

February 1, 2018

# **Conference Call Material**

## **For the Nine Months Ended December 31, 2017**

Hideo Tanimoto  
President and Representative Director

KYOCERA Corporation

This is an English translation of the Japanese original. 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.

# Today's Presentation

- 1. Financial Results for the Nine Months Ended December 31, 2017**
- 2. Financial Forecasts for the Year Ending March 31, 2018**

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.

# **1. Financial Results for the Nine Months Ended December 31, 2017**

# Financial Results for the Nine Months Ended December 31, 2017

- Compared with the Nine Months Ended December 31, 2016 -

(Unit: Yen in millions)

	Nine months ended December 31,				Change	
	2016		2017			
	Amount	% to net sales	Amount	% to net sales	Amount	%
Net sales	1,014,628	100.0%	<b>1,145,016</b>	<b>100.0%</b>	130,388	12.9%
Profit from operations	67,102	6.6%	<b>108,984</b>	<b>9.5%</b>	41,882	62.4%
Pre-tax income	98,706	9.7%	<b>144,864</b>	<b>12.7%</b>	46,158	46.8%
Net income attributable to Kyocera Corporation's shareholders	70,852	7.0%	<b>90,267</b>	<b>7.9%</b>	19,415	27.4%
Capital expenditures	49,638	4.9%	<b>59,054</b>	<b>5.2%</b>	9,416	19.0%
Depreciation	47,322	4.7%	<b>49,591</b>	<b>4.3%</b>	2,269	4.8%
R&D expenses	41,871	4.1%	<b>42,350</b>	<b>3.7%</b>	479	1.1%
Average exchange rate (yen)	US\$	¥ 107	¥ 112			
	Euro	¥ 118	¥ 129			
Foreign currency fluctuation effect on;(compared with the previous same period)	Net sales	Approx. ¥ -90 billion	Approx. ¥ 39 billion			
	Pre-tax income	Approx. ¥ -23 billion	Approx. ¥ 13 billion			

**Recorded highest-ever nine-month sales** and significantly increased profit

# Sales by Reporting Segment for the Nine Months Ended December 31, 2017

- Compared with the Nine Months Ended December 31, 2016 -

(Unit: Yen in millions)

	Nine months ended December 31,				Change	
	2016		2017			
	Amount	% of net sales	Amount	% of net sales	Amount	%
Industrial & Automotive Components Group	165,181	16.3%	<b>205,456</b>	<b>18.0%</b>	40,275	24.4%
Semiconductor Components Group	181,309	17.9%	<b>196,226</b>	<b>17.1%</b>	14,917	8.2%
Electronic Devices Group	176,858	17.4%	<b>223,451</b>	<b>19.5%</b>	46,593	26.3%
<b>Components Business</b>	<b>523,348</b>	<b>51.6%</b>	<b>625,133</b>	<b>54.6%</b>	<b>101,785</b>	<b>19.4%</b>
Communications Group	172,213	17.0%	<b>181,321</b>	<b>15.8%</b>	9,108	5.3%
Document Solutions Group	227,750	22.4%	<b>266,902</b>	<b>23.3%</b>	39,152	17.2%
Life & Environment Group	104,312	10.3%	<b>79,747</b>	<b>7.0%</b>	-24,565	-23.5%
<b>Equipment &amp; Systems Business</b>	<b>504,275</b>	<b>49.7%</b>	<b>527,970</b>	<b>46.1%</b>	<b>23,695</b>	<b>4.7%</b>
Others	16,696	1.6%	<b>14,068</b>	<b>1.2%</b>	-2,628	-15.7%
Adjustments and eliminations	-29,691	-2.9%	<b>-22,155</b>	<b>-1.9%</b>	7,536	—
<b>Net sales</b>	<b>1,014,628</b>	<b>100.0%</b>	<b>1,145,016</b>	<b>100.0%</b>	<b>130,388</b>	<b>12.9%</b>

Increased sales in both Components Business and Equipment & Systems Business






## Operating Profit by Reporting Segment for the Nine Months Ended December 31, 2017 - Compared with the Nine Months Ended December 31, 2016 -

(Unit: Yen in millions)

	Nine months ended December 31,				Change	
	2016		2017			
	Amount	% to net sales	Amount	% to net sales	Amount	%
Industrial & Automotive Components Group	13,499	8.2%	<b>24,099</b>	<b>11.7%</b>	10,600	78.5%
Semiconductor Components Group	19,109	10.5%	<b>27,277</b>	<b>13.9%</b>	8,168	42.7%
Electronic Devices Group	22,501	12.7%	<b>36,419</b>	<b>16.3%</b>	13,918	61.9%
<b>Components Business</b>	<b>55,109</b>	<b>10.5%</b>	<b>87,795</b>	<b>14.0%</b>	<b>32,686</b>	<b>59.3%</b>
Communications Group	-290	-	<b>2,291</b>	<b>1.3%</b>	2,581	-
Document Solutions Group	20,041	8.8%	<b>29,411</b>	<b>11.0%</b>	9,370	46.8%
Life & Environment Group	-545	-	<b>-2,270</b>	-	-1,725	-
<b>Equipment &amp; Systems Business</b>	<b>19,206</b>	<b>3.8%</b>	<b>29,432</b>	<b>5.6%</b>	<b>10,226</b>	<b>53.2%</b>
Others	-1,522	-	<b>1,094</b>	<b>7.8%</b>	2,616	-
<b>Operating profit</b>	<b>72,793</b>	<b>7.2%</b>	<b>118,321</b>	<b>10.3%</b>	<b>45,528</b>	<b>62.5%</b>
Corporate and others	25,913	-	<b>26,543</b>	-	630	2.4%
<b>Pre-tax income</b>	<b>98,706</b>	<b>9.7%</b>	<b>144,864</b>	<b>12.7%</b>	<b>46,158</b>	<b>46.8%</b>

**Profit up significantly in both Components Business and Equipment & Systems Business**

# M&A Contributing to Financial Results for the Nine Months Ended December 31, 2017

Segment (business/affiliate)	Date acquired Company/business acquired	Main business/Main objectives
Industrial & Automotive Components Group (Industrial tool business)	August 2017 <b>SENCO Holdings, Inc.</b> (USA) 	Expand <b>pneumatic tool business</b> 
Electronic Devices Group (AVX Corporation)	October 2017 <b>Automotive sensors business of TT Electronics PLC</b> (UK)  AN <b>AVX</b> GROUP COMPANY	Expand product portfolio by adding devices, including sensors for temperature, position and speed  Emission temp. sensors    Inverter & control modules
Document Solutions Group	August 2017 <b>DataBank IMX, LLC</b> (USA)  A KYOCERA GROUP COMPANY	Enhance <b>solution business</b> ECM : Efficient management, operation and saving of information such as company's documents and e-mails Document BPO : Provide outsourcing services for document-related business

# Financial Results for the Three Months Ended December 31, 2017

- Compared with the Three Months Ended September 30, 2017 -

(Unit: Yen in millions)

	Three months ended				Change	
	September 30, 2017		December 31, 2017			
	Amount	% to net sales	Amount	% to net sales	Amount	%
Net sales	393,183	100.0%	<b>406,671</b>	<b>100.0%</b>	13,488	3.4%
Profit from operations	38,338	9.8%	<b>39,479</b>	<b>9.7%</b>	1,141	3.0%
Pre-tax income	38,580	9.8%	<b>57,024</b>	<b>14.0%</b>	18,444	47.8%
Net income attributable to Kyocera Corporation's shareholders	26,406	6.7%	<b>28,880</b>	<b>7.1%</b>	2,474	9.4%
Capital expenditures	17,644	4.5%	<b>24,230</b>	<b>6.0%</b>	6,586	37.3%
Depreciation	16,157	4.1%	<b>18,679</b>	<b>4.6%</b>	2,522	15.6%
R&D expenses	13,866	3.5%	<b>14,900</b>	<b>3.7%</b>	1,034	7.5%

**Recorded highest-ever third-quarter sales**

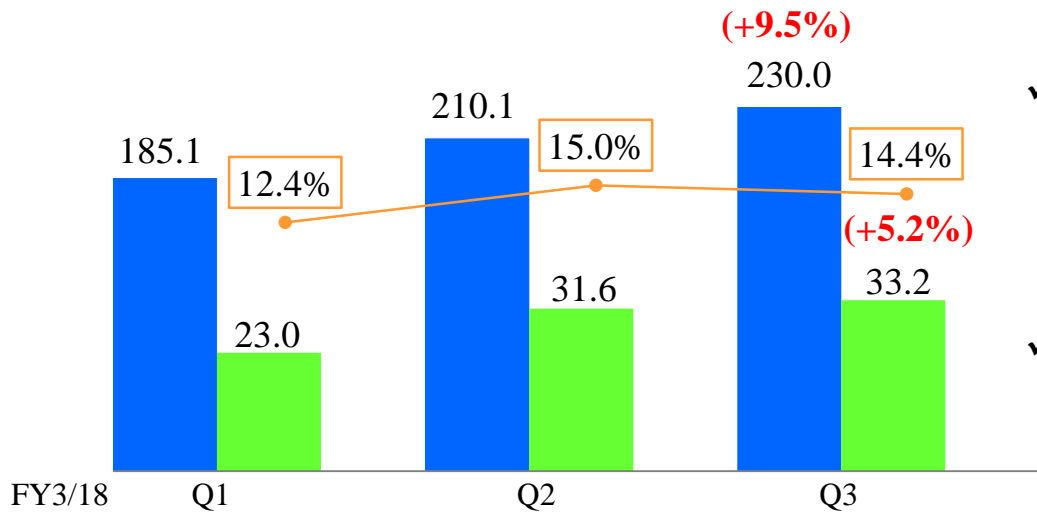


# Financial Summary for the Three Months Ended December 31, 2017

■ Sales   ■ Operating profit   —●— Operating profit ratio   ( ) Change from Q2 of FY3/18

## Components Business

(Unit: Yen in billions)

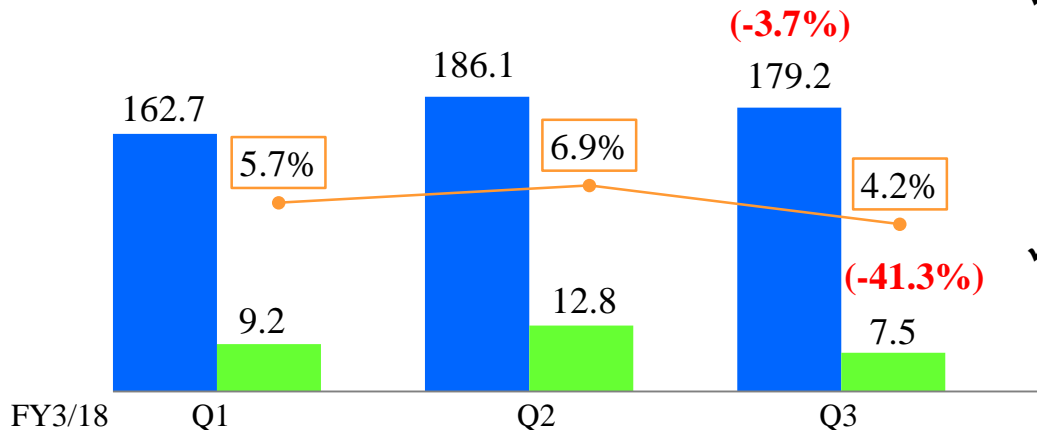


<Factors behind change from Q2>

- ✓ Component demand at a higher level in information and communications, automotive-related and industrial machinery markets
- ✓ Contribution to sales from M&A

## Equipment & Systems Business

(Unit: Yen in billions)



- ✓ Sales down in the telecommunications equipment business due to a decrease in sales volume of mobile phones in Japan and overseas
- ✓ Sales down in the solar energy business in the Japanese market

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

# Financial Forecasts for the Year Ending March 31, 2018

(Unit: Yen in millions)

	Year ended March 31, 2017		Year ending March 31, 2018 (Forecast)				Change in amount compared with (Ratio of increase/decrease)	
			Previous (October 2017)		Revised (February 2018)			
	Amount	% to net sales	Amount	% to net sales	Amount	% to net sales	Year ended March 31, 2017	Previous forecast
Net sales	1,422,754	100.0%	1,560,000	100.0%	<b>1,560,000</b>	<b>100.0%</b>	137,246 (+9.6%)	0 (0.0%)
Profit from operations	104,542	7.3%	135,000	8.7%	<b>135,000</b>	<b>8.7%</b>	30,458 (+29.1%)	0 (0.0%)
Pre-tax income	137,849	9.7%	170,000	10.9%	<b>170,000</b>	<b>10.9%</b>	32,151 (+23.3%)	0 (0.0%)
Net income attributable to Kyocera Corporation's shareholders	103,843	7.3%	119,000	7.6%	<b>108,000</b>	<b>6.9%</b>	4,157 (+4.0%)	-11,000 (-9.2%)
EPS (Diluted-yen)	282.62	—	323.62	—	<b>293.71</b>	<b>—</b>	—	—
Capital expenditures	67,781	4.8%	80,000	5.1%	80,000	5.1%		
Depreciation	66,019	4.6%	75,000	4.8%	75,000	4.8%		
R&D expenses	55,411	3.9%	60,000	3.8%	60,000	3.8%		
Average exchange rate (yen)	US\$	¥108	¥111	¥111	¥111			
	Euro	¥119	¥128	¥130	¥130			
Foreign currency fluctuation effect on:(compared with the previous same period)	Net sales	Approx. ¥ -94 billion	Approx. ¥ 29 billion	<b>Approx. ¥ 41 billion</b>				
	Pre-tax income	Approx. ¥ -26 billion	Approx. ¥ 12 billion	<b>Approx. ¥ 16 billion</b>				

Net income attributable to Kyocera Corporation's shareholders has been revised due to tax law revisions in the United States, etc.

Notes: 1. EPS (Diluted-yen) of previous forecast for FY3/2018 is computed based on the diluted average number of shares outstanding during the six months ended September 30, 2017.

2. EPS (Diluted-yen) of revised forecast for FY3/2018 is computed based on the diluted average number of shares outstanding during the nine months ended December 31, 2017.

## Sales Forecast by Reporting Segment

(Unit: Yen in millions)

	Year ended March 31, 2017		Year ending March 31, 2018 (Forecast)				Change in amount compared with	
			Previous (October 2017)		Revised (February 2018)		Year ended March 31, 2017	Previous forecast
	Amount	% of net sales	Amount	% of net sales	Amount	% of net sales		
Industrial & Automotive Components Group	230,229	16.2%	280,000	18.0%	<b>284,000</b>	<b>18.2%</b>	53,771	4,000
Semiconductor Components Group	245,727	17.3%	256,000	16.4%	<b>254,000</b>	<b>16.3%</b>	8,273	-2,000
Electronic Devices Group	240,798	16.9%	289,000	18.5%	<b>303,000</b>	<b>19.4%</b>	62,202	14,000
Components Business	716,754	50.4%	825,000	52.9%	<b>841,000</b>	<b>53.9%</b>	124,246	16,000
Communications Group	252,641	17.7%	255,000	16.4%	<b>252,000</b>	<b>16.2%</b>	-641	-3,000
Document Solutions Group	324,012	22.8%	350,000	22.4%	<b>369,000</b>	<b>23.6%</b>	44,988	19,000
Life & Environment Group	149,207	10.5%	139,000	8.9%	<b>112,000</b>	<b>7.2%</b>	-37,207	-27,000
Equipment & Systems Business	725,860	51.0%	744,000	47.7%	<b>733,000</b>	<b>47.0%</b>	7,140	-11,000
Others	22,066	1.5%	17,000	1.1%	<b>18,000</b>	<b>1.2%</b>	-4,066	1,000
Adjustments and eliminations	-41,926	-2.9%	-26,000	-1.7%	<b>-32,000</b>	<b>-2.1%</b>	9,926	-6,000
Net sales	1,422,754	100.0%	1,560,000	100.0%	<b>1,560,000</b>	<b>100.0%</b>	137,246	0

# Operating Profit Forecast by Reporting Segment

(Unit: Yen in millions)

	Year ended March 31, 2017		Year ending March 31, 2018 (Forecast)				Change in amount compared with	
			Previous (October 2017)		Revised (February 2018)		Year ended March 31, 2017	Previous forecast
	Amount	% to net sales	Amount	% to net sales	Amount	% to net sales		
Industrial & Automotive Components Group	22,442	9.7%	30,000	10.7%	<b>31,000</b>	<b>10.9%</b>	8,558	1,000
Semiconductor Components Group	25,310	10.3%	35,000	13.7%	<b>35,000</b>	<b>13.8%</b>	9,690	0
Electronic Devices Group	30,558	12.7%	40,000	13.8%	<b>46,000</b>	<b>15.2%</b>	15,442	6,000
Components Business	78,310	10.9%	105,000	12.7%	<b>112,000</b>	<b>13.3%</b>	33,690	7,000
Communications Group	8,528	3.4%	1,000	0.4%	<b>1,000</b>	<b>0.4%</b>	-7,528	0
Document Solutions Group	28,080	8.7%	40,000	11.4%	<b>40,000</b>	<b>10.8%</b>	11,920	0
Life & Environment Group	1,345	0.9%	1,000	0.7%	<b>-9,000</b>	<b>-</b>	-10,345	-10,000
Equipment & Systems Business	37,953	5.2%	42,000	5.6%	<b>32,000</b>	<b>4.4%</b>	-5,953	-10,000
Others	-1,759	-	-1,000	-	<b>1,000</b>	<b>5.6%</b>	2,759	2,000
Operating profit	114,504	8.0%	146,000	9.4%	<b>145,000</b>	<b>9.3%</b>	30,496	-1,000
Corporate and others	23,345	-	24,000	-	<b>25,000</b>	<b>-</b>	1,655	1,000
Pre-tax income	137,849	9.7%	170,000	10.9%	<b>170,000</b>	<b>10.9%</b>	32,151	0

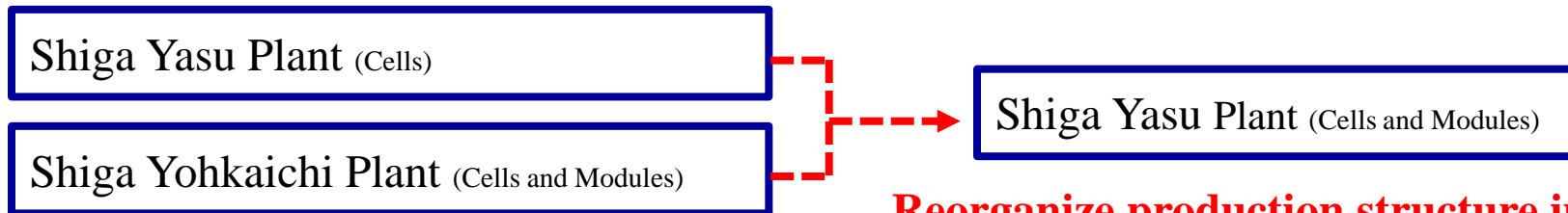
Note: "Operating profit" represents combined pre-tax income of all reporting segments.

Improve Profitability and Strengthen New Product Development through Resource Reallocation

## Consolidate production sites in Japan for the solar energy business

<Q3 of FY3/2018>

<Transfer complete in H1 of FY3/2019 (plan)>



**Reorganize production structure into two manufacturing sites: Shiga Yasu Plant in Japan and Tianjin Plant in China (Modules), from H2 of FY3/2019**

**Expand production of fine ceramic parts for semiconductor processing equipment where strong demand continues**

## Strengthen organization for the development of new products

- ✓ Transfer 160 engineers in the telecommunications equipment business to the Corporate R&D Group, which conducts cross-sectoral research and development in Kyocera
- ➔ Strengthen and accelerate development of components, equipment, systems and solutions for IoT and ADAS

## M&A Contributing to Q4 FY3/2018 Results

### 1. Acquired power tool business from Ryobi Limited as part of industrial tool business

#### Kyocera Industrial Tools Corporation

Established	January, 2018
Outline	Development, manufacture and sale of power tools
Equity ratio	Kyocera Corp. 80%, Ryobi Limited 20%
Hubs	<HQ> Fuchu City, Hiroshima Pref. <Production> Dalian, China <Sales> 48 sites in Japan
Sales	(Ref) Power tool business in Ryobi Limited: Approx. ¥16 billion (FY3/2017)
Aims	(1) Expand product lineup (2) Strengthen power tool business in Japan and Asia markets



Impact Drivers

Circular Saws

### 2. AVX Corporation to acquire U.S.-based antenna maker

#### Ethertronics Inc.

Acquisition	February 2018 (plan)
Outline	Manufacture and sale of antenna products for wireless applications such as mobile phones, Wi-Fi, IoT and automotive
HQ	San Diego, California, U.S.A.
Sales	Approx. US\$90 million (FY12/2017)
Aims	(1) Acquire sophisticated proprietary technology that contributes to the IoT and 5G communications markets (2) Expand product portfolio through acquisition of small antenna products



Passive antennas

Active antennas

# 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.