



Outline of Q&A on Financial Presentation for the Year Ended March 31, 2017
(Held on May 2, 2017)

[Management strategy]

Q: Can you specify the steps being taken under President Tanimoto to strengthen technology and pursue synergies as part of management strategy? Also, does Kyocera intend to put even further focus on M&A going forward?

A: In terms of strengthening synergies on a technological front, we are aiming to create single products that transcend business divisions to combine technologies. To give an example, since we are engaged in both inkjet printheads and printers, we would like to combine these and develop an inkjet printer for industrial use. As another example, we are actively developing automotive cameras, and moving ahead we will look to work across divisions and leverage our technology for optical components in the development of these cameras. As for M&A, we plan to be even more proactive going forward. But we will not limit ourselves to M&A and will use external resources as well.

Q: How do you plan to achieve your sales target of ¥2 trillion and what sort of timeframe are you looking at?

A: Demand is strong for packages and boards for high-speed communications in information and communications-related markets at the moment, while demand for automotive parts and other components is also increasing. We would like to significantly increase sales of components for these applications. In the Equipment & Systems Business, we aim to boost sales of services and document BPO (Business Process Outsourcing) for the Document Solutions Group, and in the IoT (Internet of Things) market, we aim to expand sales mainly of Sigfox services and communications modules.

Q: Kyocera has stated a target of a double-digit increase in sales. Can you tell us the initiatives you plan to implement in each segment to achieve the double-digit growth?

A: In the Industrial & Automotive Components Group, we will work to expand share of semiconductor processing equipment parts. We currently command high share in bulk ceramic structures and have other parts with scope to increase share, so that's where our attention will be. We will also look to increase sales of camera modules in the automotive parts domain. We will focus on recognition functionality in particular.

In the Semiconductor Components Group, demand is increasing for packages used in high-speed communications and we plan to meet this demand via production expansion.

Although sales of organic packages and boards have stagnated as we look to make internal improvements in the year ending March 31, 2018 (“this fiscal year”), we will work to increase sales from next fiscal year onward in such areas as automotive substrates.

In the Electronic Devices Group, crystal components have been selling well. We will push ahead with development of state-of-the-art versions to boost sales. In addition, we will accelerate research and development for capacitors with a view to increasing share. In power semiconductor products, although the fields we are engaged in are limited, we are conducting research and development at a level enabling us to create IGBT (insulated-gate bipolar transistor) for automobiles and other areas.

In terms of the Communications Group, we aim to expand sales through communications modules and services such as Sigfox.

In the Document Solutions Group, we will strengthen our solutions business.

In the Life & Environment Group, our core is the solar energy business. This is no longer a market growing on the back of subsidies as in the past. It has become key to determining whether the self-consumption of electrical power will take hold or not. We plan to make a system that combines the SOFC (Solid Oxide Fuel Cell).

[Measures for enhancing enterprise value]

Q: ROE in the year ended March 31, 2017 (“the previous fiscal year”) was approximately 4.5%. To what extent do you think you can improve this in the next three to four years? Also, how will you utilize your financial assets to improve share price?

A: Our aim is to maximize pre-tax income. We would like to boost the profit ratio from the current level of 10% to 15% as quickly as possible. Our target figure for ROE has not been set. We will use the cash we have effectively in such areas as M&A.

Q: Can you tell us specific initiatives for the next year or two as you work toward achieving a pre-tax income ratio of 15%?

A: First, we would like to double productivity for existing products. We aim to increase the profit ratio by significantly increasing productivity. Further, in addition to M&A, we also have the option of acquiring certain technologies and teaming up with other manufacturers.

Q: You can generate more cash since you are making improvements to unprofitable businesses. How will you enhance enterprise value?

A: We intend to drive growth in business and increase profit. This is our priority. We will be quick to make capital expenditure decision when required.

[Financial forecast for the year ending March 31, 2018]

Q: In terms of your thoughts on financial forecasts for this fiscal year, are you expecting further growth in parts for industrial machinery? Also, do you have any new products in the ceramic packages for smartphones sector?

A: Demand is not expected to decline for industrial machinery during this year at least when looking solely at semiconductor processing equipment parts. In ceramic packages, demand for packages used in optical communications is increasing. Demand for packages for crystal components embedded in smartphones is expected to grow since Kyocera is developing miniature products that other companies cannot emulate.

Q: It was stated that Kyocera targets ¥300 billion sales in automobile-related parts. What is the current level of sales?

A: In this fiscal year we are expecting sales to be around ¥200 billion.

[New management structure]

Q: Can you tell us the reasons Chairman Yamaguchi selected President Tanimoto to be his successor?

A: (Chairman Yamaguchi)

Kyocera believes in generating value through manufacturing. I wanted a president who understands the need for continued creativity and improvement in manufacturing on top of conducting management in a way that can increase profit.

[Demand-supply situation of components]

Q: It appears there is a shortage of certain components. Is the demand-supply situation tight for these particular Kyocera components and have prices been raised?

A: We haven't increased prices yet but the demand-supply situation is tight for packages for optical communications, capacitors and crystal components. One difficulty is the fact that there is variation during the year in terms of when a product is needed by a customer. As an example, demand may increase in the second and third quarters only to drop sharply in the fourth, so we need to align manufacturing with this timing.

[Future capacity expansion plan]

Q: In order to alleviate a supply shortage, you need to increase production for a period of at least two to three years. Does Kyocera plan to bolster production capacity over the medium and long term based on a period of three to five years?

A: We are preparing production facilities for each product. We expanded the plant for semiconductor processing equipment parts in the United States. For other components in short supply, we hope to finalize a plan to construct new facilities during the year.

Q: Has new plant construction been included in the ¥80 billion forecast for capital expenditure for this fiscal year?

A: No, it has not.

[Equipment & Systems Business]

Q: Will Kyocera be able to generate stable profit each quarter going forward for the telecommunications equipment?

A: March to April is the peak selling season in the Japanese mobile phone market, which conversely means that demand will drop sharply in the first quarter. Minor structural reform is also necessary this fiscal year, so the first quarter will be tough. From the second quarter onward, however, there should be no problem.

Q: Can you tell us about the Sigfox business expansion plan? I think there are certain secondary developments that we can expect in the IoT field in addition to what is being currently envisioned. On the other hand, services cannot be developed without proper infrastructure such as base stations. What impact will this have on profit in the period leading up to business establishment?

A: With the Sigfox business, we are aiming to secure ¥10 billion in annual sales by 2020 with a population coverage of 99%. In IoT related business, besides Sigfox, we will also provide communications modules to KDDI Corporation. Kyocera is currently laying the foundations to drive expansion in a variety of businesses.

Q: What are the conditions necessary to achieve financial forecasts for the fiscal year in the Equipment & Systems Business? You are targeting 8% growth in sales for the Document Solutions Group, but can you achieve this by your own effort? Also, what are the preconditions for achieving volumes in the solar energy business, a driving force in the Life & Environment Group, amid a shrinking domestic market? What is the medium-term strategy for the Equipment & Systems Business?

A: Although new product launches were slightly delayed in the previous fiscal year in the Document Solutions Group, we did manage to release new products in the second half of the previous fiscal year and these have been selling well. In addition, we will introduce new products again in the second half of this fiscal year. We will also take steps to expand the solutions business. By doing so, we aim to increase sales.

We are targeting 1.1GW in terms of volume in the solar energy business, which is roughly

unchanged from the previous fiscal year.

Over the medium and long term, we will pour effort into communications modules for automotive, the IoT and other areas. Our plan is to boost market share through new products in the Document Solutions Group and further strengthen the solutions business.

Cautionary statement

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