

April 26, 2019

Financial Presentation

(Year Ended March 31, 2019)

Hideo Tanimoto
President and Representative Director

KYOCERA Corporation

This is an English translation of the Japanese original of Financial Presentation (Year Ended March 31, 2019). 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 Year Ended March 31, 2019

Note: Commencing from the beginning of its fiscal year ended March 31, 2019 (FY3/2019), Kyocera has adopted the International Financial Reporting Standards ("IFRS") in lieu of the Generally Accepted Accounting Principles of the United States of America ("U.S.GAAP"). In addition, financial figures appearing herein for any period of the year ended March 31, 2018 (FY3/2018) have been reclassified in accordance with IFRS for the purpose of comparative analysis.

Financial Results for the Year Ended March 31, 2019

(Unit: Yen in millions)

		Years ended March 31,				Change	
		2018		2019			
		Amount	% to sales revenue	Amount	% to sales revenue	Amount	%
Sales revenue		1,577,039	100.0%	1,623,710	100.0%	46,671	3.0%
Operating profit		90,699	5.8%	94,823	5.8%	4,124	4.5%
Profit before income taxes		129,992	8.2%	140,610	8.7%	10,618	8.2%
Profit attributable to owners of the parent		79,137	5.0%	103,210	6.4%	24,073	30.4%
EPS (Basic-yen)		215.22	—	284.94	—	69.72	—
Capital expenditures		86,519	5.5%	117,049	7.2%	30,530	35.3%
Depreciation		69,703	4.4%	51,524	3.2%	-18,179	-26.1%
R&D expenses		58,273	3.7%	69,927	4.3%	11,654	20.0%
Average exchange rate	US\$	111 yen		111 yen			
	Euro	130 yen		128 yen			

(Reference) Foreign currency fluctuation effect on sales revenue and profit before income taxes for the year ended March 31, 2019 compared with the previous fiscal year. **Sales revenue: Approx. -7.5 billion yen / Profit before income taxes: Approx. -2.0 billion yen**

- **Record high sales revenue for two consecutive years**
- **Profit increased due to higher sales and cost reductions despite an increase in one-time losses**

Sales Revenue by Reporting Segment for the Year Ended March 31, 2019 - Compared with the Year Ended March 31, 2018 -

(Unit: Yen in millions)

		Years ended March 31,				Change	
		2018		2019			
		Amount	% of sales revenue	Amount	% of sales revenue	Amount	%
Industrial & Automotive Components Group		287,620	18.2%	314,339	19.4%	26,719	9.3%
Semiconductor Components Group		257,237	16.3%	249,217	15.3%	-8,020	-3.1%
Electronic Devices Group		305,145	19.4%	364,827	22.5%	59,682	19.6%
Total Components Business		850,002	53.9%	928,383	57.2%	78,381	9.2%
Communications Group		255,535	16.2%	252,067	15.5%	-3,468	-1.4%
Document Solutions Group		371,058	23.5%	375,147	23.1%	4,089	1.1%
Life & Environment Group		112,212	7.1%	80,114	5.0%	-32,098	-28.6%
Total Equipment & Systems Business		738,805	46.8%	707,328	43.6%	-31,477	-4.3%
Others		18,827	1.2%	17,190	1.0%	-1,637	-8.7%
Adjustments and eliminations		-30,595	-1.9%	-29,191	-1.8%	1,404	—
Sales revenue		1,577,039	100.0%	1,623,710	100.0%	46,671	3.0%

Business Profit (Loss) by Reporting Segment for the Year Ended March 31, 2019

- Compared with the Year Ended March 31, 2018 -

(Unit: Yen in millions)

		Years ended March 31,				Change	
		2018		2019			
		Amount	% to sales revenue	Amount	% to sales revenue	Amount	%
	Industrial & Automotive Components Group	31,400	10.9%	38,450	12.2%	7,050	22.5%
	Semiconductor Components Group	31,049	12.1% ※3	10,932	4.4%	-20,117	-64.8%
	Electronic Devices Group	46,632	15.3%	66,926	18.3%	20,294	43.5%
	Total Components Business	109,081	12.8%	116,308	12.5%	7,227	6.6%
	Communications Group	4,440	1.7%	10,393	4.1%	5,953	134.1%
	Document Solutions Group	40,851	11.0%	43,528	11.6%	2,677	6.6%
	Life & Environment Group	※1 -55,492	—	※2 -67,016	—	-11,524	—
	Total Equipment & Systems Business	-10,201	—	-13,095	—	-2,894	—
	Others	1,393	7.4%	660	3.8%	-733	-52.6%
	Total business profit	100,273	6.4%	103,873	6.4%	3,600	3.6%
Corporate and others		29,719	—	36,737	—	7,018	23.6%
Profit before income taxes		129,992	8.2%	140,610	8.7%	10,618	8.2%

Recorded losses in:

※1 Solar energy business: approx. 50.2 billion yen write-down relating to long-term purchase agreements for procurement of polysilicon material;

※2 Solar energy business: approx. 52.3 billion yen settlement expenses relating to long-term purchase agreements for procurement of polysilicon material;

※3 Organic materials business: approx. 16.2 billion yen impairment loss relating to machinery, equipment and goodwill.

Summary of Financial Results for the Year Ended March 31, 2019

1. Sales and profit up in buoyant divisions due to proactive investment and cost reductions

Industrial & Automotive Components Group, Electronic Devices Group, Document Solutions Group

2. Improved profitability through structural reform

Increased profit despite a decline in sales in the Communications Group mainly by revising product model strategy in the telecommunications equipment business

3. Recorded one-time loss

Work to improve Life & Environment Group and Semiconductor Components Group by FY3/20

2. Financial Forecasts for the Year Ending March 31, 2020

Financial Forecasts for the Year Ending March 31, 2020

(Unit: Yen in millions)

	Year ended March 31, 2019		Year ending March 31, 2020		Change	
	Amount	% to sales revenue	Amount	% to sales revenue	Amount	%
Sales revenue	1,623,710	100.0%	1,700,000	100.0%	76,290	4.7%
Operating profit	94,823	5.8%	140,000	8.2%	45,177	47.6%
Profit before income taxes	140,610	8.7%	180,000	10.6%	39,390	28.0%
Profit attributable to owners of the parent	103,210	6.4%	125,000	7.4%	21,790	21.1%
EPS (Basic-yen)	284.94	—	345.10	—	60.16	—
Capital expenditures	117,049	7.2%	120,000	7.1%	2,951	2.5%
Depreciation	51,524	3.2%	65,000	3.8%	13,476	26.2%
R&D expenses	69,927	4.3%	80,000	4.7%	10,073	14.4%
Average exchange rate	US\$	111 yen	105 yen			
	Euro	128 yen	120 yen			

(Reference) Estimated Foreign currency fluctuation effect on sales revenue and profit before income taxes for the year ending March 31, 2020 compared with the previous fiscal year.

Sales revenue: Approx. -60 billion yen / Profit before income taxes: Approx. -18 billion yen

- **Aims to post a new record high in sales revenue for the third consecutive fiscal year**
- **Increase profit significantly by improving challenging businesses and recover profit before income taxes ratio to 10%**

Note: Forecast of EPS (Basic-yen) is calculated using the average number of shares outstanding for the year ended March 31, 2019.

Sales Revenue Forecast by Reporting Segment for the Year Ending March 31, 2020 - Compared with the Year Ended March 31, 2019-

(Unit: Yen in millions)

	Year ended March 31, 2019		Year ending March 31, 2020		Change	
	Amount	% of sales revenue	Amount	% of sales revenue	Amount	%
Industrial & Automotive Components Group	314,339	19.4%	324,600	19.1%	10,261	3.3%
Semiconductor Components Group	249,217	15.3%	251,100	14.8%	1,883	0.8%
Electronic Devices Group	364,827	22.5%	381,600	22.4%	16,773	4.6%
Total Components Business	928,383	57.2%	957,300	56.3%	28,917	3.1%
Communications Group	252,067	15.5%	257,600	15.2%	5,533	2.2%
Document Solutions Group	375,147	23.1%	400,000	23.5%	24,853	6.6%
Life & Environment Group	80,114	5.0%	94,300	5.5%	14,186	17.7%
Total Equipment & Systems Business	707,328	43.6%	751,900	44.2%	44,572	6.3%
Others	17,190	1.0%	15,600	0.9%	-1,590	-9.2%
Adjustments and eliminations	-29,191	-1.8%	-24,800	-1.4%	4,391	—
Sales revenue	1,623,710	100.0%	1,700,000	100.0%	76,290	4.7%

Business Profit (Loss) Forecast by Reporting Segment for the Year Ending March 31, 2020 - Compared with the Year Ended March 31, 2019 -

(Unit: Yen in millions)

	Year ended March 31, 2019		Year ending March 31, 2020		Change	
	Amount	% to sales revenue	Amount	% to sales revenue	Amount	%
Industrial & Automotive Components Group	38,450	12.2%	34,700	10.7%	-3,750	-9.8%
Semiconductor Components Group	※1 10,932	4.4%	30,900	12.3%	19,968	182.7%
Electronic Devices Group	66,926	18.3%	65,500	17.2%	-1,426	-2.1%
Total Components Business	116,308	12.5%	131,100	13.7%	14,792	12.7%
Communications Group	10,393	4.1%	8,300	3.2%	-2,093	-20.1%
Document Solutions Group	43,528	11.6%	41,300	10.3%	-2,228	-5.1%
Life & Environment Group	※2 -67,016	—	-6,400	—	60,616	—
Total Equipment & Systems Business	-13,095	—	43,200	5.7%	56,295	—
Others	660	3.8%	-5,500	—	-6,160	—
Total business profit	103,873	6.4%	168,800	9.9%	64,927	62.5%
Corporate and others	36,737	—	11,200	—	-25,537	-69.5%
Profit before income taxes	140,610	8.7%	180,000	10.6%	39,390	28.0%

➤ **Others: Increase in R&D expenses**

➤ **Corporate and others: Increase in costs related to reinforce management foundation to create new business as well as celebrations of Kyocera's 60th anniversary**


Recorded losses in:

※1 Organic materials business: approx. 16.2 billion yen impairment loss relating to machinery, equipment and goodwill;


※2 Solar energy business: approx. 52.3 billion yen settlement expenses relating to long-term purchase agreements for procurement of polysilicon material.

Key Points to Financial Forecasts for the Year Ending March 31, 2020

1. Respond to changes in market environment

- (1) Softening of smartphone market  Increased demand ahead of commercialization of 5G service
- (2) Demand for components used in ADAS set to continue rising

2. Improve profitability in organic package and solar energy businesses

- (1) Recorded one-time cost of 68.5 billion yen in previous fiscal year  Reduce cost burden
- (2) Deploy to core fields:
 - Organic materials business / For servers, routers and automotive application
 - Solar energy business / Respond to demand for self-consumption

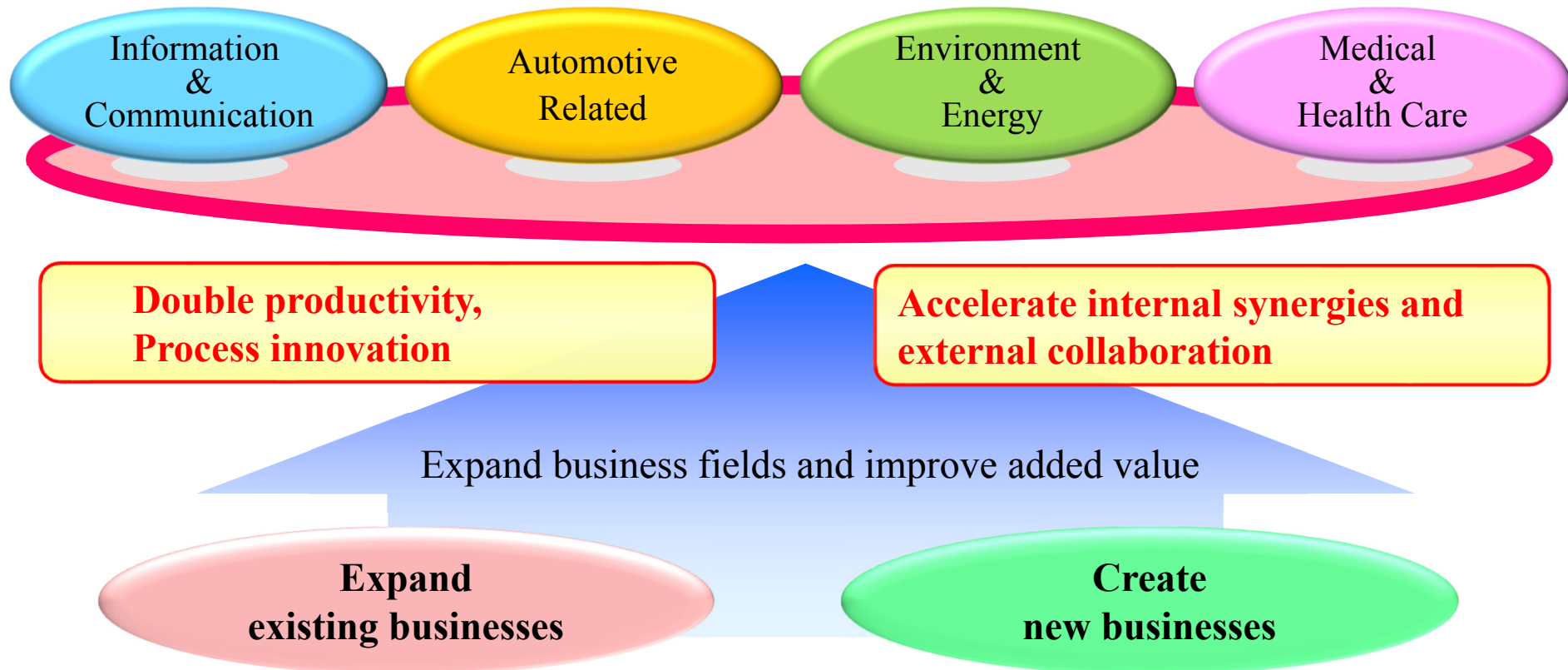
3. Further expand Document Solutions Group

- (1) Expand equipment sales and strengthen solutions business by enhancing product lineup
- (2) Further bolster business through M&A

Forecast an increase in sales and profit reflecting new demand and the effects of strategic measures

Basic Policy for Business Growth

FY3/21 Target: Sales revenue 2 trillion yen
Profit before income taxes ratio 15%



Key Measures to Achieve FY3/21 Targets








1. Actively continue investing to expand business

2. Further promote project to double productivity

3. Change solar energy business model

1. Actively Continue Investing to Expand Business (1)

Proactive M&A in core fields

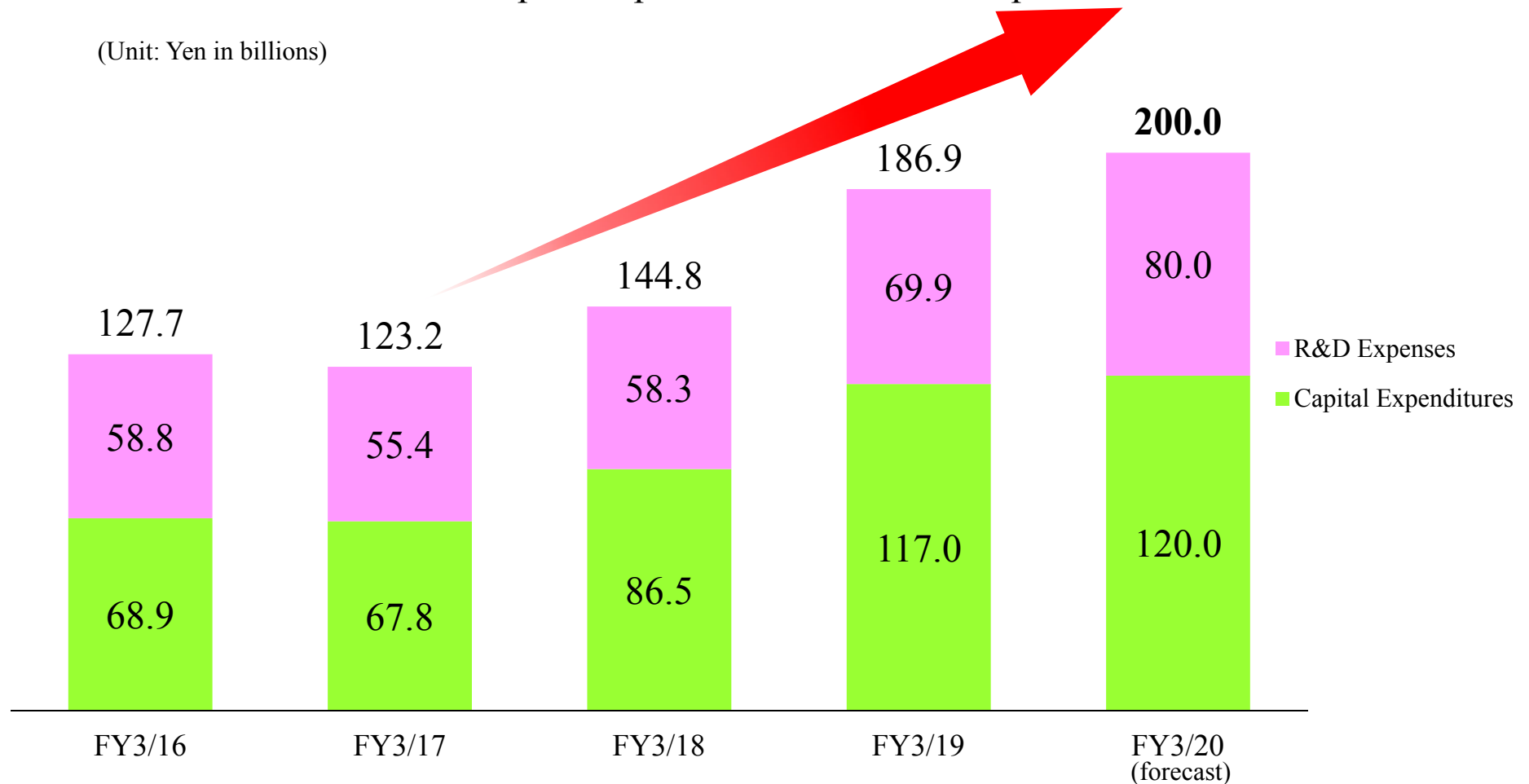
Reporting Segment (Particular business / subsidiary)	Main M&A projects implemented or decided in FY3/19		
Industrial & Automotive Components Group (Fine ceramic parts)		(Germany) H.C. Starck Ceramics : Fine ceramic parts	<ul style="list-style-type: none"> • Expand product lineup and strengthen technological capabilities • Secure production sites in Europe
Industrial & Automotive Components Group (Industrial tools)		(The Netherlands) Pneumatic tools	 Strengthen pneumatic tool business in Europe
Electronic Devices Group (AVX, a U.S. subsidiary)		(Germany) Product automation	Promote production automation
Document Solutions Group	 (Germany) ECM	 (Czech and Slovakia) Sales and services	Strengthen ECM business and sales network
Life & Environment Group (Medical devices)		(U.S.) Spinal products and artificial joint	Expand business in US, the largest market

1 . Actively Continue Investing to Expand Business (2)

Significantly increase capital expenditures and R&D expenses in the most recent three years

<Trend of capital expenditures and R&D Expenses>

(Unit: Yen in billions)



1. Actively Continue Investing to Expand Business (3)

Make investment in response to increasing demand over the medium term and to double productivity

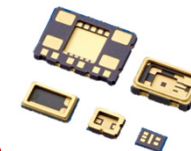
Start operation in April 2019



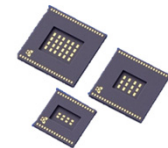
MFP

Printer

Plan to start operation in August 2019



SMD ceramic packages



Ceramic packages for image sensors



Kyocera Document Technology Vietnam 3rd Plant (MFPs, Printers, etc.)



Boost production capacity by approx. 25%

Kagoshima Sendai Plant 22nd Facility (Ceramic packages)

1. Actively Continue Investing to Expand Business (4)

Restructure R&D system for software and materials/devices

**Minato Mirai
Research Center*
(Yokohama)**

**Start operation
from May 2019
onward (Plan)**

**Keihanna
Research Center
(Kyoto)**

**April 2019
Change name and
reorganized**

Software

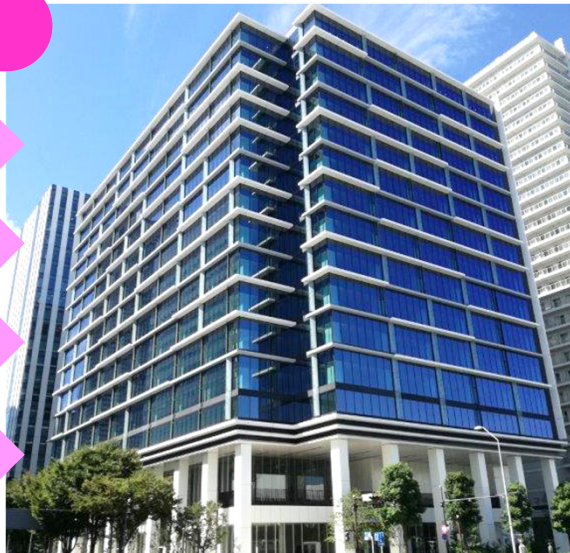
**Communications
System**

Energy

ADAS

**Document
Solutions**

etc.



Material/Devices

**Material
Development**

IoT-related

**Communications
Devices**

etc.



- Speed up R&D by centralizing resources
- Promote open innovation and secure human resources by leveraging good location

*OCEAN GATE MINATO MIRAI (1F・3F・4F・5F・6F)

2. Further Promote Project to Double Productivity (1)

FY3/19

FY3/20

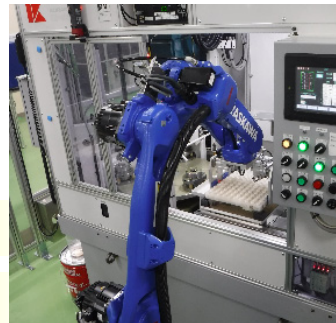
Fine Ceramic Parts

Create model line using automation and AI

Reduce headcount via automation: One-fifth vs. before

Increase operating ratio through AI: 1.5 times vs. before

➔ **Prove through testing**



Robot in operation in model line

Apply to other components businesses

Electronic Components

Printing Devices

Industrial Tools

Kyocera Document Solutions

Create automated production lines

Tamaki Plant (toner containers)

China plant (OPC photoreceptor drums)

Cut personnel costs via automation: One-tenth vs. before

Hirakata Plant (optical units)



Automated production line for OPC photoreceptor drums

Extend automated production line and increase production

Tamaki Plant (toner containers)

Add new third line

China plant (OPC photoreceptor drums)

Hirakata Plant (optical units)

Step up production

2. Further Promote Project to Double Productivity (2)

Establish new site for development and production of Kyocera equipment



- **Double development and production space for proprietary manufacturing equipment**
- **Establish speedier development system**

Aim to quickly realize smart factory to double productivity

3. Change Solar Energy Business Model

Develop new service business based on self-consumption

Residential

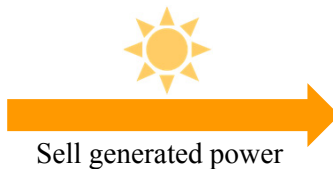
Support introduction of solar power generation systems without initial expense



Kyocera Kanden Energy LLP.*



Free installation and maintenance of solar power generation system



Plan to start service in autumn 2019



Sell grid power

Industrial

Provide service supporting introduction of renewable energy at companies



- Installation construction, maintenance and management of solar panels
- Pay power used as service fee

* Tentative translation of the company name



Create VPP business and develop new products and technologies

Aim to revitalize business by expanding business domain

3. Enhance Corporate Value

Initiatives to Enhance Corporate Governance (1)

Toward better corporate management

Before revision

1. Increasing transparency

Make decisions at Board of Directors based on advice from Outside Directors

After revision

Establish Nominating and Remuneration Committee (end of 2018)

Advisory body for nominating and remunerating executives:
Comprised of Chairman and all Outside Directors

2. Enhancement of diversity

(1) Take global management perspective by employing foreign executives

In addition to item at left

(1) Appoint female executives (Outside Director*, Executive Officer)

Also Establish Diversity Promotion Division (April 2019)

3. Share value with shareholders

Directors' remuneration system:
Cash remuneration
(basic remuneration, director's bonus)

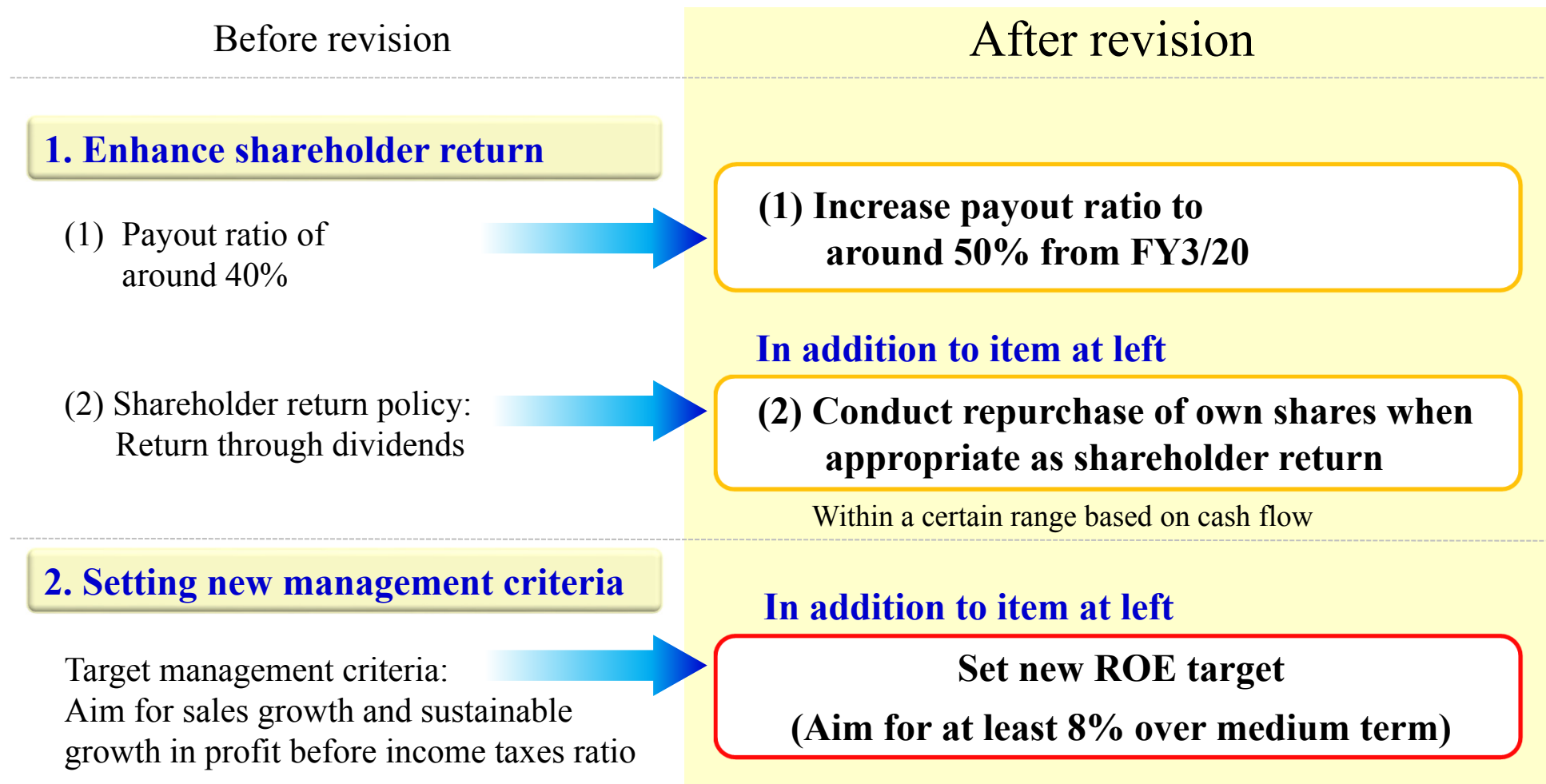
In addition to item at left

Introduce new restricted stock compensation plan*

*Subject to a resolution at Annual General Shareholders Meeting in June 2019

Initiatives to Enhance Corporate Governance (2)

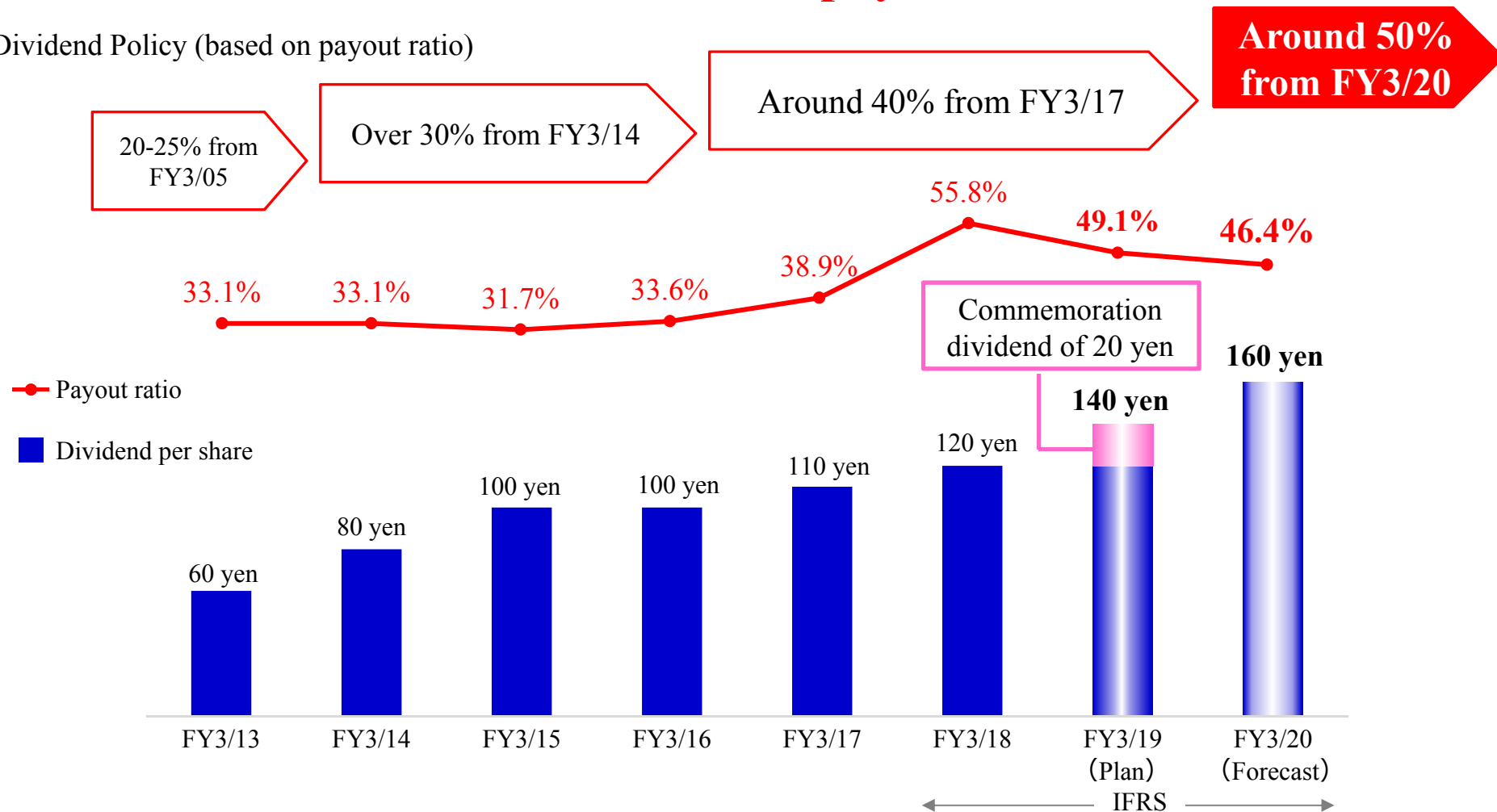
Further enhance corporate value



Enhance Shareholder Return (1) Revise Dividend Policy

Increase dividend payout ratio

Dividend Policy (based on payout ratio)



*A stock split was conducted in October 2013. Dividends up until FY3/14 have been recalculated based on the stock split for convenience of comparison.

Enhance Shareholder Return (2) Repurchase of Own Shares

Idea of repurchase of own shares

【Previous】

Utilize the treasury stock to swiftly execute its future-oriented capital strategies, such as stock swaps



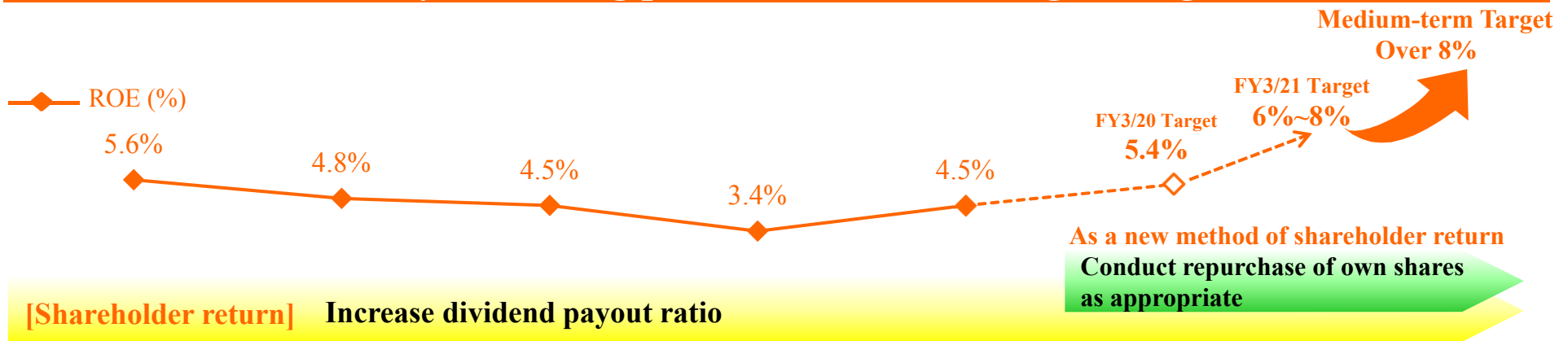
Use share repurchase in addition to conventional dividends as a powerful mechanism of shareholder return

【After revision】

As a mechanism for enhancing shareholder returns, implement acquisitions of its own shares within a certain range based on cash flow, as appropriate taking into consideration the amount of capital expenditures, etc. required

Boost ROE

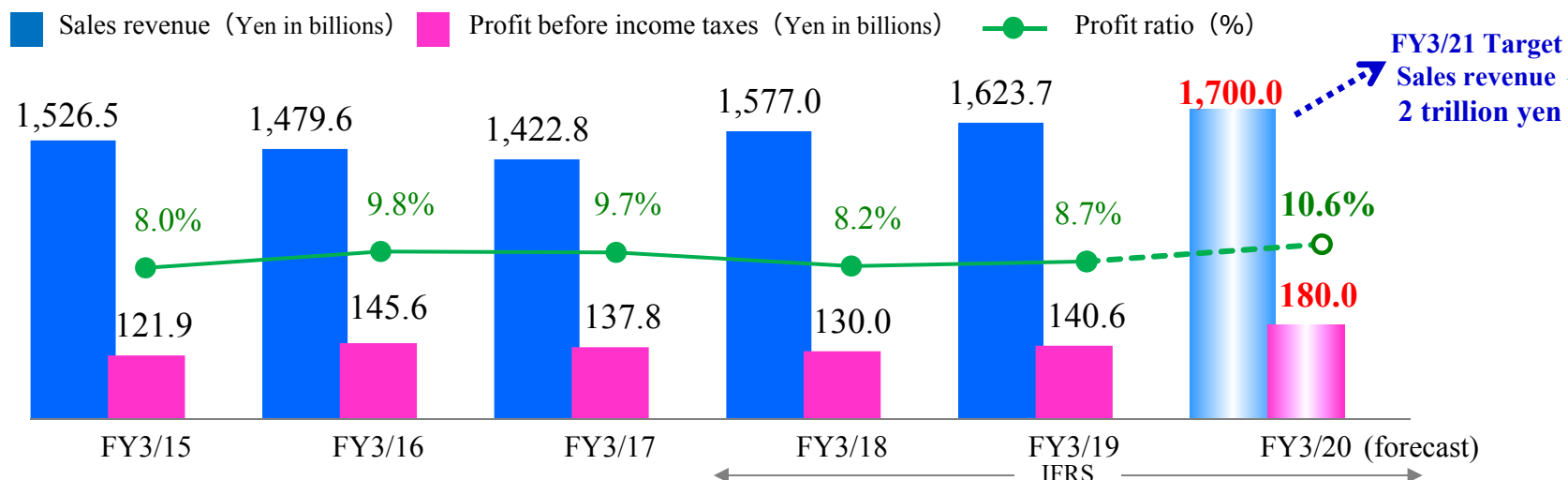
Aim to increase ROE by enhancing performance and strengthening shareholder return



[Financial Results] Implemented structural reform to improve profitability of challenging businesses

Actively expand business in growing markets

Further Growth



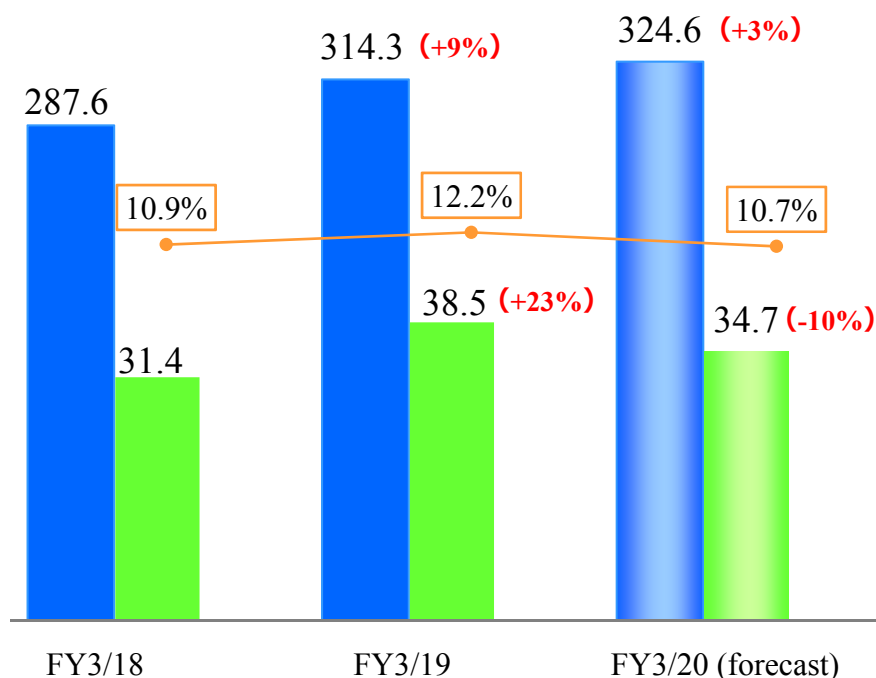
4. Appendix: Financial Forecasts by Reporting Segment

Financial Forecasts for FY3/20 by Reporting Segment (1)

- Industrial & Automotive Components Group -

<Trend of Financial Results>

(Unit: Yen in billions)



<Major Factors for Changes>

FY3/20 Forecast vs. FY3/19 Result

- ✓ Increase in sales in industrial tools and fine ceramic parts for industrial machineries due in part to contribution from M&As
- ✓ Increase sales in automotive components
- ✓ Decrease in profit due to higher depreciation and R&D expenses

FY3/19 Result vs. FY3/18 Result

- ✓ Increased sales in industrial tools and fine ceramic parts for SPE etc. due in part to contribution from M&As
- ✓ Significantly increased profit through sales increase and cost reductions

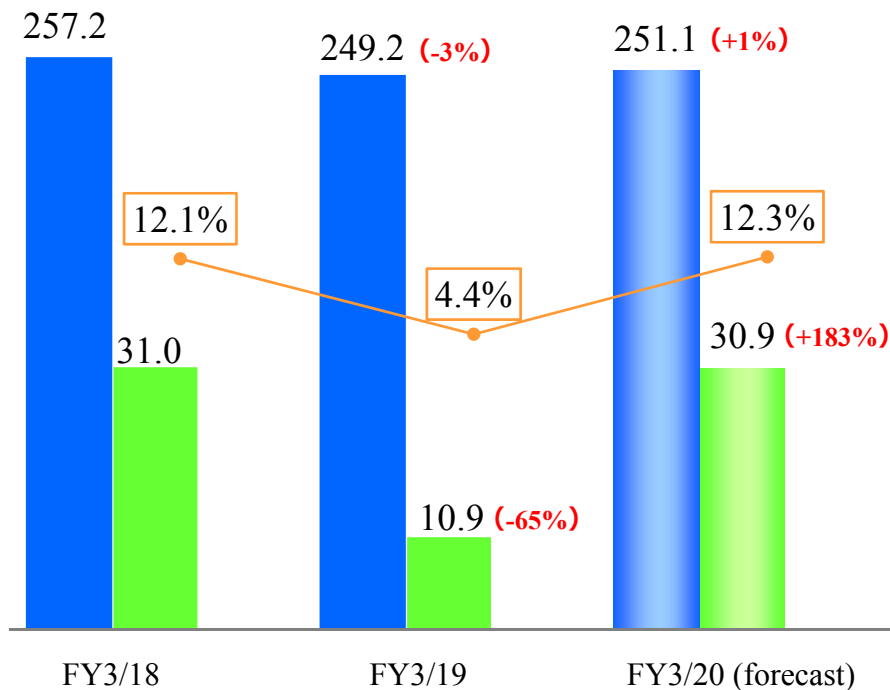
■ Sales revenue ■ Business profit —●— Profit ratio () % Change from the previous fiscal year

Financial Forecasts for FY3/20 by Reporting Segment (2)

- Semiconductor Components Group -

<Trend of Financial Results>

(Unit: Yen in billions)



<Major Factors for Changes>

FY3/20 Forecast vs. FY3/19 Result

- ✓ Ceramic packages for optical communications will gradually recover
- ✓ Higher profit because of cost reductions as well as an absence of one-time loss which was recorded in FY3/19

FY3/19 Result vs. FY3/18 Result

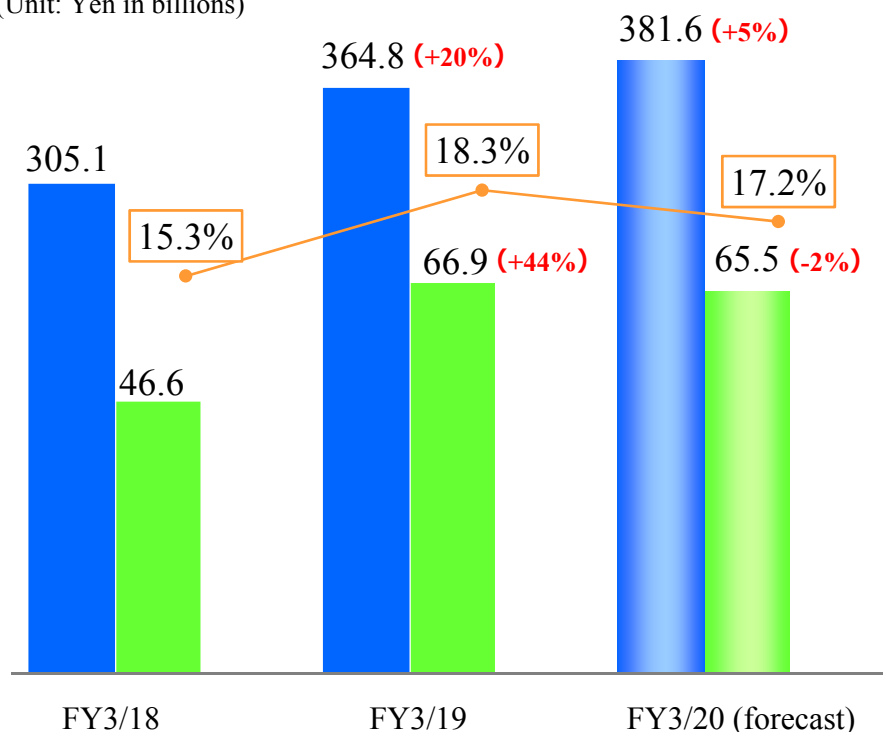
- ✓ Decreased sales in ceramic packages for smartphone and optical communications.
- ✓ Profit was down due to lower sales as well as one-time loss of 16.2 billion yen recorded in organic materials business

■ Sales revenue ■ Business profit —●— Profit ratio () % Change from the previous fiscal year

Financial Forecasts for FY3/20 by Reporting Segment (3) - Electronic Devices Group -

<Trend of Financial Results>

(Unit: Yen in billions)



<Major Factors for Changes>

FY3/20 Forecast vs. FY3/19 Result

- ✓ Increase in sales of electronic components for 5G base stations and automotive as well as printing devices for industrial machines
- ✓ Profit remain almost flat due to higher depreciation costs following proactive capital expenditures

FY3/19 Result vs. FY3/18 Result

- ✓ Sales increased on the back of strong demand and increased production of MLCC for smartphones
- ✓ Contribution from M&A at AVX Corporation
- ✓ Significantly increased profit by sales increase and cost reductions

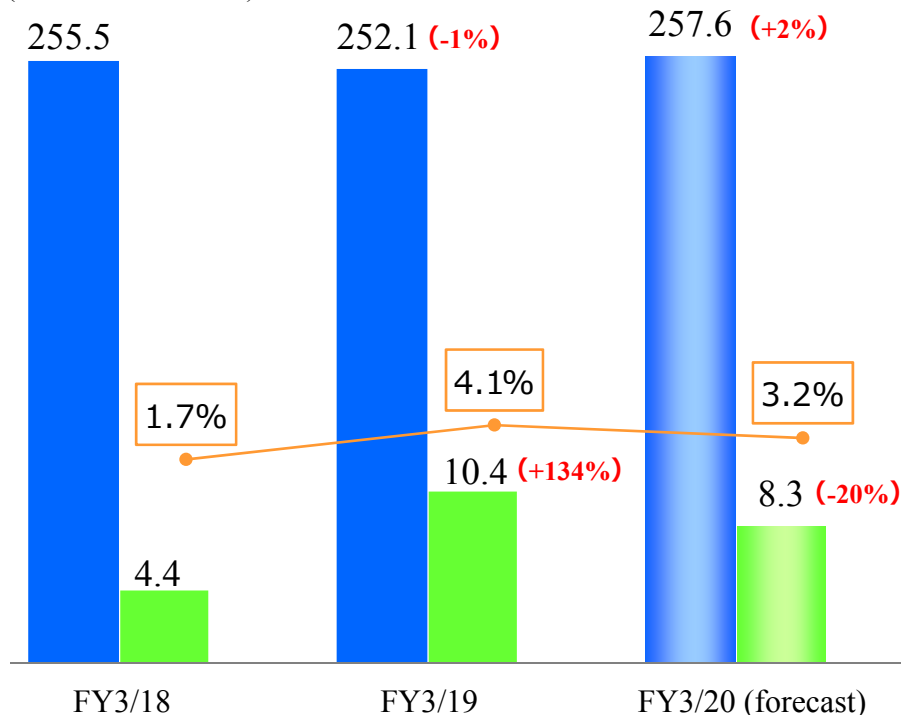
■ Sales revenue ■ Business profit —●— Profit ratio () % Change from the previous fiscal year

Financial Forecasts for FY3/20 by Reporting Segment (4)

- Communications Group -

<Trend of Financial Results>

(Unit: Yen in billions)



<Major Factors for Changes>

FY3/20 Forecast vs. FY3/19 Result

- ✓ Increase in sales due to higher sales in information and communications services business
- ✓ Decrease in profit due to higher R&D expenses and depreciation in spite of higher sales

FY3/19 Result vs. FY3/18 Result

- ✓ Sales in information communication services business increased due to higher sales in engineering services
- ✓ Sales in telecommunications equipment business decreased due to sales decline of handsets in Japan
- ✓ Profit increased due to removal of low-profit products in telecommunications equipment business

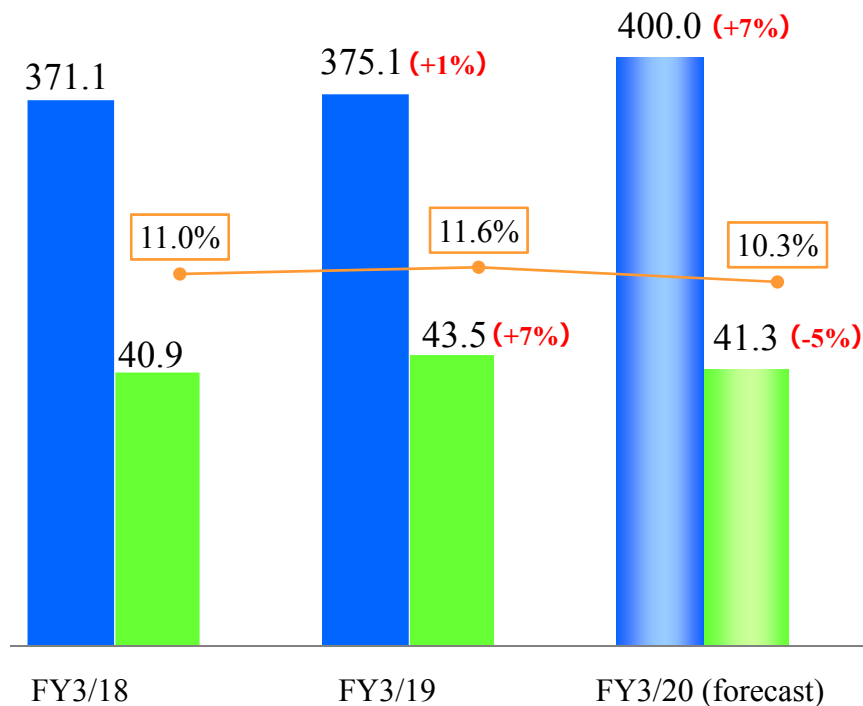
■ Sales revenue ■ Business profit —●— Profit ratio () % Change from the previous fiscal year

Financial Forecasts for FY3/20 by Reporting Segment (5)

- Document Solutions Group -

<Trend of Financial Results>

(Unit: Yen in billions)



<Major Factors for Changes>

FY3/20 Forecast vs. FY3/19 Result

- ✓ Seek for higher equipment sales through expansion of product line-up and expansion of solution business
- ✓ Pursue outcome of M&As
- ✓ Decrease in profit due to effect of yen's appreciation despite higher sales as well as efforts to continue enhancing productivity and cost reduction

FY3/19 Result vs. FY3/18 Result

- ✓ Sales increased due to higher sales volume of MFPs and printers as well as contribution from M&As
- ✓ Profit increased due to higher sales as well as efficient sales activities and cost reductions

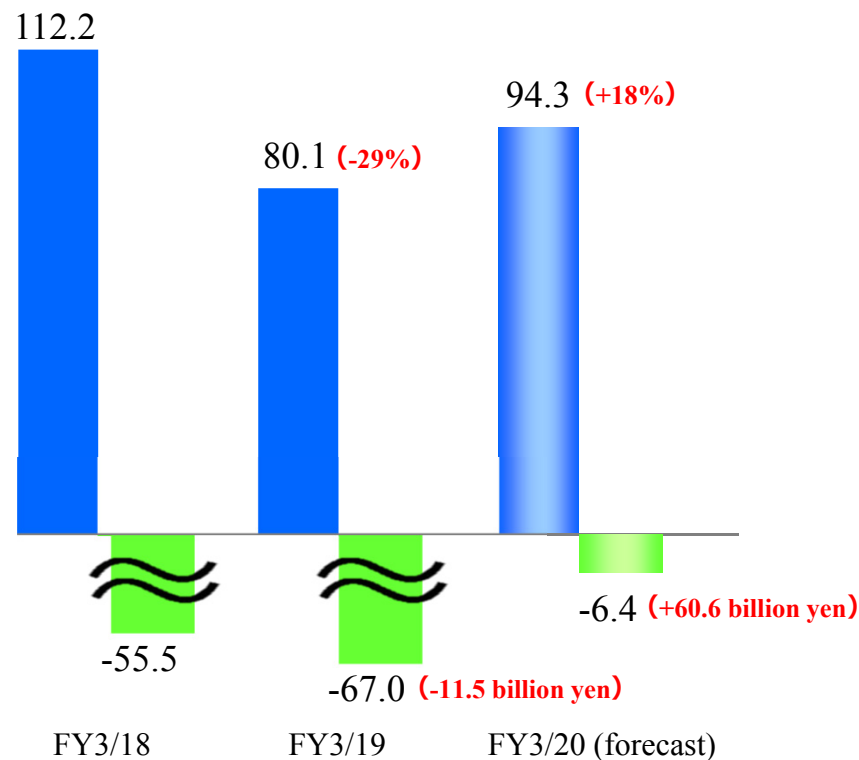
■ Sales revenue ■ Business profit —●— Profit ratio () % Change from the previous fiscal year

Financial Forecasts for FY3/20 by Reporting Segment (6)

- Life & Environment Group -

<Trend of Financial Results>

(Unit: Yen in billions)



<Major Factors for Changes>

FY3/20 Forecast vs. FY3/19 Result

- ✓ Increase in sales in the solar energy business for new demand based on self-consumption of energy etc.
- ✓ Reduce loss by cost reductions and effect of higher sales in addition to an absence of one-time loss which was recorded in FY3/19

FY3/19 Result vs. FY3/18 Result

- ✓ Decreased sales in the solar energy business due to lower sales in Japanese market
- ✓ Loss increased due to lower sales as well as a record of approx. 52.3 billion yen settlement expenses relating to long-term purchase agreements for procurement of polysilicon material

■ Sales revenue ■ Business profit —●— Profit ratio () Change from the previous fiscal year

Cautionary Statements with respect to Forward-Looking Statements

Certain of the statements made in this document are forward-looking statements, 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 our 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) Damages on our information security systems from cyberattacks, etc. and significant costs in order to recover and maintain the systems;
- (13) Insufficient protection of our trade secrets and intellectual property rights including patents;
- (14) Expenses associated with licenses we require to continue to manufacture and sell products;
- (15) Environmental liability and compliance obligations by tightening of environmental laws and regulations;
- (16) Unintentional conflict with laws and regulations or newly enacted laws and regulations;
- (17) Our market or supply chains being affected by terrorism, plague, wars or similar events;
- (18) Earthquakes and other natural disasters affecting our headquarters and major facilities as well as our suppliers and customers;
- (19) Credit risk on trade receivables;
- (20) Fluctuations in the value of, and impairment losses on, securities and other assets held by us;
- (21) Impairment losses on property, plant and equipment, goodwill and intangible assets;
- (22) Unrealized deferred tax assets and additional liabilities for unrecognized tax benefits; and
- (23) Changes in accounting principles.

Due to such risks, uncertainties and other factors, our actual results, performance, achievements or financial condition may be substantially 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.