



Outline of Q&A on Conference Call for the Nine Months Ended December 31, 2016

(Held on January 31, 2017)

[Solar energy business]

Q: Can you tell us Kyocera's business environment outlook for the solar energy business in each of the North American market and Japanese market? Do you expect the current adjustments to be short term in nature or to have an impact over the longer term?

A: Conditions in the North American market are expected to remain tough going forward. Although we had planned to drive significant expansion in sales in this market at the start of the fiscal year, severe price competition since summer, due partly to market growth, has meant we are falling behind our initial projection for sales to North America. We expect these conditions to continue at least into the fourth quarter of the current fiscal year as well as next fiscal year. Although sales to Asia are increasing this fiscal year, this probably won't be sufficient to cover the shortfall in North America. Price competition is also severe in Japan, albeit not to the extent of North America, and these circumstances are set to remain into the fourth quarter. Even though the domestic market isn't expected to grow significantly next fiscal year, Kyocera already has projects for both the residential sector and for mega solar power facilities. We are confident that we can make improvements by pushing ahead with development of our solar energy systems that include a Home Energy Management System (HEMS) and storage battery together with solar modules.

Q: Can you tell us about Kyocera's long-term contracts for silicon material? Is there a possibility that you will incur an impairment loss due to recent downward revisions since you still have contracts that were concluded at a high price?

A: We don't think there is any risk of such loss at present even if we use silicon material based on long-term contracts.

[Electronic device group]

Q: Can you tell us the background to the substantial improvement in profit in the Electronic Device Group in the third quarter and whether the benefits of this improvement can be sustained into the fourth quarter?

A: Component demand typically gains momentum in the third quarter, and we saw growth again this time, particularly for crystal-related products such as TCXOs, where we command high market share. In addition, demand for connectors also grew in the third quarter relative to the

second quarter. Although demand for these components is forecast to decline slightly in the fourth quarter compared with the third quarter due to seasonal factors, demand for certain products is still expected to grow. As an example, we have received a high number of orders for automotive displays from customers.

Q: What is the background to the favorable demand for TCXOs? Are these components being used in smartphones?

A: Yes, they are mainly for smartphones.

Q: Do you think there is a risk that adjustments will be made in the supply chain for Chinese smartphones?

A: No, not really. Even if Chinese smartphone manufacturers do conduct adjustments on the whole, Kyocera expects to be able to expand sales by boosting market share.

[Parts for industrial machinery market]

Q: There has been a certain level of recovery in products with high economic sensitivity such as ceramic parts for semiconductor processing equipment and cutting tools for use in industrial markets, but how is Kyocera placed in this regard?

A: We have received a fair number of inquiries for semiconductor processing equipment parts, and sales have been growing well. Demand for such parts started to climb rapidly around December. We also received numerous inquiries in January concerning quantity and delivery. Despite the negative impact associated with exchange rate fluctuation, performance has improved in the cutting tool business since the third quarter following an end to inventory adjustments in China that had been ongoing since summer last year. Results are expected to improve even further in the fourth quarter.

Cautionary statement

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