Telephone Conference Call for the Nine Months Ended December 31, 2018
(Held on February 1, 2019)

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President and Representative Director

Note: Results for the previous fiscal year have been reclassified in line with the adoption of International Financial Reporting Standards (IFRS) this fiscal year.

＜1. （Cover）Financial Results for the Nine Months Ended December 31, 2018＞

＜2. Financial Results for the Nine Months Ended December 31, 2018
- Compared with the Nine Months Ended December 31, 2017 -＞

This table provides an outline of financial results for the nine months ended December 31, 2018 ("the nine months"). Sales revenue for the period increased by 6% compared with the nine months ended December 31, 2017 ("the previous nine months") to 1,214.4 billion yen, marking a record high for the nine-month period.

Despite efforts to expand sales and reduce costs, profits decreased compared with the previous nine months due to the recording of approximately 68.5 billion yen in losses in the solar energy business and organic materials business.

Capital expenditures and R&D expenses increased significantly compared with the previous nine months due to the aggressive initiatives being implemented in each business, particularly the Components Business. Depreciation decreased in line with a change in depreciation method.

Average exchange rates for the nine months were 111 yen to the U.S. dollar, marking appreciation of 1 yen, and 129 yen to the Euro, unchanged from the previous nine months, pushing down sales revenue by approximately 3 billion yen. The impact on profit before income taxes was immaterial.

＜3. Sales Revenue by Reporting Segment for the Nine Months Ended December 31, 2018
- Compared with the Nine Months Ended December 31, 2017 -＞

Despite a decrease in sales revenue in the Life & Environment Group due to a decline in demand in the solar energy business, Kyocera posted double-digit growth in sales revenue in both the Electronic Devices

Group and Industrial & Automotive Components Group, which resulted in sales revenue growth for Kyocera Group as a whole.

＜4. Business Profit (Loss) by Reporting Segment for the Nine Months Ended December 31, 2018 - Compared with the Nine Months Ended December 31, 2017 -＞

Business profit was down year on year due primarily to the recording of one-time loss in the Semiconductor Components Group and Life & Environment Group, despite a significant increase in profit in the Industrial & Automotive Components Group, Electronic Devices Group and Communications Group.

＜5. Major Factors Behind YoY Changes for the Nine Months Ended December 31, 2018＞

The diagram at left plots the increase and decrease in sales revenue and business profit for each reporting segment. The horizontal axis represents changes in sales revenue and the vertical axis represents changes in business profit.

The Electronic Devices Group, Industrial & Automotive Components Group and Document Solutions Group circled in red are the reporting segments manifesting growth in both sales revenue and business profit. These buoyant divisions reflect the effects of aggressive investment made since the previous fiscal year. In addition to investment to increase production of ceramic parts for industrial machinery and capacitors, we enjoyed contributions from merger and acquisition activities conducted from the previous fiscal year in the cutting tool business, AVX Corporation and the Documents Solutions Group, which enabled us to improve results in each business.

The Communications Group circled in blue has reduced the number of low-profit products, which has led to an improvement in profit. In the telecommunications equipment business, we revised our lineup from the start of the fiscal year based on a policy to emphasize profitability in the overseas handset business, a challenge that needed to be addressed, and this culminated in steady improvement.

The Semiconductor Components Group and Life & Environment Group circled in green recorded one-time losses, which led to a significant decline in profit.

The Semiconductor Components Group posted a decline in sales revenue due to lower demand for ceramic packages for optical communications and for smartphones while profit in this reporting segment was down due mainly to impairment loss relating to machinery, equipment and goodwill in the amount of 16.2 billion yen in the organic materials business. Efforts were made to reduce the number of unprofitable items and fixed costs in the organic materials business, resulting in an improvement in profitability. Despite this, we were unable to return to profitability due mainly to stagnant demand for substrates used in smartphones. Due of this, we recently recorded impairment losses for production equipment and goodwill.

In the Life & Environment Group, we recorded 52.3 billion yen in settlement expenses relating to long-term purchase agreements for procurement of polysilicon material in the solar energy business, as announced in November 2018.

Although these two businesses recorded hefty losses this fiscal year, we intend to make a new start next fiscal year and accelerate improvement in profitability.

＜6. Financial Results for the Three Months Ended December 31, 2018
- Compared with the Three Months Ended September 30, 2018 -＞

In page 6, we compare results for the third quarter ended December 31, 2018 with the second quarter ended September 30, 2018.

Sales revenue remained roughly unchanged while profit decreased due mainly to the impact of impairment losses.

Next, I will explain conditions in each reporting segment.

＜7. Sales Revenue by Reporting Segment for the Three Months Ended December 31, 2018
- Compared with the Three Months Ended September 30, 2018 -＞

Sales revenue in the Components Business decreased slightly due to a slowdown in sales, mainly of parts for smartphones, while in the Life & Environment Group, sales revenue declined in the solar energy business.

In contrast, new models contributed to results in the Communications Group and aggressive efforts were made to increase sales in the Document Solutions Group. Accordingly, sales revenue grew in both of these reporting segments.

＜8. Business Profit (Loss) by Reporting Segment for the Three Months Ended December 31, 2018
- Compared with the Three Months Ended September 30, 2018 -＞

Business profit decreased significantly due to the recording of one-time losses in the Semiconductor Components Group and Life & Environment Group.

In contrast, business profit increased in the Communications Group due to efforts to enhance profitability in the telecommunications equipment business overseas coupled with contributions from new models for the Japanese market, which led to an improvement in profitability.

That concludes my explanation of third quarter results. Next, I will explain financial forecasts.

<9. （Cover）Financial Forecasts for the Year ending March 31, 2019>

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

Kyocera revised its full-year financial forecasts announced at the end of November 2018 down today in light of results for the nine months and projections for the fourth quarter ending March 31, 2019.

Although we forecast operating profit and profit before income taxes to decrease relative to the previous fiscal year, profit attributable to owners of the parent is projected to increase due to a decline in tax expenses year on year. We have also revised depreciation and assumed exchange rates given the progress seen.

Next, I will explain sales revenue and business profit forecasts for each reporting segment.

<11. Sales Revenue Forecast by Reporting Segment for the Year Ending March 31, 2019>

Sales revenue forecasts have been revised down in all reporting segments except the Communications Group.

<12. Business Profit (Loss) Forecast by Reporting Segment for the Year Ending March 31, 2019>

Business profit forecasts have been revised up in the Electronic Devices Group and Communications Group in light of better-than-expected improvement in profit in the nine months.

Forecasts for the Industrial & Automotive Components Group, Semiconductor Components Group and Document Solutions Group have been revised down on the other hand.

<13. Major Factors Behind Changes in Forecast for the Year Ending March 31, 2019>

There are two major factors behind the latest financial forecast revisions.

First, demand is down in key markets. The Components Business has been impacted by restrained investment in the industrial machinery market, particularly for parts used in semiconductor processing equipment, in addition to production adjustments in the smartphone market. In addition, sales are forecast to fall below the previous projections in European and U.S. markets in the Document Solutions Group and in the solar energy business in the Life & Environment Group. As a result, we expect results to fall short of the previous forecasts.

Second, Kyocera posted impairment loss relating to machinery, equipment and goodwill in the Semiconductor Components Group in the third quarter. This was not factored into the financial forecast made in November 2018, so we reflected it in the latest projections.

＜14. Trend of Sales revenue and Profit before income taxes＞

Even though we have revised down certain financial forecasts for the fiscal year, we still expect to post record high sales revenue for the second consecutive fiscal year.

Despite indications of adjustments on the whole, we expect the market to continue expanding in such areas as the Internet of Things (IoT) and advanced driver-assist systems (ADAS) next fiscal year and for demand to manifest toward the start of 5G service. We also remain committed to conducting merger and acquisition activities.

Although we recorded large one-time losses for the fiscal year, we will be able to resolve the major issues that have driven down sales revenue and profit in our challenging businesses, thus enabling us to reduce risk going forward. We will strive to expand profit by accelerating improvement in profitability and swiftly returning to profitability in loss-making businesses from next fiscal year onward.

Cautionary statement

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.

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.