

Telephone conference call for the three months ended June 30, 2015

(Held on July 30, 2015)

Goro Yamaguchi

President and Representative Director

<Slide 3: Financial Results for the Q1 of FY3/2016

– Comparison with Q1 of FY3/2015 – >

In the three months ended June 30, 2015 (“the first quarter”), net sales increased by 1.4% compared with the three months ended June 30, 2014 (“the previous first quarter”) to ¥339.2 billion. Meanwhile, profit from operations surged 73.5% compared with the previous first quarter to ¥32.6 billion due to an increase in profitability in the Components Business following the effect of higher sales and efforts to reduce costs coupled with the recording of gain on sale of assets. Pre-tax income increased by 53.2% compared with the previous first quarter to ¥47.0 billion due in part to an increase in dividend income, and net income increased by 62.2% to ¥31.6 billion.

In terms of average exchange rates, the yen depreciated ¥19 against the US dollar to ¥121 and appreciated ¥6 against the euro to ¥134 compared with the previous first quarter. As a result of these exchange rate fluctuations, net sales and pre-tax income were pushed up by approximately ¥20.0 billion and ¥3.0 billion, respectively.

<Slide 4: Sales by Reporting Segment for Q1 of FY3/2016

– Comparison with Q1 of FY3/2015 –>

In terms of sales by reporting segment, sales increased in the Components Business, particularly in the Semiconductor Parts Group and Electronic Device Group. Sales in the Telecommunications Equipment Group decreased on the other hand.

<Slide 5: Profit by Reporting Segment for Q1 of FY3/2016

– Comparison with Q1 of FY3/2015 –>

Profit was down in the Equipment Business relative to the previous first quarter, while profit grew by more than 20% in all four reporting segments of the Components Business and the profit ratio improved as well. In addition, total operating profit increased considerably by 54.4% compared with the previous first quarter due in part to the recording of gain on sale of assets in the Others reporting segment.

<Slide 6: Summary of Q1 FY3/2016 – Comparison with Q1 of FY3/2015 –>

In terms of the first point of our summary of the first quarter, we expanded businesses in the key markets. Sales of components for smartphones surged around 50% compared with the previous first quarter. Sales of such items as ceramic and organic packages, MLCCs and crystal related products grew steadily. In particular, sales of MLCCs increased due to growth in market share of high-end products such as compact and high-capacitance capacitors.

Sales of cutting tools, ceramic packages for LEDs and organic substrates in the automotive related market increased.

The second point of the summary concerns the decline in sales and profit in the Telecommunications Equipment Group. Both sales and profit were down in the first quarter relative to the previous first quarter as a result of a decline in sales volume due to cyclical off timing for new handset introductions in Japan.

<Slide 7: Financial Results by Reporting Segment – Fine Ceramic Parts Group –>

First, in the Fine Ceramic Parts Group, sales of components for industrial machinery such as semiconductor processing equipment together with sapphire substrates for LEDs increased and overall sales in this reporting segment increased by approximately 10%. Operating profit increased by 25% due to the effect of sales growth in core products and cost reductions.

<Slide 8: Financial Results by Reporting Segment – Semiconductor Parts Group –>

In the Semiconductor Parts Group, sales of both ceramic and organic packages for smartphones and telecommunications infrastructure increased, while demand for ceramic packages for LEDs used in the automotive related market also grew. As a result, sales in this reporting segment increased by 14% and operating profit was up considerably by around 50%.

<Slide 9: Financial Results by Reporting Segment – Applied Ceramic Products Group –>

In the Applied Ceramic Products Group, sales decreased and profit increased. Sales in the cutting tool business increased for the automotive related market while sales decreased in the solar energy business in both public and commercial sectors. As a result, sales declined slightly overall in this reporting segment. Operating profit increased by 27%, however, due to efforts to thoroughly reduce costs in each business.

<Slide 10: Financial Results by Reporting Segment – Electronic Device Group –>

In the Electronic Device Group, sales of MLCCs, connectors and crystal components for smartphones increased. Sales of printing devices for industrial equipment also increased, notably with growth in thermal printheads for barcode printers and inkjet printheads for printing on fabric. Operating profit was up 23% due in part to the sales growth coupled with the effect of new product introductions.

<Slide 11: Financial Results by Reporting Segment – Telecommunications Equipment Group –>

In the Telecommunications Equipment Group, although sales of differentiated smartphones with waterproof properties and high durability grew in the overseas market following efforts to secure new customers, sales of low-end handsets decreased. Sales and profit were down in this reporting segment due to fewer handset launches as a result of product cycle timing coupled with a decline in sales of PHS related products.

<Slide 12: Financial Results by Reporting Segment – Information Equipment Group –>

In the Information Equipment Group, sales increased due to growth in sales volume of equipment particularly in the United States and Asia region following active efforts to expand

sales. Profit decreased, however, due primarily to an increase in promotion costs and the impact of the weak euro.

<Slide 13: Financial Results by Reporting Segment – Others →>

In Others, despite a decline in sales, operating profit increased significantly due mainly to the recording of a gain on sale of assets in the amount of ¥12.0 billion in a consolidated subsidiary.

<Slide 15: Financial Forecast for the Year Ending March 31, 2016>

There are no changes to financial forecasts for the year ending March 31, 2016 from the projections announced in April. There are no changes to forecasts for sales and operating profit by reporting segment as shown on pages 16 and 17, either. Next, I will explain major initiatives for this fiscal year.

<Slide 19: Major Initiatives for FY3/2016>

The three points shown here represent the major initiatives for this fiscal year. I will now explain each in detail.

<Slide 20: Expand Sales of Components for Smartphones>

First, we will strive to expand sales of components for smartphones. In the past few years, the three months ended September 30 in each year has been a period of significant demand for components used in smartphones. As such, we expect strong growth in demand beyond the level of the first quarter on the back of full-fledged production of new products by respective manufacturers this fiscal year. Kyocera aims to increase market share through active sales expansion and design-in activities, particularly for new products, with the objective of achieving growth beyond that of the market.

We expect double-digit sales growth of major products for smartphones in the three months ending September 30, 2015 (“the second quarter”) compared with the first quarter. In particular, we expect growth of close to 40% in organic packages for smartphones due to genuine moves to expand business for low-profile packages that we have been working on over the years.

We will take advantage of expected future growth in demand for components used in smartphones and aim to translate this into sales gains.

<Slide 21: Expand Business in the Environment and Energy Market>

Second, we will work to expand business in the environment and energy market. Although up until recently our main business in this market was solar energy, we expect growth in demand for battery systems and energy management systems amid changes in supply and demand conditions for power. In response, Kyocera will actively develop a comprehensive energy solution business.

Specifically, in addition to expanding the domain for solar energy business, we will develop business related to saving energy, storing energy and generating energy by increasing supply of both battery and energy management systems.

In the field to generate energy shown at right, we will work to boost efficiency of power generating systems and make efforts to increase output. Specifically, we are striving to further enhance efficiency in solar cells. In SOFCs, we are developing a 3kW system as well as a large-scale system for industrial use, with plans to introduce these new products next fiscal year.

In the field to store energy shown in the center of this slide, we are working on the development of a higher-capacitance and high-speed discharge and charge system with a view to industrial application, in addition to products for residential use, an area we are already engaged in.

In the field to save energy shown at left, we are conducting a demonstration experiment for demand response enabling the automatic control of power supply and demand in addition to the supply of HEMS and BEMS, which control electric appliances and facilities overall by increasing the visibility of energy for the home. Going forward, we will work to produce even broader system synergies.

Kyocera will strive to expand the total energy solution business by developing products that meet respective needs in residential and industrial fields and by creating connections between these systems.

<Slide 22: Improve Profitability of the Telecommunications Equipment Group>

Third, in the Telecommunications Equipment Group, a priority challenge is to improve profitability. In concrete terms, we aim to expand sales of handsets that have been differentiated from the competition. In the first quarter, sales of low-end handsets decreased in the overseas business, while sales of high-value-added handsets with high durability and waterproof properties grew. This fiscal year, we aim to approximately double sales of differentiated handsets in year-on-year terms and translate this into an improvement in profitability.

In addition, we will work to expand new business. At present, although the majority of sales in this business are accounted for by mobile phone handsets such as smartphones, going forward we will seek to expand business in new fields by making greater use of resources in the Kyocera Group such as telecommunications technology and software technology, and by leveraging ties with telecommunications carriers.

We have already developed M2M modules mainly for telematics application in automobiles and are working to secure new customers as well as new demand in such areas as smart meters for utility companies.

On top of this, we will expand business through entry into the healthcare market. In recent times, we developed a wearable device and application for smartphones for the management of data from this device exclusively to help manage people's daily health. We will work to expand application to companies and other areas as a service supporting improvement in living practices.

<Slide 23: Acquired Share of Nihon Inter Electronics Corporation>

Next, I will explain the acquisition of shares of Nihon Inter Electronics Corporation as announced today.

Nihon Inter Electronics Corporation is a manufacturer of power semiconductors based around diodes and is listed on the Second Section of the Tokyo Stock Exchange. This company posted sales of ¥22.6 billion and profit from operations of ¥1.1 billion in the year ended March 31, 2015, with over 70% of sales accounted for in Japan. In particular, the company has strengths in diodes and diode modules for industrial application that exceed one ampere. Recently, it was agreed that Kyocera would acquire all the common shares and preferred shares held by the two largest shareholder companies in Nihon Inter Electronics Corporation.

Based on this agreement, Kyocera plans to acquire more than 61% of the shares of the company and make it a consolidated subsidiary. The following three points outline the major aims of the tender offer.

First, we aim to expand business in the power electronics field. Kyocera's Components Business has developed around information processing and signal processing systems over the years, but going forward, we hope to accelerate expansion of power electronics related business in particular in the industrial equipment market, including inverters, and in the automotive market on the back of an increase in electronic devices in vehicles.

Second, we aim to enhance product development in both Kyocera and Nihon Inter Electronics Corporation through the sharing of technologies. Through mutual use of Kyocera's ceramic package and sealing material technologies and Nihon Inter Electronics Corporation's device technology, we believe we will be able to develop products that meet customer requirements related to heat dissipation, a key element in the power electronics field.

Third, we aim to expand overseas sales of products made by Nihon Inter Electronics Corporation by leveraging our global sales channel.



Going forward, we will pursue synergies in development and sales and aim to expand business in particular in automotive, industrial equipment and energy-related markets.

The tender offer period is scheduled to be from July 31 to August 28.

<Slide 24: Achieve Sustainable Sales and Profit Growth>

Results for the first quarter were in line with expectations made at the start of the period, and from the second quarter onward we forecast growth in the Components Business, notably in smartphone and automotive-related areas, as well as growth in sales for our solar energy business in the commercial sector in Japan. We are also forecasting improvement in sales and profit in the Equipment Business through the introduction of new models.

We are seeking to post record high sales for the third fiscal year in a row this year and significant growth in pre-tax income with more than a 50% increase. We will continue working throughout the Kyocera Group to expand business in the key markets and seek to strengthen existing businesses, including M&As, and maximize synergies with the aim of driving further corporate growth.