

**Outline of Q&A in conference call**  
**Relating to the nine months ended December 31, 2008 (the “nine months”)**  
**(Held on January 29, 2009)**

**One-off losses in the second half**

Q1: Regarding structural reforms, it appears that Kyocera has not established any measures to lower the break-even point for next fiscal year. Please provide a breakdown of the ¥20.0 billion in details, which are projected as one-off costs for the second half.

A1: Of that ¥20.0 billion, we recorded approximately ¥3.5 billion in the third quarter and plan to record ¥16.5 billion in the fourth quarter. In the third quarter, ¥3.0 billion of the ¥3.5 billion was recorded under non-operating expenses as loss on sale and impairment of equity securities. The remaining ¥500 million was spent on restructuring at overseas subsidiaries.

In the fourth quarter, we expect to record ¥5.0 billion of the ¥16.5 billion as non-operating expenses. If current share price remains at the same level until the end of March 2009, we will record loss on revaluation of equity securities. The remaining ¥11.5 billion is associated with impact on profit from operations, including impairment of goodwill.

Q2: Assuming the business environment does not pick up next fiscal year, does Kyocera plan to reduce fixed costs or implement other measures to steadily improve performance? In particular, is there any measure in the mobile phone handset business?

A2: We do not have any measures that we can announce at the moment. We aim to comprehensively reduce expenses. For example, we substantially select capital expenditures, except for spending in the solar energy business. We have also streamlined other expenses.

In the Telecommunications Equipment Group, we are currently in the final stages of our review, which has included business reorganization at Kyocera Wireless Corp. (KWC). We are looking at reducing headcount and other cost-saving measures at KWC in the fourth quarter. We expect the benefits of cutting personnel costs to emerge next fiscal year.

Q3: Are the reorganization costs at KWC included in the ¥2.0 billion for business structure?

A3: Yes, they are included.

Q4: Have you progressed further with the various cost-cutting measures being implemented at the company-wide level?

A4: Kyocera would like to maintain levels of employment. We have already reduced costs, for example, executive officers and general managers have already taken pay cuts.

Q5: Which reporting segments will record the ¥16.5 billion in one-off costs in the fourth quarter?

A5: ¥1.8 billion will be in the Telecommunications Equipment Group, ¥1.4 billion in the Applied Ceramic Products Group, ¥1.8 billion in the Electronic Device Group, and ¥1.2 billion in Others, while the remainder will be recorded in Corporate.

#### **Applied Ceramic Products Group**

Q6: Please explain actual demand trends in solar energy business from the second quarter to the fourth quarter (forecast).

A6: Sales for fiscal 3/09 have so far been highest in the second quarter, with sales in the third quarter down slightly compared with the second quarter. Sales in the fourth quarter are projected to decrease a little further relative to the third quarter due to the sudden emergence of order cancellations and postponements since the start of 2009 owing to cash-flow problems for customers in Europe and the United States stemming from the financial crisis.

Q7: What has been the extent of the order cancellations?

A7: The impact is not sufficient enough for us to need to change forecasts that we have already announced. We certainly do not forecast operating loss in the solar energy business.

Q8: Please comment on the drop in prices (for solar energy systems).

A8: Other manufacturers, including those in China, have reduced prices, and prices have dropped in the market.

Q9: Will Kyocera's price cut for solar energy systems be around 10% in fiscal 3/09?

A9: Chinese manufacturers and others have dropped their prices substantially. However, since our customers in Europe and the United States are particularly concerned with quality, they do not purchase much from Chinese manufacturers. Kyocera predicts to reduce the prices by less than 10%.

Q10: Please comment on your outlook for demand in the solar energy market in 2009. Since shipments to Spain and other countries were made ahead of schedule in 2008, demand in 2009 should slow. How does Kyocera view this situation? If demand does weaken, will Kyocera implement measures to bring material costs down?

A10: Although we initially thought that demand would increase by around 30% next fiscal period relative to this fiscal year, in light of sluggish orders since the start of 2009, we now forecast demand increase by slightly less than 30%. There are bright spots in the future, however, particularly with a Green New Deal in the United States and a subsidy system in Japan, and as such, the market environment is not expected to deteriorate. Despite being impacted by price reductions by Chinese manufacturers, Kyocera is expected to survive the industry shakeout in the future.

Our main concern is the exchange rate on account of the high ratio of sales to Europe. However, Kyocera has an integrated production system, starting from materials, and conducts mass-production activities in low-cost regions such as the Czech Republic and Mexico. Also, we believe that we can absorb the impact of currency fluctuations and price erosion next fiscal year since we will increase the conversion efficiency of solar cells through an introduction of a back contact method.

Q11: Please comment on the impact of falling prices for silicon material.

A11: We have concluded long-term contracts with silicon manufacturers and so are able to purchase silicon at lower than market price. The strong yen is also giving us a boost in terms of purchasing materials.

Q12: Will Kyocera be affected by the exchange rate and price declines in the future if demand eases?

A12: We don't think there will be no impact at all. However, Kyocera has an integrated production system from solar cells to modules, and therefore the scope and know-how to reduce costs. Our customers are concerned with reliability when

purchasing solar systems, and we believe Kyocera commands a competitive advantage here. We aim to expand sales volume going forward by providing products of the highest quality.

### **Telecommunications Equipment Group**

Q13: Please give us a breakdown of sales and profit for mobile phone handsets and telecommunication systems equipment in the Telecommunications Equipment Group.

A13: A breakdown is provided on page 10 of the Conference Call Material.

Q14: Please tell us the reasons that operating loss in the Telecommunications Equipment Group is expected to increase only from ¥8.2 billion in the third quarter to ¥9.3 billion in the fourth quarter.

A14: The main cause of the loss lies overseas. Since entering the third quarter, sales units in Japan have not grown either and revenue from domestic business has decreased compared with the first half. In the fourth quarter, however, we expect to reap the benefits of four new models of mobile phones and PHS handsets scheduled for release in Japan.

Q15: Does that mean loss will increase overseas in the fourth quarter?

A15: That's right.