



Kyocera Corporation

Outline of Q&A on Financial Presentation for the Six Months Ended September 30, 2016

(Held on November 1, 2016)

[Prospects for next fiscal year and beyond]

Q: Can you tell us about promising fields and areas of concern for next fiscal year and beyond?

A: We are currently conducting structural reform in the solar energy business and the Telecommunications Equipment Group aimed at enhancing profitability. We believe that we will see continued improvement in results in these businesses in the second half of this fiscal year. Next fiscal year we expect these businesses to make a positive contribution to performance. We are also pushing ahead with expansion in automotive-related business and expect growth in this business next fiscal year as well.

On the other hand, although the smartphone market had a significant negative impact on the electronic components industry in the first half, Kyocera's sales ratio for smartphones sits at around 10% on a Group-wide basis and we remain relatively unaffected. Since our sales ratio for smartphones is not large, we can view this as offering potential for significant growth going forward. To this end, we intend to pour energy into this field.

[Structural reform]

Q: Can you tell us about structural reform in the Telecommunications Equipment Group and progress in the second quarter?

A: We conducted elimination and consolidation of bases in the Telecommunications Equipment Group in the first half. Whereas previously we undertook production at two sites in Hokkaido and Fukushima, we integrated production into one base in Hokkaido and reassigned personnel to other businesses. We plan to reduce the number of personnel in the Telecommunications Equipment Group by around 30% by the end of the fiscal year relative to the start of the period. We are decreasing production volume due to contraction of the business for low unit price prepaid-type mobile phones for the United States. We are withdrawing from areas with low profit margins in a step-wise manner. At the same time, we are increasing high-end models from the middle-end variety and above that have relatively high selling prices and profit-generating capability. Although Kyocera's annual production volume stood at over 10 million units up until a year and a half ago, we plan to produce seven million units this fiscal year. We are also seeking to make profit of ¥4.2 billion this fiscal year. We will work hard to achieve this forecast first and then aim to further improve on this next fiscal year.

Q: Can you tell us about structural reform in the solar energy business?

A: Price erosion is an issue in the solar energy business. There has been an excess of supply since Chinese manufacturers enhanced production capacity. This surplus has made its way into the United States, which has made business there difficult. For this reason, Kyocera is considering reducing business to the United States and further strengthening domestic business. In Japan, we will expand business for both the residential and commercial markets. We are transferring personnel from the solar energy business to other businesses and we are expecting profit to increase from next fiscal year.

Q: Is Kyocera currently implementing structural reform in any other businesses besides the Telecommunications Equipment Group and the solar energy business?

A: Development costs are very high for the display business for automotive. We plan to reduce the number of production sites for the display business to bolster sales and profit, which has made the future outlook a little brighter. We expect the display business to make a positive contribution next fiscal year as well.

[Investment plans for next fiscal year]

Q: For what reason will capital expenditures and R&D expenses increase this fiscal year despite a forecast of profit decline?

A: Although demand for certain smartphone-related components has stagnated, some other components are in short supply such as TCXOs. In addition, demand for infrastructure-related components such as ceramic packages for optical communications has also been increasing. We are currently boosting production for these components.

We are also adding a new toner factory in Mie Prefecture for the Information Equipment Group. The new factory will even be able to fill the cartridges with toner automatically. We plan to increase production capacity for toner by around 1.5 times the current level.

We are also actively conducting R&D and plan to increase efforts going forward.

Cautionary statement

This is an English translation of the Japanese original. The translation is prepared solely for the reference and convenience of foreigners. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

Except for historical information contained herein, the matters set forth in this document are forward-looking statements that involve risks and uncertainties including, but not limited to, product demand, competition, regulatory approvals, the effect of economic conditions and technological difficulties, and other risks detailed in the Company's filings with the U.S. Securities and Exchange Commission.