



Financial Presentation for the year ended March 31, 2016

(Held on April 28, 2016)

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< Slide 2: Financial Results for the Year Ended March 31, 2016 >

Net sales for the year ended March 31, 2016 (“fiscal 2016”) amounted to ¥1,479.6 billion, a decrease of 3.1% compared with the year ended March 31, 2015 (“fiscal 2015”). Profit from operations totaled ¥92.7 billion, roughly on par with fiscal 2015, due primarily to an improvement in profitability in the Applied Ceramic Products Group, despite the impact of such factors as impairment of goodwill in the Electronic Device Group. Income before income taxes was ¥145.6 billion, up 19.5%, due mainly to a gain on the sale of assets. Net income decreased by 5.9% to ¥109 billion, however, due to the decrease as compared with fiscal 2015 in the amount of income derived from the revaluation of deferred tax assets and liabilities in line with a revision of the tax system in Japan.

Capital expenditures for fiscal 2016 increased by 21.6% compared with fiscal 2015 due to efforts to bolster production capacity for components used in digital consumer equipment and in automotive-related markets.

< Slide 3: Summary of FY3/2016 Results >

The first point of the summary of financial results concerns sales. Sales increased in the Fine Ceramic Parts Group and Electronic Device Group in fiscal 2016, particularly in automotive-related and smartphone markets. Consolidated net sales decreased slightly year on year, however, due primarily to the impact of a decline in sales in the Telecommunications Equipment Group after refining the lineup of mobile handsets and to a decline in sales in the Applied Ceramic Products Group following lower domestic sales in the solar energy business.

The second point concerns the recording of one-time gain and loss and the impact this has on profit. Let's look at the four main items. First, impairment of goodwill, etc. was recorded at Kyocera Display Corporation. The amount recorded was ¥18 billion in total, which included impairment of goodwill following the acquisition of Optrex Corporation and loss on asset valuation in the display business. Second, patent litigation costs at AVX Corporation, a U.S. subsidiary, totaled around ¥5 billion. Third, we recorded a gain on the sale of assets in the amount of ¥12 billion, and fourth, we had a gain on the sale of shares in the amount of ¥20 billion.

< Slide 6: Financial Results by Reporting Segment (1) >

Next, I will explain the financial results for each reporting segment.

First, in the Fine Ceramic Parts Group shown at top, sales increased by 4.8% compared with fiscal 2015 to ¥95.1 billion due to growth in sales of ceramic parts for industrial machinery such as semiconductor processing equipment and of automotive components such as camera modules. Operating profit remained roughly on the same level as fiscal 2015 at ¥15.7 billion due mainly to the effect of a change in product mix.

Next, let's look at the Semiconductor Parts Group. Sales increased in packages for the communications infrastructure market and packages for LEDs for the automotive market. Despite this, overall sales in this reporting segment remained roughly on par with fiscal 2015 at ¥216.3 billion while operating profit decreased by 14.8% to ¥28.9 billion due primarily to a decline in sales of packages for digital consumer equipment and the impact of a decline in product prices.

< Slide 7: Financial Results by Reporting Segment (2) >

Next, let's turn to the Applied Ceramic Products Group. Sales in the cutting tool business increased, primarily for automotive-related markets. Sales in the solar energy business decreased, however, due to a decline in sales in Japan, Kyocera's principal market, even though sales increased in the United States. As a result, sales in this reporting segment decreased by 10.8% compared with fiscal 2015 to ¥247.5 billion. Operating profit increased significantly compared with fiscal 2015 to ¥16.4 billion, however, due mainly to cost reduction efforts in the solar energy business.

In the Electronic Device Group, sales increased by 2.4% compared with fiscal 2015 to ¥290.9 billion due primarily to growth in sales of capacitors for smartphones and printing devices for industrial equipment as well as to the contribution of sales from Nihon Inter Electronics Corporation, which joined the Kyocera Group in September 2015. Operating profit decreased, however, to a total of ¥11 billion due mainly to the recording of one-time loss in the amount of approximately ¥23 billion, which included impairment of goodwill.

< Slide 8: Financial Results by Reporting Segment (3) >

Let's turn to the Telecommunications Equipment Group. Sales in this reporting segment decreased by 16.3% compared with fiscal 2015 to ¥171 billion due to a decline in sales of PHS-related products and low end handsets, despite solid sales of distinctive new handsets such as highly durable models and smartphones with exceptional water resistance. In spite of the decline in sales, operating loss was reduced compared with fiscal 2015 when a loss from impairment of goodwill was recorded.

Sales in the Information Equipment Group amounted to ¥336.3 billion, up 1.1% compared with fiscal 2015, as a result of growth in sales volume of printers and MFPs following active sales promotion efforts. Operating profit decreased by 21.6% to ¥27.1 billion, however, due primarily to an increase in the ratio of raw material costs on account of exchange rate fluctuation.

< Slide 9: Financial Results by Reporting Segment (4) >

Finally, let's look at Others. Sales in this reporting segment decreased by 3% compared with fiscal 2015 to ¥167.8 billion due to a decline in sales at subsidiaries such as Kyocera Chemical Corporation. Operating profit increased to ¥11.6 billion due to the recording of a gain on the sale of assets. That concludes my summary of results for fiscal 2016.

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

The growth rate in emerging countries, including China, is expected to decrease this fiscal year despite projections of expansion in the U.S. economy. In terms of Kyocera's core markets, although the automotive market is forecast to expand steadily, demand is expected to weaken in the mobile handset market and the solar energy market in Japan is expected to contract.

With regard to exchange rates, the yen is currently on an appreciation track. Kyocera forecasts average exchange rates for fiscal year ending March 31, 2017 (“fiscal 2017”) of ¥110 to the U.S. dollar, marking appreciation of ¥10 compared with ¥120 in fiscal 2016, and ¥120 to the euro, marking appreciation of ¥13 compared with ¥133 in fiscal 2016.

In light of these forecasts, Kyocera projects net sales of ¥1,520 billion, an increase of 2.7% year on year, and profit from operations of ¥110 billion, an increase of 18.7% year on year. Income before income taxes is projected to decrease by 10.7% to ¥130 billion due in part to the recording of a gain on the sale of assets in fiscal 2016. Net income is forecast to decrease by 22.1% to ¥85 billion due to the impact of a revision to the tax system in Japan in the previous fiscal year.

Kyocera intends to make active investment aimed at future growth this fiscal year, which will translate into an increase in capital expenditures and R&D expenses on a year-on-year basis. Depreciation is also forecast to increase this fiscal year in line with the outlay of capital expenditures.

Next, I will explain sales forecasts for each reporting segment.

< Slide 12: Sales Forecast by Reporting Segment >

First, as stated in the notes below the table, results for Kyocera Chemical Corporation, which were previously included in Others until fiscal 2016, will now be included in the Semiconductor Parts Group from this fiscal year. The figures for fiscal 2016 in both reporting segments have been restated based on this standard in line with this change.

While sales are forecast to increase in the Components Business in fiscal 2016, Kyocera projects a decrease in sales in the Equipment Business due to expectations of lower sales in the Telecommunications Equipment Group.

< Slide 13: Operating Profit Forecast by Reporting Segment >

Operating profit in the Components Business is forecast to increase due mainly to the effect of sales growth and cost reductions, despite the impact of exchange rates and an increase in

depreciation. The expected increase in the Equipment Business can also be attributed to the effect of structural reform in the Telecommunications Equipment Group.

< Slide 14: Financial Forecasts by Reporting Segment (1) >

First, in the Fine Ceramic Parts Group, sales are forecast to increase by 6.2% to ¥101 billion and operating profit is forecast to decrease by 4.7% to ¥15 billion year on year.

Sales are projected to increase in fiscal 2017 due to increases in sales of parts for industrial machinery such as semiconductor processing equipment and automotive components such as camera modules. Operating profit is forecast to decrease, however, due to an increase in depreciation in line with efforts to bolster production capacity for automotive components.

In the Semiconductor Parts Group, sales are forecast to remain roughly on par with fiscal 2016 at ¥237 billion, while operating profit is projected to decrease by 38.4% to ¥26 billion. We will strive to expand sales of packages for automotives and communications infrastructure, and of module substrates used in smartphones. Operating profit is projected to decrease due to an increase in depreciation as well as the impact of exchange rate fluctuation and a gain on the sale of assets in the previous fiscal year.

< Slide 15: Financial Forecasts by Reporting Segment (2) >

Next, in the Applied Ceramic Products Group, sales are forecast to increase by 6.3% to ¥263 billion and operating profit is forecast to increase by 22.1% to ¥20 billion year on year. The projected sales growth can be attributed to the contribution from SGS Tool Company in the cutting tool business and projections of sales expansion overseas in the solar energy business. Operating profit is forecast to increase due primarily to the sales growth and an improvement in profit on the back of cost reductions in the solar energy business.

In the Electronic Device Group, sales are forecast to increase by 4.5% to ¥304 billion and operating profit is forecast to increase by approximately 3.5-fold to ¥38 billion year on year. The projected sales increase can be attributed to sales growth in components for smartphones and printing devices for industrial equipment coupled with full-year sales contribution in fiscal 2017

from Nihon Inter Electronics Corporation, which became a subsidiary in September 2015. Operating profit is projected to increase compared with fiscal 2016, which saw the recording of charges such as impairment of goodwill.

< Slide 16: Financial Forecasts by Reporting Segment (3) >

In the Telecommunications Equipment Group, sales are forecast to decrease by 11.1% to ¥152 billion and operating profit is forecast to increase by ¥8.8 billion to ¥4.2 billion year on year. Sales are projected to decrease this fiscal year due to expected lower sales volume, despite efforts to introduce new products with a focus on high-value-added handsets. Operating profit is forecast to improve due to fundamental structural reform. I will give an outline of this structural reform later.

In the Information Equipment Group at bottom, sales are forecast to increase by 2.3% to ¥344 billion and operating profit is forecast to decrease by 15.1% to ¥23 billion year on year. Kyocera will strive to expand sales through efforts to augment our product lineup by launching new products aimed at strengthening competitiveness and by conducting active sales promotion activities. Operating profit is forecast to decrease, however, due to the impact of exchange rate fluctuation and price competition. That concludes my explanation of forecasts by reporting segment.

< Slide 17: Challenges and Initiatives to Achieve Financial Forecasts >

Kyocera is tackling two major challenges in fiscal 2017. First, we will conduct structural reform in the Telecommunications Equipment Group, and second, we will undertake initiatives to expand core businesses. I will now explain each.

< Slide 18: Structural Reform of the Telecommunications Equipment Group >

First, in the Telecommunications Equipment Group, we will conduct two kinds of structural reform. To begin with, we will integrate production sites. Currently, we are producing mobile handsets at the Kitami Plant in Hokkaido and PHS-related products and mobile handsets at the Tanagura Plant in Fukushima. However, we plan to shift production equipment from the Tanagura Plant to the Kitami Plant around July this year in light of a contracting market for PHS handsets in recent

years. Overseas, although we currently handle production at plants in Malaysia and Vietnam, going forward, we will make more active use of the plant in Vietnam.

Second, we will integrate development sites. We will take the development division at the Daito Office in Osaka, which is responsible for development of handsets for overseas, and integrate it into the Yokohama Office.

We will strengthen cost competitiveness by integrating production sites and development divisions, and through more efficient and speedy development, we will be able to supply Kyocera's unique high-value-added handsets and improve profitability in the Telecommunications Equipment Group. Next, I will explain initiatives to expand core businesses.

< Slide 19: Initiatives to Expand Core Businesses (1)

-Increase sales in the Semiconductor Parts Group- >

First, we will expand sales in the Semiconductor Parts Group. We will strive to strengthen business foundations in this reporting segment and expand the organic materials business. Kyocera absorbed Kyocera Circuit Solutions, Inc. and Kyocera Chemical Corporation in April this year. By doing so, we will pursue further synergies and work to reinforce competitiveness through the supply from ceramic materials to organic materials as well as chemical materials in the Semiconductor Parts Group.

In addition, with regard to expanding the organic materials business as shown on the right of this slide, we intend to bolster production of packages at the Ayabe Plant in Kyoto in light of rising demand for miniaturized, low-profile packages for modules embedded in telecommunications devices.

In the organic materials business, we conducted structural reform aimed at boosting profitability, which included consolidating production from the Yasu Plant in Shiga into the Ayabe Plant last fiscal year. In addition, we have worked to increase sophistication of high-density wiring and production technology to accommodate miniaturization and lower profiles at this plant while also pushing ahead with automation there.

This fiscal year, we will strive to expand business domain by establishing the Third Facility at this plant and leveraging state-of-the-art production technology. We plan to start operation at the Third Facility around spring next year.

Next, I will explain M&A in the cutting tool business decided at the end of the previous fiscal year as our second initiative to expand core businesses.

< Slide 20: Initiatives to Expand Core Businesses (2) -Expand business through M&A- >

SGS Tool Company, a solid tool manufacturing and sales company in the United States, will become a consolidated subsidiary of Kyocera next month in May. While Kyocera's main lineup involves indexable cutting tools, SGS Tool's strength is in solid tools. Going forward, Kyocera aims to create a business structure capable of providing total solutions for products ranging from roughing to finishing and become a comprehensive tool manufacturer.

In addition, Kyocera expects business to be strengthened in North America by adding new production and sales sites in the region. Kyocera seeks to expand sales of this business in North America by 2.5 times in fiscal year ending March 31, 2019 relative to fiscal 2016.

< Slide 21: Initiatives to Expand Core Businesses (3)

-Increase sales in automotive-related businesses- >

Next, I will explain efforts to expand sales in the automotive-related business. Sales in Kyocera's automotive-related business grew at an annual rate of 10% from fiscal 2014 to fiscal 2016, with sales in fiscal 2016 amounting to approximately ¥180 billion.

This graph shows sales of the main products driving growth in this business using fiscal 2015 as a standard of 100. The main drivers up until fiscal 2016 were LED packages and camera modules for automotives, as shown at top. We are expanding sales of these products primarily by cultivating customers in line with proliferation of LED headlights and automotive cameras such as the rear-view camera. Going forward, we expect demand to increase as well.

In addition to these products, we expect growth in the two product areas shown in the bottom two graphs on this page from this fiscal year onward. First, we are starting mass production of center information displays in earnest for use by leading automakers in Europe from this fiscal year, and in line with this, sales are forecast to increase significantly.

In addition, telecommunications modules shown at bottom right will become core products for connecting automobiles and Kyocera will continue striving to cultivate customers and create a production system that can meet buoyant future demand in an effort to achieve our goal.

We will work to continuously expand sales in the automotive business through steady new product development.

< Slide 22: Review of Dividend Payout Ratio >

Finally, I will explain the review of dividend payout ratio we announced yesterday.

Since the year ended March 31, 2005, Kyocera has implemented a dividend policy based on payout ratio in order to clarify its shareholder-oriented stance and establish a greater linkage between the amount of dividends and performance. Kyocera's target payout ratio was 20-25% from the time it was introduced until the year ended March 31, 2013, and from the year ended March 31, 2014, we revised it to 30% or more.

In order to further enhance the return of profit to shareholders and expand shareholder base, Kyocera decided to revise this policy to aim for a payout ratio of around 40% commencing in fiscal 2017. Based on this policy, we forecast a payout ratio of 43.2% for this fiscal year. Going forward, Kyocera will continue working to further increase return to shareholders.

< Slide 23: Trend of Sales and Pre-tax Income >

This fiscal year we will steadily implement structural reform as well as initiatives to expand core businesses in an effort to achieve financial forecasts for the year and translate this into future growth.