

Outline of Q&A
(Held on May 7, 2014)

Financial Forecast

Q: What is the reason for an increase in the difference between forecasts for "profit from operations" and "operating profit" for the year ending March 31, 2015 ("fiscal 2015") compared with the year ended March 31, 2014 ("fiscal 2014")?

A: The difference in profit from operations and operating profit was ¥13.7 billion in fiscal 2014 and is forecast to be ¥19.7 billion in fiscal 2015, marking an increase of ¥6 billion. This ¥6 billion factors in projected costs related to headquarters such as IT systems associated with business expansion, advertising and promotion costs to enhance brand strength, and a further increase in personnel costs.

Semiconductor Parts Group

Q: Can you tell us about measures to increase sales of ceramic packages for smartphones in fiscal 2015?

A: We will work to increase our share of ceramic packages for cameras used in smartphones. Currently, our share of ceramic packages for cameras used in smartphones stands at around 20%, with the remainder accounted for by organic packages. However, we will aim to reverse this in the direction of ceramic packages. With this in mind, we aim to increase sales of ceramic packages for cameras by at least 10% overall.

In addition, we expect sales of ceramic packages for crystal/SAW devices to increase by approximately 5-6% due to an increase in high-end smartphone models and the number of components used in these devices, driven by the proliferation of LTE. We also forecast an increase in packages for LEDs and optical communications.

Q: Kyocera is forecasting a 10% increase in sales of ceramic packages in fiscal 2015. Will any other factors contribute to this increase through the shift from organic packages? In organic packages, will Kyocera Circuit Solutions Inc. and the new facility in Ayabe make a contribution to profit?

A: With regard to ceramic packages, we are forecasting sales to increase in the smartphone sector as well as in packages for LEDs used in vehicle headlights. Vehicle headlights are gradually being replaced by LEDs and we aim to promote further application going forward. In terms of organic packages, Kyocera Circuit Solutions Inc. is working to make a solid contribution to sales and profit from in fiscal 2015. The new facility in Ayabe will be completed in summer 2014. Although depreciation and other costs will increase, we expect to be able to turn a profit.

Q: Can you tell us about the need for capital expenditures in packages for LEDs?

A: The production method for packages used in LEDs is almost the same as that for packages used in crystal/SAW devices. There is no need to make any major investment such as construction of a new plant. It is possible to handle production by installing equipment at existing plants in China and Vietnam.

Q: Kyocera has announced plans to construct a new facility in Ayabe and increase production of FCCSPs for application processors for mobile phones. How will you expand production in the future?

A: Over the years, the organic package business has grown predominantly around application in servers and routers used for infrastructure. In order to grow this business further, we decided to expand into the large-scale FCCSP market. Sufficient production capacity is required to expand the FCCSP business in earnest and for this reason we built the new facility in Ayabe. We will work to gain business from multiple customers going forward, including leading manufacturers.

Solar Energy Business

Q: What is the reason for the expected decline in profit in the Applied Ceramic Products Group in fiscal 2015 compared with fiscal 2014? Will the declining profit persist?

A: The main reason for the decline in profit is price erosion in solar energy products. Prices of solar energy products are forecast to decrease by close to 10%. Although we expect unit price declines to continue over the medium term, we will work to maintain profitability going forward by reducing costs.

Q: In terms of developments in the solar energy business in the overseas market, will Kyocera implement a vertical integration type business model that covers up to system and construction in addition to panels, as with the Japanese market?

A: We intend to actively expand solar energy business overseas as well even though it is currently centered on the Japanese market. Demand is projected to increase in the United States, the Middle East and Asian nations, and we intend to market products that include systems in addition to selling panels, as in the Japanese market.

Electronic Device Group

Q: Kyocera has enhanced technologies through acquisitions in the liquid crystal display business, but what is the current status in terms of goal achievement and how do you intend to expand business going forward?

A: We decided to focus on liquid crystal display business for automotive and industrial markets after acquiring Optrex Corporation. At present, we are working to secure orders for products with application in new model vehicles. Some of the products that we are conducting trial production for are expected to start making a contribution from fiscal 2017. Until then it will be difficult to secure a significant increase in sales, but we believe we can achieve expansion in fiscal 2017 and beyond. Moving ahead, it is important that we make the most of the Kyocera Group's collective capabilities and also strengthen software technology.