

## Telephone Conference Call (January 29, 2015)

**Goro Yamaguchi**

**President and Representative Director**

< Slide 1: Financial Results for First Nine Months of FY3/2015

- Comparison with first nine months of FY3/2014 - >

First, let's look at consolidated financial results for the nine months ended December 31, 2014 ("the nine months"). Both sales and profit levels were up, marking increases compared with the nine months ended December 31, 2013 ("the previous nine months"). Net sales increased by 2.8% compared with the previous nine months to ¥1,101.7 billion, a record high, due to increases mainly in the Information Equipment Group, Semiconductor Parts Group and Fine Ceramic Parts Group.

Profit from operations increased by just 0.6% to ¥90.2 billion due to declines in the Applied Ceramic Products Group and Telecommunications Equipment Group, despite the effect of higher sales. Pre-tax income increased by 3.9% compared with the previous nine months to ¥114.7 billion due to an increase in dividend income. The profit ratio was 10.4%. Net income increased by 6.6% to ¥74 billion due in part to a decrease in income taxes resulting from a revision of the tax system in Japan.

The average exchange rate for the nine months depreciated ¥8 against both the U.S. dollar and Euro compared with the previous nine months. As a result of the yen's depreciation, net sales and pre-tax income were pushed up by approximately ¥42 billion and ¥8 billion, respectively.

<Slide 2: Sales by Reporting Segment for First Nine Months of FY3/2015

- Comparison with first nine months of FY3/2014 - >

This table shows sales by reporting segment for the nine months. Sales increased in both the Components Business and Equipment Business due to higher sales in the Fine Ceramic Parts Group, Semiconductor Parts Group and Information Equipment Group.

<Slide 3: Operating Profit by Reporting Segment for First Nine Months of FY3/2015

- Comparison with first nine months of FY3/2014 - >

Operating profit increased significantly in the Information Equipment Group, Electronic Device Group and Fine Ceramic Parts Group, and the profit ratio in these reporting segments also improved. Operating profit in the Applied Ceramic Products Group decreased compared with the previous nine months, however.

Next, I will explain major factors of the changes of sales and profits by reporting segment.

<Slide 4: Sales for First Nine Months of FY3/2015 - Components Business - >

The two graphs at left show sales in the previous nine months and in the current nine months. Sales in the current nine months increased by ¥17.5 billion compared with the previous nine months to ¥628.1 billion for the Components Business overall. Sales increased in the two top reporting segments in these graphs, namely the Fine Ceramic Parts Group and Semiconductor Parts Group, while sales decreased in the Applied Ceramic Products Group and Electronic Device Group shown below these.

Sales in the Fine Ceramic Parts Group shown at the top of the graphs increased by 12% or ¥7.2 billion compared with the previous nine months due to increased sales of components for industrial machinery, including semiconductor fabrication equipment, sapphire substrates for LEDs and automotive components such as camera modules.

In the Semiconductor Parts Group, overall segment sales increased by 14% or ¥20.1 billion compared with the previous nine months due to increased sales of ceramic packages for smartphones, communications infrastructures and LEDs, and to sales contribution since the start of this fiscal year from a subsidiary added to the Kyocera Group in the previous fiscal year.

In the Applied Ceramic Products Group, sales decreased by 3% or ¥6.6 billion compared with the previous nine months due mainly to decreased sales in solar energy business owing to a decline in prices coupled with a halt in grid access applications by electric power companies since September 2014.

Finally, in the Electronic Device Group, overall segment sales remained roughly on par with the previous nine months, despite increased sales of components such as capacitors for smartphones, due to the implementation of structural reforms in the previous fiscal year for such purposes as downsizing the consumer-use touch-panel business.

<Slide 5: Operating Profit for First Nine Months of FY3/2015 - Components Business - >

Operating profit in the Components Business overall decreased by 5% compared with the previous nine months.

In the Fine Ceramic Parts Group, operating profit surged by more than 30% or ¥2.6 billion due to the effect of sales growth and cost reductions. The operating profit ratio was approximately 17%.

In the Semiconductor Parts Group, operating profit was roughly on par with the previous nine months due to decreased sales of packages for servers and to a change in product mix in the organic substrate business, even though profit was up in the ceramic package business.

In the Applied Ceramic Products Group, operating profit decreased by 58% compared with the previous nine months due to the impact of a decline in sales and product price erosion in solar energy business.

Finally, in the Electronic Device Group, operating profit increased by more than 30% or ¥7.1 billion due to increased sales of components for smartphones and the effect of cost reductions and structural reforms. The operating profit ratio improved to 13% from a single-digit result in the previous nine months.

<Slide 6: Sales for First Nine Months of FY3/2015 - Equipment Business - >

Sales in the Equipment Business increased by 5.1% or ¥18.8 billion compared with the previous nine months.

In the Telecommunications Equipment Group, Kyocera started providing handsets to Verizon Wireless and T-Mobile US, Inc. in the previous fiscal year and to AT&T Inc. in November 2014, which means we are now conducting business with all four major carriers in the United States. Sales increased overseas due to development of new customers and active introduction of new smartphones. However, sales decreased in Japan due to market stagnation, and as a result, sales in this reporting segment overall remained roughly on par with the previous nine months.

Next, in the Information Equipment Group, sales volume of multifunctional products increased mainly outside Japan due to efforts to expand sales of new products. As a result, sales in this reporting segment increased by 9% or ¥20.2 billion compared with the previous nine months.

<Slide 7: Operating Profit for First Nine Months of FY3/2015 - Equipment Business - >

Operating profit in the Equipment Business increased by 17% or ¥3.2 billion compared with the previous nine months.

First, in the Information Equipment Group, operating profit increased by close to 50% or ¥8.3 billion compared with the previous nine months due to increased sales of consumables and optional devices along with growing sales of new products in addition to cost reductions on the back of improved productivity at a factory in China and increased production at a factory in Vietnam. The operating profit ratio improved to the double-digit range.

Conversely, in the Telecommunications Equipment Group, operating loss of ¥3.2 billion was recorded due to delays in production and shipments mainly owing to temporary production stoppages and issues with procurement of components and materials following heavy snowfall in Japan, coupled with an increase in sales promotion costs for existing models.

<Slide 8: Financial Results for Three Months Ended December 31, 2014

- Comparison with three months ended September 30, 2014 - >

Turning to financial results for the three months ended December 31, 2014 (“the third quarter”), sales increased by ¥7.7 billion compared with the three months ended September 30, 2014

("the second quarter"), achieving a record quarterly high. Despite this, profit from operations decreased slightly.

Pre-tax income increased by ¥9.1 billion and net income increased by ¥6.1 billion due to growth in dividend income compared with the second quarter.

Average exchange rates marked depreciation of ¥11 against the U.S. dollar and ¥5 against the Euro compared with the second quarter. As a result of the yen's depreciation, sales and pre-tax income were pushed up by approximately ¥16 billion and ¥2 billion, respectively, compared with the second quarter.

<Slide 9: Sales by Reporting Segment for Three Months Ended December 31, 2014

- Comparison with three months ended September 30, 2014 - >

First, sales in the Components Business remained roughly on par with the second quarter due mainly to decreased sales in the Applied Ceramic Products Group, despite increased sales in the Fine Ceramic Parts Group, Semiconductor Parts Group and Electronic Device Group.

Conversely, in the Equipment Business, sales increased by 4% due to sales growth primarily on the back of the effect of yen depreciation in the Telecommunications Equipment Group and higher sales of printers in the Information Equipment Group.

<Slide 10: Operating Profit by Reporting Segment for Three Months Ended December 31, 2014

- Comparison with three months ended September 30, 2014 - >

In terms of operating profit, all four reporting segments in the Components Business, posted double-digit increases compared with the second quarter. In the third quarter, demand in the smartphone and industrial machinery markets remained strong from the second quarter. As a result, operating profit also increased steadily due to the effect of sales growth in the Semiconductor Parts Group, Electronic Device Group and Fine Ceramic Parts Group. The operating profit ratio exceeded 15% in each of these three reporting segments.

On the other hand, in the Equipment Business, operating profit decreased for both the Telecommunications Equipment Group and Information Equipment Group. Operating profit was down in the Information Equipment Group due to increased sales promotion costs.

That concludes my summary of financial results for the third quarter.

<Slide 11: Financial Forecast for the Year Ending March 31, 2015>

In the three months ending March 31, 2015 (“the fourth quarter”), Kyocera is forecasting a tough business environment for the solar energy business in Japan compared with the situation at the time the previous forecasts were made. In light of this, net sales for the year ending March 31, 2015 are projected to amount to ¥1,530 billion, down ¥50 billion on the previous forecast. No changes have been made to the profit forecast.

The forecast for capital expenditures has been revised down ¥8 billion from ¥64 billion to ¥56 billion in consideration of results for the nine months. The forecast for depreciation has been also revised down ¥4 billion from ¥65 billion to ¥61 billion in line with the decrease in capital expenditures.

Average exchange rates for the fourth quarter are forecast at ¥115 to the U.S. dollar and ¥130 to the Euro, and as a result, average exchange rates for the full year have been revised to ¥109 to the U.S. dollar and ¥138 to the Euro.

<Slide 12: Sales Forecast by Reporting Segment for the Year Ending March 31, 2015>

Regarding with the sales forecasts by reporting segment, demand for residential and commercial use solar energy is projected to decrease while sales in the EPC business, which includes mega-solar installation, is projected to decline compared with the previous forecast. As a result, Kyocera has revised sales forecasts for the Applied Ceramic Products Group and Others.

<Slide 13: Operating Profit Forecast by Reporting Segment for the Year Ending March 31, 2015>

Operating profit forecasts, we have been revised in light of the effect of decreased sales in solar related areas in the Applied Ceramic Products Group and Others, as mentioned before.

In the Telecommunications Equipment Group, Kyocera plans to make efforts to expand sales by launching 15 new models in Japan and overseas during the fourth quarter. Conversely, operating profit is projected to be lower than the previous forecast due to a change in product mix following a lower sales forecast for PHS related-products in Japan and to the impact of increased material costs owing to the yen's depreciation.

Corporate and others is forecast to increase over the previous forecast due mainly to a review of assets held in the fourth quarter.

That concludes my presentation of full-year financial forecasts.

We will continue aiming to drive growth in the Kyocera Group by working to expand business in core markets, namely information and telecommunications markets and automotive related markets.