

**Outline of Q&A on conference call**  
**for the first nine months ended December 31, 2012 (“the nine months”)**  
**(Held on January 31, 2013)**

**Outlook for the Fourth Quarter**

Q: Sales are expected to decrease from the third quarter to the fourth quarter in the Electronic Device Group, but increase in the Telecommunications Equipment Group and Information Equipment Group. Please tell us the reason for this.

A: Sales are expected to decrease in the fourth quarter in the Electronic Device Group as in typical years due to seasonal factors. In addition, inventory adjustments have been ongoing in the digital consumer equipment market since entering the second half of the fiscal year, while the general industrial market, which includes liquid crystal displays, has been sluggish. In contrast, orders for mobile phone handsets for North America have grown in the Telecommunications Equipment Group since last year and we plan to increase shipment volume in the fourth quarter. Shipment volume in the Information Equipment Group has also risen thanks to the effect of new products, including for emerging countries. The weak yen and strong Euro, the opposite of previous periods, also contributed to the sales growth.

Q: Did you revise forecasts for capital expenditures and depreciation cost in light of the business environment?

A: We revised the forecast for capital expenditures down by ¥7 billion and the forecast for depreciation cost down by ¥10 billion. We have curbed capital expenditures in general due to a harsher-than-expected business environment in the second half. We revised the forecast for depreciation cost in line with the reduction in the amount of capital expenditures.

**Components Business (General)**

Q: Kyocera forecasts operating profit to decrease at the same rate as sales, or at an even higher rate, from the third to the fourth quarter in the Fine Ceramic Parts Group and Electronic Device Group. What is the reason for this?

A: We are not planning to record any one-off expenses. Sales of general industrial machinery make up the majority of sales in the Fine Ceramic Parts Group and this sector has been sluggish. Profitability is decided based on the balance with fixed costs. Although other factors were at play like the decline in selling prices, a lack of orders heightening fixed cost ratio and therefore it puts pressure on profit. In the

Electronic Device Group, profit is being squeezed in both digital consumer equipment related components and industrial related components. It's difficult to answer this question by product, but I can say that profit levels are being affected by tough conditions in each market, particularly stagnation in components for industrial applications.

Q: Sales and profit in the Electronic Device Group are forecast to decrease by ¥2.4 billion and ¥3.0 billion respectively in the fourth quarter compared with the third quarter. Why do you expect such significant profit decrease?

A: One of the key factors in this forecast is the decline in selling prices. Production is down slightly as well, making it difficult to absorb fixed costs.

Q: Sales and profit in the Fine Ceramic Parts Group are forecast to decline by ¥0.6 billion and ¥1.2 billion respectively in the fourth quarter compared with the third quarter. Why do you expect profit to decrease more than sales? Is the decline in selling prices a factor?

A: The decline in selling prices is a factor, but so too is the difficulty in absorbing fixed costs.

Q: Please tell us monthly order trends for the Semiconductor Parts Group and Electronic Device Group.

A: Orders in January were on par with December. At this point, we assume orders bottomed out in December or January.

### **Semiconductor Parts Group**

Q: Kyocera has stated that it expects performance to drop significantly in the Semiconductor Parts Group in the fourth quarter. Is this due to the impact of inventory adjustments? Also, will performance rebound next fiscal year?

A: I understand that we are feeling the effects of overall adjustments in digital consumer equipment, particularly in the telecommunications related sector. These adjustments are not limited to mobile phones. However, we don't think current conditions will prevail for long. Also, customers are planning to launch new products around spring. It's not clear whether it'll be March or April, but either way we expect to gain momentum in spring.

Q: Has one-time loss such as inventory write-down been included in forecasts?

A: We have not planned to record any one-time losses. The main reason for the drop-off in performance is the decline in sales.

### **Applied Ceramic Products Group**

Q: Kyocera left the sales forecast unchanged but revised the operating profit forecast down for the Applied Ceramic Products Group. Can this result be attributed to any business in particular? Also, can we make a forecast for the next fiscal year based on this fourth quarter forecast?

A: Profitability has not decreased in the solar energy business, but is in line with initial plans. The main reason for the revised operating profit forecast lies in the cutting tool business, where performance has been affected by weakening automotive markets in Europe and Asia. The outlook for next fiscal year depends on the buyback price in the feed-in tariff system for renewable energy in Japan. If we assume the buyback price to be ranged in high ¥30s as has been reported in the newspaper, profitability should not drop significantly. I'm not sure of figures for next fiscal year, but based on governmental expectations for solar power generation and the current level of orders, the solar energy business are expected to continue getting better.

Q: Kyocera has said that it aims to achieve a profit ratio ranges in high single digit in the solar energy business at the end of this fiscal year. Will the figure exceed 10% next fiscal year or remain unchanged?

A: It'll be tough, but we're aiming to achieve a double-digit profit ratio and will work toward this number. Despite the tough market conditions, Kyocera is still generating profit. That means our business developments are on the right track.

Q: To what extent did solar cell volume increase in the third quarter? Also, please tell us your outlook for the fourth quarter.

A: I would like to refrain from giving exact volume figures. However, sales are forecast to increase in the Applied Ceramic Products Group overall by ¥22 billion in the fourth quarter compared with the third quarter, with the majority of that increase being contributed by the solar energy business. Prices for the feed-in tariff system for renewable energy were decided in July 2012 and orders for mega-solar projects increased significantly after that. Sales are expected to grow markedly in the fourth quarter.

Q: What was the contribution of the solar energy business to the sales growth in the Applied Ceramic Products Group from the second to the third quarter?

A: The solar energy business contributed the majority of this amount.

Q: Is it correct to assume that profitability will increase with time?

A: Yes, that's correct.

Q: Does that mean that profit will increase if inventory can be sold in the solar energy business?

A: Yes, that's correct.

### **Telecommunications Equipment Group**

Q: Is the Telecommunications Equipment Group making a profit overseas?

A: Yes, it is.

### **Other**

Q: Inventory increased in the third quarter. I presume you've factored in the effect of the weak yen, but to what extent has inventory increased on a local currency basis?

A: Inventory has increased by approximately ¥31.8 billion compared with the previous fiscal year end. We are currently producing items mainly for mega-solar projects that will be recorded as sales from the fourth quarter and beyond. Similarly, the sales portion of mobile handsets for the United States from the fourth quarter onward has been included in inventory. These are the two main reasons for the increase in inventory. Although currency rates also had an effect, the key reason for the increase in inventory can be attributed to production to fill orders.

Q: What is the reason for an increase in selling, general and administrative expenses?

A: The main reason is an increase in sales promotion costs. In addition, advertising expenses are being concentrated into the second half of the fiscal year. Selling, general and administrative expenses increased temporarily in the third quarter on account of these two points.

Q: Which segment saw an increase in selling, general and administrative expenses?

A: The main increase was recorded in the Information Equipment Group.