



**Telephone conference call for the three months ended June 30, 2016  
(Held on July 28, 2016)**

**Goro Yamaguchi**

**President and Representative Director**

**< Slide 2: Financial Results for Q1 of FY3/2017 >**

Trends and demand in principal markets were in line with expectations on the whole for the three months ended June 30, 2016 (“the first quarter”) despite decreases in sales and profit compared with the three months ended June 30, 2015 (“the previous first quarter”). However, average exchange rates for the first quarter were ¥108 to the U.S. dollar, marking appreciation of ¥13, and ¥122 to the Euro, marking appreciation of ¥12, compared with the previous first quarter. As a result, net sales and pre-tax income after translation into yen for the first quarter were pushed down by approximately ¥25 billion and approximately ¥5 billion, respectively, compared with the previous first quarter.

**< Slide 3: Sales by Reporting Segment for Q1 of FY3/2017 >**

This slide shows sales by reporting segment. Although sales in the Components Business decreased on the whole, sales in the Equipment Business remained roughly on par due to an increase in sales in the Telecommunications Equipment Group.

**< Slide 4: Operating Profit by Reporting Segment for Q1 of FY3/2017 >**

Operating profit decreased in the Components Business due to the impact of lower sales and the recording of one-time gain in the previous first quarter, despite efforts to reduce costs. Operating profit remained roughly unchanged in the Equipment Business, as with sales.

**< Slide 5: Summary of Q1 of FY3/2017 >**

This slide provides a summary of the first quarter compared with the previous first quarter. The first point refers to decreased sales in the Semiconductor Parts Group and the Electronic Device Group. In addition to the impact of the yen's appreciation, demand for components was down due to the effect of production adjustments in principal markets, such as communications infrastructure, smartphone and industrial equipment.

The second point refers to decreased sales in the Applied Ceramic Products Group. Sales in this reporting segment were down due to decreased demand for solar energy business in the domestic market, impacted by a decline in feed-in-tariffs.

The third point refers to the recording of a gain on sale of assets in the amount of ¥12 billion in the previous first quarter. No such one-time gains or losses were recorded this first quarter.

Next, I will explain the condition of each reporting segment compared with the previous first quarter.

**< Slide 6: Financial Results for Q1 of FY3/2017 by Reporting Segment (1) >**

Sales in the Fine Ceramic Parts Group remained roughly on par with the previous first quarter due to a decline in sales of components for the information and communications market, despite an increase in sales of automotive components. Operating profit was down due primarily to the impact of a change in product mix.

In the Semiconductor Parts Group, at the bottom of the slide, sales decreased due mainly to the impact of the yen's appreciation. Operating profit was down due to the recording of approximately ¥12 billion in gain on sale of assets in the previous first quarter, the yen's appreciation and lower sales of products for the communications market.

**< Slide 7: Financial Results for Q1 of FY3/2017 by Reporting Segment (2) >**

Sales and profit decreased in the Applied Ceramic Products Group due to lower sales in the solar energy business as a result of a decline in demand in the Japanese market.

In the Electronic Device Group, sales and profit decreased due to a decline in sales of components for the smartphone and industrial equipment markets following production adjustments in those markets and to the yen's appreciation.

**< Slide 8: Financial Results for Q1 of FY3/2017 by Reporting Segment (3) >**

Sales increased and operating loss was reduced in the Telecommunications Equipment Group due to an increase in demand for mobile phones with unique features such as higher durability in Japan and overseas.

Sales and profit decreased in the Information Equipment Group due to the impact of the yen's appreciation, despite flat shipments of equipment compared with the previous first quarter due to active sales promotion activities amid a harsh business environment.

That concludes my summary of the first quarter.

**< Slide 10: Outlook from Q2 of FY3/2017 onward >**

I will now explain the outlook from the second quarter ending September 30, 2016. At present, orders in the Components Business and Equipment Business are in line with initial projections and we expect sales and profit to increase from the second quarter.

In the Components Business, sales are forecast to increase for components used in smartphones in the Semiconductor Parts Group and the Electronic Device Group.

In the Semiconductor Parts Group, we are projecting an increase in sales due in particular to expanded application in the organic package business. In the Electronic Device Group, demand is forecast to recover for small MLCCs and connectors while demand for small TCXOs is forecast to continue growing from the solid showing in the first quarter.

In the Applied Ceramic Products Group, we forecast sales to increase in the solar energy business and cutting tool business. As in previous years, we forecast sales to increase from the second quarter, particularly for the commercial sectors in Japan. Sales are expected to expand

in the cutting tool business, especially for automotive related markets.

In the Equipment Business, sales are forecast to expand in the Telecommunications Equipment Group due to the launching of new products in Japan and overseas. In terms of structural reform in this business, the transfer of production from the Tanagura Plant to the Kitami Plant was completed in June in line with initial plans and progress is being made in personnel relocation. We will work to steadily improve productivity from the second quarter, which will lead to improvement in profitability.

In the Information Equipment Group, we will strive to expand sales in the U.S. and Japanese markets, in particular, by launching new products, and also to reduce costs mainly by further cutting material expenses and enhancing productivity.

**< Slide 11: Financial Forecasts for the Year Ending March 31, 2017 >**

In light of the outlook from the second quarter that I have just explained, sales and profit forecasts for the year ending March 31, 2017 remain unchanged from projections announced in April. In light of recent circumstances, we have revised assumed exchange rates from the second quarter from ¥110 (April forecast) to ¥105 against the U.S dollar and from ¥120 (April forecast) to ¥115 against the Euro. As a result, forecast of average exchange rates for the year ending March 31, 2017 are ¥106 to the U.S. dollar and ¥117 to the Euro.

Although the yen's appreciation is expected to impact results going forward as well, we will work to expand orders, particularly in core markets, and also implement thorough cost reductions from the second quarter with the aim of achieving our financial forecasts. Sales and profit forecasts by reporting segment remain unchanged relative to April projections as shown on pages 12 and 13.