Outline of Q&A on conference call

For the three months ended June 30, 2009 ("the first quarter")

(Held on July 30, 2009)

General

Q1: Although Kyocera has not disclosed quarterly forecasts, please tell us (a) progress in the first quarter of the year ending March 31, 2010 ("fiscal 2010") relative to internal profit targets, and (b) direction for each reporting segment in the second quarter. Also, in the previous guidance, you implied loss for the second quarter as well. Has this implication changed in light of first quarter results?

A1 (a): Financial results exceeded internal targets in the first quarter, with performance in the Semiconductor Parts Group and Electronic Device Group surpassing expectations.

Conditions in the Fine Ceramic Parts Group were tougher than anticipated. Although demand for components used in information and communications equipment was higher than expected, industrial components, notably parts for manufacturing equipment such as semiconductors and liquid crystal displays, struggled due to restrictions on capital investment in the corporate sector. Demand for automotive parts was lower than expected.

In the solar energy business, although the domestic market exceeded expectations due mainly to the effects of subsidy policies, there has been very little easing of restraints put on financial institutions in Europe and the United States. The European market in particular is characterized by a distinct lack of financing for solar power generation business. The increase in sales in the domestic market was insufficient to cover the slump in Europe and the United States.

Sales in the Telecommunications Equipment Group in the first quarter were within the expected range, and we were able to reduce costs beyond initial projections.

A1 (b): In general, I believe trends from the first quarter will continue into the second quarter.

I am confident that the Semiconductor Parts Group and the Electronic Device Group will rebound in the second quarter in the same manner as the first quarter.

In the solar energy business, European and U.S. markets are forecast to recover moderately from the second quarter. We expect the U.S. market will be buoyed in particular by the expected enforcement of the governmental policy “Green New Deal” in August onwards.

Since the Telecommunications Equipment Group plans to introduce new models in earnest from the second half of fiscal 2010, we will focus on reducing costs in the second quarter, with a major focus on continuing to restrict expenses.

Q2: In initial internal targets, did Kyocera forecast loss from operations of more than double the ¥5.6 billion actually posted in the first quarter?

A2: I will refrain from giving figures, but we did make major improvements in the first quarter that exceeded expectations.

Q3: Does Kyocera believe it can post a turnaround to profit from operations in the second quarter on a company-wide basis, as well as for the first half?

A3: We expect profitability in the second quarter. In case assumed exchange rates stay at the present level, we try to secure profitability in the first half as well.

Cost reductions

Q1: Please give us a breakdown of the ¥39.0 billion in cost reductions in the first quarter.

A1: One of the major components of the cost reductions concerned labor costs. Overseas, the positive effects of cutting labor costs at KWC and AVX in particular started to emerge. In Japan, we implemented all possible cost-cutting measures without reducing headcount, including zero overtime and pay cuts. These steps enabled us to reduce labor costs beyond expectations.

We streamlined expenses as much as possible in all areas at our manufacturing bases, including costs for consumables, travel and transport, and this is evident in the overall cost reduction figure. We slashed costs beyond targets at the manufacturing base level.

Q2: Presuming costs increase along with sales growth, have reductions in other areas than fixed costs been included in the ¥39.0 billion recorded as cost reductions?

A2: Yes, they have. Since it is unclear whether orders will remain high during fiscal 2010, we will continue striving to suppress costs to raise profitability in case sales do not rebound to previous brisk levels.

Semiconductor Parts Group

Q1: May we understand that Kyocera forecasts around a 20% increase in sales in the Semiconductor Parts Group in the second quarter relative to the first quarter?

A1: I cannot say for sure, but we would like to secure an increase of around that much.

Q2: Please tell us the level of operating profit expected for the Semiconductor Parts Group in the second quarter. How much of a recovery do you expect?

A2: We expect profit to increase the most in the Semiconductor Parts Group among entire reporting segment. The operating profit margin in this reporting segment was approximately 6% in the first quarter. This figure grew considerably in May and June, and considering further growth in July, we aim to increase operating profit margin further in the second quarter.

Q3: Are you concerned that there has been an excessive amount of orders for ceramic packages from set makers amid a product shortage?

A3: We were concerned that orders for components may double, but this does not pose any significant risk judging by current conditions. We are a little concerned about orders for the Christmas season, but I have a feeling orders will only grow until the third quarter.

Applied Ceramic Products Group

Q1: It seems that prices are continuing to drop in the solar energy business in Europe. To what extent does Kyocera think it can enhance profit in this business in the second quarter?

A1: Although both sales and profit were down for the solar energy business in the first quarter compared with the previous first quarter, we were still able to secure profitability. A decrease in prices in Europe and the United States was the principal reason for missing internal targets in the first quarter.

Although we saw demand recovery in European and U.S. markets relative to the previous quarter (the fourth quarter of the year ended March 31, 2009), prices decreased more than expected.

Circumstances are set to change in the second quarter, however, depending on the degree of price declines in August and September. We would like to make up for any delay in the overseas market by way of the improvement in domestic market.

Q2: Please tell us about sales in the solar energy business in the first quarter compared with the previous quarter in terms of (1) shipment volume and (2) unit price.

A2: Sales in this business were up around 20% compared with the previous quarter. I will refrain from disclosing figures on shipment volume and unit price bases, but production volume increased around 6~7%.

Q3: Is the increase in production volume linked to the increase in sales?

A3: I cannot say categorically since there are several reasons for the increase, including exchange rate movements. It is a fact, however, that demand bottomed out in the previous quarter and has started to recover since that time.

Q4: Are there any items in particular that will drive enhancement in profits in the solar energy business in the second quarter?

A4: I think economic policies and cash subsidies will contribute to higher volume in the domestic market. In European and U.S. markets, despite severe unit price erosion, we will enhance profitability through production of back contact cells, etc.

Q5: Approximately what proportion of sales in the Applied Ceramic Products Group does the solar energy business account for?

A5: Those figures have not been disclosed.

Q6: It appears that business for cutting tools in the Applied Ceramic Products Group is extremely tough. Please tell us the extent of improvements made in the cutting tool business and solar energy business relative to the previous quarter.

A6: The cutting tool business posted one-off costs of approximately ¥2.0 billion in the previous quarter. If we exclude these one-off costs, there would be no significant change in profitability in the first quarter.

Despite an increase in sales in the solar energy business, profitability was down compared with the previous quarter due primarily to the impact of unit price erosion.

Q7: Kyocera forecasts to increase production volume more than a 30% in solar energy business in fiscal 2010 relative to the previous fiscal year. Do you estimate that you can ship this amount?

A7: There is no change to our plan to produce 400MW. Although situation in European and U.S. markets are tougher than expected, I believe we can compensate for this by way of the domestic market. We have received more inquiries than anticipated in Japan, and if we consistently meet this demand, we can cover the shortfall overseas.

In addition, there is talk that the Green New Deal will appear in concrete form after August, so we will keep a close eye on trends in the U.S. market as well.

Electronic Device Group

Q1: Please give us a breakdown of sales in the first quarter for the Electronic Device Group in terms of capacitors, crystal related products, connectors and thin-film products. Also, what was the capacity utilization rate for the Electronic Device Group in the first quarter?

A1: Sales by product compared with the previous quarter were as follows.

Capacitors: Up approx. 30%

Crystal related products: Up approx. 50%

Connectors: Up 13%

The capacity utilization rate was about 65~70% in this reporting segment.

Q2: Please tell us the level of profit expected for the Electronic Device Group in the second quarter. How much of a recovery do you expect?

A2: Although the Electronic Device Group recorded loss in the first quarter, orders have been steadily increasing, so we aim to post profit in this reporting segment in the second quarter.

Q3: Are there any obstacles to increasing production such as a labor shortage?

A3: No, there is nothing in particular.

Telecommunications Equipment Group

Q1: It seems that the Telecommunications Equipment Group will introduce a number of new models in the second half. Can you tell us exactly how many will be released? Please tell us in terms of the former domestic business of Kyocera, KWC, and the former domestic and overseas businesses of SANYO. Will you introduce any models that you will get carriers to add incentives to?

A1: Due to our business relationship with these carriers, I cannot disclose the number of models. There is no groundbreaking new models, or “Kyocera-first” models among these. We have been saying that the SANYO brand is strong overseas, but not many models were released in the previous fiscal year. This fiscal year we intend to launch new models under the SANYO brand that we have been developing in the previous fiscal year.

Q2: May we understand that the highest expectations in the Telecommunications Equipment Group come from the former overseas business of SANYO?

A2: We plan to enhance not only the overseas business, but also the domestic business.

Q3: Please give us a breakdown of first quarter results for the Telecommunications Equipment Group in terms of the former domestic business of Kyocera, KWC and the former business of SANYO. Also, according to your guidance, it appears that profitability has improved beyond expectations. Can you tell us exactly what factors are behind this improvement, such as controlling R&D expenses, as presented at the previous business presentation?

A3: The following is a breakdown of results for the Telecommunications Equipment Group in terms of mobile phone handsets business and telecommunication systems equipment business.

Total first quarter sales: ¥36.8 billion

Mobile phone handsets business: 85%

Telecommunication systems equipment business: 15%

First quarter loss: ¥5.4 billion

Mobile phone handsets business: 75%

Telecommunication systems equipment business: 25%

We integrated R&D and sales systems this fiscal year, and reviewed R&D costs in particular. The positive effects of this review have started to emerge in the form of a reduction in wasteful spending.

Q4: May we understand that performance in the Telecommunications Equipment Group remains unchanged in the second quarter relative to the first quarter?

A4: We were able to cut costs more than expected in the Telecommunications Equipment Group. I believe we can reduce loss further in the second quarter in this reporting segment.