

**Outline of Q&A on conference call**  
**For the nine months ended December 31, 2009 (the “nine months”)**  
**(Held on January 28, 2010)**

**Components business**

Q: In terms of component price declines, although prices for crystal related components were down for the third quarter of the year ending March 31, 2010 (“fiscal 2010”) compared with the second quarter, prices for ceramic capacitors did not decrease. Please explain the reason for the differences in products.

A: I believe the differences are due to the balance of supply and demand. For example, the supply-demand situation for ceramic packages is fairly tight. For crystal related components, the capacity utilization ratio was slightly lower than other components in the third quarter, and from this perspective, we can say that there is leeway in supply of these products compared with other components.

Q: Has a decline in profit for mobile phone handset makers played a part in the decrease in component prices?

A: Yes, I think so.

Q: Please explain your outlook for the future demand. Do you have a clear visibility in orders until summer this year?

A: We don’t expect so at this point in time, but there have been many inquiries regarding ceramic packages, so the situation is expected to be strong through spring.

**Semiconductor Parts Group**

Q: Please give the main reason for a substantial improvement in profit from the second quarter to the third quarter despite the same level of growth in sales from the first quarter to the third quarter in the Semiconductor Parts Group.

A: The biggest reason for the increase in profit is the turnaround to profitability in the organic package business.

Q: Demand continues to be strong in the SMD package business. Please tell us the extent of recovery between the second quarter and the third quarter.

A: Demand was very tight in the SMD package business in the third quarter compared with the second quarter and operations were at full capacity. As a result, the profitability has increased steadily.

## **Solar energy business**

Q: In terms of solar energy business for the third quarter, please tell us the rate of sales growth and price trends compared with the second quarter, as well as the sales breakdown for Europe, North America and Japan.

A: We have not disclosed sales amount for the solar energy business, but sales growth stood at 25% compared with the second quarter. The extent of price decline in the third quarter was slightly lower than the second quarter, while prices dropped less than 10% in overseas markets. There was typically no change to prices in Japan. With regard to the breakdown of sales by region for the third quarter, Japan accounted for approximately 40% of the total, Europe for just under 50% and North America for the remainder. The proportion of sales was down slightly in Europe and up in Japan.

Q: Has there been a surge in demand due to changes to feed-in-tariffs in Germany?

A: Yes, there has.

Q: It has been reported that the purchase price for power through feed-in tariffs will decrease further in Germany from April this year. Will this impact Kyocera's solar energy business?

A: Yes, it will, but I don't know exact figures. Demand in the overall European market has been recovering moderately, so I think we can cover the shortfall through other markets in Europe aside from Germany as well as the Japanese market.

## **Electronic Device Group**

Q: Please tell us about any change in profitability in Kyocera Corporation, the parent company, products in the Electronic Device Group compared with the second quarter.

A: Although we continue to post loss in the ceramic capacitor business, sales have grown at a rate of around 30% relative to initial targets. Profit has improved due primarily to the increase in sales coupled with revisions of manufacturing method and materials, and we were able to reduce this loss beyond the growth in sales. I am confident that we can achieve profitability on a monthly basis in the fourth quarter.

Q: What was the rate of sales growth in the ceramic capacitor business for the third quarter compared with the second quarter?

A: It was approximately 15%.

Q: Will sales decrease by around 15% in the fourth quarter relative to the third quarter?

A: Since there will be seasonal influence in the fourth quarter, we forecast sales to decrease by around 5% compared with the third quarter. I believe we can reduce loss in the fourth quarter.

Q: In the Electronic Device Group, which product posted the biggest improvement in profit in the third quarter compared with the second quarter: ceramic capacitors, crystal related components, connectors, or thin-film products, excluding results from AVX?

A: Thin-film products improved the most. Orders have grown since the third quarter, particularly for thermal printheads, driving a return to profitability. The next most improved were ceramic capacitors.

### **Telecommunications Equipment Group**

Q: The Telecommunications Equipment Group returned to profitability in the third quarter, and forecasts point to an increase in sales and profit for the fourth quarter as well. Do you expect similarly positive results next fiscal year?

A: We are currently in the process of calculating figures for next fiscal year ending March 31, 2011 ("fiscal 2011"). In terms of fiscal 2010, we haven't covered the first half loss in the second half yet, so in fiscal 2011, our first target is to break even.

Q: By what amount have you reduced costs in the Telecommunications Equipment Group?

A: We do not disclose cost reduction amounts for individual businesses.

Q: Please tell us about the strategy for the mobile phone handset business in fiscal 2011. In fiscal 2010, you implemented initiatives to reduce costs and introduced 11 models to market. What plans do you have to trim costs and release new handsets in fiscal 2011? Also, will you focus more on expanding sales? In costs, there appear to be some challenges remaining, such as consolidation of manufacturing bases. What will happen to the plant in Malaysia? What initiatives are you considering to maintain

profitability?

A: A top priority is to eliminate loss in the Telecommunications Equipment Group. This business has not had a profit margin as high as the components business, but we are determined to ensure that it doesn't record loss. Initiatives to reduce loss in fiscal 2010 included the sale of a subsidiary in India, and reorganization of subsidiaries in North America. Integrating sales and development divisions is another part of our program to reduce costs. I expect the positive effects of integrating the former domestic business of Kyocera, North America and the former SANYO business, will start to emerge in fiscal 2011. In addition to crossover sales to customers of Kyocera in the North American market, and of the former SANYO business, we will expand our product line-up in North America by introducing a smartphone. We are posting profit on a worldwide basis in this business, and hope to continue in the same vein in fiscal 2011.

Q: Are you particularly conscious of expanding sales in overseas markets?

A: One of our main objectives when we acquired the mobile phone division from SANYO was to restore profitability in North America. Expanding sales in Japan has been quite difficult due in part to installment payment plans.

Q: Are you considering expansion into emerging nations?

A: We are looking into this at the same time, but will prioritize sales expansion in the North American market first.

Q: Is it correct to assume that the Telecommunications Equipment Group will be more focused on sales expansion than cost reduction in fiscal 2011?

A: On a cost front, I think we can make revisions in several areas. There are still areas we can reduce expenses in the former SANYO division as well.

Although sales are down on targets, I am confident that we can achieve profit targets by reducing expenses. I believe there is scope to further reduce costs by implementing Kyocera's Amoeba Management system.

### **Cost reductions, Selling, general and administrative (SG&A) expenses**

Q: Kyocera reduced costs by ¥70.0 billion by the third quarter. What do you expect on a full-year basis for fiscal 2010?

A: Our initial full-year cost reduction target was ¥56.0 billion, but we bettered this by ¥14.0 billion by the third quarter. Even though orders have recovered, and the

production situation is on an upswing, we intend to continue trimming costs. However, we don't expect dramatic cost reduction in the fourth quarter, perhaps 10% of ¥70.0 billion.

Q: Certain costs making up the ¥70.0 billion reduction in fiscal 2010 will probably return next fiscal year as production increases. What is your forecast for profit from operations in fiscal 2011 based on third quarter results?

A: We will not ease up on efforts to reduce costs within the company. As such, even though the economic environment in fiscal 2011 remains uncertain, notably exchange rates, and certain other necessary costs will arise, we do not expect profit to decrease.

Q: Sales for the third quarter rose 10% compared with the second quarter, while SG&A expenses remained roughly unchanged, which points to a significant reduction in costs. Going forward, is it possible to sustain the level of SG&A expenses between ¥52.0 billion and ¥53.0 billion as in the current quarter? Or is there room to lower this figure even further?

A: I don't know exact figures, but I believe we can maintain this level in the future. Sales promotion costs may increase as we seek to expand sales, but the Company as a whole is aware of the need for care when making expenditures.

In addition, I don't think SG&A expenses will increase significantly in the fourth quarter even if expenses increase due to sales promotion activities since it is at the timing of account settlement for the fiscal year-end.

Q: Sales are forecast to increase in fiscal 2011 compared with fiscal 2010, so do you think you can maintain the level of SG&A expenses between ¥52.0 billion and ¥53.0 billion?

A: I think sales promotion costs will increase in fiscal 2011 as we strive to increase sales. However, fixed costs are not expected to increase to the level recorded in the first half of fiscal 2009.

### **Capital expenditures/depreciation**

Q: Please tell us the reason for revising down depreciation by ¥8.0 billion while only revising down capital expenditures by ¥3.0 billion.

A: For capital expenditures, assets have either a long or a short useful life. Depreciation does not decrease in proportion to the decrease in capital expenditures.

Q: Is it correct to assume that capital expenditures in fiscal 2011 will be within the ¥60.0 billion for depreciation in fiscal 2010?

A: We are considering increasing production capacity for ceramic packages at the moment. In addition, new depreciation costs will arise in line with the completion of construction of a new plant in Yasu for the solar energy business in February or March. Depreciation costs that did not occur in fiscal 2010 will therefore be recorded in fiscal 2011.

I cannot say at the moment what the amount of capital expenditures will be as each business division is currently calculating figures. However, I can say that we don't expect capital expenditures for fiscal 2011 to increase dramatically compared with fiscal 2010.

#### **Other**

Q: It has been reported that Kyocera's trade receivables from WILLCOM have not changed since the second quarter-end. Does this mean that there have been no sales to Willcom since October last year?

A: We have been shipping handsets such as the "Honey Bee" to WILLCOM since October. Trade receivables prior to September have been put on hold temporarily due to the alternative dispute resolution (ADR) procedure.

Q: What will happen in case the Corporate Reorganization Law is applied? Won't this lead to the recording of loss on trade receivables?

A: WILLCOM has filed an application for business revitalization ADR. We recognized an impairment loss of ¥20.0 billion on our investment in WILLCOM in the third quarter although the business revitalization plan continues to be under discussion and has not been solved. We aim to ensure highly transparent disclosure and so have included this in the notes.

Q: In application of the Corporate Reorganization Law, is it possible that Kyocera will record loss on trade receivables of ¥15.5 billion?

A: Various options are available in reorganization. We may have a material effect, but this is not for certain yet.