

**Outline of Q&A on conference call**  
**For the first three months ended June 30, 2011 (“the first quarter”)**  
**(Held on July 28, 2011)**

**Outlook for the Components Business**

Q: Please tell us the forecast of sales growth rate in the second quarter compared with the first quarter for the Components Business overall? Please also explain the current outlook from the second quarter to the third quarter and beyond.

A: We need to assess the situation a little more before determining our forecast of sales growth rate for the second quarter. However, we aim to post results at least at the same level as the first quarter. There are no changes to the forecasts for the year ending March 31, 2012 (“fiscal 2012”) that we announced in April 2011, or to our plan to expand sales from the third quarter.

Q: Please tell us about the growth trend or guidance of sales and operating profit in the Components Business for the second quarter.

A: First, we expect sales and operating profit of the Fine Ceramic Parts Group to grow steadily in the second quarter. Demand for semiconductor fabrication equipment parts and LED related components are growing.

In the Semiconductor Parts Group, we expect demand to grow from the second quarter to the third quarter due to seasonal factors related to an increase in production of digital consumer equipment for the Christmas season. In addition, demand for components used in mobile phone handsets, which have seen continued adjustments globally since the fourth quarter of the previous fiscal year (“the previous quarter”), is expected to increase from the second quarter. However, we need to assess the situation a little more with regard to the extent of growth and genuine recovery period. Looking at actual orders, there is no doubt that we are seeing growth, but it’s difficult to know at this stage how much growth there will be.

The situation in the Electronic Device Group is similar to the Semiconductor Parts Group. Due to the high sales ratio of components for digital consumer equipment, in particular mobile phone handsets, we need to assess component demand trends for this equipment.

We forecast an increase in sales in the cutting tool business of the Applied Ceramic Products Group in line with recovery in automobile production in Japan. The solar energy business in the first quarter was impacted by a decline in selling prices due to intensified global competition and by a decrease in subsidies in Europe. In the second quarter, we believe the direction of laws promoting renewable energy in Japan will make an impact to our results. We have received numerous inquiries following the Great East Japan Earthquake, and believe the direction of these laws will affect us since the proliferation of solar power generating systems relies in part on subsidies.

### **Semiconductor Parts Group**

Q: Sales decreased and profit increased compared with the previous quarter. What are the reasons for the increase in profit in the first quarter?

A: Operating margin in the first quarter became 22.8% and there are two main reasons for the increase in profit ratio. The first factor is a decrease in depreciation costs since April 2011 with the start of the new fiscal year. The second factor is an increase in demand for LED related components due to the disaster, which contributed to profit growth. In addition, mass-production systems based on new equipment we invested in last fiscal year are running smoothly.

Q: Please tell us the outlook for sales and profit from the second quarter?

A: Demand for ceramic packages for crystal and SAW devices and for CMOS/CCD image sensors is expected to increase. If concerns over financial problems in Europe and the United States and over the outlook of the U.S. economy is eliminated, we expect demand to increase further.

Q: Do you expect the operating profit ratio to continue improving?

A: Based on customer demand, we expect the volume to increase steadily from the second quarter onwards. However, the market for digital consumer equipment, and mobile phone handsets in particular, is undergoing an unexpected stagnation globally. There is no doubt that component demand will increase, but we need to assess the situation a little more in terms of period and pace of expansion.

## **Applied Ceramic Products Group**

Q: Profit in the solar energy business decreased compared with the previous quarter. Since you are increasing production volume, you should see benefits in terms of economies of scale. Did the decline in selling prices outweigh these benefits?

A: That's right. We are of course working to reduce costs but the impact of selling price declines exceeded these benefits.

Q: Please provide details of the status of average selling price ("ASP") declines for solar cells and modules in the first quarter.

A: The market price of solar cells and modules decreased by around 12% in Europe and the United States and by around 10% in Japan compared with the previous quarter.

Q: Do you expect ASP to continue dropping in the second quarter and beyond? Also, are the figures for selling price declines in Europe and the United States given on a local currency basis?

A: We expect ASP to continue declining. The decline rate in Europe and the United States is provided on a local currency basis.

Q: Do you expect profitability in the solar energy business to recover in the second quarter compared with the first quarter in line with an increase in production volume? Or do you expect profitability to remain unchanged or decrease due to an inability to cover the ASP declines?

A: Although we expect ASP to continue dropping, we aim to post profit at a level equivalent to the first quarter by promoting cost reductions.

Even though we expect demand for reconstruction from the disaster to increase in Japan, which accounts for half of our total sales, solar power generating systems will in part be impacted by subsidies. At present, we expect demand to rise because of the introduction of new governmental energy-related policies, which are currently under discussion.

Exchange rates will also produce an impact since half of our sales are made overseas in places such as Europe and the United States. We believe results from the second quarter onward will in part be affected by external factors.

Q: Although you explained in April 2011 that you expect growth in the U.S. market for solar energy business, in today's conference call I got the impression that you expect demand to grow in the Japanese market due to new governmental policy. Have these market outlooks changed?

A: The outlook for the U.S. market has not changed. However, around half of our sales of solar energy business are from Japan, so the Japanese market has a significant impact.

### **Electric Device Group**

Q: Market recovery in electronic devices has been delayed as set manufacturers affected by the Great East Japan Earthquake increased orders to secure components. In contrast, do you expect demand to recover for components used in automobiles and industrial machinery?

A: Based on the current order situation from set manufacturers, sales are expected to grow from the second quarter. We expected growth from around the second quarter at the beginning of fiscal 2012, but the situation has slowed somewhat.

Although we expect orders from certain customers to increase, a momentum in the global economic recovery has slowed due to heightening global uncertainty including the financial problems in Europe and the United States and the outlook of the U.S. economy. As a result, it is necessary to carefully assess the extent of potential sales growth going forward.

Q: Are you more concerned about demand trends than problems with inventory levels at set manufacturers?

A: That's right.

## **Telecommunication Equipment Group**

Q: Please tell us factors behind deterioration in sales and profit, and how do you plan to improve the situation from the second quarter onward?

A: We do not announce financial forecasts on a quarterly basis. However, performance in the first quarter was in line with our projections in the beginning of this fiscal year. A slump in the mobile phone handset business overseas was a major factor in the decline in sales and profit. In the first quarter, not many new products were launched, and in addition, we need more time than initially expected for smartphones introduced in the previous fiscal year to contribute to our sales and profit.

The mobile phone handset business in Japan recorded a profit. On the other hand, the business overseas struggled. However, the overall results of this reporting segment are in line with our projections in the beginning of this fiscal year. Since we will introduce new products from the second quarter, we do not expect this business to make a loss.

Q: We heard that additional orders have been received for smartphones released in North America. Has the situation changed?

A: We are selling two types of smartphones in North America. Of those, we have received additional orders for the "ZIO" released in autumn 2010. Although we hoped sales growth of another model called "ECHO" released in April 2011 for the first quarter, sales results were below our expectation due to difficulty explaining the new type of handset with dual touch screens. We therefore reviewed sales method, and as a result, sales have started to pick up gradually.

Q: Are the new mobile phone handsets you plan to release in the second quarter for both the Japanese and overseas markets?

A: We plan to introduce new products in both Japan and overseas.

Q: Do you plan to launch new mobile phone handsets in the third quarter?

A: We will begin releasing new models from the end of the second quarter. Since various models are to be released in the third quarter, we expect great contribution to sales and operating profit. We aim to achieve break even in operating profit in the second quarter.

Q: Will R&D expenses increase in the Telecommunications Equipment Group in the second quarter?

A: R&D expenses will not increase so much compared with the first quarter.

### **Information Equipment Group**

Q: Operating profit increased in the first quarter although sales decreased compared with the previous quarter. What is the background to this? Can you sustain this level in operating profit?

A: In addition to favorable sales in the European market in the first quarter, we strengthened our product line-up through the introduction of color products. We expect this solid performance to continue from the second quarter by releasing models to emerging nations.

### **Others**

Q: It seems that the increase in R&D expenses in new businesses was the reason for the decline in profit. Will this level of profit continue into the future?

A: R&D expenses will not keep increasing. In the first quarter, sales and profit decreased at Kyocera Communication Systems Co., Ltd. due to the impact of the disaster on constructions of communication base station facilities and restrictions on IT-related investment. Kyocera Chemical Corporation was also affected by the disaster due mainly to stagnant production at set manufacturers. For those reasons, profitability was down in this reporting segment overall in the first quarter. However, we forecast sales and profit to increase from the second quarter.

### **Inventories**

Q: Inventory as the end of the first quarter increased compared with the previous quarter end. Please tell us the reasons for this increase as well as future outlook.

A: We expect demand to increase from the second quarter relative to the first quarter, and based on such forecast, we increased inventories. Additionally, we are reviewing our policy on retaining inventories after the disaster.

Q: Does that mean you are increasing inventory of raw materials rather than finished products?

A: Both finished products and raw materials increased.

Q: Is there a particular reporting segment where inventories increased significantly?

A: Inventory increased across all segments.