

**Outline of Q&A on financial presentation**  
**for the six months ended September 30, 2014 (“the first half”)**  
**(Held on October 31, 2014)**

**[Overall Business Trends]**

Q: Can you tell us about business sentiment in the Components Business given that certain analog semiconductor manufacturers in North America are projecting a slowdown in the six months ending March 31, 2015 (“the second half”)?

A: In the case of Kyocera, we are forecasting growth in both sales and profit in the second half of the year ending March 31, 2015 (“fiscal 2015”) compared with the first half due in part to the fact that we handle a wide variety of components. To give an example, a number of ceramic packages are used for applications other than just semiconductors. The market for ceramic packages for telecommunications base stations is particularly buoyant at the moment. We have posted growth from the three months ended June 30, 2014 (“the first quarter”) and expect this positive performance to continue throughout fiscal 2015. We are posting growth in ceramic packages for LEDs in the automotive sector. Although we will be impacted by trends in automobile production, there is significant room for growth since current ratio of LEDs for headlights is low.

Components for smartphones are affected by demand for smartphones, however, sales of components like the products mentioned above are expected to grow. Performance has also been solid in cutting tools and ceramic parts for industrial application.

Q: Although profit from operations improved to ¥36 billion in the three months ended September 30, 2014 (“the second quarter”), the forecast for profit from operations for the second half will require further profit gains of approximately ¥40 billion per quarter on average. Can you tell us the degree of certainty that you will attain this second half forecast in terms of each reporting segment? Also, can you tell us at what timing second half results will improve in the Applied Ceramic Products Group, where profit forecasts were revised downward?

A: Overall, we expect to be able to achieve second half forecasts. This time we revised down our profit forecast for the Applied Ceramic Products Group. This was due to the solar energy business. However, most of the order backlogs are for projects that have already gained approval for grid access despite the fact that some projects in the commercial sector are awaiting a decision on grid access from certain electric power companies.

In spite of different trends in the environment surrounding solar energy business at present in Japan, we expect that the government will release its direction before the end of the year. Results in the solar energy business depend on the content of the government's decision to a degree.

Although we have to focus on the residential sector amid uncertainty in the commercial market, competition is expected to intensify, which will heighten the risk of price erosion. Nonetheless, we do not think that the solar energy market will contract. We expect solar power generation systems can grow further if we combine a power storage battery and other products or systems. On a regional basis, despite a feeling of uncertainty in Japan at present, there is scope to cultivate the growing market in the United States.

In the Telecommunications Equipment Group, we will release a number of new models from the second quarter into the second half. Adoption of these new models has already been set, so we expect to be able to achieve our forecasts for the second half.

#### **[Future Business Developments]**

Q: Can you tell us Kyocera's future target profit level as well as how long you think it will take to achieve this?

A: Our current level of sales sits at around ¥1.5 trillion, and if sales grow at 10% per year we will reach ¥2 trillion in a few years. When we achieve ¥2 trillion in sales, we expect to post around ¥200 billion in pre-tax income. However, this sales target of ¥2 trillion is just a passing point. Kyocera's business covers up to materials, components, equipment and services, and as such, we believe that we can push this even further by leveraging synergies.

Q: Will Kyocera use its cash reserves to take a lead in industry reorganization? Some believe there are too many competitors amid a stagnating growth rate.

A: We will not intentionally set out to drive industry reorganization, but industry reorganization may occur as a result of our actions. We are looking into M&As from the perspective of strengthening existing businesses.

Q: Can you tell us if project activities for the automobile market have produced tangible results? Also, to what extent did sales grow in the automobile market in the first half of fiscal 2015?

A: It will take time for results to emerge from project team activities in the automobile market. We are making visits to customers in the United States, Europe and Japan, including automobile manufacturers and Tier 1 manufacturers, and business inquiries regarding new products have been increasing. We expect to shift to mass production in a few years and we could say that gaining new business opportunities is a result in itself.

Sales in the automobile market in the first half grew by more than 10% year on year. Going forward, Kyocera aims to become a Tier 1 manufacturer and to increase sales to automobile manufacturers.

Q: Which products can exploit Kyocera's strengths in developing business for the automobile market?

A: Low-profile speakers are a good example. These products are already being embedded in tablet PCs and flat-screen TVs, and there is a chance they will be employed in automobiles as well such as for audio guidance application in high-end cars made by manufacturers overseas, rather than audio speakers. We are now also being taken notice of products that are different from the ones we have traditionally developed for automobiles such as glow plugs, ECU substrates and displays. Opportunities have started to emerge for various products that Kyocera has.

### **[Solar Energy Business]**

Q: Will results change depending on the issue of approval for grid access from electric power companies?

A: Yes, that risk exists.

Q: Will order backlogs in the solar energy business contribute to results in the year ending March 31, 2016 ("fiscal 2016")?

A: Not many of these orders will contribute to results in fiscal 2016.

Q: Product prices in the solar energy sector seemed to decrease by close to 10% in the first quarter. To what extent did prices decrease in the second quarter compared with the first quarter? Kyocera has revised down forecasts for the Applied Ceramic Products Group, including the solar energy business, but how about the outlook for prices in the second half?

A: Product prices fell by around 4% in the second quarter compared with the first quarter. If we compare the second quarter with the previous second quarter, prices declined by

around 16%. It is difficult to be clear about the outlook for prices in the second half, but we believe they will drop by a few percentage points.

For solar energy business, we aim to raise profit by promoting systems that combine peripheral equipment, a power storage battery and a HEMS, etc. in addition to solar panels for residential use.

#### **[Telecommunications Equipment Group]**

Q: Is it necessary to further expand customer base in order to stabilize earnings for the Telecommunications Equipment Group? Or can you stabilize earnings by robustly supplying handsets demanded by existing customers?

A: Since we sell handsets to carriers in the Telecommunications Equipment Group, it is important that we enter into business with large carriers. In fiscal 2015 we will be able to do business with all four large carriers in the United States. In addition, on a regional basis, we are considering expansion into Asia, Europe and South America, and going forward, we aim to develop business in several countries other than Japan and the United States.

We will increase production volume by expanding customer base. We currently produce over 10 million units a year and plan to further increase this to the next level. Production volume will grow as the number of carriers increases, and amid these conditions, we can reduce development costs and boost profit by standardizing platforms. If we can project a reasonably significant production volume, it will be easier to standardize components, and if we can automate production, profitability will increase further.

Q: It seems that Kyocera's strategy concerns niche models, but will you focus on standard models where you can aim for 15% share of a carrier's business with a single core model?

A: We will focus on both standard models with smartphones and feature phones as well as niche models. Volume is not sufficient with niche models alone to be stable.

We are considering developing products with distinctive Kyocera features for standard models as well. In terms of distinctive features, our most user-friendly handsets currently have waterproof and shock resistance functions, among others. A certain degree of technological expertise will be required to incorporate these features. In conjunction with building in components that Kyocera manufactures internally into handsets, we will develop models that offer a level of differentiation. We will also leverage technology from

the Telecommunications Equipment Group to expand business, including M2M module business, with the aim of stabilizing business.

**[Capital Policy]**

Q: Does Kyocera plan to conduct a share buyback as part of providing shareholder return? It seems that you intend to use cash reserves for M&A. Considering current financial assets, Kyocera appears to have enough leeway for this in terms of capital so long as you don't invest in M&A on a scale of ¥1 trillion.

A: I am unable to announce officially our measures on such things as share buybacks and increasing dividends at the current point in time, but we will continue examining these matters going forward.

We are looking at spending a few hundred billion yen on M&As, but it's not that easy finding good prospects. We retain financial assets as a resource for future growth.