OASIS

Oasis Announces a Second Campaign -- A Decade After the First -- to Create A Better Kyocera

Over the last ten years, Kyocera has underperformed its peers with its stock price lagging, profitability deteriorating, and ROE declining

Kyocera's diversification strategy has resulted in its failure to maximize on its core competencies, missing substantial opportunities in high growth markets

The Company continues to operate loss-making businesses and invest heavily in technologies that have little chance of achieving a material return on investment

Kyocera has recently announced restructuring plans to head off risks of low approval at the upcoming AGM, but these plans are inadequate

Oasis urges Kyocera to implement seven key changes to dramatically boost its operating performance and raise returns on capital

More information available at abetterkyocera.com

May 14, 2025, Hong Kong – Oasis Management Company Ltd. ("Oasis") is manager to funds that beneficially own shares in Kyocera Corporation (6971 JP) ("Kyocera" or the "Company"). Oasis has adopted the Japan FSA's "Principles of Responsible Institutional Investors" (a.k.a. the Japan Stewardship Code) and in line with those principles, Oasis monitors and engages with its investee companies.

Oasis first approached Kyocera in 2015 with proposals to divest loss-making businesses and reduce cross-shareholdings in order to achieve a much-needed turnaround, but the Company failed to implement any of these suggestions. Since then, Kyocera's stagnation and weak performance has only become more evident, to the frustration of all stakeholders.

Support for Kyocera's management plummeted at its Annual General Meeting (AGM), with the approval rate for the Company President falling from 96% in 2015 to just 65% in 2023. In response, management has recently announced reforms, including divesting underperforming businesses (representing 10% of revenue), selling one-third of its KDDI shares, and implementing JPY400bn in buybacks over the next four years.

Unfortunately, we believe these reforms are inadequate and do not address the Company's key issues. Whilst Kyocera has excellent technical capabilities in its core businesses, including Ceramic Packages and Fine Ceramic Components, Kyocera has failed to maximize on opportunities in its core businesses due to over diversification and subsequent lack of focus.

Managing such a diverse array of businesses has made agile decision-making nearly impossible and has limited Kyocera's ability to develop effective business strategies.

As a result, Kyocera has fallen behind its specialist competitors as reflected by its effectively flat stock price over the last ten years compared to Maruwa Co., Ltd., TDK Corporation, and Ibiden Co., Ltd., which saw gains of +1,118%, +191%, and +159% respectively over the same period.

Kyocera's plan to sell one-third of its KDDI holdings and implement a JPY400 billion buyback over the next two years appears to be reactionary rather than carefully considered. Kyocera owns cross-shareholdings of over JPY1.7 trillion, including its 15.29% stake in KDDI, and received a total dividend of almost JPY50 billion in the last fiscal year. We believe that, in the short-term, Kyocera should use a mix of leverage and sales of cross-shareholdings to finance JPY1 trillion of buybacks over the next four years.

Without deeper reforms, Kyocera's ROE will likely remain under 5% and cross-shareholdings, as a proportion of shareholders' equity, will remain far above the ISS threshold of 20% of net assets, leading to lower approval ratings as shareholders demand ever increasing accountability for operational performance, capital efficiency and improved corporate governance.

To address these issues, Oasis urges Kyocera to implement the following seven-point plan:

1. Divest non-core businesses amounting to over JPY660 billion of revenue.
2. Exit the Organic Packages to prevent further losses.
3. Restructure its KAVX subsidiary to achieve higher margins in line with peers.
4. Stop losses by halting investment into GaN and millimeter-wave technologies which have little potential to produce material returns.
5. Focus on its core business such as ceramics to capture untapped opportunities.
6. Commit to aggressive M&A to reinforce core businesses.
7. Announce a buyback program of JPY1 trillion over the next four years, amounting to approximately 37% of the Company.

By implementing this plan, we believe that the stock could see an upside of over 90% from current levels.

Seth Fischer, Founder & Chief Investment Officer of Oasis, said:

"*Kyocera's excessive diversification has prevented it from long realizing its full potential. The Company continues to support underperforming businesses while failing to prioritize investment and growth opportunities within its best businesses such as ceramics packaging, and the automotive and semiconductor sectors. With cross-shareholdings still accounting for 53% of its net assets and an ROE of just 0.8%, the time for meaningful change is now.*

Management needs to address the twin problems of over-diversification and over-capitalization of its balance sheet by exiting underperforming businesses, leaning into its best growth opportunities, and taking a much more ambitious stance on unwinding cross-shareholdings to improve returns on capital."

Full details can be viewed on the homepage of abetterkyocera.com. All stakeholders are encouraged to contact Oasis at info@abetterkyocera.com.

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Oasis Management Company Ltd. manages private investment funds focused on opportunities in a wide array of asset classes across countries and sectors. Oasis was founded in 2002 by Seth H. Fischer, who leads the firm as its Chief Investment Officer. More information about Oasis is available at https://oasiscm.com. Oasis has adopted the Japan FSA's "Principles for Responsible Institutional Investors" (a.k.a. the Japan Stewardship Code) and, in line with those principles, Oasis monitors and engages with our investee companies.

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