



Kyocera Corporation

Outline of Q&A on Financial Presentation for the Six Months Ended September 30, 2015

(Held on October 30, 2015)

【Financial Forecast for the Year Ending March 31, 2016】

Q: Profit from operations in the second half is forecast to increase compared with the first half on a base excluding profit from a sale of assets in the first half. How do you view the second half in terms of business confidence?

A: It is difficult to express in brief terms since Kyocera conducts a variety of businesses. With reports of an economic slowdown in China, as an example Kyocera's ceramic packages, an area of high market share, are feeling the impact of the slowdown with manufacturers since these products are widely used in Chinese smartphones. Conversely, a large proportion of Kyocera's capacitors are used in high-end handsets, and we are presently not seeing a big impact in this area.

【Future Business Development】

Q: Although Kyocera has implemented a variety of measures to expand business in the past few years, the impression is that it is difficult to keep pace with the speed of change of business environment. Do you think there is anything you need to alter?

A: Kyocera is engaged in a high number of businesses and we have many small-scale individual businesses. Many of these small businesses are robustly posting double-digit sales growth. On the other hand, Kyocera's larger businesses, namely semiconductor parts, telecommunications equipment and information equipment, are only growing by a few percentage points, and this is the reason the Kyocera Group as a whole is not expanding. If we do not increase speed more than ever and accelerate M&As, it will take more time to achieve growth.

Q: Does Kyocera need to change its business portfolio in order to expand sales? Can you tell us if there is anything missing at Kyocera at the moment and where you plan to concentrate resources?

A: We are not considering making any major changes to our business portfolio at present. To give an example, although the advent of a paperless world is being envisioned for the future, since our Information Equipment Group has low market share, there is major scope for expansion through M&As. We have to conduct these M&As while at the same time steadily increase market share. In the Telecommunications Equipment Group, despite efforts to expand business overseas, particularly outside North America in places such as South America, it has been difficult to post significant growth. This fiscal year, we will change structure so that we can generate profit even if sales drop.

【M&As】

Q: There is an impression that the strategic M&As that Kyocera has conducted have not generated significant results. Have the acquisition prices of the M&As been too high or have there been problems with integration following acquisition?

A: Since there are various factors at play, it isn't possible to give a blanket answer. However, I can say that it is difficult to generate profit in businesses that have issues producing distinctive products. As an example, there are many competing companies in the Electronic Device Group. In contrast, we are continuing to conduct M&As in the cutting tool business and the companies that have undertaken these M&As are generating profit. The Information Equipment Group has also achieved profit from a relatively early stage.

【Semiconductor Parts Group】

Q: In the past few years, the Semiconductor Parts Group has grown significantly from the first quarter to the second quarter. Can the weak growth this fiscal year be attributed to the slowdown in the Chinese smartphone sector?

A: The impact of the Chinese smartphone sector on the ceramic package business has been significant. Another reason is that the shift from organic to ceramic material has not progressed as expected. In addition, sales of organic packages did not expand significantly in the first half.

【Electronic Device Group】

Q: Have there been any problems with the structural reforms in the Electronic Device Group and what measures are you taking? Also, what effect do you expect the reform will have on results next fiscal year?

A: There is not much to report at this stage. There are a number of businesses in the Electronic Device Group. Although some of these businesses are generating steady profit, profitability is not very high in others. We aim to boost profit in businesses that are having issues with profitability by implementing certain measures.

Q: The profit forecast in the Electronic Device Group has been revised downward by ¥28 billion. How much of this is due to structural reforms?

A: We are forecasting approximately ¥20 billion for structural reform costs.

【Telecommunications Equipment Group】

Q: It seems Kyocera will focus on sales in certain areas this fiscal year in the Telecommunications Equipment Group. Can you tell us what initiatives you will implement not only on a sales front but also on a cost front?

A: Kyocera is making developments in the Japanese and North American markets. In the Japanese market, the problem is that there is very little scope for expansion, and that's why we have been pushing developments overseas. At present, Kyocera has managed to secure transactions with four mega carriers in North America. We have also been working to drive expansion in South America among other places, but first we intend to focus on rolling out distinctive products for the four major carriers in North America. We are hoping to reach a conclusion this fiscal year as to initiatives to reduce costs, including the creation of production systems in optimal locations.

【Information Equipment Group】

Q: It probably won't be possible to get around the shift to a paperless world given the proliferation of cloud computing. If Kyocera pushes ahead with M&As amid this trend, the proportion of sales will increase in a field that will be difficult to expand. I presume that would make it necessary to modify the product portfolio in response to this major technological trend.

A: Our Information Equipment Group is currently developing printers and MFPs for the BtoB market while digitalization is progressing in printers for the commercial field. Kyocera supplies inkjet printheads for printing on fabric such as textile printing, and we can develop products for commercial application by combining our inkjet printheads with information equipment. We will drive development through M&As for business in growing field such as this.