

## **Financial Presentation for the Six Months Ended September 30, 2013**

**(Held on November 1, 2013)**

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### **<Slide 1: Financial Results for H1 FY3/2014 –Comparison with H1 FY3/2013 – >**

Page 1 shows financial results for the six months ended September 30, 2013 (“the first half”) compared with the six months ended September 30, 2012 (“the previous first half”).

Net sales for the first half amounted to ¥699.7 billion, up 15.0% compared with the previous first half. Profit increased significantly due to the effects of sales growth and a reduction in costs coupled with the recording of an environmental remediation charge at AVX in the previous first half. Profit from operations for the first half increased by approximately 2.2 times compared with the previous first half, to ¥58.2 billion.

Capital expenditures in the first half increased by 7.8%, to ¥28.6 billion, due mainly to investments in ceramic packages in accordance with commencement of production at a new plant in Vietnam and to an increase in production volume in the Electronic Device Group. Accordingly, depreciation also increased by 4.1%, to ¥29.9 billion.

As you can see at the bottom of this slide, average exchange rates for the first half were ¥99 to the U.S. dollar, marking depreciation of ¥20, and ¥130 to the Euro, marking depreciation of ¥29, as compared with the previous first half. As a result, net sales and income before income taxes for the first half were pushed up by approximately ¥79 billion and ¥16 billion, respectively, compared with the previous first half.

### **<Slide 2: Sales by Reporting Segment for H1 FY3/2014 – Comparison with H1 FY3/2013 – >**

The table on this slide shows sales by reporting segment compared with the previous first half. Kyocera posted double-digit growth in sales in both the Components Business and the Equipment

Business for the first half.

**<Slide 3: Operating Profit by Reporting Segment for H1 FY3/2014**

**– Comparison with H1 FY3/2013 – >**

Profit was down in the Equipment Business and Others, but increased significantly in the Components Business by approximately 4.3 times compared with the previous first half. Operating profit for the entire Kyocera Group stood at ¥64 billion, an increase of around 2.3 times, and income before income taxes stood at ¥69.1 billion, an increase of 93%, as compared with the previous first half.

**<Slide 4: Summary for H1 FY3/2014 Results – Comparison with H1 FY3/2013 – >**

Net sales for the first half increased by ¥91.2 billion compared with the previous first half. The following four points outline the main reasons for the sales growth.

First, sales in the Applied Ceramic Products Group increased significantly due to an increase in demand for solar energy. Sales in this reporting segment increased by ¥42.1 billion compared with the previous first half. This was due mainly to the fact that demand for solar energy in the public and commercial sectors has continued to increase markedly in Japan since the previous fiscal year.

Second, sales in the Information Equipment Group increased by ¥27.7 billion compared with the previous first half. This was due primarily to an increase in sales volume of multifunctional products and printers in emerging markets and Europe and to the effect of the yen's depreciation against the Euro and the U.S. dollar.

Third, sales of mobile handsets in the Telecommunications Equipment Group increased in the U.S. market. Sales were up by ¥12.2 billion compared with the previous first half. This was due to an increase in sales of handsets that offer differentiation from the competition, notably a handset equipped with a Smart Sonic Receiver, a unique component developed by Kyocera and a handset with waterproof feature.

Fourth, sales were up in the Semiconductor Parts Group and the Electronic Device Group due to an increase in demand for smartphone related components. Sales grew by ¥11.2 billion in total for these two reporting segments. In particular, sales of ceramic packages, small-and high-capacitance capacitors increased.

In addition, income before income taxes increased by ¥33.3 billion compared with the previous first half. This can be attributed to the following two points.

First, there was the absence of the ¥21.3 billion environmental remediation charge that was recorded at AVX in the previous first half and profit in the Electronic Device Group grew substantially coupled with the effect of a reduction in costs. The reporting segment posted an improvement in profit of ¥26.5 billion compared with the previous first half.

Second, profit increased in the Applied Ceramic Products Group due to the effects of sales growth in the solar energy business and the cutting tools business as well as to a reduction in costs. Profit increased by ¥9.5 billion compared with the previous first half.

That concludes my summary of first half results.

**<Slide 5: Financial Forecast for FY3/2014>**

The part of the table inside the red border shows the financial forecasts for the year ending March 31, 2014 (“fiscal 2014”) that were announced on October 31, 2013.

Net sales are projected to increase by ¥30 billion over the previous forecast announced in April to ¥1,430 billion. There are no changes in profits over the previous forecast.

As you can see in the bottom part of this slide, average exchange rate forecasts for fiscal 2014 have been revised to ¥98 to the U.S. dollar, marking depreciation of ¥15, and ¥130 to the Euro, marking depreciation of ¥23, compared with the year ended March 31, 2013 (“previous fiscal year”). The effect of these exchange rate fluctuations is expected to push

up net sales and income before income taxes by approximately ¥110 billion and ¥27 billion, respectively, compared with the previous fiscal year.

Next, let's look at sales forecast by reporting segment.

**<Slide 6: Sales Forecast by Reporting Segment for FY3/2014>**

In the Components Business, sales projection for the Semiconductor Parts Group has been revised upward compared with the previous forecast as Kyocera Circuit Solutions newly joined in Kyocera Group. In addition, sales for the Applied Ceramic Products Group are expected to exceed the previous forecast by ¥30 billion, driven by the solar energy business. As a result, sales for the Components Business have been revised upward by ¥36.5 billion.

Sales in the Equipment Business are expected to increase by ¥12 billion compared with the previous forecast, due to an increase in sales overseas in the Telecommunications Equipment and the Information Equipment Groups.

**<Slide 7: Operating Profit Forecast by Reporting Segment for FY3/2014>**

The forecast for income before income taxes has been unchanged compared with the previous forecast announced in April. Taking the first half results and the outlook for the second half into account, however, operating profit forecast for each reporting segment has been revised.

In the Components Business, component demand for digital consumer equipment such as digital cameras is expected to be weaker than projection made in April 2013, and costs relating to the consolidation of Kyocera Circuit Solutions and a start-up cost at Vietnam plant are also expected. Accordingly, operating profit forecast for the Semiconductor Parts Group is lower than the previous forecast. On the other hand, operating profit forecast for the Applied Ceramic Products Group exceeds the previous forecast by ¥5.6 billion due primarily to continuing healthy demand for the solar energy business in the second half. As a result, operating profit forecast in the Components Business has been revised upward by ¥2.4 billion.

In the Equipment Business, operating profit in the second half will increase compared with the first half. However, based on the expectations for competitive business environment, operating profit forecast for both of the Telecommunications Equipment and the Information Equipment Groups have been revised downward compared with the previous forecast.

Next, I will explain financial forecasts for fiscal 2014 by each reporting segment.

**<Slide 8: Forecast by Reporting Segment for H2 FY3/2014 – Fine Ceramic Parts Group – >**

First, let's look at the Fine Ceramic Parts Group. The graph at left shows six-month sales, operating profit and operating profit ratio for fiscal 2013 and fiscal 2014. On the right upper side, you can see the increase or decrease between the second half forecast and the first half result and below that Kyocera's initiatives for the second half.

Sales in the second half are forecast to increase by ¥6.1 billion to ¥44.3 billion and operating profit is forecast to increase by ¥1.4 billion to ¥7.2 billion compared with the first half. The operating profit ratio is forecast to improve to 16.3%.

We forecast a recovery trend for the industrial machinery market such as semiconductor fabrication equipment and strive to expand sales by securing orders of components for these markets. In addition, we will work to improve profitability by thoroughly improving productivity.

**<Slide 9: Forecast by Reporting Segment for H2 FY3/2014**

**– Semiconductor Parts Group – >**

In the Semiconductor Parts Group, sales are forecast to increase by ¥24.8 billion to ¥111.9 billion and operating profit is roughly flat compared with the first half to ¥16 billion.

We forecast the operating profit ratio to decrease relative to the first half despite operating profit in the second half is to be flat from the first half, due to costs associated with the launch of a new plant in Vietnam and with a consolidation of Kyocera Circuit Solutions, Inc.

We will work to expand sales and profit by increasing sales of packages for digital consumer equipment, particularly smartphones, where demand is forecast to grow in the second half. In addition, sales contribution from Kyocera Circuit Solutions are expected, and we aim to create synergy between this new company and existing businesses.

Furthermore, we also aim to increase production volume of ceramic packages at the Vietnam plant, which started operation in August 2013.

**<Slide 10: Forecast by Reporting Segment for H2 FY3/2014**

**– Applied Ceramic Products Group – >**

In the Applied Ceramic Products Group, sales are forecast to increase by ¥2.0 billion to ¥129.5 billion and operating profit is forecast to be flat.

First, we will work to expand sales in the solar energy business by translating continued strong domestic demand in the second half into increased orders and sales, and to cultivate overseas markets, particularly Asia, which has future growth potential. By doing these initiatives, we aim to establish our mid-term business foundation for future growth.

In addition, in the cutting tools business we will work to expand sales by boosting sales in emerging markets such as Asia, where demand is forecast to increase, notably in automotive markets.

**<Slide 11: Forecast by Reporting Segment for H2 FY3/2014 – Electronic Device Group – >**

Sales in the Electronic Device Group are forecast to decrease by ¥13.0 billion to ¥134.5 billion and operating profit is forecast to decrease by ¥1.4 billion to ¥13.3 billion compared with the first half.

In the second half, sales are expected to decrease compared with the first half due to the impact of a move to narrow down products in the LCD business with a view to being more profitable. Despite this, we are still managing to maintain profitability.

In terms of initiatives for the second half, we will work to expand sales mainly of small- and high-capacitance capacitors, crystal components and connectors for digital consumer equipment, especially smartphones.

Further, we will promote sales of capacitors, LCD panels and other products for automotive market and industrial machinery equipment market.

With regard to profit, we will work to improve profitability by expanding sales of high-value-added products and enhancing product mix and at the same time seek to raise profitability by reducing costs.

We will also start production of connectors at the new plant in Vietnam from November and look to get things off the ground as swiftly as possible.

**<Slide 12: Forecast by Reporting Segment for H2 FY3/2014**

**– Telecommunications Equipment Group – >**

Looking at the Telecommunications Equipment Group, sales are forecast to remain relatively unchanged from the first half at ¥96.4 billion and operating profit is forecast to increase substantially by ¥4.4 billion to ¥4.7 billion compared with the first half. The operating profit ratio is projected to improve to 4.9%.

We will expand the product line-up in Japan and overseas with a focus on differentiation and aim to secure new carriers in the North American market in the second half as well following on from Verizon in the first half in order to expand sales.

**<Slide 13: Forecast by Reporting Segment for H2 FY3/2014**

**– Information Equipment Group – >**

Sales in the Information Equipment Group are forecast to increase by ¥1 billion to ¥145.5 billion and operating profit is forecast to increase by ¥4.2 billion to ¥14.6 billion compared with the first half. The operating profit ratio is projected to improve to double digit at 10.0%. The fierce competitive environment is forecast to continue due to economic stagnation in Europe, one of our key markets. Despite this, we will work to increase sales by actively

launching new products such as mid- to high-speed multifunction peripherals (MFPs) and expanding sales mainly in emerging nations such as China and Russia.

Although profitability was at lower level in the first half caused by an increase in sales promotion costs and the cycling-off timing of new products, we will expand production at the plant in Vietnam to promote further cost reductions and launch new models in the second half to boost profitability

**<Slide 14: Forecast by Reporting Segment for H2 FY3/2014 – Others – >**

In Others, sales in the second half are forecast to increase by ¥13.6 billion compared with the first half to ¥93.3 billion. Operating profit is forecast to increase by ¥2.4 billion to ¥4.4 billion.

In the second half, we aim in particular to secure orders and increase profit for ICT business such as development and sales of IT software and for engineering business including the construction of large-scale solar power generation systems at Kyocera Communication Systems, a core subsidiary in this reporting segment.

That concludes my explanation of financial forecasts by reporting segment.

**<Slide 15: Major Initiatives for FY3/2014>**

This slide shows major initiatives for fiscal 2014 as outlined in the previous financial presentation made in April. In fiscal 2014, we promote “strengthen business foundations” including the commencement and extension of new production sites and “expand sales in growing markets,” which are key challenges toward the future growth.

**<Slide 16: Strengthen Business Foundations>**

In order to “strengthen business foundations,” we are working to expand production in Japan and overseas, with conditions progressing in line with our initial plan.

In particular, overseas, we started production of ceramic packages at the new plant in Vietnam in August 2013 and will start production of connectors there in November. We plan to start production of cutting tools at a plant in India in December as well.

**<Slide 17: Expand Sales in Growing Markets (1) – Environment and Energy Market – >**

In order to “expand sales in growing markets,” we will strengthen initiatives in the environment and energy market. Specifically, we will work to increase sales by securing orders for large-scale projects such as mega-solar power, which includes from modules to design, construction and maintenance of power generation system. We also seek to secure orders for smaller projects, which is growing in demand.

Further, we will promote sales of high-value-added products that combine storage battery system with HEMS (Home Energy Management System) in addition to increasing sales of residential power generation systems.

We have been highly rated for our quality, long-term reliability and financial strength with regard to projects for public and industrial use that include mega-solar power, and we have received more inquiries than initially expected this fiscal year. At present, we forecast our shipment volume for fiscal 2014 of 1.2 gigawatt, which largely exceeds our target of 1 gigawatt, our initial plan.

Also, we aim to further expand sales and cultivate overseas markets, particularly Asia, where growth is projected going forward.

**<Slide 18: Expand Sales in Growing Markets (2)**

**– Information and Communication Market ①– >**

Next, I will explain efforts in the information and communication market.

First, with regard to the Telecommunications Equipment Business, we aim to increase sales by developing distinctive handsets for multiple carriers that incorporate functions that customers want such as Smart Sonic Receiver technology and a waterproof feature in the North American market.

In August 2013, we started our shipment of smartphone Hydro ELITE incorporating Kyocera's unique functions to Verizon Wireless, Inc., which boasts the highest number of subscribers in North America.

We aim to continue securing more new carriers in the second half following on from Verizon. In the Japanese market, we will work to expand sales through the continued introduction of various smartphones and feature phones that include distinctive functions in the second half.

**<Slide 19: Expand Sales in Growing Markets (3)**

**– Information and Communication Market ②– >**

Next, I will explain development of the organic substrate business.

We made the former NEC Toppan Circuit Solutions, Inc. a wholly owned subsidiary on October 1, 2013 and established Kyocera Circuit Solutions, Inc. in order to strengthen the organic substrate business.

This slide provides an outline of the company. This company has an extensive line-up of high-density printed circuit boards (PCBs) such as multilayer PCBs for industrial applications including telecommunications infrastructures, build-up PCBs for consumer applications and module PCBs for smartphones, and also has sophisticated low-profile substrate and component-embedded technologies.

Next, I will explain strategies for expanding business by making synergies with this company.

**<Slide 20: Expand Organic Substrate Business>**

Kyocera established integrated supply systems from packages to boards through its M&A. By pursuing synergies with Kyocera SLC Technologies, Inc., we aim to be a market leader.

In terms of products, we can expand our line-up to include from existing products of organic packages such as FCBGA and FCCSP to motherboards and module substrates.

In addition, we can expand areas of technology by adding board design and component-embedded technologies to package design and fine pattern technologies, which are Kyocera's strengths. We will strengthen our new product development which meets customer needs by pursuing technological synergies of both companies.

In terms of sales, we intend to expand sales of products overseas made by Kyocera Circuit Solutions that are mainly sold to the Japanese market by utilizing Kyocera's sales networks overseas.

We can also further strengthen cost competitiveness by promoting the scale of parts and materials procurement jointly.

Through these synergies, we aim to achieve sales of ¥100 billion early on in the organic substrate business.

**<Slide 21: Financial Forecast for FY3/2014>**

This graph shows six-month sales, pre-tax income and pre-tax income ratio from fiscal 2013 to fiscal 2014.

We forecast record high sales and a double-digit pre-tax income ratio on the six months and annual bases as shown in the graphs. Next, I will explain Kyocera's management policy.

**<Slide 22: Kyocera Group Management Policy >**

Kyocera's management policy is to aim to be a high-growth, highly profitable company by exploiting the collective capabilities of the entire Group. The Kyocera Group owns a wide range of management resources, from ceramic, organic and crystal related material technology to components, devices, equipment, systems and services. Going forward, we will strengthen connections between businesses even more than before and promote the development of unique new products.

In addition, Kyocera has many Group companies, and over the years, we have sought to drive corporate growth primarily by expanding each group company's business.

Within the Group, there are products that command high market share globally and many businesses that have strong networks with major customers. To give an example of our efforts, we will take strategic actions on development and sales fronts in a unified manner by establishing close ties across Group companies, which includes starting initiatives to expand sales and boost share of other products by making use of the sales channels and customer networks of Kyocera's globally strong businesses.

We established a dedicated division to cultivate key markets and key customers in October 2013. With this structure, a dedicated sales team works strategically to expand sales of the Kyocera Group's wide range of products, from components to equipment, to key customers. We will make maximum use of the Group's management resources and strengthen the development of products and technologies that meet customer needs as well as bolster our sales capabilities. By doing so, we can create high-value-added products and increase market share.

Finally, I will explain shareholder return.

**<Slide 23: Enhance Shareholder Return>**

As announced in April 2013, Kyocera revised its dividend policy effective fiscal 2014 and now aim to maintain a consolidated payout ratio of over 30% in order to further enhance shareholder return and expand shareholder base.

In light of the first-half results and its dividend policy, we provided an interim dividend for fiscal 2014 of ¥80 per share, an increase of ¥20 compared with the previous same period.

Kyocera also conducted a two-for-one stock split on October 1, 2013 aimed at increasing liquidity of the Company's shares and further expanding investor base.

The year-end dividend after the stock split is projected to be ¥40, and annual dividend will be ¥120 per share. For your information, the year-end dividend forecast prior to stock split

was ¥80, and annual dividend per share has been substantially unchanged from the previous forecast of ¥160 announced in April 2013.

We aim to boost performance in order to respond expectations for shareholders.

Thank you very much for your attention.