

**Outline of Q&A on conference call**  
**for the three months ended June 30, 2014 (“the first quarter”)**  
**(Held on July 31, 2014)**

**Overall Results**

Q: Can you tell us which reporting segments were better or worse than expected for the first quarter?

A: Operating profit exceeded targets in the four reporting segments of Fine Ceramic Parts Group, Electronic Device Group, Information Equipment Group and Others.

Q: Has there been any change to the outlook for the second quarter onward?

A: We originally set low targets for the first quarter and we plan to increase these steadily from the second quarter onward. We intend to be able to catch up on any delays in divisions that fell short of targets in the first quarter on a full-year basis. But it will be difficult to make up for these delays in progress from the first quarter in the second quarter alone.

Q: Can you explain progress in the Fine Ceramic Parts Group and Electronic Device Group?

A: Both of these reporting segments progressed beyond expectations in the first quarter. Going forward, we do not expect the situation to worsen either.

**Semiconductor Parts Group**

Q: How did organic packages perform relative to targets?

A: We do not disclose results for ceramic packages and organic packages separately. As a whole segment, performance in the first quarter was predominantly in line with targets.

Q: Have there been delays in the organic package business?

A: Yes, there have.

Q: What is the reason for the decline in profit ratio compared with the fourth quarter of the previous fiscal year in the Semiconductor Parts Group?

A: The background to the decline in prices of organic packages lies in an environment that lends itself to price wars on account of fierce competition. Prices dropped more than expected for some products and our cost reductions couldn't keep up.

Q: What kind of costs were involved in merging the two subsidiaries in the organic substrate business? Conversely, can you expect a significant reduction in costs through the merger such as a reduction in fixed costs?

A: There were costs associated with the merger such as expenses related to consolidating systems

and transferring operating sites, but none of the costs were excessive. On the other hand, we can expect to reap the benefits of a reduction in costs through consolidation of sales sites and through bulk purchasing as procurement volume increases for materials.

### **Applied Ceramic Products Group**

Q: Was the decrease in sales from the fourth quarter of the previous fiscal year to the first quarter of this fiscal year due to the solar energy business?

A: The solar energy business accounted for a significant portion of the sales decline in the Applied Ceramic Products Group. Prices for solar modules have been decreasing annually and the decline has been faster than initially forecast.

Q: Kyocera initially projected prices to decrease by just over 10%. Can you tell us why prices declined more than expected?

A: Prices are being dragged down because of intensive competition with overseas manufacturers.

Q: Will sales in the commercial sector rebound from the second quarter onward?

A: Yes, sales will rebound from the second quarter onward. A portion of orders from the previous fiscal year, not future mega solar power projects, will contribute to sales from the second quarter onward. There was no sales contribution from large projects in the first quarter.

### **Telecommunications Equipment Group**

Q: Kyocera also had an issue with delayed sales in the first quarter of the previous fiscal year. Are the factors different this time from last time?

A: The reason for the sales delay in the previous first quarter was a shortage of components and materials. This time it was due to a delay in customer approval. We have now received approval.

Q: Has the portion of overseas sales that was postponed impacted operating profit in the first quarter?

A: Yes, it has. That was because although we outlaid development costs, there was no contribution to sales.

Q: Are you rethinking your strategy for the Telecommunications Equipment Group?

A: We don't think it's necessary to change our fundamental strategy for boosting revenue and increasing sales carriers.

Q: Won't it be difficult to recover from the delays of the first quarter during the fiscal year?

A: We have already decided our action for the fiscal year, including activities to authenticate new products. If we proceed in line with these plans, we'll be able to make up for the delays.