

Outline of Q&A on conference call
for the three months ended June 30, 2013 (“the first quarter”)
(Held on August 1, 2013)

The First Quarter Results

Q: Operating profit remained unchanged in the Applied Ceramic Products Group in the first quarter even though sales were down compared with the fourth quarter of the previous fiscal year. Meanwhile, profit deteriorated in the Telecommunications Equipment Group and Others. Can you tell us the reasons for these results as well as your future outlook?

A: The decrease in sales in the Applied Ceramic Products Group can be attributed to the fact that sales associated with mega-solar power projects were very high in the fourth quarter of the previous fiscal year. Operating profit did not drop due to the difference in sales composition. Sales for mega-solar power projects in the first quarter fell short of levels posted in the fourth quarter of the previous fiscal year and the weight of sales in the residential sector to those for mega-solar power projects was around fifty-fifty.

In the Telecommunications Equipment Group, a portion of sales expected for the first quarter were delayed until the second quarter due to delays in procurement of certain components and materials that were beyond expectations. We expect shipments of this delayed portion to be made in the second quarter, and as such, forecast improvement in the second quarter to cover the decline in the first quarter. Profit was down in Others due to an increase in basic R&D expenses.

Q: Please tell us the reason sales declined in Others.

A: Revenue from the installation of mobile base stations and solar-power generation related equipment increased significantly in the fourth quarter of the previous fiscal year at Kyocera Communication Systems Co. Ltd., a subsidiary included in Others, but dropped slightly in the first quarter.

Q: Will results in Others come back to normal from the second quarter?

A: Results in Others are expected to improve from the second quarter onward.

Q: It appears that sales and profit decreased in real terms in the first quarter after excluding the effect of exchange rates. How do you evaluate this situation?

A: There was also pressure on a price front, so sales did not decline simply if there was no benefit from exchange rates. Excluding the effect of exchange rates, profit increased compared with the first quarter of the previous fiscal year (“the previous first quarter”). Performance in the solar energy business increased as well compared with the previous first quarter even after excluding the effect of exchange rates. Component demand was at a similar level to that recorded in the previous first quarter.

Outlook from the Second Quarter Onward

Q: Can you tell us profit trends from the second quarter for each reporting segment? In order to achieve the forecasts you announced, it is necessary to generate operating profit of around 35-40 billion yen per quarter beginning in the second quarter. That means Kyocera will need to increase profit by around 10 billion yen per quarter in light of the 25 billion yen posted in the first quarter. Which segments will contribute to this increase?

A: We forecast profit for the second quarter to increase compared with the first quarter. First, we are projecting an improvement in the Telecommunications Equipment Group, which posted a deficit in the first quarter. In the second quarter, we will recover the portion of sales that were delayed from the first quarter. It is expected that the Telecommunications Equipment Group will make the largest contribution. In the Electronic Device Group and the Semiconductor Parts Group, the increase in demand for digital consumer equipment will contribute to results from the second quarter. The environment for the Fine Ceramic Parts Group will also be improved, and we are forecasting increases in semiconductor fabrication equipment and capital investment-related parts.

Applied Ceramic Products Group

Q: How were shipment volume, sales and profitability in the solar energy business within the Applied Ceramic Products Group in the first quarter compared with the fourth quarter of the previous fiscal year? Please tell us your outlook from the second quarter onward.

A: Shipment volume in the solar energy business decreased compared with the fourth quarter. Shipments in the fourth quarter were at a high level.

From the second quarter, we forecast solid demand for mega-solar power and in the residential sector, and are targeting shipments to exceed the first quarter.

Q: Is it correct to assume that shipment volume this fiscal year will increase by more than 20% compared with the previous fiscal year?

A: Shipment volume stood at 800MW in the previous fiscal year and we are forecasting volume to exceed 1GW this fiscal year. We have not changed our target. Shipment volume is expected to increase beyond the level of the first quarter going forward.

Q: Can you tell us the condition of pricing?

A: The most dynamic market is Japan, where we expect prices to decline by approximately 10-15% for the year compared with the previous fiscal year.

Q: Profitability in the solar energy business increased from the fourth quarter of the previous fiscal year to the first quarter of this fiscal year. Did the cutting tool business also improve?

A: Although there was a significant improvement in the solar energy business, the cutting tool business also grew in terms of operating profit ratio and profit amount compared with the fourth quarter of the previous fiscal year, thus securing high profitability. The improvement in the solar energy business was more pronounced, however.

Q: In the solar energy business, you stated that sales for mega-solar power projects are expected to increase from the second quarter. Does that mean the profit ratio in the first quarter improved temporarily?

A: Sales in the residential sector are expected to be solid from the second quarter. In the third and fourth quarters of the previous fiscal year the weight of mega-solar power projects was high. This fiscal year the balance of shipment for residential use and mega-solar power will improve. We will maintain profitability in the solar energy business.

Trends in Component Orders

Q: What is your forecast for orders in August? Ceramic packages demand for smartphones appears to be slow.

A: As far as I have heard from respective business divisions, I believe orders will increase. However, it is difficult to predict the extent of the increase.

Q: You stated that sales of components for smartphones are expected to increase from the second quarter. How are monthly orders changing when looked at by application? Please tell us results for July and the outlook for August onward.

A: Despite recovering after bottoming out in February, conditions have remained unchanged due to inventory adjustments by certain customers. There is no doubt that component orders will increase based on new product launches by customers. In typical years, orders are strongest in the second quarter, so we expect sales from these orders to make a contribution in the third quarter. With this in mind, we expect orders to increase from August.

Q: Please tell us trends in component orders for the June to July period. You mentioned that it was difficult to forecast orders in the second quarter, so that gives the impression that orders in the Semiconductor Parts Group in particular have not increased as expected.

A: This is our plan, but we expect orders will be roughly on par in the June to July period.

Q: Are there any differences in order trends in the June to July period by reporting segment?

A: Orders have remained roughly unchanged on a base excluding the Applied Ceramic Products Group, which includes the solar energy business.

Telecommunications Equipment Group

Q: Are we correct in thinking that the quantity of models for new carriers overseas and the timing of new product launches will not deviate much from plans?

A: There is some deviation and we plan to launch new products in the second quarter and beyond. The existing customers we have overseas are in line with plans.

Q: Can you tell us results for the first quarter and outlook for the second quarter in terms of domestic and overseas business?

A: Sales in the first quarter decreased in Japan and increased overseas compared with the previous first quarter. On the other hand, profit has been posted constantly in Japan, whereas conditions are tough overseas. As a result, the Telecommunications Equipment Group posted a deficit on the whole. In overseas business, orders are not bad and if we produce and ship handsets constantly we can post profit even if it's at a low level. In the first quarter, we were impacted by component and material procurement issues, however. We were able to make up for these procurement problems somewhat in July. Also, we are pushing ahead with preparations to handle shipments for new customers in August and September. We are not concerned about the second quarter situation.

Q: It seems that Kyocera can generate profit to a certain extent in Japan even when sales decrease. Does that mean you have established a system whereby you can also generate profit even if quantity declines?

A: Although the environment is difficult, we are managing to secure profit.

Q: Can we expect an improvement of around 3-4 billion yen in profit for the Telecommunications Equipment Group in the second quarter?

A: I cannot disclose figures, but we are aiming for an improvement to that amount.

Information Equipment Group

Q: It seems that operating profit in the Information Equipment Group is on the decline. Do you expect profit to decrease in the second and third quarters? Please tell us your future outlook.

A: The European market is tough. If we don't reduce selling prices, it will be somewhat difficult to grow. However, we do not expect conditions to deteriorate further going forward. We have been taking steps in light of the business environment that include pricing strategy since April. If the level of the euro remains in line with expectations from the second quarter, we expect to be able to maintain a level of profit either equaling or surpassing the first quarter.

Others

Q: Please tell us the reason for the major difference in profit from operations and operating profit as well as your outlook for the second quarter onward.

A: The difference was due to a decrease in earnings in Corporate due to a review of standard values for internal transactions. We forecast results to continue at the same level as the first quarter in the second quarter and beyond.

Note: "Operating profit" represents profit from operating activities.