Outline of Q&A on conference call
for the Nine months ended December 31, 2011 ("the nine months")
(Held on January 30, 2012)

Components Business (General)

Q: The book-to-bill ratio for the Components Business in the third quarter (from October 1 to December 31, 2011) was approximately 1.0. What do you expect the ratio to be in January 2012?

A: We forecast the ratio to be at the same level as the third quarter, around 1.0.

Q: What is the condition of orders in January 2012 compared with the previous month in each reporting segment of the Components Business aside from the Applied Ceramic Products Group?

A: We expect orders to remain roughly unchanged on the whole compared with the previous month.

Q: Can you tell us your order projections for the Fine Ceramic Parts Group, the Semiconductor Parts Group and the Electronic Device Group for the fourth quarter (from January 1 to March 31, 2012) compared with the third quarter?

A: We expect orders in the Fine Ceramic Parts Group, the Semiconductor Parts Group and the Electronic Device Group to be roughly on par with the third quarter.

Q: What is your production forecast for the Components Business in the fourth quarter?

A: Although forecasts differ by business, we expect production operations to be down on the whole.

Q: Is it correct to assume that the capacity utilization ratio in the fourth quarter will not decline substantially compared with the third quarter since orders are forecast to remain roughly unchanged?

A: We do not expect the capacity utilization ratio to drop substantially.

Q: Even though sales in the Components Business for the fourth quarter are forecast to remain unchanged, profit is forecast to decrease considerably as compared with the third quarter. Is this due to a decline in the capacity utilization ratio or another reason such as lower profitability in the solar energy business?

A: The decline in capacity utilization ratio has had a significant effect. We also expect tough conditions to continue in the solar energy business.

Q: Does your forecast for recovery in demand differ for each sector of the Components Business aside from the solar energy business?

A: Although it seems that orders will bottom out in January 2012, we still need to carefully consider the outlook for recovery in demand. In terms of each sector, it has been reported that demand for semiconductor fabrication equipment parts has started to rise in the United States. Nonetheless, there are few signs of steady growth in demand for components used in digital consumer equipment. Kyocera has particular strengths in components for mobile phone handsets and supplies numerous parts for digital cameras, and as such, the outlook is not especially positive yet. We expect it to be a while longer before we feel the effects of recovery in demand.

Applied Ceramic Products Group

Q: What is your outlook for the solar energy business for the fourth quarter? Do you expect results to be down on the third quarter?

A: We expect conditions to be just as tough as the third quarter.

Q: How have production results and plans for solar cells and modules changed? Please tell us conditions for fiscal 2012 (year ending March 31, 2012) or for the calendar year of 2011.

A: In calendar year of 2011, production volume was roughly equal to calendar year 2010. Demand was down significantly overseas while the surge in demand since January 2012 has been weaker than expected in Germany in line with cutbacks to feed-in tariffs. Kyocera has high hopes for business in Japan after examination of production plans for fiscal 2013. We believe demand will increase once the overview for a system for purchasing the total amount of renewable energy has been finalized.

Q: Is Kyocera currently reviewing its production plans for fiscal 2012 and 2013?

A: Yes, that is correct.

Electronic Device Group

Q: What is the forecast contribution of sales and profit from Optrex Corporation in the fourth quarter?

A: Optrex Corporation only joins the Kyocera Group two months in fiscal 2012, so sales in the existing Electronic Device Group will increase only slightly. There will be no contribution in terms of profit due mainly to costs associated with the acquisition.

Telecommunications Equipment Group

Q: Please tell us the reason profit decreased by half despite more than a ¥5.0 billion increase in sales in the third quarter compared with the second quarter (from July 1 to September 30, 2011).

A: The sales contribution from Kyocera's smartphone in the Japanese market was a major factor behind the increase in sales. The lack of growth in sales overseas due to inventory adjustments by a major customer was the primary reason.

Q: Was this because Kyocera recorded one-time loss in overseas business due mainly to returned mobile phone handsets in the third quarter?

A: No, that is not the case. Rather, shipment volume decreased.

Information Equipment Group

Q: Please tell us the background to your forecast of an increase in sales and a decrease in profit for the fourth quarter relative to the third quarter. Also, how do you see the business environment in Europe from the fourth quarter onward?

A: The impact of the weak euro and strong yen coupled with a projected increase in sales promotion costs led to our forecast of an increase in sales and a decrease in profit for the fourth quarter. The European market environment remains severe. Kyocera has many large-scale proposals for companies in the pipeline, but the situation is not so bright on account of the unstable economic climate in Europe there at present. Prices are also severe, forcing profit down.

We will closely examine the outlook for fiscal 2013 and beyond when determining our budget for fiscal 2013 in February and March. Kyocera expects the European market will remain unstable for some time, so we will seek to cover this shortfall in other regions.

Q: Sales in the fourth quarter are forecast to grow by 5% compared with the third quarter. This appears to be normal based on seasonal effects where sales tend to increase in the fourth quarter. As such, is it correct to assume that sales volume in the fourth quarter will not decrease that much and conditions will be tough from next fiscal year onward?

A: Conditions are tough at present. We are currently pursuing various initiatives in emerging countries and sales volume has increased. However, models for emerging countries have lower profitability than those for industrialized nations.

The European market is unstable as well. Kyocera has a variety of major proposals for companies there but these cannot be realized without financing. It has been reported that financial institutions there are not providing funds in the same manner as before and this is impacting our sales.

Inventories

Q: It has been reported that Kyocera is reducing inventories. What moves were made in this regard in the Components Business and the Equipment Business in the third quarter? Also, what is your outlook for the fourth quarter?

A: Inventories at the end of the third quarter were up slightly on projections. Since shipments of solar cells and modules as well as the Equipment Business are projected to increase in the fourth quarter, inventories are expected to decrease in the fourth quarter compared with the third quarter.

Q: It seems that inventories increased for the solar energy business and the Telecommunications Equipment Group in the third quarter. Please tell us changes in inventories in other reporting segments of the Components Business compared with the second quarter. In addition, inventories in the amount of approximately ¥260 billion were recorded on the balance sheet at the third quarter end. How appropriate is this amount?

A: Inventories increased in general in the Components Business compared with the second quarter. One reason for this was an intentional effort to increase raw materials to combat the rising price of rare metals. Further, the decline in shipments exceeded our expectations. Shipments for the Fine Ceramic Parts Group, the Semiconductor Parts Group and the Electronic Device Group were all down on our original projections.

Shipments in the Telecommunications Equipment Group are a month off track. Once this issue has been resolved, the inventory level is expected to return to normal.

An appropriate inventory level is thought to be around ¥230~240 billion based on past results, which means we have to reduce inventories by approximately 10% going forward.

Q: In what manner will you reduce inventories? For example, will you cut inventories to ¥250 billion by the end of March 2012?

A: The level of inventories fluctuates significantly in accord with sales in the solar energy business, so I cannot give you an exact numerical target. However, we do aim to reduce the overall amount.

Initiatives to Improve Profitability

Q: Please tell us the steps you are taking to improve profitability next fiscal year such as additional actions like restructuring the Telecommunications Equipment Group and ways to improve profitability in the solar energy business. Bearing in mind the tough market conditions, is it your natural stance to improve profitability or are they urgent countermeasures?

A: We are confident that orders bottomed out in January, although it is possible that the pace of recovery from February will be slow.

We implemented reforms in the Telecommunications Equipment Group this fiscal year as well, which included slimming the number of low-end models overseas. We will take additional steps if conditions get even more difficult, but there are no concrete plans to do so at this stage. Once the fruits of current efforts emerge, I am confident we will see an improvement in profitability.

Despite tough conditions overseas, demand for solar energy business is expected to expand in Japan. Rules pertaining to the system for purchasing the total amount of renewable energy will be decided around March 2012, with implementation scheduled for July. This is expected to improve conditions, so we will do our best to gain as many orders as possible without letting any opportunities slip by.

In terms of the Components Business on the whole, the impact of the Thailand floods should have abated by spring, enabling us to steadily secure orders and in turn boost productivity and reduce costs, among other things.

Dividends and Capital Expenditures

Q: Please tell us your reason for not changing the dividend forecast even though you revised financial forecasts downward. Also, please give us your thoughts on dividends and capital expenditures for next fiscal year and beyond.

A: Kyocera forecasts our payout ratio to be 28.2% relative to projected net income of ¥78 billion, which surpasses our target range of 20~25%. However, it is not necessarily the case that dividends are decided solely based on the dividend ratio. We revised the dividend forecast in October 2011 and after comprehensive analysis decided not to revise it this time.

We are currently drawing up capital expenditure plans for next fiscal year. Our aim is to improve performance and we will make capital expenditures befitting this goal.