Financial Presentation for the Year Ended March 31, 2018

(Held on April 27, 2018)

Hideo Tanimoto

President and Representative Director

<2/3. Financial Results for the Year Ended March 31, 2018>

Consolidated net sales for the year ended March 31, 2018 ("fiscal 2018") increased by 10.8% compared with the year ended March 31, 2017 ("fiscal 2017") to ¥1,577 billion, a record high for fiscal year sales. Profit was down due to the recording of a write-down in the amount of ¥50.2 billion relating to long-term purchase agreements for procurement of polysilicon material in the solar energy business, despite a significant increase in profit in the Components Business and Document Solutions Group due to sales growth coupled with efforts to reduce costs and enhance productivity. Profit from operations decreased by 8.6% to ¥95.6 billion, pre-tax income decreased by 4.3% to ¥131.9 billion and net income attributable to Kyocera Corporation's shareholders decreased by 21.2% to ¥81.8 billion in year-on-year terms. One-time tax expenses primarily resulting from amendments to U.S. tax law and incurred by subsidiaries such as our U.S. subsidiary AVX Corporation (AVX) pushed down net income by approximately ¥11 billion.

<4. Sales by Reporting Segment for the Year Ended March 31, 2018>

The table on Page 4 shows sales by reporting segment. Double-digit sales growth in the Components Business and Document Solutions Group drove the overall sales growth.

<5. Operating Profit by Reporting Segment for the Year Ended March 31, 2018>

Operating profit grew by over 40% in both the Components Business and Document Solutions Group. The profit ratio increased from 10.9% in fiscal 2017 to 13.2% in fiscal 2018 in the Components Business and from 8.7% to 11.1% in the Document Solutions Group. Operating loss of ¥55 billion was recorded in the Life & Environment Group, however, due to a decline in sales in the solar energy business and the recording of a write-down relating to long-term purchase agreements for procurement of polysilicon material.

<6. Summary of FY3/2018 Results>

There are two key points summarizing results for the fiscal year. The first concerns the posting of a new record high in sales. Demand for components increased considerably in the information and communications, automotive-related and industrial machinery markets due to buoyant production activities. We were able to increase sales in the Document Solutions Group as well through new product introductions and aggressive sales promotion activities. We succeeded in steadily translating business opportunities into sales for these products in high demand by boosting production capacity since the start of the fiscal year. In addition, active merger and acquisition activity to expand business domain contributed to sales.

The second point concerns the recording of one-time costs. First, we recorded a write-down of approximately ¥50 billion relating to the purchase of long-term agreements for procurement of polysilicon material in the solar energy business. Kyocera has entered into long-term purchase agreements for the procurement of polysilicon material. As a result of a decline in profitability in this business, the net realizable value of this material was less than the purchase prices under the agreements; and pursuant to the lower of cost or net realizable value approach, we decided to record a write-down in an amount equivalent to the deference between net realizable value and purchase price. The write-down was conducted for future material purchase commitments, up until December 2020, and the current polysilicon materials already purchased pursuant to the agreements. On top of this, we recorded one-time tax expenses for the fiscal year primarily from tax law revisions in the United States. This pushed down net income by approximately ¥11 billion.

<7. Main Policies Implements and Decided in FY3/2018>

This page summarizes the main policies implemented and decided in fiscal 2018. We made investment for growth and worked on structural reform as well as actively promoted external ties to strengthen management foundations and create new business pursuant to our management policy. As you can see in the upper part of this table, we expanded production capacity and installed automated lines in production sites in Japan and overseas.

As per the second row of the table, we sought to double productivity by opening the AI Lab and Robot Utilization Center and we have started to apply results in each division. In addition to initiatives aimed at growth, we pushed ahead with structural reform to strengthen respective businesses.

In the Electronic Devices Group, we consolidated crystal component and connector businesses, previously operating as subsidiaries, into Kyocera at the start of the fiscal year and commenced business under the new structure. This consolidation contributed to the performance of each business for the fiscal year. Additionally, in the telecommunications equipment business and solar energy business, where a key issue has been improving profitability, we integrated sites and reviewed business content with the aims of reducing costs and optimizing production.

As you can see in the blue section of the table, we completed a total of five mergers and acquisitions during the fiscal period toward the creation of new business and also embarked on collaboration with Toshiba Materials Co., Ltd.

<8. M&A Implemented in FY3/2018>

Kyocera conducted a number of mergers and acquisitions in fiscal 2018, namely twice in the industrial tool business, twice at AVX and once in the Documents Solutions Group. In the industrial tool business, we acquired the pneumatic tool business and power tool business from Senco Holdings, Inc. and Ryobi Limited, respectively, enabling us to expand business domain. At AVX, we will further increase business in automotive-related and telecommunications markets through acquisition of the businesses for automotive sensors and small antennas for wireless communications. In the Document Solutions Group, we acquired Databank IMX, LLC, which advances ECM and document BPO business in the United States in order to strengthen our solutions business.

These mergers and acquisitions will result in approximately ¥100 billion in sales per year and are expected to contribute to increased sales in the year ending March 31, 2019 (“fiscal 2019”).

<9/10. Financial Forecasts for the Year Ending March 31, 2019>

With the primary aim of further strengthening business management on a global basis, Kyocera plans to apply International Financial Reporting Standards (IFRS) in place of the previously used Generally Accepted Accounting Principles (GAAP) from the first quarter of the current fiscal year. As a result, consolidated financial forecasts for fiscal 2019 have been made based on IFRS.

The business environment for fiscal 2019 is expected to remain favorable in the information and communications market, automotive-related markets and the semiconductor industry market. We expect an increase in demand for high-performance components for these markets, and proactive efforts to expand production capacity since fiscal 2018 as well as the effects of merger and acquisition activity are projected to contribute to sales in fiscal 2019. In light of these forecasts, we will aim for ¥1,650 billion in net sales, an increase of 4.6% year on year, which will mark a record high for the second consecutive year.

In terms of profit, we aim to increase profit and boost profitability by reducing costs and enhancing productivity through use of AI and robots this fiscal year, despite the inclusion of one-time costs in the previous fiscal year. We forecast profit from operations of ¥154 billion, up 61.1%, pre-tax income of ¥190 billion, up 44.1%, and net income of ¥134 billion, up 63.8%.

We also plan to spend a record high of ¥110 billion in capital expenditures, up 27.1% year on year, as part of efforts to continue boosting production capacity, primarily in the Components Business. Depreciation is forecast to increase by 6.9% to ¥75 billion due to the increase in capital expenditures, even though a shift from the double declining-balance method to the straight-line method in line with the change to IFRS will reduce this amount. We are also forecasting a record high in R&D expenses of ¥70 billion, up 20.1%, as we seek to strengthen research and development toward the creation of new business.

Assumed exchange rates for fiscal 2019 are ¥105 to the U.S. dollar, marking appreciation of ¥6 compared with ¥111 for fiscal 2018, and ¥130 to the Euro, unchanged from fiscal 2018.

<11. Sales Forecast by Reporting Segment>

We are projecting sales to increase year on year in the Components Business due to firm demand in core markets and the effects of merger and acquisition activity conducted in the previous fiscal year. Conversely, we are projecting sales in the Equipment & Systems Business to remain roughly unchanged due primarily to lower sales in the Communications Group.

<12. Operating Profit Forecast by Reporting Segment>

Operating profit is forecast to increase in the Components Business due mainly to the growth in sales. In the Equipment & Systems Business, one-time costs recorded in the solar energy business in the previous fiscal year have affected profit growth.

<13. Financial Forecasts by Reporting Segment (1)>

In the Industrial & Automotive Components Group, sales are forecast to increase by 8.8% to ¥313 billion and operating profit is forecast to increase by 10.6% to ¥36 billion compared with fiscal 2018. The key drivers behind the sales growth are projected to be industrial tools and components for semiconductor processing equipment. Sales are forecast to decrease for automotive displays, however, due to the impact of a shift to new models by customers. Operating profit is forecast to increase due to the sales growth.

<14. Financial Forecasts by Reporting Segment (2)>

In the Semiconductor Components Group, we forecast sales of ¥259 billion, roughly unchanged from fiscal 2018, and operating profit to increase by 10.2% to ¥35.8 billion compared with fiscal 2018. Although we expect customer adjustments in packages for optical communications to continue for the time being, demand for ceramic packages for the IoT (Internet of Things) and smartphones is forecast to remain at a high level in fiscal 2019. Operating profit is forecast to increase due mainly to improvement in the organic materials business, where we are conducting initiatives to boost productivity.

<15. Financial Forecasts by Reporting Segment (3)>

In the Electronic Devices Group, we forecast sales to increase by 13.1% to ¥345 billion and operating profit to increase by 1.5% to ¥48 billion compared with fiscal 2018. Sales are projected to increase in electronic components for telecommunications and automobiles and in printing devices for industrial equipment. Operating profit, on the other hand, is forecast to remain roughly unchanged from fiscal 2018 due to an increase in depreciation following aggressive capital expenditure and the impact of product mix.

<16. Financial Forecasts by Reporting Segment (4)>

In the Communications Group, we forecast sales to decrease by 4.1% to ¥245 billion and operating profit to increase by 2.7% to ¥5.2 billion compared with fiscal 2018. Although sales in the information and communication services business are projected to increase due mainly to an increase in sales in the engineering business, sales are forecast to decrease for the reporting segment as a whole due to a projected decline in sales in the telecommunications equipment business following a review of sales strategy in the U.S. market.

Operating profit is forecast to remain roughly unchanged due to an increase in R&D expenses, despite a forecast of reduced loss in the telecommunications equipment business.

<17. Financial Forecasts by Reporting Segment (5)>

In the Document Solutions Group, we forecast sales to increase by 3.8% to ¥385 billion and operating profit to remain roughly unchanged at ¥41.5 billion compared with fiscal 2018. We will strive to increase sales volume through aggressive sales promotion activities and to expand solutions business again this fiscal year.

Operating profit is forecast to remain at the same level as the previous fiscal year due primarily to expected increases in R&D expenses and sales promotion costs.

<18. Financial Forecasts by Reporting Segment (6)>

In the Life & Environment Group, we forecast sales to remain roughly unchanged from fiscal 2018 at ¥111 billion. In this reporting segment, we project an improvement of ¥52 billion in operating loss compared with the previous fiscal year. Despite a forecast improvement in profitability in the solar energy business owing to structural reform, we are forecasting operating loss for this reporting segment on the whole due to an increase in R&D expenses in energy-related fields.

<19. Improve Profitability in Solar Energy Business>

In terms of initiatives in this business in fiscal 2019, we plan to consolidate two domestic production sites into one site during the first half of the fiscal period. Due to the consolidation, we expect to record a cost of around ¥1 billion while we also project a reduction in production capacity for modules of approximately 15% this fiscal year in year-on-year terms. We are forecasting a return to profitability in this business in the second half of the fiscal year, however, due to a forecast 25% reduction in production costs relative to the end of the previous fiscal year after the consolidation has been completed. In addition, we will push ahead with the development of new products toward creation of energy-related business in the year ending March 31, 2021 (fiscal 2021). We also aim to reduce costs by around 30% in fiscal 2021 compared with fiscal 2019 by installing a new production method for solar cells.

<20. Basic Policy toward Mid-Term Business Growth>

Kyocera will continue striving this fiscal year toward achieving our fiscal 2021 targets of ¥2 trillion in sales and 15% in pre-tax profit ratio, pursuant to our basic policy.

<21. Aggressive Business Investment to Drive Growth (1)>

Kyocera is actively conducting capital expenditures aimed at expanding business. In particular, we are bolstering production capacity in Japan and overseas for the Components Business, where high demand is forecast to continue going forward.

The supply-demand situation is extremely tight at present, and fine ceramic parts for semiconductor processing equipment are one of the products in which we forecast high demand to continue.

Global market shipments for this equipment in 2017 were at a record high of approximately ¥6 trillion. At the same time, there are growing needs for fine ceramic parts beyond the increase in equipment volume in line with the continued use of ceramics for structural parts as equipment becomes more sophisticated. Kyocera has been increasing the production of parts for semiconductor processing equipment since fiscal 2018 and plans to start production at a new building at the Kagoshima Kokubu Plant in October this year. In addition to this, we are planning to boost production at the Shiga Yohkaichi Plant as well as the Washington plant and North Carolina plant in the United States. Through the increase in production, we forecast growth of more than 20% in sales of these products.

<22. Aggressive Business Investment to Drive Growth (2)>

Ceramic packages are another product also in high demand. Orders for this component have been expanding due to rapid growth in demand for products with communication function and camera. In line with this sharp jump in demand, we plan to start construction of a new building at the Kagoshima Sendai Plant this month, with operations slated to begin in August 2019. We forecast around a 25% increase in production capacity of ceramic packages at this plant in fiscal 2021 relative to fiscal 2018.

<23. Initiatives to Slash Costs and Double Productivity>

Kyocera believes that making cost reductions and doubling productivity are indispensable to drive future growth and is pushing ahead with initiatives in this regard alongside efforts to expand business. On this page, we explain the progress we are making in these initiatives.

We plan to deploy the technologies developed at the AI Lab and Robot Utilization Center constructed in 2018 to other business divisions after introducing a test line in a model business division this fiscal year. At the AI Lab, we are developing personnel who specialize in AI as well as specific AI-related tools, and are providing the optimal tools to enable automation of design and enhance inspection accuracy.

At the Robot Utilization Center, we have readied a diverse range of robots and provide support on their usage through various simulations and technology verification at production sites.

In addition, we are working to double productivity in indirect departments. We started initiatives in a model business division in fiscal 2018 and will push ahead with the introduction of RPA (Robotics Process Automation) at the company-wide level under our business reform project, which we will get underway in earnest this fiscal year.

<24. Strengthen R&D Structure to Create New Business>

One of the new initiatives started this fiscal year is the strengthening of our R&D structure with the aim of creating new business. The IoT and ADAS markets as well as other areas are offering more business opportunities since we integrated various technologies, and we believe the key to generate future pillars of growth lies in accurately grasping market needs and changes. Whereas previously Kyocera mainly pursued marketing and R&D in each business division, we are now bringing together marketing personnel related to core themes from this fiscal year. In the Corporate R&D Group, we are launching in a step-wise manner a research organization and project for each theme through ties inside and outside the company. Through this new structure, we are working to swiftly create new products and services.

<25. Repurchase of Own Shares>

Kyocera will repurchase up to 7.2 million of our own shares with a maximum repurchase price of ¥40 billion to provide for an aggressive capital strategy that includes large-scale M&A and business restructuring. The period of repurchase spans from April 27 to September 20, 2018. Looking at the background to this, we have been receiving requests regarding shareholder returns from a number of investors, and in light of the recent trend of comparatively low-priced shares, Kyocera will repurchase our own shares for the first time in 10 years, with the previous occasion being December 2008. We intend to use the funds and the repurchased shares to grab further opportunities for business expansion going forward.

<26. Trend of Sales and Pre-tax Income>

We will steadily implement the initiatives I have explained today and endeavor to achieve the financial forecasts for fiscal 2019 while working vigorously toward our goals for fiscal 2021.