

**KYOCERA Corporation**

**Financial Presentation for the Six Months ended September 30, 2012**

**(held on November 2, 2012)**

**Tetsuo Kuba**

**President and Representative Director**

**< P.1: Financial Results of H1 FY3/2013 – Comparison with H1 FY3/2012 >**

Page 1 shows financial results for the six months ended September 30, 2012 (“the first half”) compared with the six months ended September 30, 2011 (“the previous first half”).

Net sales in the first half increased by 0.7% compared with the previous first half to ¥608.4 billion due to sales contribution from Kyocera Display Corporation, which became a consolidated subsidiary in February 2012, despite sluggish growth in component demand on the whole due to a decline in the business environment coupled with the impact of the yen’s appreciation.

Profit decreased due to the recording at AVX Corporation, a U.S.-based subsidiary, of a charge of ¥21.3 billion for environmental remediation in New Bedford Harbor, Massachusetts in the United States in the first quarter (for the three months ended June 30, 2012) and also to the impact of the yen’s appreciation.

Average exchange rates for the first half were ¥79 to the U.S. dollar and ¥101 to the Euro, marking appreciation of ¥1 and ¥13, respectively, compared with the previous first half. As a result of the yen’s appreciation, net sales and pre-tax income for the first half were adversely affected by approximately ¥12.5 billion and ¥5.5 billion, respectively, compared with the previous first half.

Next, I will explain results by reporting segment. Please turn to page 2 of the handout.

**<P.2: Sales by Reporting Segment of H1 FY3/2013 – Comparison with H1 FY3/2012>**

Looking at sales by reporting segment, in the Components Business, sales were up significantly in the Electronic Device Group due to sales contribution from a new subsidiary. On the other hand, in the Equipment Business, sales were down compared with the previous first half. In the Telecommunications Equipment Group, sales volume decreased due to strategic constriction of the low-end handset business for overseas markets. Also sales were down in the Information Equipment Group due to the impact of the yen's appreciation despite growth in sales on a local currency basis overseas.

**<P.3: Operating Profit by Reporting Segment of H1 FY3/2013 – Comparison with H1 FY3/2012>**

Let's turn to page 3. Operating profit was down in the Components Business due to the recording of the environmental remediation charge at AVX Corporation coupled with lower sales resulting from a decline in demand. Operating profit decreased in the Equipment Business due to lower profit in the Information Equipment Group caused by the yen's appreciation.

Next, I will explain results for the three months ended September 30, 2012 ("the second quarter") compared with the first quarter. Please turn to page 4.

**<P.4: Financial Results for the Three Months of Q2 FY3/2013 – Comparison with Q1 FY3/2013>**

Both sales and profit increased in the second quarter compared with the first quarter. In particular, profit was up significantly due to the recording of the environmental remediation charge at AVX Corporation in the first quarter.

For reference, profit from operations in the second quarter increased by 44.5% compared with the first quarter on a base excluding the environmental remediation charge at AVX Corporation.

Next, I will explain results by reporting segment. Please turn to page 5 of the handout.

**<P.5: Sales by Reporting Segment for the Three Months of Q2 FY3/2013 – Comparison with Q1 FY3/2013>**

Sales in the Semiconductor Parts Group increased by 14.8% due to growth in demand of ceramic packages for smartphones. Others posted a double-digit increase in sales due to higher sales in the engineering business of Kyocera Communication Systems Co., Ltd.

**<P.6: Operating Profit by Reporting Segment for the Three Months of Q2 FY3/2013 – Comparison with Q1 FY3/2013>**

Operating profit increased significantly due primarily to the effects of higher sales combined with the recording of the environmental remediation charge at AVX Corporation in the first quarter. In particular, profit grew substantially in the Applied Ceramic Products Group due to improved profitability in the solar energy business. The Telecommunications Equipment Group posted an increase in profit as well due to sales gains overseas and an enhanced product mix.

**<P.7: Quarterly Trends of Sales and Pre-tax Income>**

The graph on page 7 shows quarterly results for sales, pre-tax income and pre-tax income ratio from the first quarter of the year ended March 31, 2012. The pink and red dotted lines represent pre-tax income and pre-tax income ratio excluding the environmental remediation charge.

On a base excluding the environmental remediation charge, profitability has increased steadily since bottoming out in the fourth quarter of the previous fiscal year, with a pre-tax income ratio of 10% posted in the second quarter of the current fiscal year.

That concludes my presentation of financial results for the first half. Next, I will explain the financial forecast for the year ending March 31, 2013 (“fiscal 2013”). Please turn to page 8.

#### **<P.8: Business Environment Outlook for H2 FY3/2013>**

First, I will explain the business environment outlook for the second half.

Global economic uncertainty has heightened upon entering the second half. A slowdown in the growth rate of the Chinese market and a prolonged business downturn in Europe have led to a business environment that is harsher than previous assumptions.

Demand in key markets is expected to stagnate due to this deterioration in the economic environment. In particular, Kyocera forecasts demand to fall short of initial projections in the digital consumer equipment, automotive related and information equipment markets. This is expected to impact the Components Business and the Information Equipment Group.

In contrast, demand in the solar energy market in Japan is projected to continue expanding in the second half, particular for public and industrial use.

In light of this business environment outlook, we revised full-year financial forecasts for fiscal 2013 from those announced in August, as you can see in the table on page 9.

#### **<P.9: Financial Forecast of FY3/2013>**

Both sales and profit forecasts have been revised downward from previous projections. However, sales are forecast to increase by 10.8%, or ¥129.1 billion year-on-year. Profit from operations and pre-tax income are both forecast to increase year-on-year.

Net income is forecast to decrease year-on-year due to a special factor, namely the reversal of ¥8.3 billion in tax expense associated with a tax revision in Japan in the previous fiscal year.

Kyocera has also revised its forecasts of average exchange rates for the second half (for the six months ending March 31, 2013) in light of current conditions and future outlook, from ¥78 to ¥79 against the U.S. dollar and from ¥95 to ¥101 against the Euro. In line with

this, the full-year average exchange rate forecasts for fiscal 2013 are ¥79 to the U.S. dollar, unchanged from the previous forecast, and ¥101 to the Euro, revised from the previous forecast of ¥97.

The yen's appreciation is expected to adversely affect full-year results in the amount of approximately ¥14 billion for net sales and ¥7 billion for pre-tax income compared with the previous fiscal year.

**<P.10: Sales Forecast by Reporting Segment of FY3/2013>**

Kyocera has revised financial forecasts for each reporting segment as shown in the table on page 10.

Sales forecasts have been revised downward in most reporting segments compared with the previous projections. Nonetheless, sales are forecast to increase in both the Components Business and the Equipment Business on a year-on-year basis.

**<P.11: Operating Profit Forecast by Reporting Segment of FY3/2013>**

Please turn to page 11, operating profit forecasts have been revised downward from the previous projections on the whole due to the decline in sales.

Nonetheless, in terms of performance in the second half, both sales and profit are expected to increase in almost all reporting segments compared with the first half. In particular, sales and profit are forecast to increase in the solar energy business and the Telecommunications Equipment Group.

Next, I will explain initiatives in these two businesses in the second half.

**<P.12: Key Initiatives for H2 FY3/2012 – Expand Sales in the Applied Ceramic Products Group>**

The graph at left on page 12 shows six-month sales and operating profit for the Applied Ceramic Products Group for fiscal 2013, which includes the solar energy business.

As you can see, sales and operating profit in the second half are forecast to increase significantly compared with the first half. Expansion in the solar energy business will be the major driving force behind this growth.

Orders in the solar energy business for public and industrial markets have increased rapidly in line with the start of the feed-in tariff (FIT) system for renewable energy in Japan in July 2012. Please turn to page 13 of the handout.

**<P.13: Key Initiatives for H2 FY3/2012 – Expand Sales and Profit in Solar Energy Business>**

Kyocera will work to expand sales in the public and industrial markets in Japan in order to boost sales and profit in the solar energy business. Kyocera has received numerous orders for mega solar power projects in three different business configurations.

As shown in the upper left of this slide, Kyocera plans to supply 30MW of multicrystalline silicon solar modules to a solar power plant in Shiranuka, Hokkaido.

The Kyocera Group also secured an order not only for the supply of solar modules but also up to system design and construction for Softbank Kyoto Solar Park, shown at upper right.

Kyocera has undertaken several joint ventures with Century Tokyo Leasing Corporation, led by a 70MW mega-solar power plant in Nanatsujima, Kagoshima, largest class in Japan (shown at bottom). Work entails from module supply to system design, construction and maintenance as well as power generation business, which Kyocera has a direct investment in.

In terms of mega-solar power projects, Kyocera aims to translate the numerous business inquiries into actual orders and develop a comprehensive business that goes beyond the supply of solar modules to include from design to power generation business. By doing so, we seek to expand sales and profit in this business from the second half onward. Please turn to page 14.

**<P.14: Key Initiatives for H2 FY3/2012 – Increase Sales in the Telecommunications Equipment Group>**

Next, I will explain initiatives in the Telecommunications Equipment Group.

In order to expand sales in the second half, Kyocera will actively launch new models and increase sales of 4G handsets in particular.

Kyocera will launch its first 4G LTE smartphone “DIGNO S” for KDDI. This new handset is equipped with Kyocera’s unique “Smart Sonic Receiver” technology, which enables clear voice quality even in noisy places through vibrations in the handset’s display screen. The “DIGNO S” features a battery volume with more than double the life of conventional “DIGNO” handsets, which represents the largest battery volume\* for a smartphone in Japan. (\*For smartphones with LCD screen size under 5.0-inches sold in Japan)

Following on from “DIGNO S”, Kyocera plans to introduce a 4G handset for Softbank Mobile Corporation in this winter. Going forward, we will roll out handsets to carriers in North America as well.

Our second measure aimed at expanding sales is to increase sales of existing models. In particular, we will strive to promote sales of strong-selling models in the United States. The waterproof function of the “Hydro” smartphone shown at the bottom left of this slide has been extremely well received and share of this model with carriers has been steadily increasing. We will roll out this model to several other carriers going forward.

The “Dura” series of push-to-talk handsets shown at right boasts exceptional water and dust proof ability. Sales of these handsets to corporate users have been solid, particularly in the construction industry where they are mainly used outside.

Through these initiatives, we aim to expand sales in the Telecommunications Equipment Group in the second half.

**<P.15: Achieve FY3/2013 Forecast>**

Despite uncertainty in the future of the Chinese market and the European economy, among other factors, Kyocera aims to achieve record high sales on a group-wide basis and boost sales and profit on a year-on-year basis primarily by expanding sales in the solar energy business and the Telecommunications Equipment Group, as I have just explained.