

July 28, 2017

# Conference Call Material

## For the Three Months Ended June 30, 2017

Hideo Tanimoto  
President and Representative Director

KYOCERA Corporation

This is an English translation of the Japanese original of conference call material. 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 Three Months Ended June 30, 2017**

Note: Kyocera has changed the classification of its reporting segments from FY3/2018. Business results for FY3/2017 have been reclassified in line with the change to reporting segment classifications in this document.

# Financial Results for Q1 of FY3/2018

— Comparison with Q1 of FY3/2017 —

(Unit: Yen in millions)

	Three months ended June 30,				Change	
	2016		2017			
	Amount	% to net sales	Amount	% to net sales	Amount	%
Net sales	319,985	100.0%	345,162	100.0%	25,177	7.9%
Profit from operations	12,270	3.8%	31,167	9.0%	18,897	154.0%
Pre-tax income	24,798	7.7%	49,260	14.3%	24,462	98.6%
Net income attributable to shareholders of Kyocera Corporation	17,453	5.5%	34,981	10.1%	17,528	100.4%
Capital expenditures	17,208	5.4%	17,180	5.0%	-28	-0.2%
Depreciation	14,424	4.5%	14,755	4.3%	331	2.3%
R&D expenses	15,269	4.8%	13,584	3.9%	-1,685	-11.0%
Average exchange rate (yen)	US\$	¥108		¥111		
	Euro	¥122		¥122		
Foreign currency fluctuation effect on; (compared with the previous same period)	Net sales	Approx. ¥ -25 billion		Approx. ¥ 4 billion		
	Pre-tax income	Approx. ¥ -5 billion		Approx. ¥ 0.5 billion		

# Sales by Reporting Segment for Q1 of FY3/2018

– Comparison with Q1 of FY3/2017 –

(Unit: Yen in millions)

	Three months ended June 30,				Change	
	2016		2017			
	Amount	% of net sales	Amount	% of net sales	Amount	%
Industrial & Automotive Components Group	52,516	16.4%	61,185	17.7%	8,669	16.5%
Semiconductor Components Group	56,005	17.5%	60,786	17.6%	4,781	8.5%
Electronic Devices Group	55,453	17.4%	63,120	18.3%	7,667	13.8%
<b>Components Business</b>	<b>163,974</b>	<b>51.3%</b>	<b>185,091</b>	<b>53.6%</b>	<b>21,117</b>	<b>12.9%</b>
Communications Group	57,835	18.1%	57,071	16.5%	-764	-1.3%
Document Solutions Group	74,939	23.4%	80,973	23.5%	6,034	8.1%
Life & Environment Group	27,308	8.5%	24,606	7.1%	-2,702	-9.9%
<b>Equipment &amp; Systems Business</b>	<b>160,082</b>	<b>50.0%</b>	<b>162,650</b>	<b>47.1%</b>	<b>2,568</b>	<b>1.6%</b>
Others	5,113	1.6%	5,245	1.5%	132	2.6%
Adjustments and eliminations	-9,184	-2.9%	-7,824	-2.2%	1,360	–
<b>Net Sales</b>	<b>319,985</b>	<b>100.0%</b>	<b>345,162</b>	<b>100.0%</b>	<b>25,177</b>	<b>7.9%</b>

Sales up in both the Components Business and Equipment & Systems Business

# Operating Profit by Reporting Segment for Q1 of FY3/2018

## – Comparison with Q1 of FY3/2017 –

(Unit: Yen in millions)

	Three months ended June 30,				Change	
	2016		2017			
	Amount	% to net sales	Amount	% to net sales	Amount	%
Industrial & Automotive Components Group	1,757	3.3%	6,386	10.4%	4,629	263.5%
Semiconductor Components Group	4,479	8.0%	8,005	13.2%	3,526	78.7%
Electronic Devices Group	6,920	12.5%	8,599	13.6%	1,679	24.3%
<b>Components Business</b>	<b>13,156</b>	<b>8.0%</b>	<b>22,990</b>	<b>12.4%</b>	<b>9,834</b>	<b>74.7%</b>
Communications Group	-4,756	–	1,158	2.0%	5,914	–
Document Solutions Group	5,851	7.8%	9,237	11.4%	3,386	57.9%
Life & Environment Group	-1,882	–	-1,203	–	679	–
Equipment & Systems Business	-787	–	9,192	5.7%	9,979	–
Others	-966	–	466	8.9%	1,432	–
<b>Operating Profit</b>	<b>11,403</b>	<b>3.6%</b>	<b>32,648</b>	<b>9.5%</b>	<b>21,245</b>	<b>186.3%</b>
Corporate and Others	13,395	–	16,612	–	3,217	24.0%
<b>Pre-tax income</b>	<b>24,798</b>	<b>7.7%</b>	<b>49,260</b>	<b>14.3%</b>	<b>24,462</b>	<b>98.6%</b>

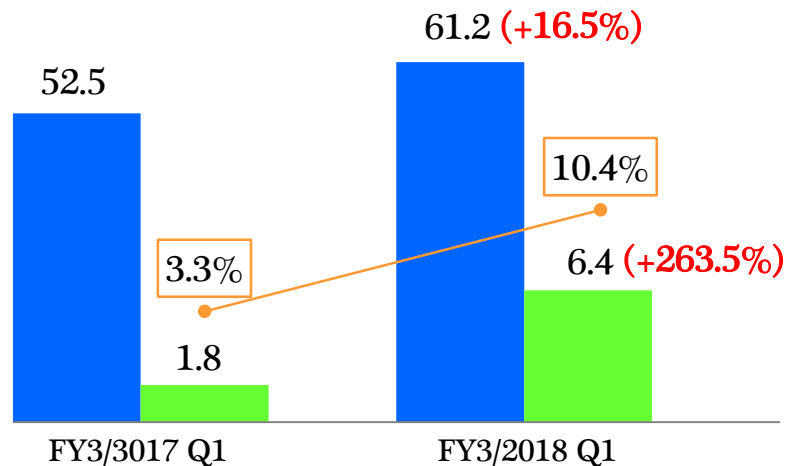
Profit up significantly and profitability improved in all reporting segments

# Financial Results for Q1 of FY3/2018 by Reporting Segment (1)

■ Sales 
 ■ Operating profit 
 —●— Operating profit ratio 
 ( ) Change from Q1 of FY3/2017 (%)

## Industrial & Automotive Components Group

(Unit: Yen in billions)

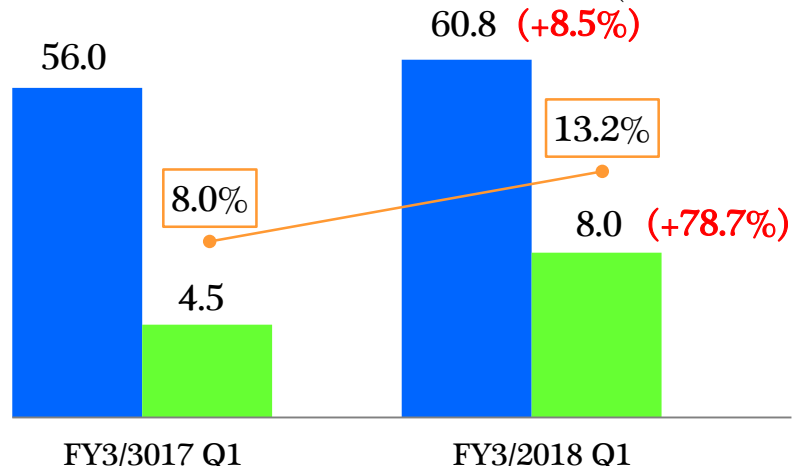


<Major factors for changes>

- ✓ Sales up due mainly to increases in sales of displays, cutting tools and semiconductor fabrication equipment parts, etc.
- ✓ Profit up 3.6 times due to the sales growth and cost reductions

## Semiconductor Components Group

(Unit: Yen in billions)



<Major factors for changes>

- ✓ Sales up due mainly to sales gains in ceramic packages for optical communications
- ✓ Profit up significantly due to sales growth in ceramic packages and cost reductions

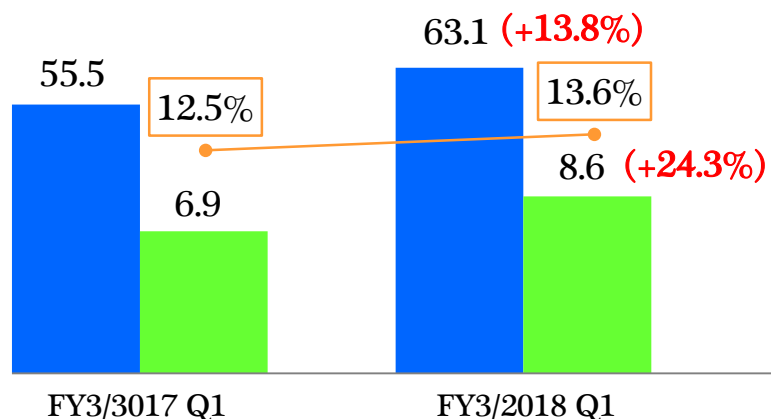
# Financial Results for Q1 of FY3/2018 by Reporting Segment (2)

■ Sales ■ Operating profit —●— Operating profit ratio ( ) Change from Q1 of FY3/2017 (%)

## Electronic Devices Group

(Unit: Yen in billions)

<Major factors for changes>

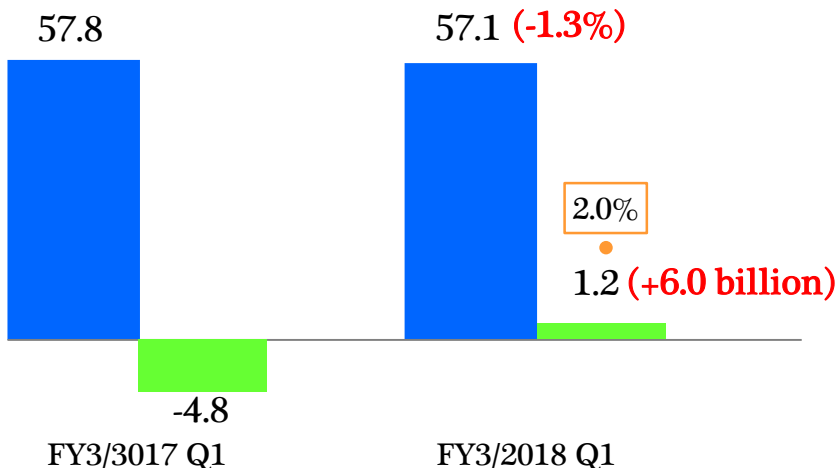


- ✓ Sales up due to sales growth in capacitors and crystal components for smartphones and in printing devices for industrial equipment
- ✓ Profit up due to the increase in sales

## Communications Group

(Unit: Yen in billions)

<Major factors for changes>



- ✓ Sales down due to a decline in sales volume of low-end handsets for overseas, despite an increase in sales in the information and communications services business, which provides ICT solutions, etc.
- ✓ Profit up due to sales growth in Japan in the telecommunications equipment business and to sales expansion in the information and communication services business

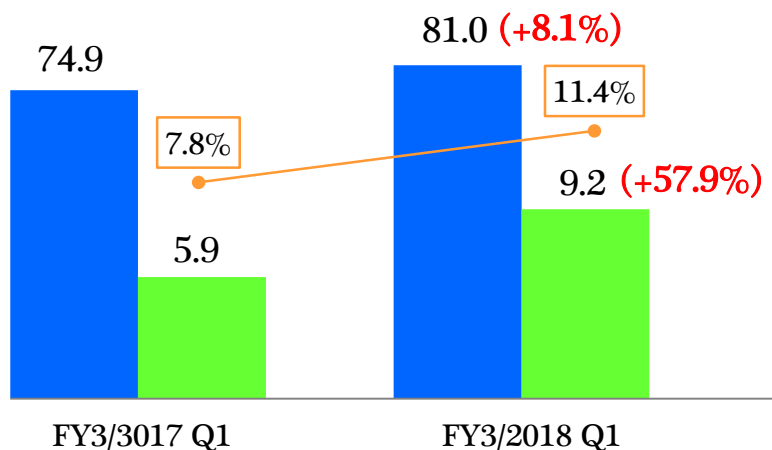
# Financial Results for Q1 of FY3/2018 by Reporting Segment (3)

■ Sales ■ Operating profit —●— Operating profit ratio ( ) Change from Q1 of FY3/2017 (%)

## Document Solutions Group

(Unit: Yen in billions)

<Major factors for changes>

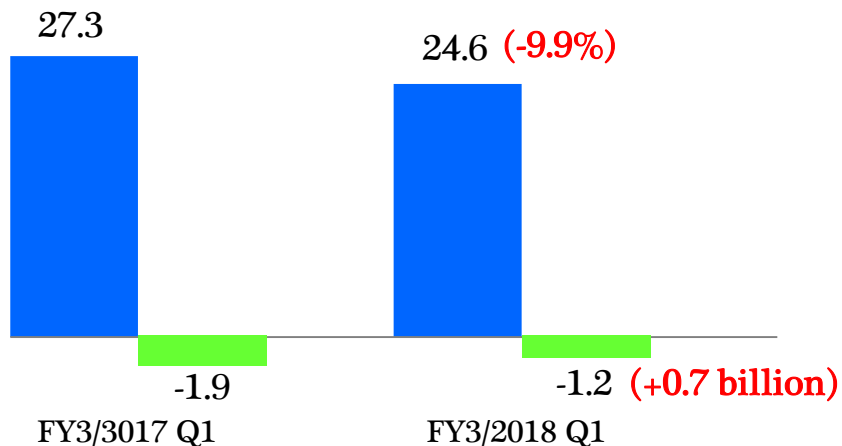


- ✓ Sales up due to an increase in sales volume following investment in new products, aggressive sales promotion activities and the contribution of sales from a consolidated subsidiary, which joined the Kyocera Group in December 2016.
- ✓ Profit up significantly due to the higher sales and cost reductions

## Life & Environment Group

(Unit: Yen in billions)

<Major factors for changes>



- ✓ Sales down due to downsizing of the solar energy business in the United States
- ✓ Operating loss was reduced due to cost reductions



## **2. Financial Forecasts for the Year Ending March 31, 2018**

# Financial Forecasts for the Year Ending March 31, 2018

(Unit: Yen in millions)

Unchanged	Year ended March 31, 2017		Year ending March 31, 2018		Change	
	Amount	% to net sales	Amount	% to net sales	Amount	%
Net sales	1,422,754	100.0%	1,500,000	100.0%	77,246	5.4%
Profit from operations	104,542	7.3%	120,000	8.0%	15,458	14.8%
Pre-tax income	137,849	9.7%	150,000	10.0%	12,151	8.8%
Net income attributable to shareholders of Kyocera Corporation	103,843	7.3%	105,000	7.0%	1,157	1.1%
EPS (Diluted-yen)	282.62	—	285.55	—	2.93	—
Capital expenditures	67,781	4.8%	80,000	5.3%	12,219	18.0%
Depreciation	66,019	4.6%	75,000	5.0%	8,981	13.6%
R&D expenses	55,411	3.9%	60,000	4.0%	4,589	8.3%
Average exchange rate (yen)	US\$	¥108	¥108			
	Euro	¥119	¥115			
Foreign currency fluctuation effect on;(compared with the previous same period)	Net sales	Approx. ¥ -94 billion	Approx. ¥ -6.5 billion			
	Pre-tax income	Approx. ¥ -26 billion	Approx. ¥ -4.0 billion			

Notes: Forecast of EPS (Diluted-yen) is computed based on the diluted average number of shares outstanding during the three months ended June 30, 2017.

## Sales Forecast by Reporting Segment

(Unit: Yen in millions)

Unchanged	Year ended March 31, 2017		Year ending March 31, 2018		Change	
	Amount	% of net sales	Amount	% of net sales	Amount	%
Industrial & Automotive Components Group	230,229	16.2%	246,000	16.4%	15,771	6.9%
Semiconductor Components Group	245,727	17.3%	248,000	16.5%	2,273	0.9%
Electronic Devices Group	240,798	16.9%	254,000	17.0%	13,202	5.5%
<b>Components Business</b>	<b>716,754</b>	<b>50.4%</b>	<b>748,000</b>	<b>49.9%</b>	<b>31,246</b>	<b>4.4%</b>
Communications Group	252,641	17.7%	269,000	17.9%	16,359	6.5%
Document Solutions Group	324,012	22.8%	350,000	23.4%	25,988	8.0%
Life & Environment Group	149,207	10.5%	153,000	10.2%	3,793	2.5%
<b>Equipment &amp; Systems Business</b>	<b>725,860</b>	<b>51.0%</b>	<b>772,000</b>	<b>51.5%</b>	<b>46,140</b>	<b>6.4%</b>
Others	22,066	1.5%	16,000	1.0%	-6,066	-27.5%
Adjustments and eliminations	-41,926	-2.9%	-36,000	-2.4%	5,926	—
<b>Net Sales</b>	<b>1,422,754</b>	<b>100.0%</b>	<b>1,500,000</b>	<b>100.0%</b>	<b>77,246</b>	<b>5.4%</b>

# Operating Profit Forecast by Reporting Segment

(Unit: Yen in millions)

Unchanged	Year ended March 31, 2017		Year ending March 31, 2018		Change	
	Amount	% to net sales	Amount	% to net sales	Amount	%
Industrial & Automotive Components Group	22,442	9.7%	26,000	10.6%	3,558	15.9%
Semiconductor Components Group	25,310	10.3%	26,000	10.5%	690	2.7%
Electronic Devices Group	30,558	12.7%	33,000	13.0%	2,442	8.0%
<b>Components Business</b>	<b>78,310</b>	<b>10.9%</b>	<b>85,000</b>	<b>11.4%</b>	<b>6,690</b>	<b>8.5%</b>
Communications Group	8,528	3.4%	13,000	4.8%	4,472	52.4%
Document Solutions Group	28,080	8.7%	35,000	10.0%	6,920	24.6%
Life & Environment Group	1,345	0.9%	3,000	2.0%	1,655	123.0%
<b>Equipment &amp; Systems Business</b>	<b>37,953</b>	<b>5.2%</b>	<b>51,000</b>	<b>6.6%</b>	<b>13,047</b>	<b>34.4%</b>
Others	-1,759	—	-3,000	—	-1,241	—
<b>Operating Profit</b>	<b>114,504</b>	<b>8.0%</b>	<b>133,000</b>	<b>8.9%</b>	<b>18,496</b>	<b>16.2%</b>
Corporate and Others	23,345	—	17,000	—	-6,345	-27.2%
<b>Pre-tax income</b>	<b>137,849</b>	<b>9.7%</b>	<b>150,000</b>	<b>10.0%</b>	<b>12,151</b>	<b>8.8%</b>

Note: "Operating profit" represents combined pre-tax income of all reporting segments.

## Initiatives from 2Q Onward

### 1. Expand sales by bolstering production capacity

- ✓ Components for the information and communications market
- ✓ Fine ceramic parts for industrial machinery

### 2. Enhance productivity in Document Solutions through operation of a new toner container factory

- ✓ Introduction of a completely automated line from resin molding to assembly, filling and packing
  - Realizes thorough cost reduction
  - Planned over two-fold increase in production capacity by 2020 relative to present level



Factory No. 7 at the Tamaki Plant, Mie, of Kyocera Document Solutions Inc.

### 3. Expand business by utilizing external resources

- ✓ Pursue synergies with SENCO Holdings, Inc., a U.S.-based pneumatic tool maker
- ✓ Collaborate in development and production of ceramic parts using new material with Toshiba Materials Co., Ltd.

# Forward-Looking Statements

Certain of the statements made in this document are forward-looking statements (within the meaning of Section 21E of the U.S. Securities and Exchange Act of 1934), 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 Kyocera's 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) insufficient protection of our trade secrets and intellectual property rights including patents;
- (13) expenses associated with licenses we require to continue to manufacture and sell products;
- (14) environmental liability and compliance obligations by tightening of environmental laws and regulations;
- (15) unintentional conflict with laws and regulations or newly enacted laws and regulations;
- (16) our market or supply chains being affected by terrorism, plague, 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, and impairment losses on, securities and other assets held by us;
- (20) impairment losses on long-lived assets, goodwill and intangible assets;
- (21) unrealized deferred tax assets and additional liabilities for unrecognized tax benefits;
- (22) changes in accounting principles;

Such risks, uncertainties and other factors may cause our actual results, performance, achievements or financial condition to be materially 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.