



THE NEW VALUE FRONTIER

February 1, 2019

# Conference Call Material

(Nine Months Ended December 31, 2018)

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This is an English translation of the Japanese original of Conference Call Material (Nine Months Ended December 31, 2018). The translation is prepared solely for the reference and convenience of foreigners. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

# **1. Financial Results for the Nine Months Ended December 31, 2018**

Note: Commencing from the beginning of its fiscal year ending March 31, 2019 (FY3/2019), Kyocera has adopted the International Financial Reporting Standards (“IFRS”) in lieu of the Generally Accepted Accounting Principles of the United States of America (“U.S.GAAP”). In addition, financial figures appearing herein for any period of the year ended March 31, 2018 (FY3/2018) have been reclassified in accordance with IFRS for the purpose of comparative analysis.

## Financial Results for the Nine Months Ended December 31, 2018

- Compared with the Nine Months Ended December 31, 2017 - (Unit: Yen in millions)

	For the nine months ended December 31,				Change	
	2017		2018			
	Amount	% to sales revenue	Amount	% to sales revenue	Amount	%
Sales revenue	1,145,016	100.0%	<b>1,214,417</b>	<b>100.0%</b>	69,401	6.1%
Operating profit	108,322	9.5%	<b>60,576</b>	<b>5.0%</b>	-47,746	-44.1%
Profit before income taxes	147,262	12.9%	<b>104,100</b>	<b>8.6%</b>	-43,162	-29.3%
Profit attributable to owners of the parent	93,088	8.1%	<b>79,419</b>	<b>6.5%</b>	-13,669	-14.7%
Capital expenditures	59,054	5.2%	<b>85,109</b>	<b>7.0%</b>	26,055	44.1%
Depreciation	49,271	4.3%	<b>38,019</b>	<b>3.1%</b>	-11,252	-22.8%
R&D expenses	42,350	3.7%	<b>52,516</b>	<b>4.3%</b>	10,166	24.0%
Average exchange rate	US\$	112 yen	<b>111 yen</b>			
	Euro	129 yen	<b>129 yen</b>			

(Reference) Foreign currency fluctuation effect on sales revenue and profit before income taxes for the nine months ended December 31, 2018 compared with the previous same period. **Sales revenue: Approx. -3.0 billion yen (No significant effect on profit)**

- **Record high sales revenue for the nine months period**
- **Profit decreased due to the recording of losses approx. 68.5 billion yen**
  - Solar energy business: Settlement expenses relating to long-term purchase agreements for procurement of polysilicon material (Approx. 52.3 billion yen)
  - Organic materials business: Impairment loss relating to machinery, equipment and goodwill (Approx. 16.2 billion yen)

**Sales Revenue by Reporting Segment for the Nine Months Ended December 31, 2018**  
**- Compared with the Nine Months Ended December 31, 2017 -**

(Unit: Yen in millions)

	For the nine months ended December 31,				Change	
	2017		2018			
	Amount	% of sales revenue	Amount	% of sales revenue	Amount	%
Industrial & Automotive Components Group	205,456	18.0%	<b>238,394</b>	<b>19.6%</b>	32,938	16.0%
Semiconductor Components Group	196,226	17.1%	<b>193,507</b>	<b>16.0%</b>	-2,719	-1.4%
Electronic Devices Group	223,451	19.5%	<b>278,091</b>	<b>22.9%</b>	54,640	24.5%
<b>Total Components Business</b>	<b>625,133</b>	<b>54.6%</b>	<b>709,992</b>	<b>58.5%</b>	<b>84,859</b>	<b>13.6%</b>
Communications Group	181,321	15.8%	<b>180,632</b>	<b>14.9%</b>	-689	-0.4%
Document Solutions Group	266,902	23.3%	<b>273,835</b>	<b>22.5%</b>	6,933	2.6%
Life & Environment Group	79,747	7.0%	<b>58,512</b>	<b>4.8%</b>	-21,235	-26.6%
<b>Total Equipment &amp; Systems Business</b>	<b>527,970</b>	<b>46.1%</b>	<b>512,979</b>	<b>42.2%</b>	<b>-14,991</b>	<b>-2.8%</b>
Others	14,068	1.2%	<b>13,355</b>	<b>1.1%</b>	-713	-5.1%
Adjustments and eliminations	-22,155	-1.9%	<b>-21,909</b>	<b>-1.8%</b>	246	—
<b>Sales revenue</b>	<b>1,145,016</b>	<b>100.0%</b>	<b>1,214,417</b>	<b>100.0%</b>	<b>69,401</b>	<b>6.1%</b>

## Business Profit (Loss) by Reporting Segment for the Nine Months Ended December 31, 2018

- Compared with the Nine Months Ended December 31, 2017 - (Unit: Yen in millions)

	For the nine months ended December 31,				Change	
	2017		2018			
	Amount	% to sales revenue	Amount	% to sales revenue	Amount	%
Industrial & Automotive Components Group	23,223	11.3%	<b>31,213</b>	<b>13.1%</b>	7,990	34.4%
Semiconductor Components Group	26,191	13.3%	※1 <b>4,836</b>	<b>2.5%</b>	-21,355	-81.5%
Electronic Devices Group	35,835	16.0%	<b>52,920</b>	<b>19.0%</b>	17,085	47.7%
<b>Total Components Business</b>	<b>85,249</b>	<b>13.6%</b>	<b>88,969</b>	<b>12.5%</b>	<b>3,720</b>	<b>4.4%</b>
Communications Group	1,822	1.0%	<b>5,677</b>	<b>3.1%</b>	3,855	211.6%
Document Solutions Group	29,088	10.9%	<b>30,081</b>	<b>11.0%</b>	993	3.4%
Life & Environment Group	-2,597	—	※2 <b>-63,894</b>	—	-61,297	—
<b>Total Equipment &amp; Systems Business</b>	<b>28,313</b>	<b>5.4%</b>	<b>-28,136</b>	<b>—</b>	<b>-56,449</b>	<b>—</b>
Others	922	6.6%	<b>1,564</b>	<b>11.7%</b>	642	69.6%
<b>Total business profit</b>	<b>114,484</b>	<b>10.0%</b>	<b>62,397</b>	<b>5.1%</b>	<b>-52,087</b>	<b>-45.5%</b>
Corporate and others	32,778	—	<b>41,703</b>	<b>—</b>	8,925	27.2%
<b>Profit before income taxes</b>	<b>147,262</b>	<b>12.9%</b>	<b>104,100</b>	<b>8.6%</b>	<b>-43,162</b>	<b>-29.3%</b>

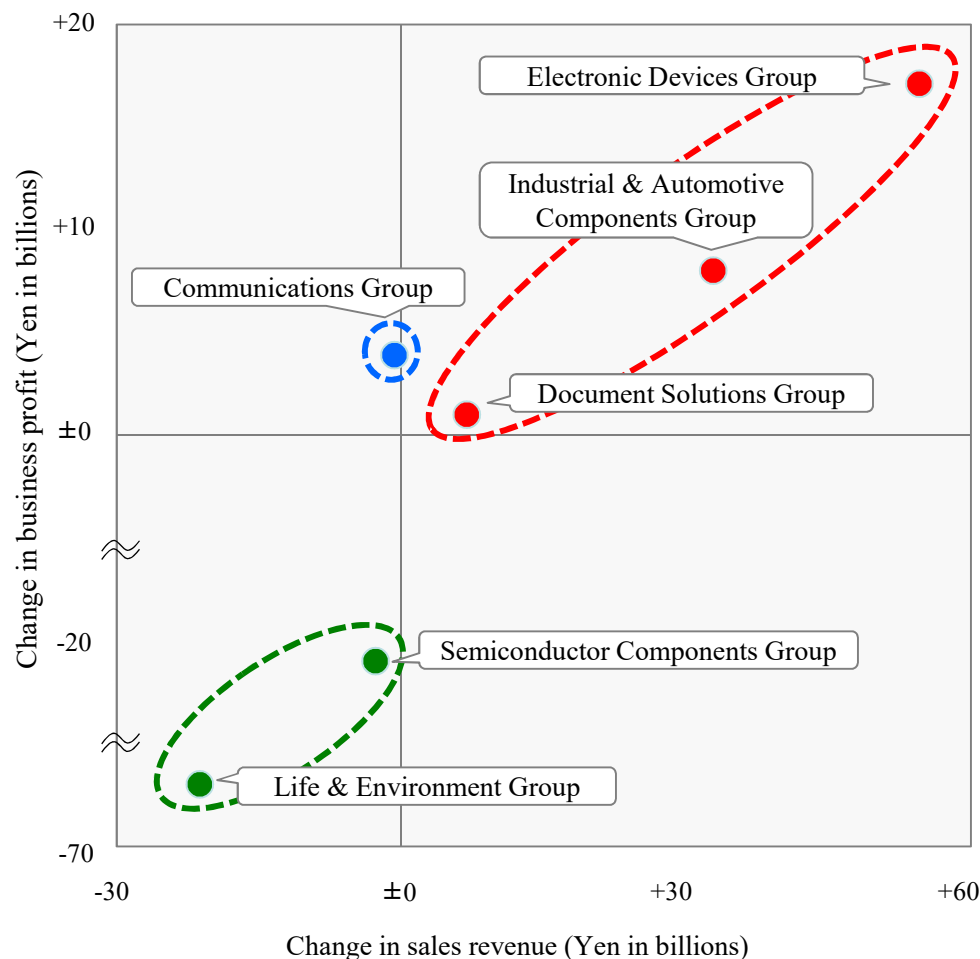
Recorded losses in:

※1 Organic materials business: approx. 16.2 billion yen impairment loss relating to machinery, equipment and goodwill;

※2 Solar energy business: approx. 52.3 billion yen settlement expenses relating to long-term purchase agreements for procurement of polysilicon material.

## Major Factors Behind YoY Changes for the Nine Months Ended December 31, 2018

YoY changes in sales revenue and business profit for the nine months ended December 31, 2018



### 1. Contributed to growth through active investment in buoyant businesses

- Aggressively increased production to meet rising demand
- M&A activities conducted from FY3/2018

### 2. Enhanced profit by reducing low-profit products

- Reduced loss in telecommunications equipment business

### 3. Recorded one-time loss

#### ➤ Work to enhance profitability in challenging businesses in the future

- Organic materials business (Semiconductor Components Group) : Recorded impairment loss relating to machinery, equipment and goodwill
- Solar energy business (Life & Environment Group) : Recorded settlement expenses relating to long-term purchase agreements for procurement of polysilicon material

## Financial Results for the Three Months Ended December 31, 2018

- Compared with the Three Months Ended September 30, 2018 -

(Unit: Yen in millions)

	For the three months ended				Change	
	September 30, 2018		<b>December 31, 2018</b>			
	Amount	% to sales revenue	Amount	% to sales revenue	Amount	%
Sales revenue	413,154	100.0%	<b>413,779</b>	<b>100.0%</b>	625	0.2%
Operating profit	45,497	11.0%	<b>-22,025</b>	—	-67,522	—
Profit before income taxes	50,201	12.2%	<b>-1,589</b>	—	-51,790	—
Profit attributable to owners of the parent	36,110	8.7%	<b>1,025</b>	<b>0.2%</b>	-35,085	-97.2%
Capital expenditures	27,171	6.6%	<b>28,088</b>	<b>6.8%</b>	917	3.4%
Depreciation	12,592	3.0%	<b>13,724</b>	<b>3.3%</b>	1,132	9.0%
R&D expenses	18,543	4.5%	<b>17,260</b>	<b>4.2%</b>	-1,283	-6.9%
Average exchange rate	US\$	111 yen	<b>113 yen</b>			
	Euro	130 yen	<b>129 yen</b>			

(Reference) Foreign currency fluctuation effect on sales revenue and profit before income taxes for the three months ended December 31, 2018 compared with the three months ended September 30, 2018

**Sales revenue:** Approx. +2.0billion yen

**Profit before income taxes:** Approx. +0.5billion yen

Sales Revenue by Reporting Segment for the Three Months Ended December 31, 2018  
- Compared with the Three Months Ended September 30, 2018 -

(Unit: Yen in millions)

	For the three months ended				Change	
	September 30, 2018		December 31, 2018			
	Amount	% of sales revenue	Amount	% of sales revenue	Amount	%
Industrial & Automotive Components Group	78,851	19.1%	77,587	18.7%	-1,264	-1.6%
Semiconductor Components Group	66,820	16.2%	66,038	16.0%	-782	-1.2%
Electronic Devices Group	95,519	23.1%	94,288	22.8%	-1,231	-1.3%
<b>Total Components Business</b>	<b>241,190</b>	<b>58.4%</b>	<b>237,913</b>	<b>57.5%</b>	<b>-3,277</b>	<b>-1.4%</b>
Communications Group	63,261	15.3%	65,761	15.9%	2,500	4.0%
Document Solutions Group	89,973	21.8%	95,066	22.9%	5,093	5.7%
Life & Environment Group	22,113	5.3%	17,707	4.3%	-4,406	-19.9%
<b>Total Equipment &amp; Systems Business</b>	<b>175,347</b>	<b>42.4%</b>	<b>178,534</b>	<b>43.1%</b>	<b>3,187</b>	<b>1.8%</b>
Others	4,400	1.1%	4,023	1.0%	-377	-8.6%
Adjustments and eliminations	-7,783	-1.9%	-6,691	-1.6%	1,092	—
<b>Sales revenue</b>	<b>413,154</b>	<b>100.0%</b>	<b>413,779</b>	<b>100.0%</b>	<b>625</b>	<b>0.2%</b>



**Business Profit (Loss) by Reporting Segment for the Three Months Ended December 31, 2018**  
 - Compared with the Three Months Ended September 30, 2018 - (Unit: Yen in millions)

	For the three months ended				Change	
	September 30, 2018		December 31, 2018		Amount	%
	Amount	% to sales revenue	Amount	% to sales revenue		
Industrial & Automotive Components Group	10,834	13.7%	9,963	12.8%	-871	-8.0%
Semiconductor Components Group	7,311	10.9%	※ <sup>1</sup> -8,321	—	-15,632	—
Electronic Devices Group	19,420	20.3%	19,103	20.3%	-317	-1.6%
<b>Total Components Business</b>	<b>37,565</b>	<b>15.6%</b>	<b>20,745</b>	<b>8.7%</b>	<b>-16,820</b>	<b>-44.8%</b>
Communications Group	2,897	4.6%	5,021	7.6%	2,124	73.3%
Document Solutions Group	9,630	10.7%	10,103	10.6%	473	4.9%
Life & Environment Group	-3,383	—	※ <sup>2</sup> -57,496	—	-54,113	—
<b>Total Equipment &amp; Systems Business</b>	<b>9,144</b>	<b>5.2%</b>	<b>-42,372</b>	<b>—</b>	<b>-51,516</b>	<b>—</b>
Others	350	8.0%	597	14.8%	247	70.6%
<b>Total business profit</b>	<b>47,059</b>	<b>11.4%</b>	<b>-21,030</b>	<b>—</b>	<b>-68,089</b>	<b>—</b>
Corporate and others	3,142	—	19,441	—	16,299	518.7%
<b>Profit before income taxes</b>	<b>50,201</b>	<b>12.2%</b>	<b>-1,589</b>	<b>—</b>	<b>-51,790</b>	<b>—</b>

Recorded losses in:

※<sup>1</sup> Organic materials business: approx. 16.2 billion yen impairment loss relating to machinery, equipment and goodwill;

※<sup>2</sup> Solar energy business: approx. 52.3 billion yen settlement expenses relating to long-term purchase agreements for procurement of polysilicon material.

## **2. Financial Forecasts for the Year Ending March 31, 2019**

## Financial Forecasts for the Year Ending March 31, 2019

(Unit: Yen in millions)

	Results for the year ended March 31, 2018		Forecasts for the year ending March 31, 2019				Change in amount compared with (Ratio of increase/decrease)	
			Previous (November 2018)		Revised (February 2019)			
	Amount	% to sales revenue	Amount	% to sales revenue	Amount	% to sales revenue	Year ended March 31, 2018	Previous forecast
Sales revenue	1,577,039	100.0%	1,650,000	100.0%	<b>1,600,000</b>	<b>100.0%</b>	22,961 (1.5%)	-50,000 (-3.0%)
Operating profit	90,699	5.8%	99,000	6.0%	<b>76,000</b>	<b>4.8%</b>	-14,699 (-16.2%)	-23,000 (-23.2%)
Profit before income taxes	129,992	8.2%	135,000	8.2%	<b>120,000</b>	<b>7.5%</b>	-9,992 (-7.7%)	-15,000 (-11.1%)
Profit attributable to owners of the parent	79,137	5.0%	95,500	5.8%	<b>90,000</b>	<b>5.6%</b>	10,863 (13.7%)	-5,500 (-5.8%)
EPS-Basic (yen)	215.22	—	263.32	—	※1 <b>248.36</b>	—	33.14	-14.96
Capital expenditures	86,519	5.5%	110,000	6.7%	<b>110,000</b>	<b>6.9%</b>	23,481	0
Depreciation	69,703	4.4%	65,000	3.9%	<b>55,000</b>	<b>3.4%</b>	-14,703	-10,000
R&D expenses	58,273	3.7%	70,000	4.2%	<b>70,000</b>	<b>4.4%</b>	11,727	0
Average exchange rate	US\$	111 yen	105 yen		<b>110 yen</b>			
	Euro	130 yen	130 yen		<b>128 yen</b>			

(Reference) Estimated foreign currency fluctuation effect on forecast of sales revenue and profit before income taxes for the year ending March 31, 2019 compared with the year ended March 31, 2018.

**Sales revenue: Approx. – 10.5 billion yen**

**Profit before income taxes: Approx. - 3.0 billion yen**

※1: Forecast of EPS-Basic (yen) is calculated using the average number of shares outstanding for the nine months ended December 31, 2018.

## Sales Revenue Forecast by Reporting Segment for the Year Ending March 31, 2019

(Unit: Yen in millions)

	Results for the year ended March 31, 2018		Forecasts for the year ending March 31, 2019				Change in amount compared with	
			Previous (November 2018)		Revised (February 2019)		Year ended March 31, 2018	Previous forecast
	Amount	% of sales revenue	Amount	% of sales revenue	Amount	% of sales revenue		
Industrial & Automotive Components Group	287,620	18.2%	320,000	19.4%	<b>313,000</b>	<b>19.6%</b>	25,380	-7,000
Semiconductor Components Group	257,237	16.3%	250,000	15.1%	<b>240,000</b>	<b>15.0%</b>	-17,237	-10,000
Electronic Devices Group	305,145	19.4%	376,000	22.8%	<b>364,000</b>	<b>22.7%</b>	58,855	-12,000
<b>Total Components Business</b>	<b>850,002</b>	<b>53.9%</b>	<b>946,000</b>	<b>57.3%</b>	<b>917,000</b>	<b>57.3%</b>	<b>66,998</b>	<b>-29,000</b>
Communications Group	255,535	16.2%	245,000	14.9%	<b>250,000</b>	<b>15.6%</b>	-5,535	5,000
Document Solutions Group	371,058	23.5%	385,000	23.3%	<b>375,000</b>	<b>23.5%</b>	3,942	-10,000
Life & Environment Group	112,212	7.1%	84,000	5.1%	<b>69,000</b>	<b>4.3%</b>	-43,212	-15,000
<b>Total Equipment &amp; Systems Business</b>	<b>738,805</b>	<b>46.8%</b>	<b>714,000</b>	<b>43.3%</b>	<b>694,000</b>	<b>43.4%</b>	<b>-44,805</b>	<b>-20,000</b>
Others	18,827	1.2%	17,000	1.0%	<b>17,000</b>	<b>1.1%</b>	-1,827	0
Adjustments and eliminations	-30,595	-1.9%	-27,000	-1.6%	<b>-28,000</b>	<b>-1.8%</b>	2,595	-1,000
<b>Sales revenue</b>	<b>1,577,039</b>	<b>100.0%</b>	<b>1,650,000</b>	<b>100.0%</b>	<b>1,600,000</b>	<b>100.0%</b>	<b>22,961</b>	<b>-50,000</b>

## Business Profit (Loss) Forecast by Reporting Segment for the Year Ending March 31, 2019

(Unit: Yen in millions)

	Results for the year ended March 31, 2018		Forecasts for the year ending March 31, 2019				Change in amount compared with	
			Previous (November 2018)		Revised (February 2019)		Year ended March 31, 2018	Previous forecast
	Amount	% to sales revenue	Amount	% to sales revenue	Amount	% to sales revenue		
Industrial & Automotive Components Group	31,400	10.9%	39,000	12.2%	<b>38,000</b>	<b>12.1%</b>	6,600	-1,000
Semiconductor Components Group	31,049	12.1%	27,000	10.8%	※ <sup>3</sup> <b>6,000</b>	<b>2.5%</b>	-25,049	-21,000
Electronic Devices Group	46,632	15.3%	62,500	16.6%	<b>65,000</b>	<b>17.9%</b>	18,368	2,500
Total Components Business	109,081	12.8%	128,500	13.6%	<b>109,000</b>	<b>11.9%</b>	-81	-19,500
Communications Group	4,440	1.7%	5,200	2.1%	<b>8,000</b>	<b>3.2%</b>	3,560	2,800
Document Solutions Group	40,851	11.0%	41,500	10.8%	<b>38,000</b>	<b>10.1%</b>	-2,851	-3,500
Life & Environment Group	※ <sup>1</sup> -55,492	—	-72,000	—	※ <sup>2</sup> <b>-72,000</b>	—	-16,508	0
Total Equipment & Systems Business	-10,201	—	-25,300	—	<b>-26,000</b>	—	-15,799	-700
Others	1,393	7.4%	0	0.0%	<b>1,000</b>	<b>5.9%</b>	-393	1,000
Total business profit	100,273	6.4%	103,200	6.3%	<b>84,000</b>	<b>5.3%</b>	-16,273	-19,200
Corporate and Others	29,719	—	31,800	—	<b>36,000</b>	—	6,281	4,200
Profit before income taxes	129,992	8.2%	135,000	8.2%	<b>120,000</b>	<b>7.5%</b>	-9,992	-15,000

Recorded losses in:

※<sup>1</sup> Solar energy business: approx. 50.2 billion yen write-down relating to long-term purchase agreements for procurement of polysilicon material;

※<sup>2</sup> Solar energy business: approx. 52.3 billion yen settlement expenses relating to long-term purchase agreements for procurement of polysilicon material;

※<sup>3</sup> Organic materials business: approx. 16.2 billion yen impairment loss relating to machinery, equipment and goodwill.

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## Major Factors Behind Changes in Forecast for the Year Ending March 31, 2019

### 1. Slow demand in key markets

#### **Components Business**

- Smartphone market : Ceramic packages and several electronic devices including MLCCs
- Industrial machinery market : Fine ceramic parts, etc.

#### **Equipment & Systems Business**

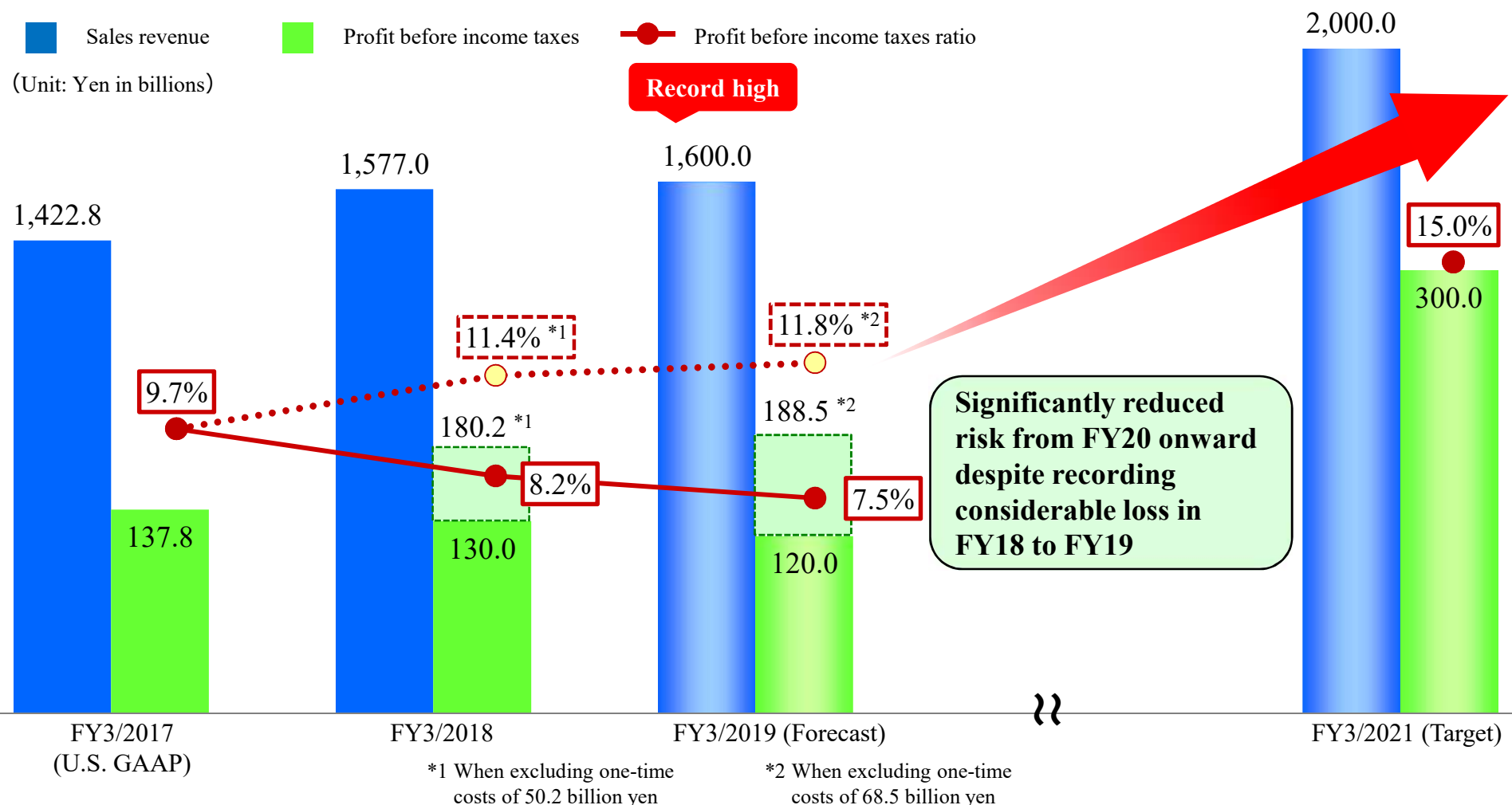
- Document Solutions Group: Slow sales in European and U.S. market
- Life & Environment Group: Sales decline in the solar energy business in Japan

### 2. Record of an impairment loss in Semiconductor Components Group

**Organic materials business:** Approx. 16.2 billion yen impairment loss relating to machinery, equipment and goodwill

## Trend of Sales revenue and Profit before income taxes

**Aim to achieve a new record high for sales revenue for the second consecutive fiscal year**



## 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;
- (3) Various export risks which may affect the significant percentage of our revenues derived from overseas sales;
- (4) The effect of foreign exchange fluctuations on our results of operations;
- (5) Intense competitive pressures to which our products are subject;
- (6) Fluctuations in the price and ability of suppliers to provide the required quantity of raw materials for use in our production activities;
- (7) Manufacturing delays or defects resulting from outsourcing or internal manufacturing processes;
- (8) Shortages and rising costs of electricity affecting our production and sales activities;
- (9) The possibility that future initiatives and in-process research and development may not produce the desired results;
- (10) Companies or assets acquired by us not produce the returns or benefits, or bring in business opportunities;
- (11) Inability to secure skilled employees, particularly engineering and technical personnel;
- (12) Damages on our information security systems from cyberattacks, etc. and significant costs in order to recover and maintain the systems;
- (13) Insufficient protection of our trade secrets and intellectual property rights including patents;
- (14) Expenses associated with licenses we require to continue to manufacture and sell products;
- (15) Environmental liability and compliance obligations by tightening of environmental laws and regulations;
- (16) Unintentional conflict with laws and regulations or newly enacted laws and regulations;
- (17) Our market or supply chains being affected by terrorism, plague, wars or similar events;
- (18) Earthquakes and other natural disasters affecting our headquarters and major facilities as well as our suppliers and customers;
- (19) Credit risk on trade receivables;
- (20) Fluctuations in the value of, and impairment losses on, securities and other assets held by us;
- (21) Impairment losses on property, plant and equipment, goodwill and intangible assets;
- (22) Unrealized deferred tax assets and additional liabilities for unrecognized tax benefits; and
- (23) Changes in accounting principles.

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.