

**Kyocera Corporation Telephone Conference Call (July 28, 2011)**

**Shoichi Aoki**

**Director, Managing Executive Officer and General Manager of Corporate Financial and Business Systems Administration Group**

**<P.1: Financial Results for the First Three Months of FY3/2012**

**– Comparison with Q1 FY3/2011 – >**

Page 1 shows consolidated financial results for the three months ended June 30, 2011 (“the first quarter”) compared with the three months ended June 30, 2010 (“the previous first quarter”).

As you can see at the bottom of this slide, average exchange rates for the first quarter were ¥117 to the Euro, unchanged from the previous first quarter, and ¥82 to the U.S. dollar, marking appreciation of ¥10 from ¥92 in the previous first quarter. As a result, net sales and pre-tax income for the first quarter were adversely affected by approximately ¥13 billion and ¥3 billion, respectively, compared with the previous first quarter.

Net sales for the first quarter amounted to ¥305.2 billion, down 2.5% compared with the previous first quarter, due mainly to the negative impact of the yen’s appreciation against the U.S. dollar. Profit decreased relative to the previous first quarter due mainly to the decline in sales, the yen’s appreciation and increased depreciation cost.

**<P.2: Financial Results for the First Three Months of FY3/2012**

**– Comparison with Q4 FY3/2011 – >**

This table shows comparisons with the fourth quarter of the previous fiscal year (January 1 to March 31, 2011; “the previous quarter”).

In the first quarter, sales declined slightly compared with the previous quarter despite the impact of the Great East Japan Earthquake.

Profit from operations was down due to a decrease in sales. Pre-tax income for the first quarter increased, however, due to dividend income from KDDI Corporation, etc. Net income attributable to shareholders of Kyocera Corporation declined. This was due to the reversal of tax expenses in line with the recognition of deferred tax assets resulting from enhanced profitability at certain subsidiaries in the previous quarter.

Next, I will explain results by reporting segment. Please turn to page 3.

From page 3 to 9, we show the graphs of financial results trends on a quarterly basis from the previous first quarter to the first quarter. The upper section graph shows sales trends and the lower section graph shows operating profit and operating profit ratio trends. On the right hand side, we present reasons for increases or decreases of sales and operating profit compared with the previous first quarter (upper section) and the previous quarter (lower section).

### **<P.3: Summary of Q1 FY3/2012 Results by Reporting Segment**

#### **– Fine Ceramic Parts Group – >**

First, let's look at the Fine Ceramic Parts Group. Sales and operating profit were up significantly compared with the previous first quarter. And compared with the previous quarter, sales increased slightly and operating profit remained on par. This was due mainly to an increase in components demand in industrial machinery markets such as semiconductor fabrication equipment and in LED related markets.

### **<P.4: Summary of Q1 FY3/2012 Results by Reporting Segment**

#### **– Semiconductor Parts Group – >**

Next, let's turn to the Semiconductor Parts Group. Compared with the previous first

quarter, operating profit increased due to cost reductions and enhanced productivity despite lower sales affected by the yen's appreciation.

Compared with the previous quarter, sales decreased owing to production adjustment in the digital consumer equipment market. Operating profit increased, however, due to cost reductions and enhanced productivity. The operating profit ratio in the first quarter was 22.8%, the highest in past five quarters.

#### **<P.5: Summary of Q1 FY3/2012 Results by Reporting Segment**

##### **– Applied Ceramic Products Group – >**

Let's look at the Applied Ceramic Products Group. Compared with the previous first quarter, sales increased due to sales growth in the cutting tool business. Despite this, operating profit declined due to a reduction in subsidies by the governments in various European countries as well as a decline in selling prices caused by intensified market competition globally in the solar energy business.

Sales and operating profit decreased compared with the previous quarter. The reason was a decline in selling prices of solar cells and modules and the termination of subsidies for solar power generating systems for public use in Japan

#### **<P.6: Summary of Q1 FY3/2012 Results by Reporting Segment**

##### **– Electronic Device Group – >**

Next, I will explain results in the Electronic Device Group. Sales in the first quarter remained on par compared with both the previous first quarter and the previous quarter due to our effort to expand sales in various fields such as industrial use despite slowed component demand for digital consumer equipment and the negative impact of the yen's appreciation. Operating profit increased compared with the previous quarter due mainly to the cost reductions and enhanced productivity. The operating profit ratio in the first quarter improved to 15.8%.

#### **<P.7: Summary of Q1 FY3/2012 Results by Reporting Segment**

##### **– Telecommunications Equipment Group – >**

In the Telecommunications Equipment Group, sales and operating profit declined compared with both the previous first quarter and the previous quarter. Sales volume of mobile phone handsets in the first quarter decreased due to stagnated market condition from the second half of the previous fiscal year and to the disrupted production of certain models caused by the disaster. Compared with the previous first quarter, the yen's appreciation also pushed down sales and operating profit.

#### **<P.8: Summary of Q1 FY3/2012 Results by Reporting Segment**

##### **– Information Equipment Group – >**

Let's look at the Information Equipment Group. Sales and operating profit increased compared with the previous first quarter. The main attributable factor was an increase in sales of mid-speed machines and color machines in Europe and Asia through introductions of new multifunctional peripherals and printers.

Despite a decline in sales compared with the previous quarter owing to a seasonal factor, operating profit increased significantly due to cost reductions and the yen's depreciation against Euro. The operating profit ratio was improved to 12.6%.

#### **<P.9: Summary of Q1 FY3/2012 Results by Reporting Segment – Others – >**

The final reporting segment is Others. Compared with the previous first quarter, sales increased due to higher sales at Kyocera Communication Systems Co., Ltd. Sales decreased slightly compared with the previous quarter, however, due to a decline in sales at Kyocera Communication Systems Co., Ltd. affected by the disaster, etc.

Operating profit in the first quarter decreased compared with both the previous first quarter and the previous quarter due mainly to increased R&D expenses for new businesses.

That concludes my presentation of results for the first quarter.

Next, I will explain financial forecasts for the year ending March 31, 2012 (“fiscal 2012”). Please turn to page 10.

**<P.10: Key Initiatives from Q2 FY3/2012>**

As Tetsuo Kuba, President and Representative Director, explained in the financial results presentation in April 2011, Kyocera aims to improve performance by expanding businesses in environment and energy markets and information and communications markets. This slide shows key initiatives from the second quarter of fiscal 2012.

First, Kyocera will expand sales in environment and energy markets. In solar power generating systems, the introduction of a new energy policy by the government is expected to boost market in Japan. As such, demand for alternative energy such as solar energy and for energy-saving products is rising along with heightening global awareness for environment. Kyocera intends to seize these business opportunities and work to expand sales of solar energy systems and LED related components.

In information and communications markets, Kyocera will strive to increase sales and profit in the Equipment Business. We aim to improve profitability in the Telecommunications Equipment Group by introducing new products such as smartphones in Japan and overseas. In addition, we seek to increase sales in the Information Equipment Group by expanding sales in emerging nations such as Russia and in Eastern Europe and Asia by establishing sales subsidiaries and growing our dealer network in addition to sales expansion of new products.

Besides expanding businesses in these markets, Kyocera will work to expand business in general industrial markets. In concrete terms, we will work to grow the

cutting tool business by pursuing synergies with Denmark-based cutting tool manufacturer, Unimerco Group A/S which became our subsidiary in July 2011.

**<P.11: Expand Business in General Industrial Markets (1)>**

This slide shows an outline of Unimerco Group.

The Unimerco Group develops, produces and sells cutting tools for metal processing and woodworking. Sales in the previous fiscal year, ended September 30, 2010 amounted to approximately ¥8 billion. The European market accounted for around 90% of that total. In the lower right of this slide, we present sales by market in cutting tools for metal processing. As you can see, Unimerco Group develops in various markets.

**<P.12: Expand Business in General Industrial Markets (2)>**

On this slide, we summarize the characteristics and synergies of the cutting tool businesses operated by the Kyocera Group and Unimerco Group. In terms of product line-up, Kyocera is mainly engaged in general-purpose items whereas Unimerco mainly handles custom-made items. We are confident that we can expand our product line-up through this acquisition.

In sales region, Kyocera is focused on business in Japan and Asia whereas Unimerco is focused on Europe. We work to expand sales of Kyocera and Unimerco products in each region through sales network of both companies.

In addition, Kyocera develops business mainly in the automotive market and Unimerco is developing business in growth markets such as aviation and power generation which Kyocera had not entered in.

As such, there is only little duplication in product line-up, sales region or market between Kyocera and Unimerco. Through integration of the management resources

of both companies and pursuing synergies, Kyocera aims to expand our cutting tool business.

**<P.13-15: Financial Forecast – Year Ending March 31, 2012 – >**

We present financial forecasts for fiscal 2012 on pages 13 to 15. We have made the revisions to average exchange rate for fiscal 2012 in light of exchange rates forecast from the second quarter onward. The revised average exchange rates are ¥80 to the U.S. dollar, marking appreciation of ¥1 from ¥81, and ¥113 to the Euro, marking appreciation of ¥2 from ¥115, compared with those rates announced in April 2011. As a result of the revisions, net sales and income before income taxes for fiscal 2012 are adversely affected by approximately ¥9 billion and ¥4 billion, respectively. However, there are no changes to forecast of sales and profit announced in April 2011.

There are also no revisions to forecast of sales and operating profit by reporting segment announced in April 2011 which are shown on page 14 and 15.

Kyocera aims to expand businesses in general industrial markets in addition to environment and energy markets and information and communications markets in order to achieve these financial forecasts.