

**Outline of Q&A on financial presentation**  
**for the year ended March 31, 2013 (“fiscal 2013”)**  
**(Held on April 26, 2013)**

**Management Policy**

Q: What issues have you become aware of since becoming president, and how do you plan to deal with these?

A: (President Yamaguchi) Kyocera’s business domains cover a wide spectrum from the Components Business to the Equipment Business. I feel that we could further strengthen ties across these businesses and bolster synergies. Also, although we have traditionally sold semiconductor packages directly to the customer, there are a variety of other ways to sell these products as well. I believe it is possible to expand sales even further by looking at these other methods.

Q: During the presentation there were numerous references to positive intentions to develop business in volume zones, expand sales and increase market share. Please tell us if there has been a change in management direction relative to before.

A: (President Yamaguchi) In terms of the volume zones that I mentioned, it is not possible to expand sales solely in the high-end sector due to product price erosion. If we don’t focus on business where the market is large and look to expand and gain profit, we won’t be able to grow. Although Kyocera has businesses that command high market share such as semiconductor parts, if we look at the overall situation, there are many businesses that still have scope to grow.

Q: This question is for Chairman Kuba. Is there anything you wanted to do as president but were unable to achieve? What have you left for the new president?

A: (Chairman Kuba) I became president in the difficult period following the Lehman shock of 2008. First, I had to focus on improving profitability. We didn’t go into the red while sales didn’t decline significantly either. However, some of the goals of a company are to substantially increase sales, boost profit as a result, and give back to shareholders. In that sense, I was unable to adequately implement initiatives to strengthen sales and marketing capabilities strategically.

Under the new management system, there are three representative directors – myself, Vice Chairman Maeda and President Yamaguchi. I will concentrate on the production side of business and strengthen efforts to improve profitability in low

profitability businesses. I would like Mr. Yamaguchi to bolster sales capabilities and leverage Kyocera Group synergies to expand sales. He helped Kyocera gain high market share in ceramic packages, such as by acquiring orders for CMOS packages. I have high expectations that he will be able to boost sales by utilizing these sales and marketing capabilities. Mr. Maeda will work on research and development with a focus on the future of the Kyocera Group. Mr. Yamaguchi will take the lead in management with support from Mr. Maeda and me.

### **Solar Energy Business**

Q: The sales forecast for the Applied Ceramic Products Group for the year ending March 31, 2014 (“fiscal 2014”) is approximately ¥57 billion per quarter, which is lower than the average of the third and fourth quarters of the previous fiscal year. What market assumptions are targets based on such as the impact of exchange rates or price declines? Also, what sort of capacity utilization rate do you assume in terms of the production capacity you prepare?

A: (Chairman Kuba) Orders preceded sales in the solar energy business in the previous fiscal year so sales increased from quarter to quarter. On the other hand, orders peaked in the third quarter and dropped off in the fourth quarter in the previous fiscal year. There was a large gap between sales and orders, however, and there was a major order backlog. Sales are forecast to increase beyond the initial target. We are predicting a major rush in demand prior to reduction in feed-in tariff in fiscal 2014 as well and are targeting higher sales in the second half than the first half. Even now, sales are exceeding our target. Accordingly, the capacity utilization rate has climbed close to 100%. Going forward, we need to make a certain amount of investment, but while doing so, we also want to avoid excess with the long term in mind. In the previous fiscal year we sold around 800MW of solar modules, and we are forecasting sales to exceed 1GW in fiscal 2014.

Q: Why did fourth quarter results exceed the forecast made in January?

A: (Chairman Kuba) This was due to a rush in demand.

### **Components Business**

Q: Kyocera is forecasting an increase in component demand for digital consumer equipment from the second quarter of fiscal 2014. How do you see demand for ceramic packages going forward toward the end of the year?

A: (President Yamaguchi) Demand for ceramic packages was strong until autumn in the

previous fiscal year. After that, it decreased until the level we see today. Recovery has been delayed slightly and we expect demand to increase from the second quarter. Demand for components used in semiconductor fabrication equipment is expected to rise from July onward.

Q: Is there any difference in the demand trend for ceramic packages for SAW filters as opposed to those for CMOS sensors?

A: (President Yamaguchi) These products have different applications. Ceramic packages for SAW filters are used almost exclusively in mobile phone handsets, so the demand trend follows that of mobile phones. Ceramic packages for CMOS sensors are used in mobile phone handsets as well as digital cameras with the scale being larger for the latter. Demand for digital cameras is slow due to pressure from smartphones.

Q: Kyocera stated that it is aiming for an operating profit ratio of 10% in the Electronic Device Group and will re-examine products with low profitability. Can you tell us which products you will review?

A: (President Kuba) Although we don't expect sales to grow that much in the Electronic Device Group, we will re-examine low-profit products and seek to boost share of highly profitable products. At the same time, we are executing structural reforms in the crystal components business, which includes increasing the ratio of overseas production and consolidating subsidiaries. The effect of the reforms is greater.

In terms of products for review, we will take a close look at the touch panel business of Optrex, a company Kyocera acquired that is now part of Kyocera Display. The advantage of Optrex is its high market share in automotive LCDs. Our strategy is to expand Kyocera's LCDs for the automotive market.

Q: Please tell us why results for the fourth quarter of the previous fiscal year exceeded forecasts made in January. Was this due to correction to the high yen or because you didn't drop the capacity utilization rate and reduce inventory based on a forecast of demand from April? Alternatively, were you too circumspect in your forecasts?

A: (Chairman Kubo) There are of course merits to the weak yen and it is one of the reasons that operating profit for the fourth quarter exceeded forecast. Also, sales increased as we worked to meet strong customer requests for delivery before the end of the fiscal year in the solar energy business. These were the two major

reasons.

### **Mid-term Targets**

Q: Kyocera is forecasting net sales of ¥1.4 trillion and pre-tax income of ¥150 billion for fiscal 2014. How much do you aim to increase these figures in five years time? Also, what level of dividend payout ratio can we expect at that time?

A: (Chairman Kuba) I would like President Yamaguchi to focus on initiatives aimed at achieving net sales of ¥1.4 trillion.

Also, we will look at a number of different ways of giving back to shareholders, not just raising dividend payout ratio. The dividend payout ratio was over 30% this time, but we won't stop there. We will work to meet the expectations of shareholders going forward as well.

Q: What are you doing to launch new businesses? Please tell us the preparations as well as medium- to long-term initiatives for businesses that will be the driving force for growth.

A: (Chairman Kuba) With regard to initiatives for new businesses, we will pour effort into the environment and energy field and the medical field in addition to the digital consumer equipment sector. For example, efforts in fuel cell components are finally starting to bear fruit. We are thinking about using storage systems in combination with solar systems and have high expectations that this will become a major business. Our subsidiary Kyocera Medical is active in the medical field making bone prostheses for example and has been critically acclaimed for a variety of other products too.

Q: Will corrections to the high yen and deflation put downward pressure on product prices or force up material costs? Since Kyocera is building a new manufacturing facility in Ayabe, Kyoto in Japan, how will this effect the production system in Japan and overseas? Also, please tell us your thoughts on changes in the macro economy.

A: (Chairman Kuba) In the manufacturing industry, there are always instances of downward pressure on product prices and price hikes for materials. Kyocera's market share did not drop significantly during the period of the super strong yen. We overcame the adversity by making a number of small improvements that involved full employee participation in management. We also improved our production process and enhanced productivity in our factories. We will continue with these

initiatives going forward as well.

We did not plan to build the new manufacturing facility in Japan simply because of the weak yen. We had plans in place from the time of the high yen. We produce in Japan because it can stand up to the yen's appreciation. Although the second manufacturing facility at the Kyoto Ayabe Plant will be the same size as the first facility, the capital expenditures are less. We have taken steps to enable low-cost manufacturing, which includes omitting certain processes. We believe this will enable us to get further benefit from the weak yen.