,402	(40,629)	(68,031)
Cash and cash equivalents at the beginning of the year	386,727	414,129	27,402
Cash and cash equivalents at the end of the year	414,129	373,500	(40,629)

2. Basic Profit Distribution Policy and Dividends for Fiscal 2023 and for Fiscal 2024

(1) Basic Profit Distribution Policy

Kyocera Corporation believes that the best way to increase corporate value and meet shareholders' expectations is to improve future consolidated performance on an ongoing basis. Therefore, Kyocera Corporation has adopted a principal guideline that dividend amounts shall fall within a range based on profit attributable to owners of the parent on a consolidated basis, and has set its dividend policy to maintain a payout ratio of around 50% of profit attributable to owners of the parent. In addition, Kyocera Corporation determines dividend amounts based on a comprehensive assessment, taking into account various factors including the amount of capital expenditures necessary for medium-to-long-term corporate growth.

Kyocera Corporation also has adopted policies to ensure a sound financial basis, and, for such purpose it sets aside other general reserves in preparation for the creation of new businesses, cultivation of new markets, development of new technologies and acquisition, as necessary, of outside management resources to achieve sustainable corporate growth.

In addition to the above-mentioned basic policy, within a certain range based on cash flow, Kyocera Corporation will implement acquisitions of its own shares when appropriate, as a powerful mechanism for enhancing shareholder returns.

(2) Dividends for Fiscal 2023

For fiscal 2023, the amount of the year-end dividend will be 100 yen per share. The amount of the annual dividend will be 200 yen per share when aggregated with the interim dividend, which was in the amount of 100 yen per share. This amount will represent an increase of 20 yen per share as compared with the annual dividend in the amount of 180 yen for fiscal 2022.

(3) Dividends for Fiscal 2024

Kyocera Corporation will determine the amount of the annual dividend in accordance with the above mentioned "(1) Basic Profit Distribution Policy." Currently, the annual dividend for fiscal 2024 is expected to be 200 yen per share.

3. Management Policy, Management Strategy and Issues to be Addressed, etc.

(1) Basic Management Policies

Kyocera aims to achieve continuous sales growth and high profitability through the practice of “Kyocera Philosophy,” which is a corporate philosophy that is based on a concept included in Kyocera’s decision making “what is right as a human being” and its own management system “Amoeba Management System” to pursue 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.”

(2) Medium-term Management Target

Kyocera has set medium-term management targets. In order to clarify the initiatives necessary to achieve these targets, Kyocera has also adopted a medium-term management plan for fiscal 2024 through the year ending March 31, 2026 (“fiscal 2026”).

Major initiatives in the medium-term management plan are as follows:

- Implement intensive preparatory investment in focus areas based upon long-term outlook;
- Combine and/or assemble Group management resources in areas of competitive advantage to achieve high rates of growth;
- Proactively promote selection and concentration of businesses as well as structural reform of low growth and/or low profitability areas; and
- Strengthen R&D in order to create new businesses that address social issues.

(Medium-term management plan)

Targets for fiscal 2026

Sales revenue	2.5 trillion yen
Profit before income taxes	350.0 billion yen
Profit ratio before income taxes	14.0%
ROE	7.0% or more

In order to achieve the medium-term management plan, Kyocera will further expand capital expenditures for existing businesses and R&D activities to create new businesses. Kyocera plans to utilize operating cash flow and investment funds to be procured by using its financial assets.

Details are described in the capital allocation below.

(Capital allocation including investment plans from fiscal 2024 through fiscal 2026)

(Unit: Yen in billions)

Operating cash flow 1,400.0-1,500.0 (Before deducting R&D expenses)	Capital expenditures Maximum of 850.0	<u>Proactive Investment for Business Growth</u> <ul style="list-style-type: none"> • Focus on investments to increase production capacity and improve productivity of the Semiconductor Components Unit and the Electronic Components Business
	R&D expenses Maximum of 350.0	<u>Proactive Investment in R&D Activities</u> <ul style="list-style-type: none"> • Continue investments necessary for expansion of the Solution Business and the creation of new businesses
	Dividends Approx. 300.0	<u>Shareholder Return Policy</u> <ul style="list-style-type: none"> • Maintain current dividend policy
Raise capital using KDDI stock, etc. Maximum of 500.0	M&A and share repurchases etc. 400.0-500.0	<u>Other Policies</u> <ul style="list-style-type: none"> • Consider M&A with an emphasis on synergy • Conduct share repurchases when appropriate

(3) Medium and Long-term Management Strategy and Issues to be Addressed

As the comprehensive digitalization of society is accelerating with the advancement of AI and 5G communication technologies, further expansion of the semiconductor-related and electronic component industries is expected going forward. In addition, along with technological advances, there is a growing need for technologies and services that address various social issues such as environmental concerns including decarbonization, and introduction of smart factories in response to a shrinking working population.

Kyocera recognizes these changes in the business environment as a business opportunity and will seek to expand its business by taking advantage of its strengths, such as its broad range of business areas, diverse technologies and strong financial base, and strive to develop products and solutions that address social issues.

a. Strengthen Investment for Expansion of Existing Businesses and Creation of New Businesses

Accompanying the broadening applicability of AI, demand for various components for the 5G/6G, semiconductor and mobility-related markets is expected to increase in the medium-to-long term. Delivery of higher definition, higher performance and higher quality components is required for these markets. On the other hand, demand fluctuations and the acceleration of technological innovation call for not only production capacity, but also a supply system that can respond to changing needs in a timely manner. Kyocera will continue to build new plants in Japan as well as overseas, mainly for products with high market share, and will strive to expand existing businesses by making aggressive capital investments, such as the introduction of smart factories at production sites utilizing digital technologies.

Furthermore, to promote development of new products and technologies, Kyocera will strive to strengthen and accelerate our development capabilities by further utilizing management resources within the Group and outside resources, as well as to develop human resources to expand business areas.

In addition, Kyocera is aggressively investing in R&D activities to create new businesses that will support its long-term business growth. Pursuing development of new products in various markets through the development of applications for new materials, etc., Kyocera will seek to create unique new businesses that address social issues by combining our strengths, particularly our wide range of technological assets.

b. Selection and Concentration of Business to Improve Profitability

In order to further improve the profitability of our high profitability businesses and to improve the profitability of challenging businesses, Kyocera will promote selection and concentration of businesses by strengthening management-led business monitoring and reviewing business structures, business areas, and product development, etc.

In order to enhance the profitability of our business structure, the Core Components Business and the Electronic Components Business will concentrate on areas of competitive advantage, such as products with high added value, introduce smart factories to increase productivity, and promote streamlining by utilizing digital technologies in production control.

The Solutions Business will create new business models by combining various technologies and products possessed by Kyocera, and will implement structural reforms to improve profitability.

c. Promotion of Sustainable Management

Kyocera is addressing environmental and social issues, and is also strengthening its corporate governance for sustainable corporate management.

With respect to environmental issues, Kyocera is striving to realize a decarbonized society and is making efforts to expand the use of renewable energy. In addition to the installation of solar power generation systems at our own sites, Kyocera is working to establish and promote necessary infrastructure, such as a new subscription type business model that utilizes solar power generation systems, fuel cells and storage batteries, in order to reduce greenhouse gas emissions in our communities and society overall.

With respect to social issues, Kyocera is also working to create a work environment and systems in which our human resources can play an active role, in order to realize our 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.” Kyocera believes that diverse human resources working flexibly will enable Kyocera to identify social issues, and further lead to the creation of businesses that address these social issues.

With regard to corporate governance, in order to maximize corporate value, Kyocera is working to further enhance the diversity and effectiveness of the Board of Directors and to promote discussion of medium-to-long-term management and capital strategies. In addition, Kyocera will strive to practice sustainable management by promoting risk management and compliance practices, etc.

4. Initiatives to Improve Corporate Value and Corporate Governance

(1) Introduction of Reduction Target for Cross-Shareholdings

For the purpose of further clarifying its policy of reducing its shareholdings, Kyocera has resolved at a meeting of its Board of Directors held in April 2023 to alter its policy relating to “Principle 1.4 Cross-Shareholdings” of the Corporate Governance Code and has expressly implemented a numerical target to reduce its shareholdings by at least 5% on a book value basis by fiscal 2026.

For details, please refer to the description at the website below.

“Corporate Governance Report” disclosed on April 27, 2023.

https://global.kyocera.com/ir/library/pdf/governance/corporate_governance_report_e.pdf

(2) Repurchase of Own Shares

As an initiative to promote shareholder returns, as well as in preparation for flexible capital strategies of the future, Kyocera has resolved at a meeting of its Board of Directors held in May 2023 to repurchase its own shares up to 50 billion yen.

For details, please refer to the description at the website below.

“Notice Relating to Repurchase of Own Shares” disclosed on May 15, 2023.

https://global.kyocera.com/ir/news/pdf/230515_sbb1.pdf

(3) Introduction of Performance-Linked Restricted Stock Compensation Plan and Revision of Restricted Stock Compensation Plan (to be proposed at the 69th Ordinary General Meeting of Shareholders scheduled for June 2023)

For the purpose of promoting even further sharing of shareholder value between Directors and shareholders, Kyocera has resolved at a meeting of its Board of Directors held in March 2023 to introduce a performance-linked restricted stock compensation plan and revise the restricted stock compensation plan. Following the introduction of the plan, Kyocera made a partial revision to the plan, which was resolved at a meeting of its Board of Directors held in April 2023.

For details, please refer to the description at the website below.

“Notice Relating to Introduction of Performance-Linked Restricted Stock Compensation Plan and Revision of Restricted Stock Compensation Plan” disclosed on March 29, 2023.

https://global.kyocera.com/ir/news/pdf/230329_PS_e.pdf

“Notice Relating to Partial Revision of Performance-Linked Restricted Stock Compensation Plan and Restricted Stock Compensation Plan” disclosed on April 27, 2023.

https://global.kyocera.com/ir/news/pdf/230427_rs_e.pdf

(4) Appointment of an Outside Director (to be proposed at the 69th Ordinary General Meeting of Shareholders scheduled for June 2023)

Kyocera has resolved at a meeting of its Board of Directors held in March 2023 the change of a director as set forth below.

a. Candidate for new Outside Director

Shigenobu Maekawa (Chairman of Nippon Shinyaku Co., Ltd.)

b. Outside Director Expected to Retire

Atsushi Aoyama (Professor of Graduate School of Technology Management, Ritsumeikan University)

5. Basic Rationale for Selection of Accounting Standards

Kyocera has adopted International Financial Reporting Standards (“IFRS”) to its consolidated financial statements from the year ended March 31, 2019 in order to further enhance its management control on a global basis.

6. Consolidated Financial Statements and Primary Notes

(1) Consolidated Statement of Financial Position

(Yen in millions)

	As of March 31, 2022		As of March 31, 2023		Change
	Amount	%*	Amount	%*	
Assets					
Current assets					
Cash and cash equivalents	414,129		373,500		(40,629)
Short-term investments	25,460		4,787		(20,673)
Trade and other receivables	379,066		380,972		1,906
Other financial assets	18,623		18,615		(8)
Inventories	452,506		539,441		86,935
Other current assets	39,339		39,997		658
Total current assets	1,329,123	33.9	1,357,312	33.2	28,189
Non-current assets					
Equity and debt instruments	1,469,133		1,508,258		39,125
Investments accounted for using the equity method	15,795		16,752		957
Other financial assets	41,540		42,567		1,027
Property, plant and equipment	512,175		587,478		75,303
Right-of-use assets	40,703		62,620		21,917
Goodwill	262,985		271,156		8,171
Intangible assets	149,879		147,782		(2,097)
Deferred tax assets	36,483		39,759		3,276
Other non-current assets	59,449		60,244		795
Total non-current assets	2,588,142	66.1	2,736,616	66.8	148,474
Total assets	3,917,265	100.0	4,093,928	100.0	176,663

* % represents the component ratio.

(Yen in millions)

	As of March 31, 2022		As of March 31, 2023		Change
	Amount	%*	Amount	%*	
Liabilities and Equity					
Liabilities					
Current liabilities					
Borrowings	79,382		29,060		(50,322)
Trade and other payables	222,962		203,864		(19,098)
Lease liabilities	17,326		20,351		3,025
Other financial liabilities	16,552		4,741		(11,811)
Income tax payables	20,390		17,224		(3,166)
Accrued expenses	134,282		135,836		1,554
Provisions	7,010		8,014		1,004
Other current liabilities	41,445		41,984		539
Total current liabilities	539,349	13.8	461,074	11.2	(78,275)
Non-current liabilities					
Borrowings	17,163		107,726		90,563
Lease liabilities	35,390		52,664		17,274
Retirement benefit liabilities	23,129		8,621		(14,508)
Deferred tax liabilities	384,513		393,961		9,448
Provisions	9,631		10,239		608
Other non-current liabilities	9,817		10,808		991
Total non-current liabilities	479,643	12.2	584,019	14.3	104,376
Total liabilities	1,018,992	26.0	1,045,093	25.5	26,101
Equity					
Common stock	115,703		115,703		—
Capital surplus	122,751		119,144		(3,607)
Retained earnings	1,846,102		1,912,372		66,270
Other components of equity	880,297		969,801		89,504
Treasury stock	(93,299)		(93,243)		56
Total equity attributable to owners of the parent	2,871,554	73.3	3,023,777	73.9	152,223
Non-controlling interests	26,719	0.7	25,058	0.6	(1,661)
Total equity	2,898,273	74.0	3,048,835	74.5	150,562
Total liabilities and equity	3,917,265	100.0	4,093,928	100.0	176,663

* % represents the component ratio.

(2) Consolidated Statement of Profit or Loss and Comprehensive Income

a. Consolidated Statement of Profit or Loss

(Yen in millions except per share amounts)

	For the year ended March 31, 2022		For the year ended March 31, 2023		Change	
	Amount	%*	Amount	%*	Amount	%
Sales revenue	1,838,938	100.0	2,025,332	100.0	186,394	10.1
Cost of sales	1,325,295	72.1	1,460,388	72.1	135,093	10.2
Gross profit	513,643	27.9	564,944	27.9	51,301	10.0
Selling, general and administrative expenses	364,733	19.8	436,427	21.6	71,694	19.7
Operating profit	148,910	8.1	128,517	6.3	(20,393)	(13.7)
Finance income	45,208	2.5	52,289	2.6	7,081	15.7
Finance expenses	2,750	0.2	3,594	0.2	844	30.7
Foreign exchange gains (losses)	2,748	0.1	(4,651)	(0.2)	(7,399)	—
Share of net profit (loss) of investments accounted for using the equity method	(807)	(0.0)	695	0.0	1,502	—
Other, net	5,638	0.3	2,936	0.2	(2,702)	(47.9)
Profit before income taxes	198,947	10.8	176,192	8.7	(22,755)	(11.4)
Income taxes	46,911	2.5	45,227	2.2	(1,684)	(3.6)
Profit for the year	152,036	8.3	130,965	6.5	(21,071)	(13.9)

Profit attributable to:						
Owners of the parent	148,414	8.1	127,988	6.3	(20,426)	(13.8)
Non-controlling interests	3,622	0.2	2,977	0.2	(645)	(17.8)
Profit for the year	152,036	8.3	130,965	6.5	(21,071)	(13.9)

Per share information:			
Earnings per share attributable to owners of the parent			
Basic and diluted (Yen)	411.15	356.60	

* % represents the percentage to sales revenue.

b. Consolidated Statement of Comprehensive Income

(Yen in millions)

	For the year ended March 31, 2022	For the year ended March 31, 2023	Change
	Amount	Amount	
Profit for the year	152,036	130,965	(21,071)
Other comprehensive income, net of taxation			
Items that will not be reclassified to profit or loss:			
Financial assets measured at fair value through other comprehensive income	144,547	25,263	(119,284)
Re-measurement of defined benefit plans	9,502	6,890	(2,612)
Total items that will not be reclassified to profit or loss	154,049	32,153	(121,896)
Items that may be reclassified subsequently to profit or loss:			
Net changes in fair value of cash flow hedge	34	(12)	(46)
Exchange differences on translating foreign operations	64,218	64,175	(43)
Share of other comprehensive income of investments accounted for using the equity method	267	(48)	(315)
Total items that may be reclassified subsequently to profit or loss	64,519	64,115	(404)
Total other comprehensive income	218,568	96,268	(122,300)
Comprehensive income for the year	370,604	227,233	(143,371)

Comprehensive income attributable to:			
Owners of the parent	365,805	223,978	(141,827)
Non-controlling interests	4,799	3,255	(1,544)
Comprehensive income for the year	370,604	227,233	(143,371)

(3) Consolidated Statement of Changes in Equity

For the year ended March 31, 2022

(Yen in millions)

	Total equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total		
Balance as of April 1, 2021	115,703	122,745	1,750,259	671,951	(69,243)	2,591,415	24,695	2,616,110
Profit for the year			148,414			148,414	3,622	152,036
Other comprehensive income				217,391		217,391	1,177	218,568
Total comprehensive income for the year	—	—	148,414	217,391	—	365,805	4,799	370,604
Cash dividends			(61,616)			(61,616)	(2,756)	(64,372)
Purchase of treasury stock					(24,111)	(24,111)		(24,111)
Reissuance of treasury stock		27			55	82		82
Transactions with non-controlling interests						—		—
Transfer to retained earnings			9,045	(9,045)		—		—
Others		(21)				(21)	(19)	(40)
Balance as of March 31, 2022	115,703	122,751	1,846,102	880,297	(93,299)	2,871,554	26,719	2,898,273

For the year ended March 31, 2023

(Yen in millions)

	Total equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total		
Balance as of April 1, 2022	115,073	122,751	1,846,102	880,297	(93,299)	2,871,554	26,719	2,898,273
Profit for the year			127,988			127,988	2,977	130,965
Other comprehensive income				95,990		95,990	278	96,268
Total comprehensive income for the year	—	—	127,988	95,990	—	223,978	3,255	227,233
Cash dividends			(68,192)			(68,192)	(2,741)	(70,933)
Purchase of treasury stock					(14)	(14)		(14)
Reissuance of treasury stock		34			70	104		104
Transactions with non-controlling interests		(3,641)				(3,641)	(2,191)	(5,832)
Transfer to retained earnings			6,486	(6,486)		—		—
Others			(12)			(12)	16	4
Balance as of March 31, 2023	115,703	119,144	1,912,372	969,801	(93,243)	3,023,777	25,058	3,048,835

(4) Consolidated Statement of Cash Flows

(Yen in millions)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Cash flows from operating activities:		
Profit for the year	152,036	130,965
Depreciation and amortization	128,960	149,603
Finance expenses (income)	(42,458)	(48,695)
Share of net profit of investments accounted for using the equity method	807	(695)
Impairment loss	2,400	1,306
(Gains) losses from sales or disposal of property, plant and equipment	(8,052)	(1,667)
Income taxes	46,911	45,227
(Increase) decrease in trade and other receivables	(29,147)	9,732
(Increase) decrease in inventories	(85,344)	(67,949)
(Increase) decrease in other assets	12,784	10,307
Increase (decrease) in trade and other payables	(3,821)	(29,661)
Increase (decrease) in accrued expenses	8,994	2,752
Increase (decrease) in other liabilities	(4,718)	(25,554)
Other, net	(1,066)	5,178
Subtotal	178,286	180,849
Interests and dividends received	45,479	52,362
Interests paid	(2,297)	(2,535)
Income taxes refund (paid)	(19,511)	(51,464)
Net cash provided by operating activities	201,957	179,212
Cash flows from investing activities:		
Payments for purchases of property, plant and equipment	(134,490)	(176,624)
Payments for purchases of intangible assets	(12,412)	(10,019)
Proceeds from sales of property, plant and equipment	11,059	3,595
Acquisitions of business, net of cash acquired	(1,680)	(3,093)
Acquisition of time deposits and certificate of deposits	(90,530)	(14,694)
Withdrawal of time deposits and certificate of deposits	121,332	33,966
Payments for purchases of securities	(2,801)	(5,071)
Proceeds from sales and maturities of securities	30,279	4,960
Other, net	(214)	(1,853)
Net cash used in investing activities	(79,457)	(168,833)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(135)	(10,000)
Proceeds from long-term borrowings	11,739	98,198
Repayments of long-term borrowings	(14,363)	(49,518)
Repayments of lease liabilities	(20,829)	(23,975)
Dividends paid	(63,774)	(70,117)
Purchase of treasury stock	(24,111)	(14)
Purchase of non-controlling interests	—	(5,832)
Other, net	0	1
Net cash used in financing activities	(111,473)	(61,257)
Effect of exchange rate changes on cash and cash equivalents	16,375	10,249
Increase (decrease) in cash and cash equivalents	27,402	(40,629)
Cash and cash equivalents at the beginning of the year	386,727	414,129
Cash and cash equivalents at the end of the year	414,129	373,500

(5) Basis of Preparation of Consolidated Financial Statements

a. Summary of significant accounting policies

Kyocera's consolidated financial statements are prepared in accordance with IFRS.

b. Scope of consolidation:

Number of consolidated subsidiaries	287	Kyocera Document Solutions Inc. Kyocera AVX Components Corporation and others
Number of associates accounted for using the equity method	10	

c. Changes in scope of consolidation:

Consolidated subsidiaries:

Number of increase	6
Number of decrease	8

Associate accounted for using the equity method:

Number of increase	1
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(6) Changes in Accounting Estimates

Effective from April 1, 2022, Kyocera has changed the useful lives of some software from two years to five years and the change is applied prospectively. This was due to better estimates based on recent software usage.

As a result of the change, operating profit and profit before income taxes for the year ended March 31, 2023 increased by 2,062 million yen compared to the previous estimates.

(7) Segment Information

a. Reporting segments

(Yen in millions)

	For the year ended March 31, 2022	For the year ended March 31, 2023	Change	
	Amount	Amount	Amount	%
Capital expenditures				
Core Components Business	71,041	66,629	(4,412)	(6.2)
Electronic Components Business	37,140	49,118	11,978	32.3
Solutions Business	26,348	27,644	1,296	4.9
Others	5,330	13,097	7,767	145.7
Corporate	11,912	17,413	5,501	46.2
Total	151,771	173,901	22,130	14.6
Depreciation and amortization				
Core Components Business	37,032	45,696	8,664	23.4
Electronic Components Business	28,055	34,560	6,505	23.2
Solutions Business	48,594	52,922	4,328	8.9
Others	5,706	7,520	1,814	31.8
Corporate	9,573	8,905	(668)	(7.0)
Total	128,960	149,603	20,643	16.0
Research and development expenses				
Core Components Business	16,426	16,463	37	0.2
Electronic Components Business	13,499	14,653	1,154	8.5
Solutions Business	42,612	45,068	2,456	5.8
Others	11,586	18,093	6,507	56.2
Total	84,123	94,277	10,154	12.1

(Note) With regard to Reporting segment information of Sales revenue and Profit before income taxes, please refer to “b. Consolidated Financial Results by Reporting Segment” under “1. Overview of Operating Results and Other Information” on page 4.

b. Geographic segments

(Yen in millions)

	For the year ended March 31, 2022		For the year ended March 31, 2023		Change	
	Amount	%*	Amount	%*	Amount	%
Sales revenue by geographic area						
Japan	613,752	33.4	570,285	28.2	(43,467)	(7.1)
Asia	485,207	26.4	543,458	26.8	58,251	12.0
United States of America	341,522	18.6	451,568	22.3	110,046	32.2
Europe	339,082	18.4	381,141	18.8	42,059	12.4
Others	59,375	3.2	78,880	3.9	19,505	32.9
Total	1,838,938	100.0	2,025,332	100.0	186,394	10.1

* % represents the component ratio.

(8) Earnings per Share

With regard to earnings per share, please refer to the cover page “Consolidated Financial Results for the Year Ended March 31, 2023” and “(2) Consolidated Statements of Profit or Loss and Comprehensive Income” under “6. Consolidated Financial Statements and Primary Notes” on page 17.

Earnings per share attributable to owners of the parent - Diluted is not stated, as there is no potential share.

(9) Material Subsequent Event

Repurchase of Own Shares

Kyocera Corporation has resolved, at a meeting of its Board of Directors held on May 15, 2023, to repurchase its own shares pursuant to Article 156, as applied through Paragraph 3 of Article 165, of the Companies Act of Japan.

a. Reason for the repurchase of its own shares

This repurchase of its own shares is a part of its shareholder return initiatives and is to facilitate flexible capital strategies in the future.

b. Details of matters relating to the repurchase

Type of shares to be repurchased	Common stock
Total number of shares to be repurchased	Up to 8,066,000 shares (2.25% of the total number of shares outstanding, excluding treasury shares)
Total amount of repurchase price	Up to 50 billion yen
Repurchase period	From May 16, 2023 to March 22, 2024
Methods of repurchase	Purchases through market (i) Purchases through Off-Auction Own Share Repurchase Trading System of the Tokyo Stock Exchange (ToSTNeT-3) (ii) Purchases through market under a consignment agreement for repurchase of its own shares

(10) Notes to Going Concern Assumption

Not Applicable.