Telephone Conference Call for the Three Months Ended June 30, 2019
(Held on August 2, 2019)

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President and Representative Director

＜(Cover)1. Financial Results for the Three Months Ended June 30, 2019＞

＜2. Financial Results for Q1 of FY3/2020＞

In the three months ended June 30, 2019 (“the first quarter”), sales revenue remained roughly on par with the three months ended June 30, 2018 (“the previous first quarter”) at 384.9 billion yen due to an increase in sales in the Communications Group, despite a decline in sales in the Components Business.

Profit was down due mainly to the impact of lower sales revenue in the Components Business, an increase in depreciation charge and R&D expenses, and the recording of costs associated with celebrations for the Company’s 60th anniversary.

Average exchange rates for the first quarter were 110 yen to the U.S. dollar, marking depreciation of 1 yen, and 123 yen to the Euro, marking appreciation of 7 yen, on a year-on-year basis. This had the effect of decreasing sales revenue and profit before income taxes by approximately 4.5 billion yen and 2.0 billion yen, respectively.

＜3. Summary of Financial Results for Q1 of FY3/2020＞

There are three key points behind these results, which were within the expected range on the whole.

First, sales revenue and profit increased in the Equipment & Systems Business despite declines in the Components Business. In the Components Business, demand decreased in core markets such as smartphone, semiconductor and automotive-related markets. In contrast, in the Equipment & Systems Business, sales of mobile phones increased in Japan.

Second, costs increased due to advance investment to expand business over the medium term. Depreciation charge increased due to a continued high level of capital investment since the year ended March 31, 2019 (“the previous fiscal year”). In addition, R&D expenses to generate new businesses increased, particularly with the establishment of the Minatomirai Research Center.

Third, we recorded costs associated with celebrations for the Company's 60th anniversary. Approximately 5.5 billion yen was recorded in the first quarter in line with a share gift to Kyocera Group employees.

＜4. Sales Revenue by Reporting Segment for Q1 of FY3/2020
- Compared with Q1 of FY3/2019-＞

Sales revenue was roughly unchanged on the whole due to a significant increase in sales revenue in the Communications Group, despite lower sales revenue in all segments of the Components Business.

＜5. Business Profit (Loss) by Reporting Segment for Q1 of FY3/2020
- Compared with Q1 of FY3/2019-＞

Business profit decreased overall due primarily to a decline in profit in the Industrial & Automotive Components Group, despite a significant improvement in profit in the Communications Group. Corporate and others decreased due mainly to the recording of costs associated with celebrations for the Company's 60th anniversary.

Next, I will explain reporting segment conditions by comparing with the previous first quarter.

＜6. Financial Results for Q1 of FY3/2020 by Reporting Segment (1)
- Industrial & Automotive Components Group-＞

First, let's look at the Industrial & Automotive Components Group. The current condition is described at the top of each slide.

In this reporting segment, the burden of depreciation charge in related businesses has grown considerably due to stagnation in the semiconductor market. This reporting segment also felt the impact of a slowdown in the Chinese economy among other factors.

Compared with the previous first quarter, as shown at the bottom left of the slide, sales revenue was down by approximately 3% on the whole due to a decline in demand, particularly for automotive displays and ceramic parts for semiconductor processing equipment, despite contribution from merger and acquisition (M&A) activities. Approximately 8.0 billion yen was added to sales revenue in the first quarter due to M&A activities in the fine ceramic parts and industrial tools businesses. Profit was negatively affected by several hundred million yen due mainly to costs associated with integration.

＜7. Financial Results for Q1 of FY3/2020 by Reporting Segment (2)
- Semiconductor Components Group-＞

In the Semiconductor Components Group, we are faced with continued uncertainty despite demand bottoming out for smartphones and telecommunications infrastructure. Compared with the previous first quarter, sales revenue was down due to a decline in sales of ceramic packages for smartphones.

Business profit decreased year on year due to lower profit in the ceramic materials business caused by a decline in sales, even though profitability improved in the organic materials business following a reduction in costs on the back of structural reforms conducted in the previous fiscal year.

＜8. Financial Results for Q1 of FY3/2020 by Reporting Segment (3)
- Electronic Devices Group-＞

In the Electronic Devices Group, we were able to maintain a high profit ratio by continuing to expand sales of high-value-added MLCCs among other products, despite the impact of trade friction between the United States and China.

Compared with the previous first quarter, sales revenue was down due mainly to lower demand at AVX Corporation caused by a higher level of inventory for commodity products in the sales channel and the impact of trade friction between the United States and China. Business profit decreased due in part to the lower sales revenue coupled with an increase in depreciation charge and R&D expenses.

＜9. Financial Results for Q1 of FY3/2020 by Reporting Segment (4)
- Communications Group-＞

Let’s look at the Communications Group. We have continued to post profitability since the second quarter of the previous fiscal year in this reporting segment as the effects of initiatives to raise profit in the telecommunications equipment business, such as structural reforms, have started to emerge.

Compared with the previous first quarter, sales revenue was up due to an increase in sales of mobile phones for the Japanese market. Profit improved to 2.0 billion yen from a business loss in the previous first quarter due in part to the effect of efforts to reduce costs in addition to the increase in sales revenue.

＜10. Financial Results for Q1 of FY3/2020 by Reporting Segment (5)
- Document Solutions Group-＞

In the Document Solutions Group, we maintained a profit ratio around the 10% mark as a result of efforts in particular to enhance productivity and reduce costs, despite lower sales revenue and profit year on year due in part to the yen’s appreciation.

＜11. Financial Results for Q1 of FY3/2020 by Reporting Segment (6)
- Life & Environment Group-＞

In the Life & Environment Group, profit is improving in the solar energy business due to the effect of structural reforms conducted in the third quarter of the previous fiscal year. On the other hand, R&D expenses are increasing, especially in energy-related areas.

Compared with the previous first quarter, sales revenue decreased due mainly to lower sales in the solar energy business. Despite this, we reduced loss by improving profitability in this business through structural reform.

That concludes my explanation of first quarter results.

＜12.（Cover）Financial Forecasts for the Year Ending March 31, 2020＞

＜13. Financial Forecasts for FY3/2020＞

There are no changes to the full-year financial forecasts for the year ending March 31, 2020 announced in April 2019.

Kyocera is facing future uncertainty caused by the impact of international matters such as trade friction between the United States and China, and the issue of the United Kingdom leaving the European Union. Despite this, we will strive to boost productivity, reduce costs and further enhance profitability in the organic materials business, telecommunications equipment business and solar energy business following structural reforms implemented up until the previous fiscal year.

＜14. Sales Revenue Forecast by Reporting Segment for FY3/2020
- Compared with FY3/2019-＞

＜15. Business Profit (Loss) Forecast by Reporting Segment for FY3/2020
- Compared with FY3/2019 -＞

There are no changes to the financial forecasts for each reporting segment as stated on pages 14 and 15.

＜16. Key Initiatives in FY3/2020＞

Now, I will explain the three key initiatives we are currently undertaking.

＜17. Maintain Aggressive Approach to M&A＞

First, we will maintain an aggressive approach to M&A activities. We have already announced four M&A projects for this fiscal year in the three businesses of fine ceramic parts, industrial tools and document solutions. In total, sales from these projects will amount to approximately 70.0 billion yen annually.

Next, I will provide an overview of each M&A project.

＜18. M&A (1) Fine Ceramic Parts (Industrial & Automotive Components Group)＞

First, let's look at M&A in the fine ceramic parts business. We will work to strengthen business foundations in Europe through two M&A projects in Germany.

H.C. Starck Ceramics GmbH shown at left was acquired in April 2019 and has competitive advantages in large non-oxide fine ceramic components, which can be deployed in semiconductor processing equipment among other products. This company also has know-how in highly efficient production using digital factories.

We also plan to add the ceramic business of Friatec GmbH shown at right to the Kyocera Group in September 2019. The main products of this company are oxide ceramic components and metallized ceramic components and it supplies these to a broad array of markets including the medical market.

Through these M&A, we can establish our first production system for fine ceramic parts in Europe in addition to expanding our product lineup. Going forward, we will strive to further increase business by generating synergies through utilization of Kyocera's global sales network to boost sales and the mutual utilization of technologies, among others.

＜19. M&A (2) Industrial Tools (Industrial & Automotive Components Group)＞

In the industrial tool business, we are expanding business domains globally through M&A activities.

SouthernCarlson, Inc. acquired in June 2019 sells pneumatic and power tools in the United States and has over 150 branches across North America.

As shown at the bottom of this slide, Kyocera has been striving to expand business domains through M&A activities over the years in the key regions of Europe, Japan and the United States. Recently, we are focusing on pneumatic and power tool business, where stable growth is forecast. The addition of SouthernCarlson to the Kyocera Group is expected to drive expansion in our pneumatic and power tool business up to the scale of the cutting tool business.

＜20. M&A (3) Document Solutions Group＞

M&A activities in the Document Solutions Group are serving to expand our solutions business, and in July 2019, we acquired Huon IT Pty Ltd, encircled by the red dotted line at upper left.

While this industry is heading toward a paperless environment, the solutions and services fields are growing, including for document data management. Kyocera has therefore acquired companies in core global markets that are engaged in Enterprise Content Management (ECM) and document Business Process Outsourcing (BPO) as well as information and communications technology (ICT) business through M&A, and at the same time, we will make use of our MFPs and printers as input-output devices. Going forward, we will continue to create a structure enabling us to provide one-stop comprehensive document solution services by taking an aggressive approach to M&A activities.

Next, I will explain developments in the energy business.

＜21. Develop Energy Business＞

Kyocera is pushing ahead with development of peripheral equipment such as battery storage units and solid oxide fuel cells (SOFCs) in addition to solar power generation systems, and while looking to expand these equipment and systems, we will also make full-fledged entry into the power services business through external collaboration.

We started taking orders for services at Kyocera Kanden Energy LLC, a joint venture with The Kansai Electric Power Co., in July 2019. This plan provides numerous advantages for residences. In addition to installing the solar power system for free, it will also be transferred for free after a set period. Maintenance is also free during the usage period and the system can be used as a source of power in an emergency.

Although we are currently focusing on residential energy services, we are also looking to develop industrial energy services and further expand business domain to increase added value to this business.

＜22. Strengthen R&D Activities＞
Finally, I will explain R&D activities.

Minatomirai Research Center in Yokohama has started full-scale operation following its opening ceremony in July 2019. Approximately 700 employees mainly from the R&D Division have gathered at the site and are working to strengthen software development. Moreover, the center includes spaces for co-creation on the first and sixth floors that facilitate interaction with people from outside the Company as well, thereby promoting open innovation.

An example of a product that was born from open innovation can be seen at the bottom right of this slide. The Sony Startup Acceleration Program was used to develop a toothbrush for children in collaboration with LION Corporation. There is currently a crowdfunding campaign for this product in addition to our marketing campaign. One of the most attractive points about open innovation is that it can bring shape to ideas that are brand new to Kyocera. The product was released in only around six months since we started development. This is also one of the benefits of using external knowledge. We will strengthen our open innovation system going forward so that we can actively work on more projects like this.

Cautionary statement
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Except for historical information contained herein, the matters set forth in this document are forward–looking statements that involve risks and uncertainties including, but not limited to, product demand, competition, regulatory approvals, the effect of economic conditions and technological difficulties, and other risks detailed in the cautionary statements with respect to forward–looking statements on the company’s website.