

Outline of Q&A on conference call

For the nine months ended December 31, 2010 (“the nine months”)

(Held on January 27, 2011)

Outlook for the fourth quarter (from January 1 to March 31, 2011)

Q: Please tell us the current business environment for each component business.

A: Order rates in the Fine Ceramic Parts Group for the fourth quarter are forecast to remain relatively unchanged from the third quarter (from October 1 to December 31, 2010). Actually, order rates are practically leveling off or improving. Capital investment has picked up recently and the situation for automotive components is favorable as well.

In the Semiconductor Parts Group, order rates for digital consumer equipment components have been decreasing since the end of 2010 and are expected to bottom out in January or February 2011. We expect orders to start increasing gradually from spring, but this is not a certainty.

Business has been brisk for the solar energy business in the Applied Ceramic Products Group. Price levels have been severe in markets in Japan and overseas. Order rates are expected to grow in the U.S. market in particular, however.

As with the Semiconductor Parts Group, order rates are bottoming out in the Electronic Device Group. AVX has strengths in industrial machinery parts whereas Kyocera’s focus is on parts for digital consumer equipment such as mobile phone

handsets. Trends are different from AVX owing to production adjustments in the digital consumer equipment market. Order rates are expected to bottom out in January or February 2011 and then start to recover gradually.

Q: Order levels in the Semiconductor Parts Group and Electronic Device Group were down in the third quarter compared with the second quarter (from July 1 to September 30, 2010). Although the book-to-bill ratio equals one, what sort of trend do you expect in the fourth quarter relative to the third quarter? Will orders remain flat or decline further?

A: Although levels vary between the four segments of our Components Business, orders were solid in each until October or November 2010 and started to decline in the latter half of December 2010. The outlook for February and March 2011 remains unclear, but we expect levels to stay the same or dip slightly. This trend is projected to continue with no swift recovery in sight, although this isn't a major issue. We'll keep a close eye on proceedings to get a good grasp of when demand will recover.

Semiconductor Parts Group

Q: Both sales and operating profit are forecast to decline in the fourth quarter relative to the third quarter. What is the reason for such a decline in light of current conditions?

A: Sales and operating profit at the moment are decreasing compared with the second and third quarters. Kyocera has products that command high market share, but order rates for these items have decreased slightly. However, please understand that we don't expect figures to drop below those given for our fourth quarter forecast.

Q: Despite the negative impact of exchange rates, why did operating profit increase while sales decreased in the third quarter compared with the second quarter? Was it due to price trends or product mix?

A: Ultimately, an improvement in productivity was the biggest factor behind the increase in profit as sales fell. Our forecast of strong orders for crystal and SAW devices and CCD/CMOS packages has been the same since last fiscal year, providing the impetus for ongoing capital investment in these domains. Order quantity has also met expectations, enabling us to achieve record production levels. If we boost production volume after exceeding the break-even point, we realize higher profit. In terms of prices, levels have not decreased relative to the second quarter. In terms of product mix, rather than make changes, it's more a case of the number of components increasing as products get smaller. We haven't raised our prices.

Solar Energy Business

Q: Please tell us about sales, regional sales breakdown, regional price trends in the third quarter and outlook for the solar energy business.

A: Kyocera doesn't disclose sales figures for the solar energy business. I can say, however, that sales in this business account for over 60% of total Applied Ceramic Products Group sales. On a regional basis, sales are split evenly between Japan and overseas. Kyocera doesn't provide figures for price reductions on a quarterly basis, but compared with the start of the fiscal year, prices have decreased around 10% in both Japan and overseas.

Q: Is price erosion in the European market particularly severe?

A: Specifically, a rush in demand prior to revisions to feed-in-tariffs around autumn 2010 meant that prices didn't decline in Germany. On average, prices have decreased approximately 10% compared with the start of the fiscal year.

Q: What do you expect to see price situation in the fourth quarter?

A: Prices are not forecast to remain relatively unchanged from the third quarter. The entry of overseas manufacturers in particular will put downward pressure on prices, but this is likely to be within our expectations.

Q: Fixed costs in the third quarter are increasing in the solar energy business, notably depreciation costs. How much will these costs increase relative to the second quarter and will this lead to a decline in profit?

A: We don't disclose figures for fixed costs in individual businesses. However, we were constructing a major factory in the second quarter, which forced up depreciation costs.

Telecommunications Equipment Group

Q: What was the condition of profit in Japan and overseas in the third quarter compared with the second quarter? What is the background to your forecast of sales decline yet profit gain in the fourth quarter compared with the third quarter?

Also, please tell us about your smartphone strategy, what launch date we can expect for your next model and the cost of development.

A: This segment posted loss in the third quarter due to severe price erosion in Japan

and overseas. In terms of product mix, although we sought to secure slightly higher profit from high-end models, losses were particularly harsh overseas.

In the fourth quarter, we will launch those models we couldn't release in the third quarter. Additionally, despite tough conditions for PHS related business until the end of the first half (from April 1 to September 30, 2010), we expect this business to make a contribution to sales and profit going forward, particularly since WILLCOM Inc.'s business revitalization plan has been approved. We launched a smartphone overseas around autumn 2010, and this will help increase sales and profit as well.

I would like to refrain from disclosing the cost of developing the smartphone due to commitments with communications carriers. We have made various plans for this smartphone for the future. Most of the development costs have been outlaid already, which means that we can expect better financial figures in the fourth quarter.

Q: Loss decreased in the third quarter relative to the second quarter. Second quarter loss can be attributed mainly to overseas business, but in the third quarter were conditions tough in Japan and improvements made overseas?

A: We continue to post profitability in Japan, while conditions remain difficult overseas. Development costs for next models were mostly outlaid in the third quarter.

Q: Will PHS related business impact results in the fourth quarter? Also, will a decline in R&D expenses and improved environment in PHS business result in an increase in profit in the fourth quarter?

A: PHS related business will be a key driver of profitability in the fourth quarter. We didn't see any significant improvement in profitability overseas in the third quarter, and so will launch models in the fourth quarter that we couldn't release in the third quarter in addition to other new products. As a result, we forecast operating profit to improve in both Japan and overseas.

Q: Besides moderate improvement in domestic and overseas businesses, will the key factors behind profit growth in the fourth quarter be a decrease in R&D expenses and contribution from PHS related business?

A: That's correct.

Q: Will it take long before a new smartphone is launched? Does Kyocera release a series of smartphones during the next six-month period? Or do you plan to launch a model every six months?

A: I would like to refrain from outlining the number of models we will release due to commitments with communications carriers. We won't release smartphones in quick succession but merely in line with plans.

Q: Please tell us any corporate targets concerning the sales ratio of smartphones in the second half, next fiscal year and the following fiscal year.

A: We do have corporate targets, but it's difficult to answer with any certainty since we have only released one model to date.

Q: Please tell us your strategy for the Telecommunications Equipment Group in the

North American market, including the smartphone strategy, next fiscal year.

A: It's true that we have missed launch date and volume targets for the smartphone in the North American market. In fact, profit from the smartphone did not account for a significant portion of overall profit in this market in the third or fourth quarter. We intended to release various new models for conventional handsets as well, but delays in development scuttled these plans, and this affected profit levels.

Next fiscal year, we aim to release new products based on the "Zio" smartphone, which was launched this fiscal year. We are also considering new developments for existing handsets, including expansion into the South American market, so we will strive hard to ensure we meet launch schedules.

Q: Is your plan to compete with the smartphone in target areas?

A: We have only released one smartphone to date, and our plans don't include launching multiple models in quick succession in North America next fiscal year. Our intention is to market another smartphone there, but our strategy will also continue to focus on conventional handsets.

Information Equipment Group

Q: Please tell us why you project a decline in profit in the fourth quarter relative to the third quarter despite forecasting sales growth due to seasonal factors? Is this due to high development costs?

A: We launched new low-end models in December 2010. Even though the industry has recovered to a certain extent, competition has intensified amongst Japanese

manufacturers. As a result, we plan to invest in sales promotions for these new products, which will impact profit levels.

Financial Forecasts

Q: Kyocera forecasts a loss of ¥6.0 billion for Corporate in the fourth quarter. Please tell us the reasons for this negative forecast considering it generally posts a gain of ¥1.0~2.0 billion.

A: We will investigate this carefully, including reviewing asset valuation since it is year-end account closing. This may uncover areas that require attention, so we will have a conservative look.

Dividend Policy

Q: Kyocera has left its profit forecasts unchanged. Please tell us your plans for dividends for year-end and next fiscal year.

A: Dividends have also been left unchanged. Dividend targets have not been set for next fiscal year yet, but we'll be able to consider once we ascertain the mid- to long-term growth with more certainty. There is nothing of particular interest to discuss at this stage.

Q: It seems that Kyocera previously targeted a dividend payout ratio of 30%. Has your policy changed?

A: Our basic policy is to keep a dividend payout ratio of 20~25%, not 30%. However, we will continue reviewing return to shareholders going forward.

R&D Expenses

Q: Please tell us the reasons for a forecast of ¥23.3 billion in the fourth quarter.

A: New mobile phone handsets are being developed in the Equipment Business, which has raised R&D expenses beyond standard levels. In addition, we reorganized the R&D structure of the Components Business in October 2010. We intend to continue aggressively strengthening R&D to enable the mass production of products from now on.

Q: R&D expenses are forecast to increase by ¥10.0 billion in the fourth quarter compared with the third quarter. What proportion of this will be accounted for by each of the Components Business and the Equipment Business?

A: Each business will account for around half of this amount.

Q: Will this level (¥23.0 billion/quarter) be maintained next fiscal year?

A: R&D expenses will be concentrated into the fourth quarter. We do not intend to maintain the level of ¥23.0 billion per quarter.

Q: Does this mean that R&D expenses won't increase by much next fiscal year?

A: We haven't determined figures for next fiscal year yet, but we don't expect a drastic increase from ¥60.0 billion this fiscal year to ¥80.0~90.0 billion, that is, an increase of 1.5 times.

Effect of Tax Reforms

Q: Please tell us the effect on business results of changes to the corporate tax rate

associated with tax reforms.

A: We are currently calculating the effect of these changes.

Q: Will you record these impacts of the corporate tax rate associated with tax reforms this fiscal year?

A: If the reforms are passed in the Diet by March 31, 2011, we must record this amount during this fiscal year based on the U.S. accounting rules.

JAL Related

Q: According to news reports, it now seems less likely that Kyocera will support JAL through active investment. Please tell us management's understanding at this time.

A: There is nothing for management to discuss regarding this matter. Nothing has changed.