

Kyocera Corporation

Outline of Q&A on Financial Presentation for the Six Months Ended September 30, 2019

(Held on November 1, 2019)

【Business results for the year ending March 31, 2020 (“fiscal 2020”)】

Q : I would like to know how you are dealing with deteriorating businesses. Have you made any structural changes to realize this year's improvement in solar energy business and telecommunications equipment business?

A : I expect the three divisions making considerable losses when I was appointed president to return to profitability in fiscal 2020. Although we drastically downsized businesses for certain products that didn't have a positive future outlook, in the organic materials business, for example, we are expanding products for 5G and ADAS-related areas. In the energy-related business, we have shifted our way of doing business from selling goods to selling services. In addition, we have successfully developed a new type of storage battery through cooperation with an overseas manufacturer in order to gain competitiveness in this sector, although we are currently being supplied by OEM. We would like to make this our main product in the energy-related business.

【Solar energy business (Life & Environment Group)】

Q : Although sales revenue in the Life & Environment Group in the three months ended September 30, 2019 (“the second quarter”) increased significantly compared with the three months ended June 30, 2019 (“the first quarter”), business loss was not reduced by much. What was the reason for this?

A : Even though the profitability of the solar energy business has improved, business loss in this segment has not decreased by much due to increased development costs for clay-type lithium-ion batteries.

Q : What is your outlook in terms of profitability for clay-type lithium-ion batteries?

A : Clay-type lithium-ion batteries use semi-solid electrodes, and as such, the electrode is several times thicker than conventional types. This enables us to reduce the use of separators, thereby cutting the cost of parts and materials by about 30%. We are making preparations for the production of clay-type lithium-ion batteries with the aim of starting in the second half of the year ending March 31, 2021 (“fiscal 2021”).

Q : Are there any plans to expand the stationary-type lithium-ion battery to other applications?

A : We want to expand it to other applications, but we will focus on the stationary type for the time being to take advantage of strong demand.

Q : Can you tell us the current level of sales and when you think you can make a profit in energy system related business?

A : In our business model, panels are provided free of charge and the cost is recovered through the electricity bill. As such, the payback period is expected to be 10 to 20 years with a profit margin that isn't so high. However, we believe that it is essential to increase the ratio of renewable energy in line with Japan's energy strategy, and we would like to help with this.

【Corporate and others】

Q : What is the reason for the significant profit improvement forecast in Corporate and others for fiscal 2020?

A : First, we are reducing costs, mainly in indirect departments, in consideration of the deterioration of the business environment.

Second, we recorded several billion yen in gain on sales of real estate in the second quarter, which we did not anticipate in our initial projection for fiscal 2020.

Third, dividend income from KDDI Corporation increased relative to our initial projection for fiscal 2020.

【5G telecommunications】

Q : Do you have a plan to develop 5G base stations?

A : We do not have a plan to produce 5G base stations for telecommunication carriers. However, we would like to assist them by providing parts such as antennae and modules.

Meanwhile, we plan to develop a local 5G system and will conduct a demonstration test at our factory ahead of market introduction.

【Activities for fiscal 2021 and beyond】

Q : What products and businesses are expected to manifest growth in sales in fiscal 2021 and beyond?

A : We expect growth in 5G-related parts, which will account for a large share of overall growth at Kyocera. As such, we will strive to expand 5G-related parts including filters. In addition, the number of ADAS-related parts is increasing even though the volume of cars is decreasing. We would also like to actively promote components that use new materials. Further, we aim to expand our communications business, including a local 5G system, in the Business-to-Business sector, on the back of previous work in base stations for PHS.

Q : Are there any challenges to achieving sales growth?

A : In Kyocera, each division has a strong sense of independency, so we first worked on

cross-divisional development in marketing and research divisions. We are yet to do so in our operational divisions, however, and plan to begin work on this in fiscal 2020.

Q : In the Components Business, Kyocera has been pursuing mergers and acquisitions of subsidiaries. Please tell us your plan for future development in terms of cross-divisional initiatives.

A : Business related to 5G and the Internet of Things (IoT) cannot be handled by a single division. We therefore need to unify multiple departments, and I will consider appointing new managers with responsibility for this unified department.

Q : What contribution can you expect from AI, robotics and automation in fiscal 2021 and beyond?

A : The Document Solutions Group is seeing the benefits of automation. Automation in toner manufacturing is already contributing to the profitability of this business. Production lines that combine robots and AI are in operation at four locations, and we will gradually deploy these technologies to other production lines in fiscal 2021 and beyond.

[ROE]

Q : Since business profit forecasts for fiscal 2020 were revised down from initial projections, I assume this means it has become a bit more difficult to achieve your ROE target of 8%.

A : If the economic downturn continues for a sustained period, it will be necessary to reconsider our ROE target. However, in the Components Business, there are signs of recovery in 5G related products and semiconductors such as NAND, and we will invest in these growth areas to increase profits and achieve our ROE target.

Cautionary statement

This is an English translation of the Japanese original. The translation is prepared for the reference and convenience solely for those who do not use Japanese. 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 cautionary statements with respect to forward-looking statements on the company's website.