



Kyocera Corporation

Outline of Q&A on Financial Presentation for the Six Months Ended September 30, 2017

(Held on October 31, 2017)

[Management strategy]

Q: I believe the AI laboratory and robot center are extensions of Company-wide structures for the existing production technology division, so were there any big moves in terms of concentrating resources from different business divisions, including transfer of personnel? Also, can you tell us details of any new developments with Toshiba Materials Co., Ltd.?

A: The AI Laboratory is an extension of our existing software lab and we have added a few new workers. The robot utilization center was made inside the existing production technology division. We added a few more people here as well. Around 20 kinds of industrial robots will be installed here by December this year for use with business divisions.

In collaboration with Toshiba Materials Co., Ltd. ("Toshiba Materials"), we will develop products using silicon nitride and aluminum nitride materials for semiconductor processing equipment components.

Q: Can you tell us how the cross-structure approach is working in terms of development and business divisions?

A: I am confident that we have established solid foundations for interaction between development and business divisions over the past six months. We hope to really activate this interaction going forward.

Q: In what manner do you plan to expand sales? On the one hand you appear to be increasing the scope of business in areas of competitive advantage through mergers and acquisitions and on the other hand you are building strong businesses from the material stage as in the project with Toshiba Materials. It will no doubt take time to build strong businesses from the material stage in order to contribute to sales even though I'm sure the businesses will be highly profitable in the future. How do you plan to strike a balance between building good businesses and expanding sales?

A: We are placing more emphasis on boosting market share by reducing costs in order to achieve our fiscal 2021 target ("¥2 trillion in sales"). We will conduct mergers and acquisitions as well. Looking at the situation from a slightly long-term perspective, we are pushing ahead with the development of new materials in addition to the project with Toshiba Materials and hope to create an environment that can drive further growth in the next few years.

[FY3/2018 financial performance]

Q: It could be said that a major reason for the increase in sales in the first half was the favorable external environment, but to what extent did specific efforts play a part?

Can you also tell us your progress in business for automotive parts?

A: It's true that demand has increased for semiconductor processing equipment parts and multilayer ceramic capacitors ("MLCC") due to the favorable environment, for example, but the increase in sales can also be attributed to the new products we released into the positive market environment that helped us gain market share. The market forecast is also good for next fiscal year, but our share will decline if we are passive. As one example of how we intend to maintain our market share, we plan to release a product with material boasting excellent thermal conductance.

In terms of automotive parts, AVX Corporation ("AVX") has been active in undertaking mergers and acquisitions, as I explained. In addition, the display business has posted the largest growth among our automotive-related products this fiscal year, with center information displays performing well. We are also developing next-generation automotive camera modules and we intend to remain active in this domain.

Q: What is the condition of the Communications Group and Life & Environment Group where Kyocera revised down forecasts?

A: In the Communications Group, results for our mobile phone business for the United States were well away from targets. We take these results seriously and will take the appropriate steps in a level-headed manner going forward.

Sales in the solar energy business within the Life & Environment Group are expected to recover in the second half. However, business growth will be limited for solar cells. A virtual power plant test project is underway in Japan. Kyocera is providing some of the solid oxide fuel cells ("SOFC") and storage batteries. Determining the combination to power these plants is necessary for the future of renewable energy. It will probably take some time but we plan to push forward with our power business, which also includes making contribution to society.

Q: It seems that results were on an upward swing in the first half, but to what extent did sales and profit climb relative to company targets? What was the main factor behind these results?

A: Sales were up by a single digit margin and profit was up by a double digit margin relative to targets. Sales were strong for the Industrial & Automotive Components Group, Semiconductor Components Group, Electronic Devices Group and Document Solutions Group in particular.

Q: Although the upward revision in forecasts can be attributed to the upswing in first-half results, this can also be explained by merger and acquisition activity during the period and the positive effect of foreign exchange rate fluctuations. How should we perceive this?

A: We were quite cautious when we released our full-year forecasts.

[Industrial & Automotive Components Group]

Q: With regard to the strategy for the industrial tool business, I believe consumable cutting tools were the core products and that they were highly profitable. On the other hand, there are fewer consumable items in the pneumatic tool business and the profit ratio is not that high. Going forward, do you plan to expand share or undertake an integrated approach that includes consumables as well?

A: There are a number of consumables within the pneumatic tool domain too. We do not believe that the profit ratio is expected to decline in particular because we have the tools themselves. The profit ratio for power tools will not rival Kyocera's industrial tool business immediately after business acquisition, but we believe this is a relatively high-profit industry. We plan to increase production volume and boost profit ratio too.

[Electronic Devices Group]

Q: AVX is an independently operated company listed on the U.S. stock exchange and its business domain is separate from Kyocera's electronic parts. Is this situation not a setback to consolidated management? Will Kyocera's stance change with regard to management of AVX?

A: AVX is an independently listed company but it is also a Group company and is managed basically as an integrated part of our structure. We have a mutually beneficial relationship that includes selling each other's products. I don't think this setup causes any problems.

Q: Demand is expected to continue increasing for electronic parts next year. Can you tell us about your plans to increase production?

A: We have been increasing production for MLCC since last year and plan to increase it further moving forward. We are building a large factory inside the Kagoshima Kokobu Plant. This new factory will produce components for semiconductor processing equipment first of all, and if the need arises, we will utilize other floors that are not currently planned for use.

[Communications Group]

Q: With regard to full-year forecasts, Kyocera has significantly revised down projections for sales and profit in this reporting segment. Do you plan to make changes to this business this fiscal year?

A: It's a fact that the overseas handset business is struggling. Going forward, we aim to expand results for telecommunications modules in the automotive and IoT fields. We will turn our

attention to these domains.

Q: Is there a possibility that you will conduct structural reforms again?

A: We are not planning any major structural reforms like closing plants in the manner we did between last fiscal year and the start of this fiscal year.

Cautionary statement

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