

**Kyocera Corporation Telephone Conference Call (January 30, 2012)**

**Shoichi Aoki**

**Director, Managing Executive Officer and General Manager of Corporate Financial and Business Systems Administration Group**

**<P.1: Financial Results of First Nine Months of FY3/2012**

**– Comparison with first nine months of FY3/2011 –>**

Page 1 shows financial results for the nine months ended December 31, 2011 (“the nine months”) compared with the nine months ended March 31, 2010 (“the previous nine months”).

Net sales amounted to ¥885.4 billion, which was down relative to the previous nine months due primarily to deterioration in the business environment in key markets and the impact of the yen’s appreciation. This decline in sales was the major reason for decreases in profit from operations, pre-tax income and net income.

**<P.2: Sales by Reporting Segment – Nine months ended December 31, 2011– >**

Sales by reporting segment for the nine months are presented on page 2 of the handout. Although sales increased in the Fine Ceramic Parts Group, the Information Equipment Group and Others, sales declines were recorded in all other reporting segments relative to the previous nine months.

**<P.3: Operating Profit by Reporting Segment**

**– Nine months ended December 31, 2011– >**

Page 3 of the handout shows operating profit by reporting segment for the nine months. Despite increases in the Fine Ceramic Parts Group, the Telecommunications Equipment Group and the Information Equipment Group, operating profit was down in each of the other reporting segments compared with the previous nine months.

#### **<P.4: Summary of First Nine Months of FY3/2012 (1)**

##### **– Comparison with first nine months of FY3/2011–>**

On page 4 of the handout, you can see the first summary point for the nine months relative to the previous nine months, that is, sales and operating profit were down in the Components Business due to sluggish demand in key markets.

First, in the digital consumer equipment market, component demand slumped due to continued component inventory adjustments by equipment manufacturers, as in mobile phone handsets and digital cameras, while production volume decreased due to the impact of floods in Thailand.

In the solar energy market, sluggish demand continued due to deteriorated market environment. Tough conditions persisted, due mainly to weak demand in Europe coupled with a significant decline in product prices worldwide.

On the other hand, in the general industrial market, demand for such products as fine ceramic parts and cutting tools for the automotive industry was solid.

#### **<P.5: Summary of First Nine Months of FY3/2012 (2)**

##### **– Comparison with first nine months of FY3/2011–>**

The second summary point concerns the increase in operating profit despite a decline in sales in the Equipment Business.

First, in the Telecommunications Equipment Group, sales decreased due primarily to a decline in sales volume of mobile phone handsets in addition to the impact of inventory adjustments by major customers overseas. There was a turnaround to profit, however, from the loss recorded in the previous nine months, due in part to cost reductions as well as a contribution from DIGNO, Kyocera's first smartphone for Japan.

In the Information Equipment Group, sales increased in emerging nations due to

aggressive new product launches and sales network expansion. Operating profit increased compared with the previous nine months due to higher sales of consumables such as toner and to the effects of cost reductions, resulting in an improvement in profitability.

The third summary point refers to the impact of the yen's appreciation.

Average exchange rates for the nine months were ¥79 to the U.S. dollar, marking appreciation of ¥8, and ¥111 to the euro, marking appreciation of ¥2, as compared with the previous nine months. As a result of the yen's appreciation, net sales and pre-tax income were down by approximately ¥32.5 billion and ¥7.5 billion, respectively, compared with the previous nine months.

That concludes my overview of results for the nine months.

Next, I will explain financial results for the three months ended December 31, 2011 ("the third quarter"), as compared with the three months ended September 30, 2011 ("the second quarter").

#### **<P.6: Financial Results of Three Months Ended December 31, 2011**

##### **– Comparison with three months ended September 30, 2011 –>**

Net sales for the third quarter amounted to ¥281.1 billion, down ¥17.9 billion compared with the second quarter.

Profit from operations decreased by approximately 40% compared with the second quarter due primarily to this decline in sales. Pre-tax income was down 24% compared with the second quarter, which was a smaller decline than for profit from operations, due to the contribution of dividend income in the third quarter.

Net income increased by approximately 15% compared with the second quarter. This

was due to the revaluation of deferred tax assets and liabilities at the end of December 2011 following the decision to reduce the corporate tax rate from next fiscal year implemented by revisions to the tax system in Japan, with the net result being an increase on the liabilities side. Consequently, approximately ¥8 billion was recorded as reversal of tax expenses in the third quarter and net income therefore increased relative to the second quarter.

**<P. 7-8: Sales and Operating Profit by Reporting Segment**

– **Three months ended December 31, 2011** ->

Pages 7 and 8 show sales and operating profit, respectively, for each reporting segment in the third quarter. Although sales increased in the Telecommunications Equipment Group, sales in all other reporting segments decreased relative to the second quarter. Operating profit was down in every reporting segment.

Pages 9 and 10 show a summary of results in comparison with the second quarter.

**<P.9: Summary of Financial Results for Three Months ended December 31, 2011 (1)**

– **Comparison with three months ended September 30, 2011** ->

The first summary point for the third quarter concerns decreases in sales and operating profit in the Components Business due to deterioration in the market environment.

Component inventory adjustments continued in the third quarter in the digital consumer equipment market, while there was no increase in component demand in the Christmas selling season as in past years. In addition, component demand stagnated resulting from a decline in equipment production volume due to the impact of floods in Thailand.

In the solar energy market, price erosion continued together with no sign of improvement in the supply/demand balance in the third quarter.

Further, in the general industrial market, which was robust until the second quarter,

growth in component demand tapered off due to the impact of the economic downturn, which was characterized by escalating financial problems in Europe and a slowdown in the Asian economy.

**<P.10:Summary of Financial Results for Three Months ended December 31, 2011(2)  
– Comparison with three months ended September 30, 2011 – >**

The second summary point concerns the increase in sales and decrease in operating profit in the Equipment Business.

Despite sales growth in the Equipment Business due to increased sales in the Telecommunications Equipment Group, operating profit was down in both the Telecommunications Equipment Group and the Information Equipment Group.

Sales increased in the Telecommunications Equipment Group compared with the second quarter due to the start of sales for DIGNO smartphone. However, slow sales in the overseas market due to inventory adjustments by key customers led to a decline in operating profit.

Demand for the Information Equipment Group stagnated owing to the impact of suppressed investment and the economic downturn in Europe, a key market, coupled with the weak euro. As a result, sales and operating profit decreased compared with the second quarter.

The third summary point refers to the continued yen's appreciation.

Average exchange rates for the third quarter were ¥77 to the U.S. dollar, marking appreciation of ¥1, and ¥104 to the euro, marking appreciation of ¥6, as compared with the second quarter.

Net sales and pre-tax income for the third quarter were down approximately ¥4 billion

and ¥1 billion, respectively, due to fluctuations in these exchange rates.

That concludes my overview of results for the third quarter.

Finally, I will explain financial forecasts for the year ending March 31, 2012 (“fiscal 2012”).)

**<P.11: Financial Forecast – Year Ending March 31, 2012– >**

Based on the performance for the nine months and the outlook for the three months ending March 31, 2012 (“the fourth quarter”), Kyocera revised the financial forecasts made in October 2011.

We forecast net sales of ¥1,180 billion and pre-tax income of ¥113 billion, down ¥50 billion and ¥27 billion, respectively, compared with previous projections made in October 2011.

**<P.12-13: Sales and Operating Profit Forecast by Reporting Segment**

**– Year Ending March 31, 2012– >**

The revision of sales and operating profit by reporting segment were made as shown on page 12 and 13.

Sales of the Electronic Device Group include the acquisition of Optrex Corporation which will be consolidated on February 1, 2012. There was no change to the operating profit forecast in the Information Equipment Group. However, both sales and operating profit are forecast to fall below projections made in October in the other reporting segments.

**<P14: Factors behind Revisions to Forecast for FY3/2012>**

This page shows the factors behind revisions to the financial forecasts for fiscal 2012.

First, sales and profit were down in the Components Business due to a decline in the

business environment that exceeded our expectations.

In the digital consumer equipment market, component inventory adjustments by equipment manufacturers and the impact of floods in Thailand led to a decline in component demand that exceeded our expectations as of October 2011. At the current point in time, we believe it will be difficult for component demand to recover quickly in the fourth quarter.

In addition, in the solar energy market, tough business environment is expected to continue in the fourth quarter, including severe price erosion than we expected and no sign of improvement in the supply/demand balance.

Therefore, we forecast sales and operating profit in the Components Business are down ¥38 billion and ¥25.2 billion, respectively, compared with the previous forecasts announced in October 2011.

The second factor concerns declined sales in the Telecommunications Equipment Group.

Due to inventory adjustments by key customers overseas, sales volume of mobile phone handsets fall below. Consequently, sales of the Telecommunications Equipment Group are lower than the previous forecast in October by ¥10 billion.

Due to these two factors, sales and profits for fiscal 2012 to fall below the previous fiscal year.

In addition, since the effects of floods in Thailand will dissipate in spring 2012, component orders are expected to recover thereafter.

Despite the tough conditions in the business environment in fiscal 2012, Kyocera took initiatives to drive growth from the next fiscal year onwards. Specifically, we plan to make

Optrex Corporation, which is engaged in LCD business, into a subsidiary, following on from the M&A we conducted in the cutting tool business in July 2011. Through such M&As, we pursue synergies with existing businesses and strive to further expand businesses.

In addition, we strengthen management foundations in each business to achieve high growth when demand eventually recovers and started constructing a new factory in Vietnam to bolster future competitiveness.

We expect the environment and energy markets to grow from the next fiscal year on account of the introduction and expansion of subsidy systems in Japan. We intend to take advantage of this opportunity and will work to expand the solar energy business for industrial applications, ceramic parts for Solid Oxide Fuel Cells and other environment and energy related products such as energy storage systems.