

**Outline of Q&A on Conference Call for the Three Months Ended June 30, 2019**  
**(Held on August 2, 2019)**

**[Results in this fiscal year]**

Q: How did results in the three months ended June 30, 2019 (“the first quarter”) compared with company targets? Which businesses exceeded targets and which fell short of targets, and what is your outlook for the three months ending September 30, 2019 (“the second quarter”)?

A: In the first quarter of the fiscal year ending March 31, 2020 (“fiscal 2020”), sales revenue was in line with estimates while profit slightly exceeded expectations. Performance in the Components Business was down on projections. In particular, in the Industrial & Automobile Components Group, results in such areas as parts for semiconductor processing equipment were lower than expected. On the other hand, the Telecommunications equipment business exceeded projections in both sales and profit. Profit in both the organic materials and solar energy businesses also slightly surpassed projections.

Heading into the second quarter, although we were expecting semiconductor-related markets to recover between the three months ending December 31, 2019 (“the third quarter”) and the three months ending March 31, 2020 (“the fourth quarter”) at the start of fiscal 2020, based on current projections, there is little likelihood of resurgence even in the fourth quarter. Although demand for electronic components for smartphones is forecast to increase in the second quarter due to seasonal effects, we do not expect to see as strong a recovery as we projected due to inventory-related reasons. At the same time, we expect results in energy-related fields to exceed expectations.

Q: Can you tell us about improvements in results for the solar energy business, organic materials business and telecommunications equipment business following structural reforms in the year ended March 31, 2019 (“fiscal 2019”) ? And, do you think the solid performance of the telecommunications equipment business in the first quarter will continue into the second quarter and beyond?

A: Although the solar energy business and organic materials business posted losses in the first quarter, profitability was actually achieved on a month-by-month basis, with significant improvement seen. Improvement is expected in the solar energy business going forward as well. Despite uncertainty in market conditions for the organic materials business, we

still basically expect there to be improvement. In addition, we don't expect the telecommunications equipment business to post a loss.

Q: How much were one-time costs in the first quarter?

A: One-time costs totaled approximately 8.0 billion yen, with around 5.5 billion yen in costs associated with celebrations for the Company's 60th anniversary and around 2.5 billion yen in costs associated with an overseas subsidiary.

Q: Do you think the second quarter will proceed in line with expectations as well?

A: There is significant uncertainty in components-related businesses due in part to the announcement of the fourth round of tariffs the United States has slapped on Chinese imports.

#### **[Industrial & Automotive Components group]**

Q: In the Industrial & Automotive Components Group, it seems that M&A activities contributed around 8.0 billion yen to sales revenue in the first quarter. This means that excluding this amount, sales revenue actually declined by 10.0 billion yen year on year. Can you give us a breakdown of this?

A: A major factor was a decrease in sales in parts for semiconductor processing equipment and in automotive displays. The impact from both of these businesses was roughly the same.

Q: How much will new subsidiaries created through M&A activities contribute to results from the second quarter onward?

A: First, H.C. Starck Ceramics GmbH started making a full contribution to results in the first quarter. Second, Southern Carlson Inc. was made into a subsidiary in June and so only contributed a single month to first quarter results. It will make a full contribution from the second quarter. Third, Friatec GmbH will only make a single month contribution in the second quarter since we plan to add it to Kyocera Group in September. This company will make a full contribution from the third quarter.

Q: How much will M&A contribute to profit in the second quarter? Also, you reported that costs relating to the M&A were incurred in the first quarter. Will there be additional costs recorded in the second quarter?

A: There will likely be inventory relating costs up until the second quarter.

Q: Can you tell us the outlook for parts for semiconductor processing equipment from the second quarter?

A: Although at the start of this fiscal year we forecast demand to recover in the fourth quarter, we now don't expect recovery during this fiscal year due mainly to the impact of customer inventory. We do expect the current level of demand to continue throughout the fiscal year though.

**[Electronic Devices group]**

Q: Besides the decline in sales at AVX Corporation, are there any other changes from when you made your forecasts at the start of this fiscal year? And what are the reasons for the solid performance in high-end MLCCs?

A: Excluding AVX Corporation, performance in the Electronic Devices Group was in line with expectations. A number of ultra small high-capacitance MLCCs are built into smartphones. Although Kyocera's market share of MLCCs is low overall, we command relatively high share in ultra small high-capacitance MLCCs, where results were strong. Our share is also relatively high compared with leading smartphone manufacturers. One other reason is that some of these MLCCs are now getting orders for 5G base stations.

Q: Excluding AVX Corporation, what is your outlook for the Electronic Devices Group from the second quarter?

A: We expect results for electronic components used in smartphones to be roughly in line with expectations.

**[Telecommunications equipment business (Communications Group)]**

Q: What is the reason for performance in the telecommunications equipment business exceeding expectations?

A: By the third quarter of the previous fiscal year, the end was in sight in our efforts to consolidate production bases and we have therefore been able to reduce costs. In terms of sales, we managed to sell more smartphones targeting the elderly than we expected.

Q: Do you think the improvement seen in the first quarter will continue into the second quarter and beyond rather than simply be short-lived?

A: That's correct. There is no doubt that we will see improvement year on year.

Q: I believe the price of handsets in Japan will rise from October 1 due to lower sales promotion expenses at domestic telecommunications companies. What will be the impact of this in the second half?

A: Although I think this will impact high-end products, Kyocera deals mainly with middle-range to low-end products, so I don't think we'll feel any great effect.

#### **[Document Solutions Group]**

Q: What is your outlook for the second quarter onward in this reporting segment?

A: On a local currency base, sales revenue and profit in the Document Solutions Group did not decline in the first quarter. Results were simply impacted by the Euro's depreciation. From the second quarter onward, we expect performance to be in line with other years.

#### **[Solar energy business (Life & Environment Group)]**

Q: What is the reason for performance exceeding expectations in the solar energy business?

A: We freed ourselves from the concerns about raw materials through settlement of long-term purchase agreements for the supply of polysilicon material in the previous fiscal year. In addition, the effects of initiatives to enhance productivity have started to emerge.

Q: What progress is being made in efforts to improve profit by enhancing productivity, for example through new production methods?

A: We are making progress in automation this fiscal year and would like to see an end to this initiative during the second half.

Q: What are you forecasting your business profit ratio to be once you complete this initiative in the second half?

A: Although we made a large loss in the previous fiscal year, we will aim for 5% in the second half.

#### **[Inventory]**

Q: Inventories have increased around 25.0 billion yen since the end of the previous fiscal year. Is this due to the acquisition of Southern Carlson Inc.?

A: Half of the increase can be attributed to Southern Carlson Inc.. The rest comes from the Document Solutions Group and the Components Business, where we are making

preparations to increase sales from the second quarter.

**[R&D expenses]**

Q: It appears that R&D expenses were low in the first quarter relative to your full-year forecast of 80.0 billion yen. Will these expenses increase from the second quarter due to the impact of the Minatomirai Research Center or are you making progress in cost reductions?

A: We are not intentionally trying to contain R&D expenses. This result was simply due to the timing of our R&D. We will push ahead with R&D in the second quarter and beyond in accordance with initial plans.

**[Financial Forecasts for the Year Ending March 31, 2021 (“next fiscal year”)]**

Q: Can you tell us your forecast for next fiscal year? What are your projections for sales revenue and profit, including the synergistic effects from M&A?

A: Although it’s difficult to give any projections for next fiscal year at the current point in time, there is no change to our target of 2 trillion yen in sales revenue. We need to carefully examine conditions in light of the global situation and other factors this fiscal year. I would like to see us get closer to our goal of 2 trillion yen by continuing to actively look into M&A in particular.

Q: Which fields do you see as promising ones for next fiscal year?

A: The market for parts used in semiconductor processing equipment is expected to bounce back in the second half of next fiscal year despite the strong feeling of uncertainty. Demand for 5G-related components is expected to increase from the second half of this fiscal year. In the solar energy business, we plan to start services through our joint venture with The Kansai Electric Power Co. in October and aim to increase sales of storage batteries and other products as we head into next fiscal year.

Q: What is your outlook for automotive-related areas?

A: Market conditions are tough at the moment and growth in our cutting tools business is sluggish. On the other hand, demand for electronic components is increasing despite a decline in the number of automobiles. We also have a positive outlook for advanced driver-assist system (ADAS)-related electronic components.

**Cautionary statement**

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