



## **Financial Presentation for the Six Months Ended September 30, 2016**

**(Held on November 1, 2016)**

**Goro Yamaguchi**

**President and Representative Director**

### **<Slide 2: Financial Results for the Six Months Ended September 30, 2016>**

Sales and profit in the six months ended September 30, 2016 (“the first half”) decreased compared with the six months ended September 30, 2015 (“the previous first half”) due in part to the impact of the yen’s appreciation. As for average exchange rates in the first half shown at the bottom of this slide, the yen appreciated against both the U.S. dollar and Euro by ¥17 compared with the previous first half, and this pushed down net sales by approximately ¥63 billion and pre-tax income by approximately ¥14 billion. Profit was also impacted by the recording of approximately ¥12 billion on profit from the sale of assets in the previous first half.

### **<Slide 3: Sales by Reporting Segment for the Six Months Ended September 30, 2016>**

This slide presents sales by reporting segment. In the Components Business, in addition to the yen’s appreciation, demand decreased for components used in digital consumer equipment and for solar energy products. In the Equipment Business, sales decreased in the Telecommunications Equipment Group due to a decline in sales volume and sales decreased in the Information Equipment Group due primarily to the impact of the yen’s appreciation.

### **<Slide 4: Operating Profit by Reporting Segment for the Six Months Ended September 30, 2016>**

Operating profit decreased significantly in the Components Business. In addition to the impact of lower sales, prices declined for certain products such as those in the Electronic Device Group.

Profit was down by ¥19.6 billion in the Semiconductor Parts Group compared with the previous first half due to the impact of the yen’s appreciation. Besides this, the recording of approximately

¥12 billion on profit from the sale of assets in the previous first half also had an impact on this reporting segment.

**<Slide 5: Financial Results for the Three Months Ended September 30, 2016>**

This slide shows results of the three months ended September 30, 2016 (“the second quarter”) compared with the three months ended June 30, 2016 (“the first quarter”). In the second quarter, although the yen appreciated further relative to the first quarter, sales increased for the Kyocera Group overall due to an increase in sales in the Components Business in key markets. Profit from operations also rose substantially. Pre-tax income decreased due mainly to the recording of dividend income from investments in securities such as KDDI shares in the first quarter.

**<Slide 6: Sales by Reporting Segment for the Three Months Ended September 30, 2016>**

Looking at sales by reporting segment, sales were down in the Equipment Business but up in all four reporting segments of the Components Business.

**<Slide 7: Operating Profit by Reporting Segment for the Three Months Ended September 30, 2016>**

Operating profit increased in all reporting segments due to sales growth in the Components Business and efforts to reduce costs throughout the Company, with performance improving by more than 2 times compared with the first quarter.

**<Slide 8: Summary of Financial Results for the Three Months Ended September 30, 2016>**

This slide provides a summary of financial results for the second quarter.

For the first point, sales increased in the Components Business in core markets. Kyocera took advantage of a recovery in demand in key markets for the Components Business that was forecast at the start of the year. In the information and communications market, demand increased for high-share products for smartphones such as ceramic packages and TCXOs. In automotive-related markets, demand increased for automotive cameras and diesel engine parts while Kyocera also introduced new center information displays. Sales also increased in the solar energy market in the domestic public and commercial sectors.

As for the second point, profitability increased due to internal improvements. In the Telecommunications Equipment Group, despite a decline in sales, loss was reduced through cost reductions and as the effects of structural reform started to emerge.

With regard to structural reform in the Telecommunications Equipment Group, we completed consolidation of domestic production sites in the first half in line with plans and are scheduled to complete integration of R&D sites during the three months ending December 31, 2016 (“the third quarter”).

In the Information Equipment Group, although sales were down due to the impact of the yen’s appreciation since this reporting segment has a high ratio of overseas sales, profit increased due to a focus on sales of high-value-added models and efforts to improve productivity. We also enhanced the profit ratio to close to 10%.

That concludes my presentation of results for the first half. Next I will explain financial forecasts for the fiscal year.

**<Slide 9: Financial Forecasts for the Year Ending March 31, 2017 (“Fiscal 2017”)>**

In the six months ending March 31, 2017 (“the second half”), in the information and communications market, we project solid demand for communications infrastructure such as for optical communications although the demand trend for components used in smartphones remains uncertain. In the industrial machinery market and automotive-related markets, production activities are projected to be at a level within assumptions made at the start of the fiscal year in general.

In addition, Kyocera possesses businesses in which demand is expected to grow significantly in the second half, including the solar energy business, the Telecommunications Equipment Group and the Information Equipment Group, and as such we will make efforts to further expand sales while also reducing costs. As a result, sales and profit are forecast to increase in the second half compared with the first half.

Based on this outlook, Kyocera has made no revisions to financial forecasts for the year ending March 31, 2017 from those made at the start of the fiscal year. Given the conditions at hand, assumed exchange rates for the second half have been revised from the July forecast of ¥105 to ¥102 against the U.S. dollar and from ¥115 to ¥112 against the Euro. As a result, the assumed exchange rates for the full year are ¥104 against the U.S. dollar and ¥115 against the Euro.

As shown on pages 10 and 11, sales and profit forecasts for each reporting segment have not been revised from the forecasts made at the start of the fiscal year.

Finally, I will explain the major initiatives we will undertake to achieve the financial forecasts. Please turn to page 12.

**<Slide 12: Major Initiatives to Achieve Full Year Forecasts for Fiscal 2017>**

Now I will explain the major initiatives we will implement in order to achieve full-year financial forecasts. First, in the Components Business, we will actively expand sales mainly of products during relevant peak periods of demand in order to increase profit.

In particular, in the Applied Ceramic Products Group, we project sales in the solar energy business to increase substantially in the three months ending March 31, 2017 (“the fourth quarter”) relative to the third quarter as in past years, and we expect to enhance profitability to a level that exceeds that of the second quarter.

In the Electronic Device Group, we are projecting the improvement in profitability to become double-digit due to expectations of sales growth in inkjet printheads for textile printing in the industrial machinery market and to contribution from new display products for automobiles.

In the Equipment Business, we will strive to expand sales of new products in both the Telecommunications Equipment Group and the Information Equipment Group. In particular, in the Telecommunications Equipment Group we expect to see the benefits of launching new products in the Japanese market and will work to increase sales in line with an increase in sales volume. We also project an increase in profitability due to a reduction in fixed costs on account

of structural reform and to the effects of improvement in productivity alongside consolidation of production sites.

Despite the impact of production adjustments in digital consumer equipment up until the first half, we aim to take advantage of opportunities offered by the growth in demand I just explained while also reinforcing the benefits of structural reform and pushing ahead with comprehensive cost reductions in the second half as means to achieve full-year financial forecasts.

**Cautionary statement**

*This is an English translation of the Japanese original. 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.*

*Except for historical information contained herein, the matters set forth in this document are forward-looking statements that involve risks and uncertainties including, but not limited to, product demand, competition, regulatory approvals, the effect of economic conditions and technological difficulties, and other risks detailed in the Company's filings with the U.S. Securities and Exchange Commission.*