

# **Kyocera's Environment Related Business Developments**

**- Solar Energy Business Strategies -**

**February 2008**

**MAKOTO KAWAMURA**  
**President and Representative Director**

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# Today's Presentation

**1. Kyocera's Business Developments**

**2. Consolidated Financial Forecast (Year Ending March 31, 2008)**

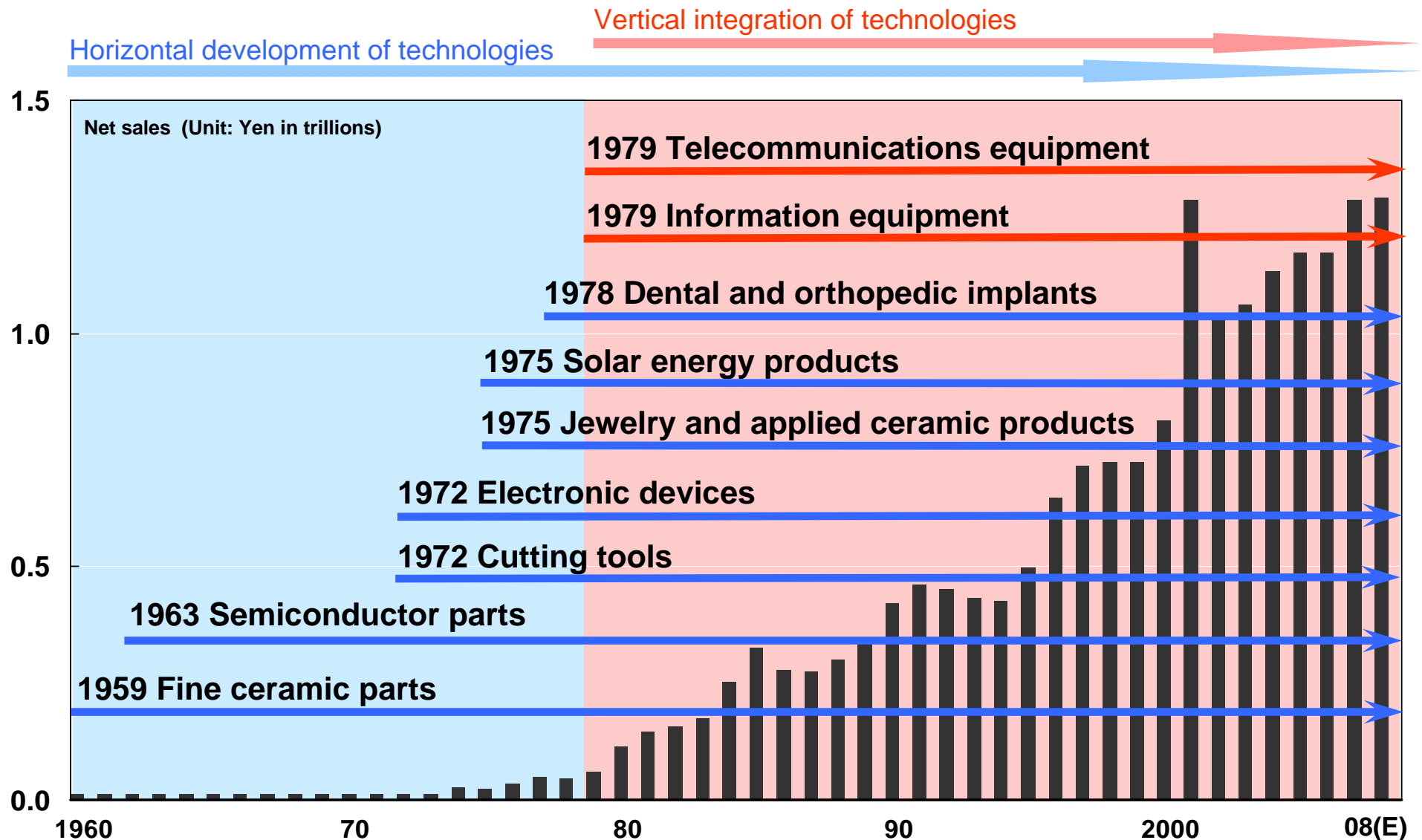
**3. Kyocera's Environment Related Business Developments**

**4. Solar Energy Business Strategies**

# Forward-Looking Statements

Certain of the statements made in this document are forward-looking statements (within the meaning of Section 21E of the U.S. Securities and Exchange Act of 1934), which are based on our current assumptions and beliefs in light of the information currently available to us. These forward-looking statements involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors include, but are not limited to: general economic conditions in our markets, which are primarily Japan, North America, Europe, and Asia, particularly including China; unexpected changes in economic, political and legal conditions in China; our ability to develop, launch and produce innovative products, including meeting quality and delivery standards, and our ability to otherwise meet the advancing technical requirements of our customers, particularly in the highly competitive markets for ceramics, semiconductor parts and electronic components; manufacturing delays or defects resulting from outsourcing or internal manufacturing processes which may adversely affect our production yields and operating results; factors that may affect our exports, including a strong yen, political and economic instability, difficulties in collection of accounts receivable, decrease in cost competitiveness of our products, increases in shipping and handling costs, difficulty in staffing and managing international operations, and inadequate protection of our intellectual property; changes in exchange rates, particularly between the yen and the U.S. dollar and euro, respectively, in which we make significant sales; inability to secure skilled employees, particularly engineering and technical personnel; insufficient protection of our trade secrets and patents; holding licenses to continue to manufacture and sell certain of its products, the expense of which may adversely affects its results of operations; future initiatives and in-process research and development may not produce the desired results; events that may impact negatively on our markets or supply chain, including terrorist acts and outbreaks of diseases; the occurrence of natural disasters, such as earthquakes, in locations where our manufacturing and other key business facilities are located; and fluctuations in the value of, and impairment losses on, securities and other assets held by us, and changes in accounting principles. Such risks, uncertainties and other factors may cause our actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. We undertake no obligation to publicly update any forward-looking statements included in this document.

# Kyocera Group's Business Developments and Sales Trends



Please refer to accompanying note on page 2 and 22.

# Consolidated Financial Forecast

## - Year Ending March 31, 2008 -

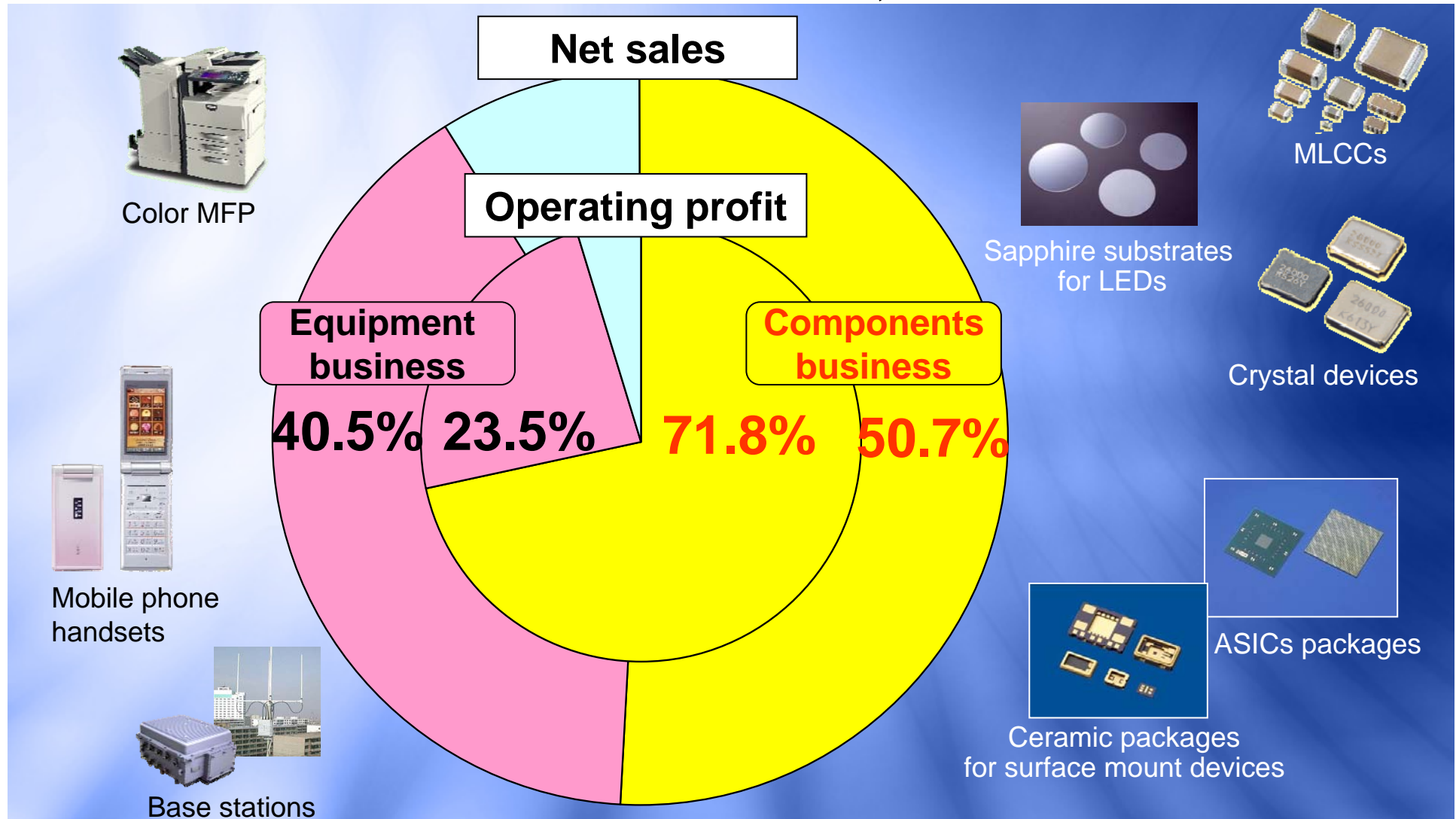
(Unit: Yen in millions)

	Year ended March 31, 2007		Year ending March 31, 2008				% change
	Amount	% to net sales	Previous forecast (October 2007)		Revised forecast (January 2008)		
			Amount	% to net sales	Amount	% to net sales	
Net sales	<b>1,283,897</b>	<b>100.0</b>	<b>1,330,000</b>	<b>100.0</b>	<b>1,290,000</b>	<b>100.0</b>	<b>0.5</b>
Profit from operations	<b>135,102</b>	<b>10.5</b>	<b>151,000</b>	<b>11.4</b>	<b>140,000</b>	<b>10.9</b>	<b>3.6</b>
Pre-tax income	<b>156,540</b>	<b>12.2</b>	<b>166,000</b>	<b>12.5</b>	<b>166,000</b>	<b>12.9</b>	<b>6.0</b>
Net income	<b>106,504</b>	<b>8.3</b>	<b>103,000</b>	<b>7.7</b>	<b>103,000</b>	<b>8.0</b>	<b>-3.3</b>
EPS (diluted - yen)	<b>564.79</b>	<b>—</b>	<b>543.40</b>	<b>—</b>	<b>543.33</b>	<b>—</b>	<b>-3.8</b>
Capital expenditures	<b>69,896</b>	<b>5.4</b>	<b>81,000</b>	<b>6.1</b>	<b>81,000</b>	<b>6.3</b>	<b>15.9</b>
Depreciation	<b>70,155</b>	<b>5.5</b>	<b>79,000</b>	<b>5.9</b>	<b>76,000</b>	<b>5.9</b>	<b>8.3</b>
R&D expenses	<b>61,100</b>	<b>4.8</b>	<b>65,000</b>	<b>4.9</b>	<b>63,000</b>	<b>4.9</b>	<b>3.1</b>
Average exchange rate (yen)	US\$:117	Euro:150	US\$:115	Euro:156	US\$:115	Euro:161	
Foreign currency fluctuation effect on:	net sales	¥39.6 billion		¥-3.7 billion		¥5.7 billion	
	pre-tax income	¥15.7 billion		¥2.5 billion		¥7.2 billion	

Please refer to accompanying note on page 2.

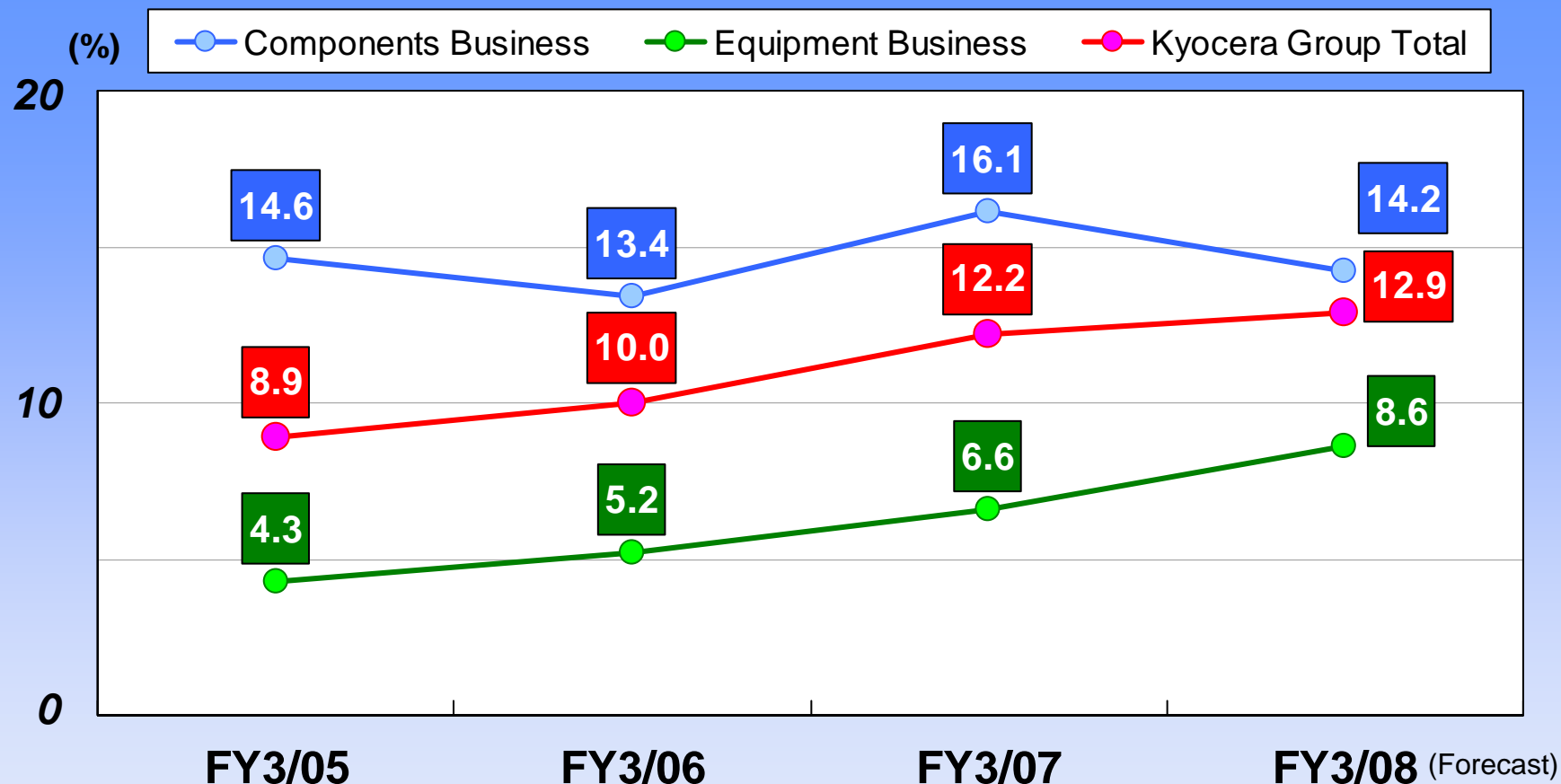
# Proportion of Sales and Operating Profit by Business Categories

- Year ended March 31, 2007 -



Commencing in FY 3/08, the "Optical Equipment Group," previously a separate reporting segment, has been reclassified into "Others."

## Pre-tax Income Ratio Trends - FY05 through FY08 (Forecast) -

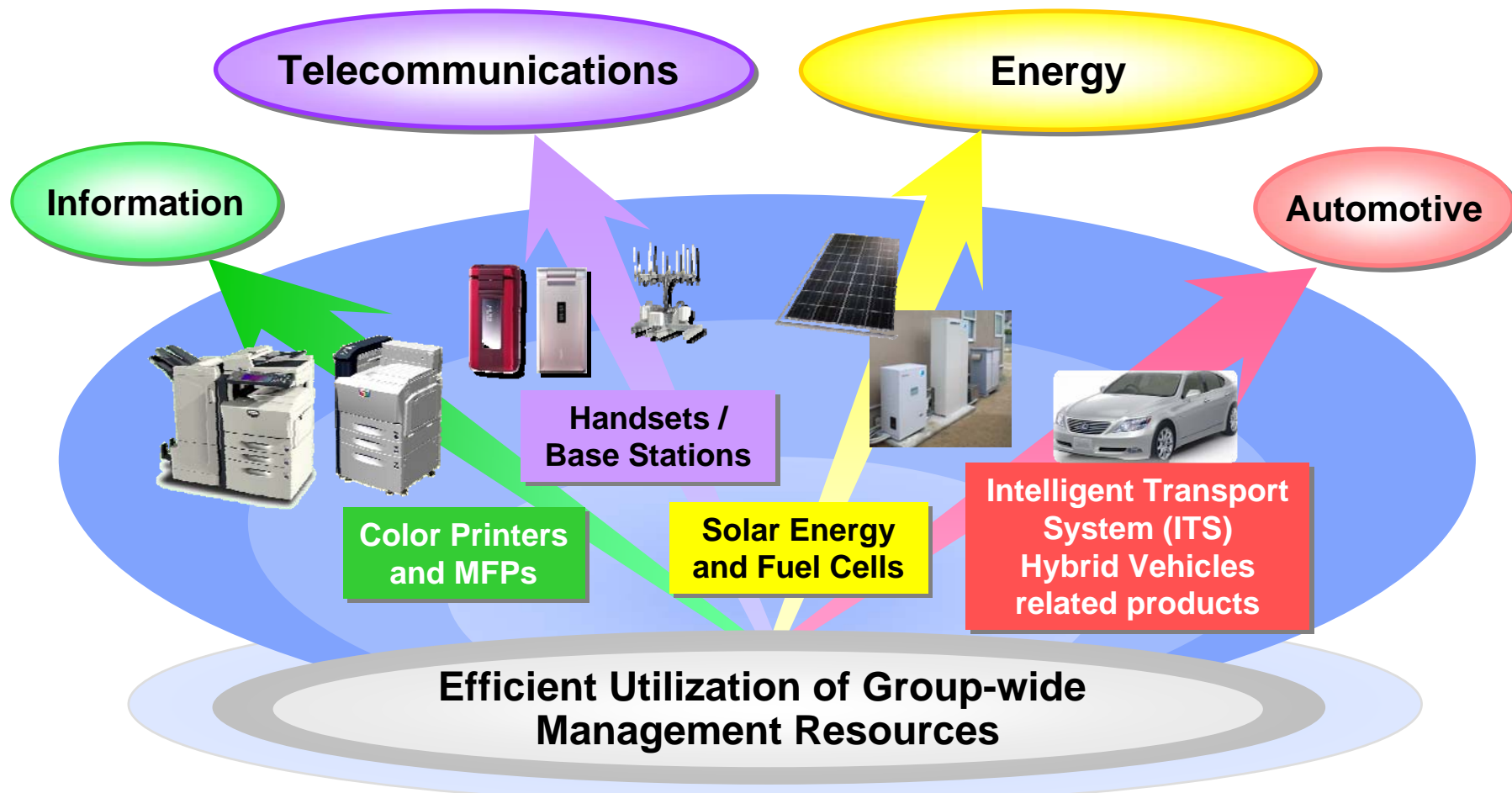


**Pre-tax Income has grown for three consecutive fiscal years (Forecast)**

Commencing in FY 3/08, the "Optical Equipment Group," previously a separate reporting segment, has been reclassified into "Others."

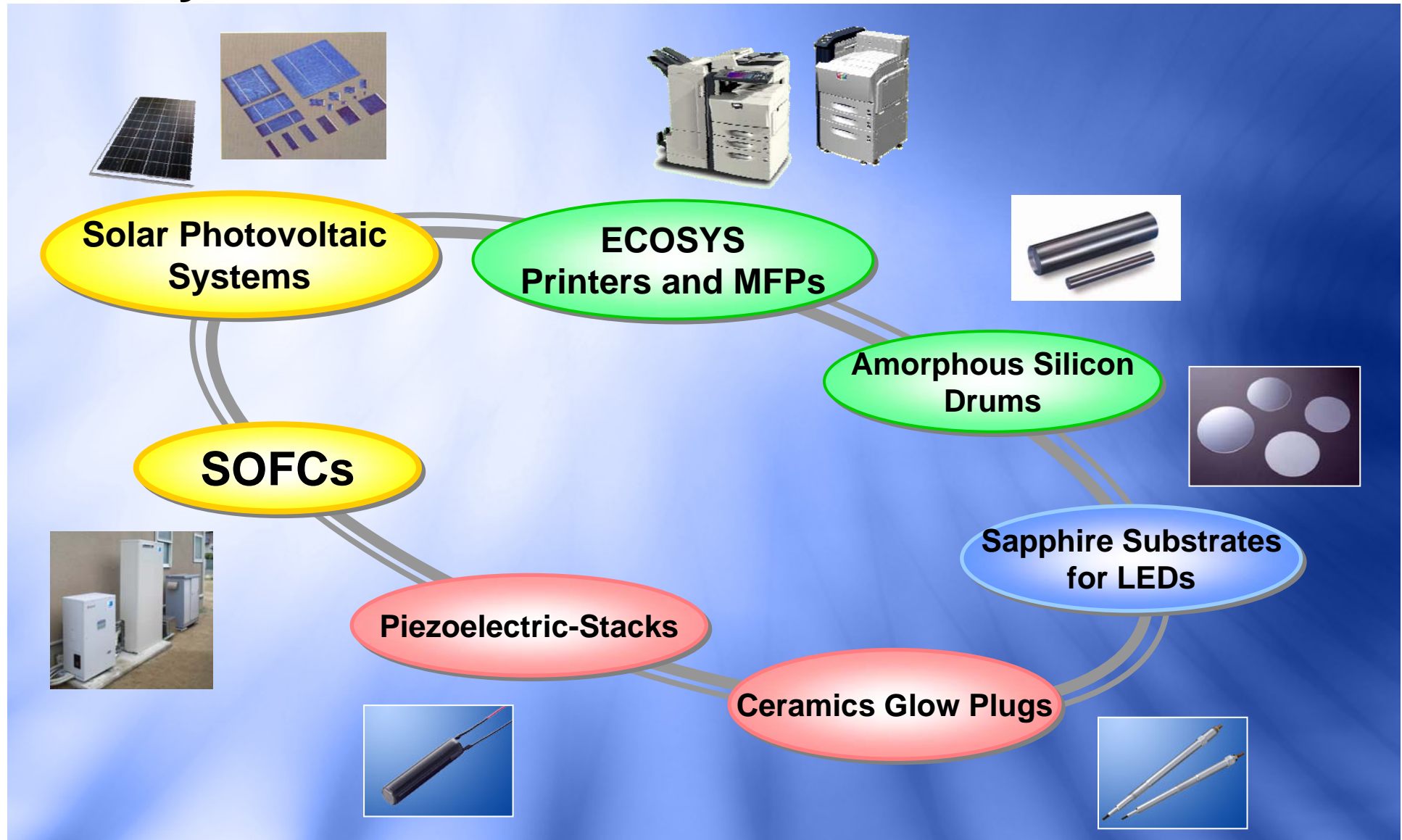
# Four Strategic Markets

**Promote development of new products and technologies in strategic markets**








# Kyocera's Environment Related Businesses



## Growth Rate in Markets for Kyocera's Environment Related Components

		Yearly Market Growth Rate
<b>Ceramics Glow Plugs</b> 		Approx. <b>45%</b>
<b>Piezoelectric-Stacks</b> 		Approx. <b>30%</b>
<b>Sapphire Substrates for LEDs</b> 		Approx. <b>15%</b>
<b>cf. semiconductor chips</b>		<b>5~10%</b>

Kyocera forecasts

## Size and Growth Rate in Markets for Kyocera's Environment Related Products

	<b>Market Size (billion yen)</b>	<b>Yearly Market Growth Rate</b>
<b>Printers and MFPs</b>  	<b>Approx. 5,000</b>	<b>10%</b>
<b>Solar Photovoltaic Systems</b>  	<b>Approx. 800*</b> (in CY 06)	<b>20%~40%</b>

\*Daiwa Institute of Research Ltd estimate; others are Kyocera forecasts

## Competitive Advantages of Kyocera's Solar Energy Business

- A leading company with 30 years of experience

- World's first mass producer of currently most widely used multi-crystalline silicon solar cells\*<sup>1</sup>

- Best conversion efficiency in the world of 18.5%\*<sup>2</sup> among multi-crystalline silicon cells

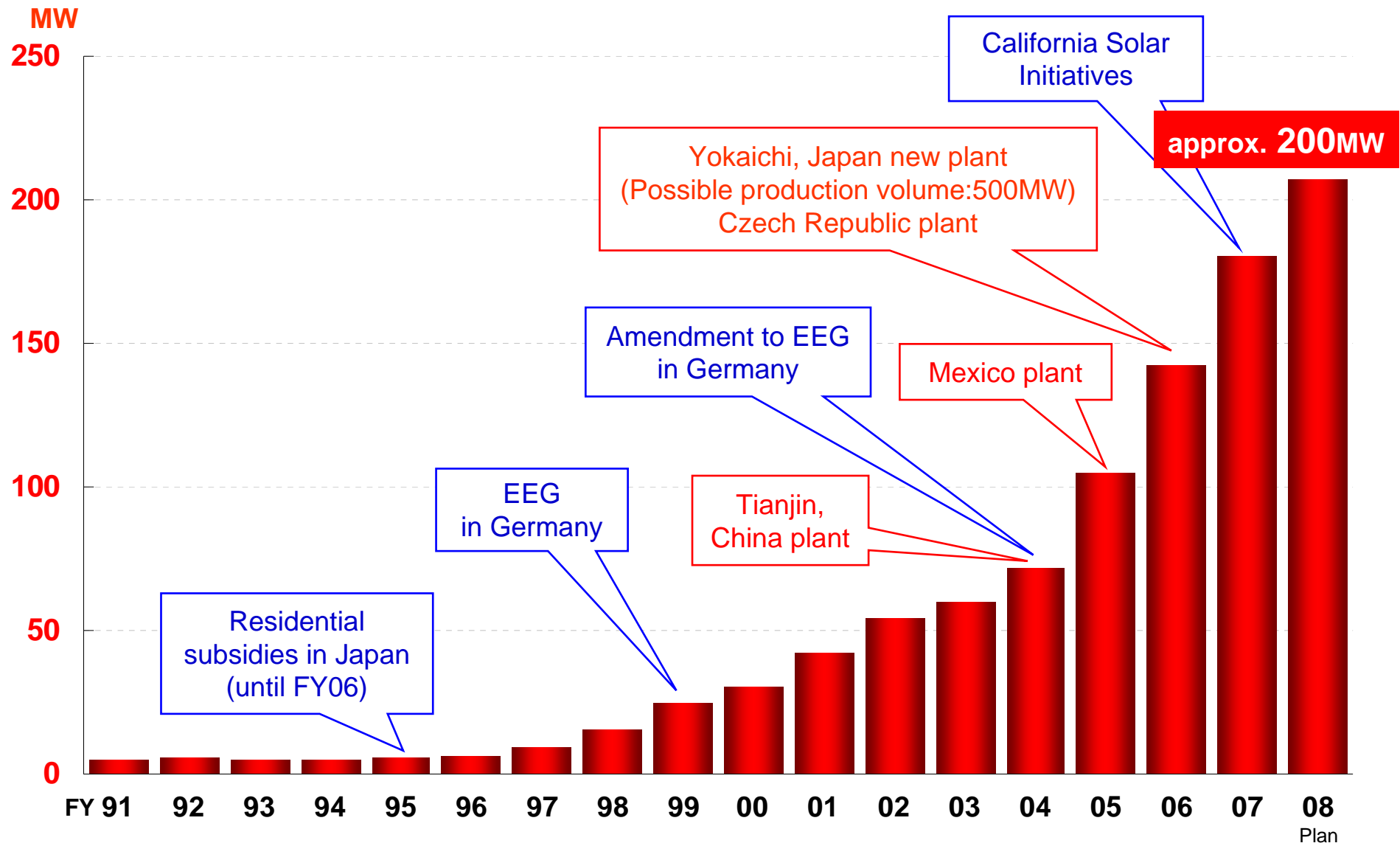
- Third in the world based on production volume (CY2006)

- Vertically integrated production from silicon casting to modules

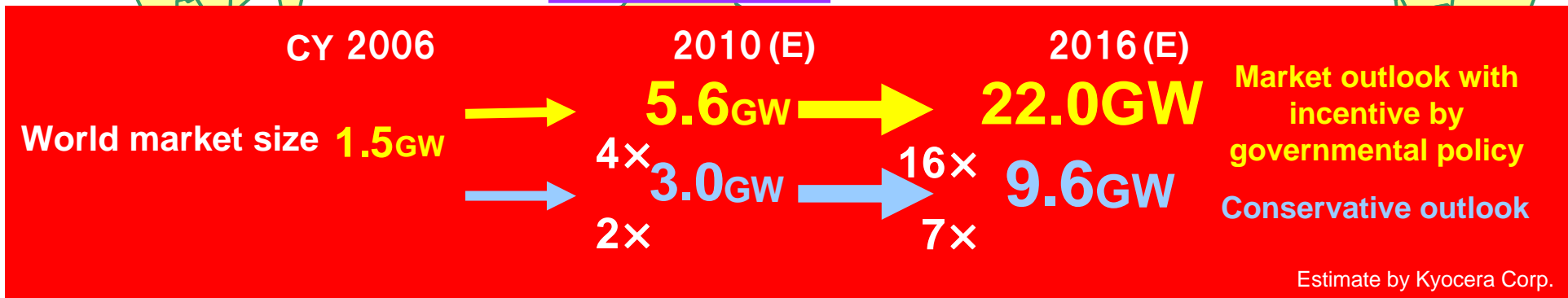
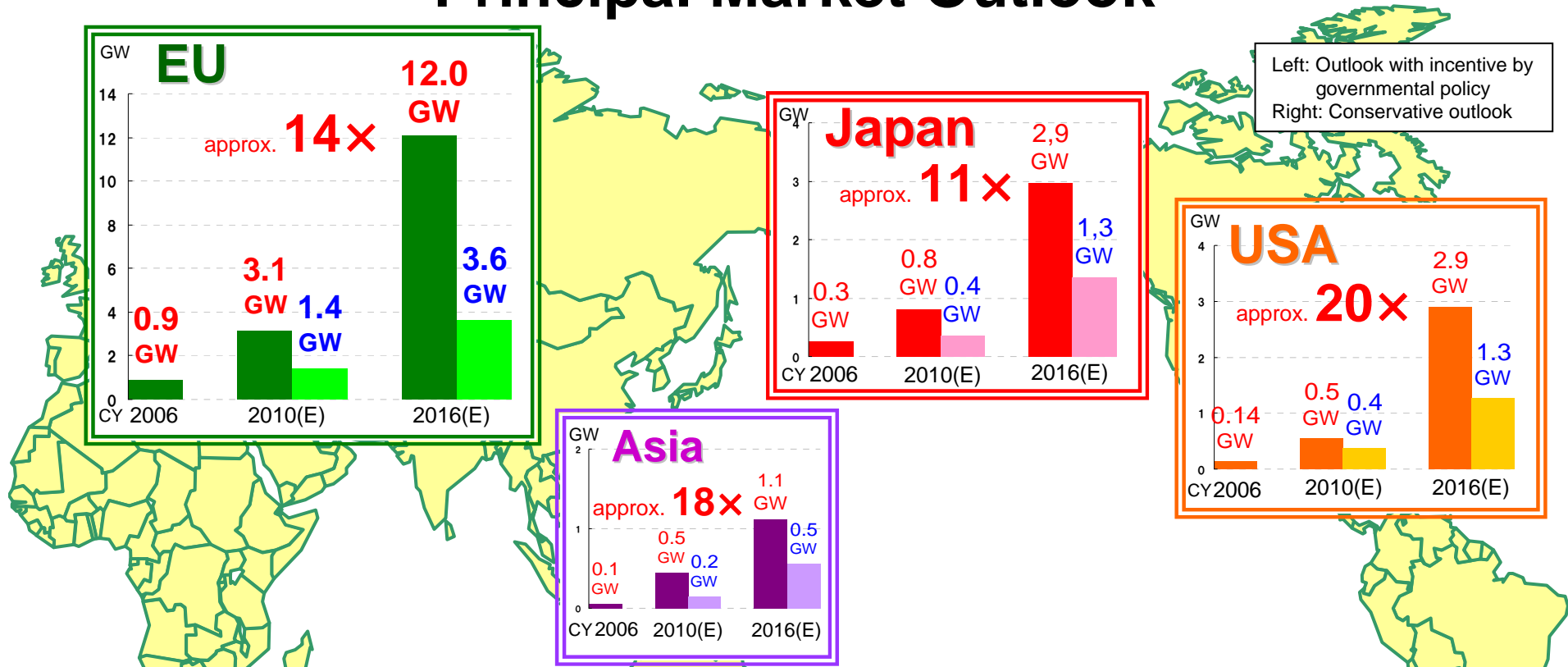
\*<sup>1</sup> Casting method

\*<sup>2</sup> R&D phase; Kyocera's measurement

# Production Volume Trend in PV Systems



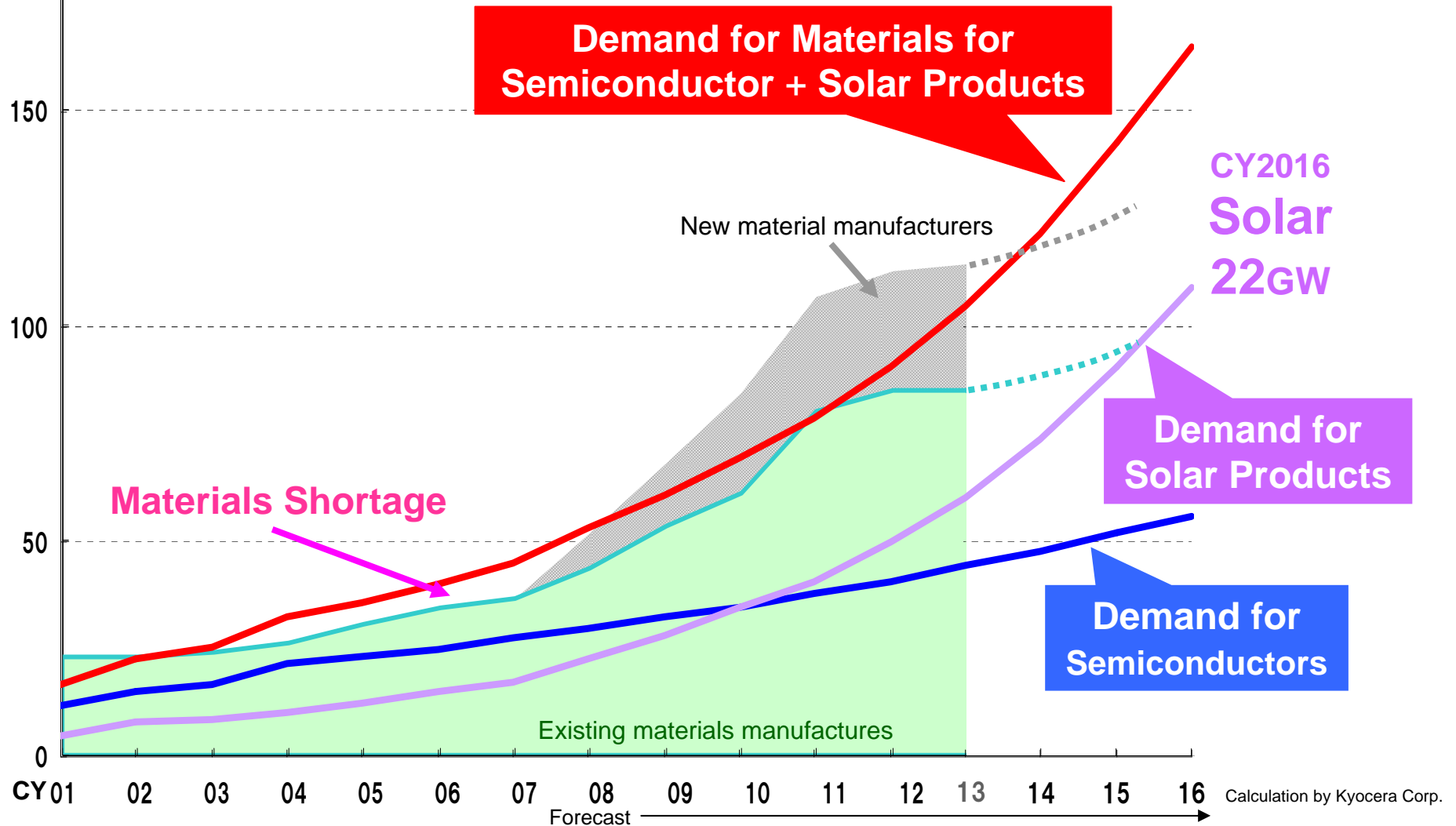
# Principal Market Outlook



Estimate by Kyocera Corp.

Kton  
200

# Comparison between Expansion Plan of Materials Manufacturers and Market Demand



# Market Conditions: Overview

**Spread of subsidies**

Europe, US, Korea, etc.

⇒ **Continuous market growth**

+

**Increase in production of materials**

Increase in production volume by existing manufacturers + new entrants

⇒ **Stability in supply and price**

||

**Sudden increase in number of manufacturers**

200~300 Companies

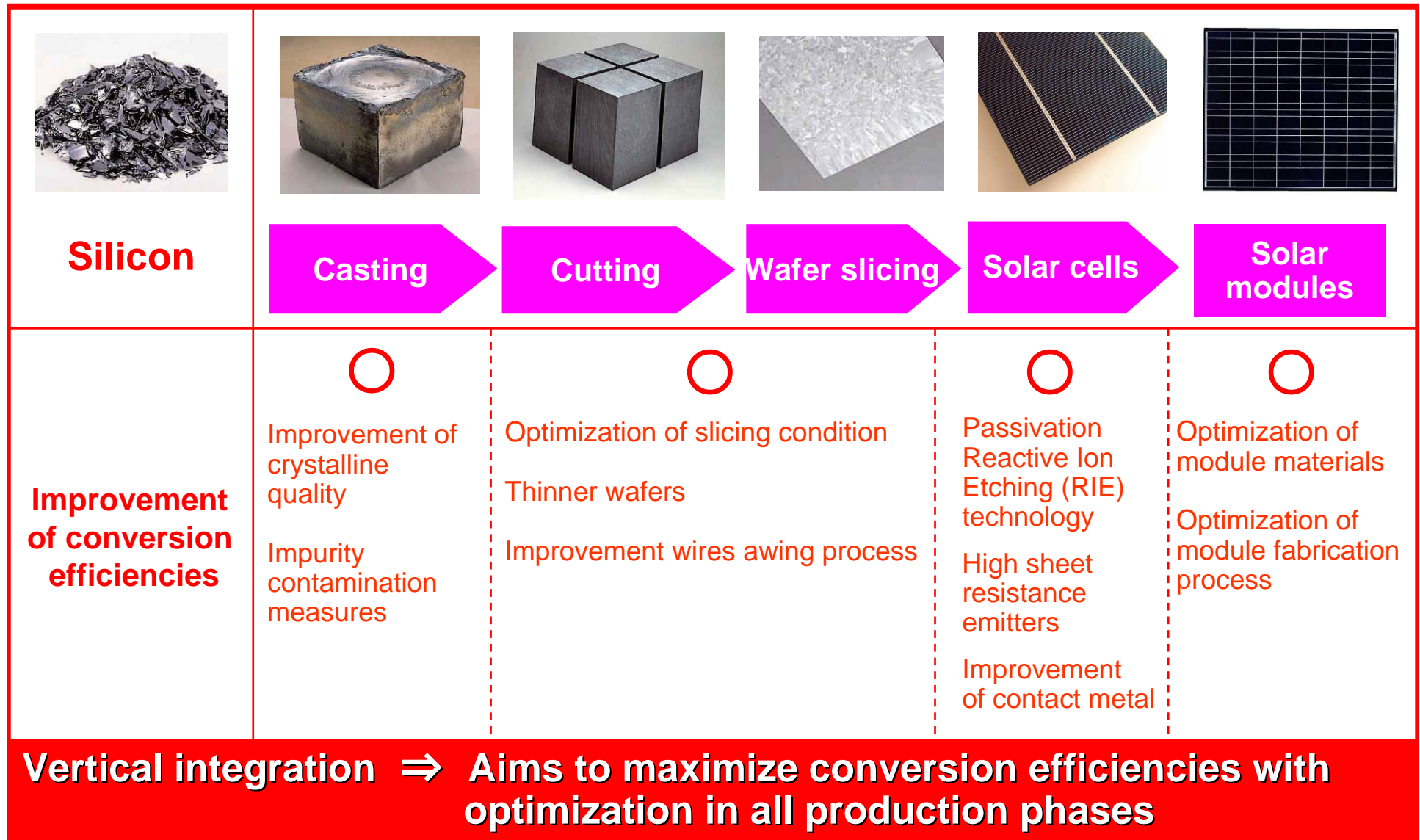
**EEG\* in Germany: reexamination of buyback price of feed-in tariff annual decrease rate 5% to 7~9%**

\*EEG= Erneuerbare-Energien-Gesetz

**Beginning of "intense competition era"  
Gain comprehensive competitive advantages:  
"technologies, cost competitiveness, and quality"**

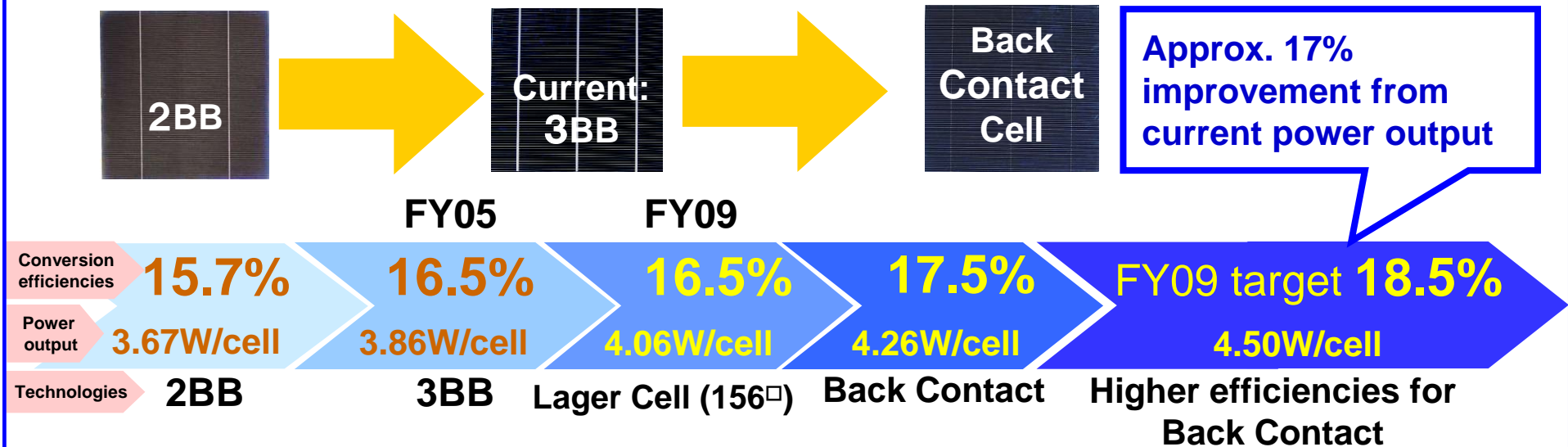


# Cost Competitiveness: Improvement of conversion efficiencies

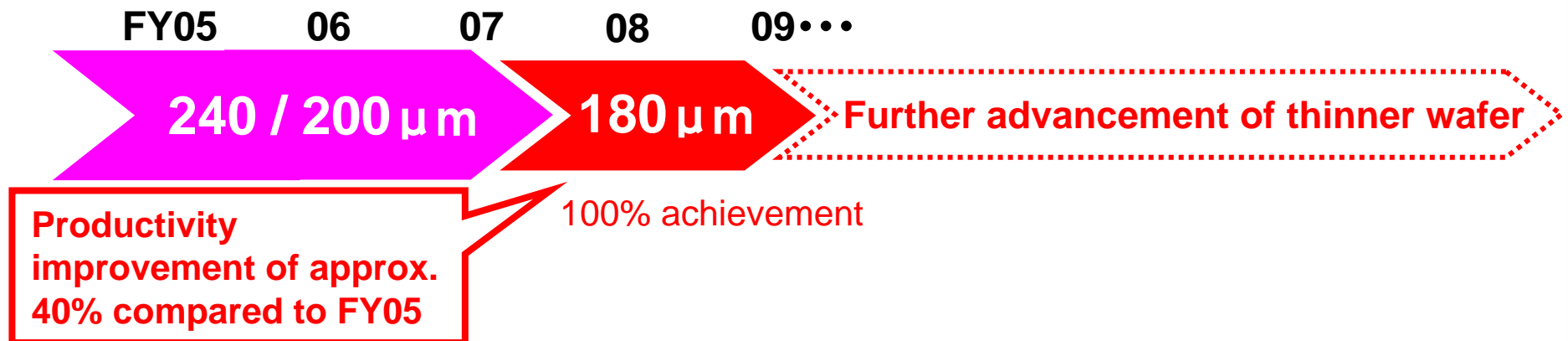


# Cost Competitiveness: Productivity

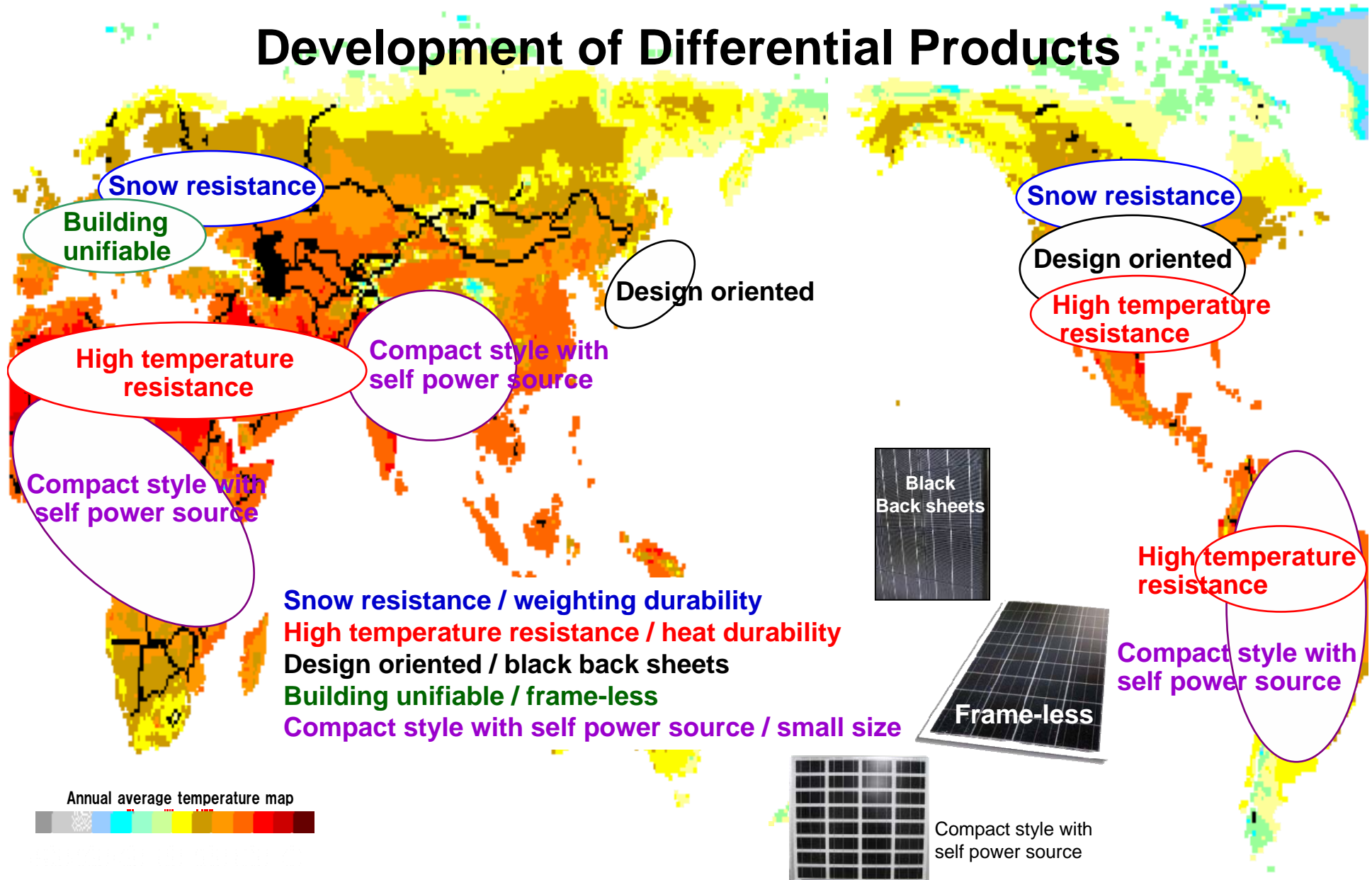
## 1. Higher cell efficiencies



## 2. Thinner cell



# Development of Differential Products



# Evaluation for High Quality

Received best evaluation in general consumer product test (Germany) !

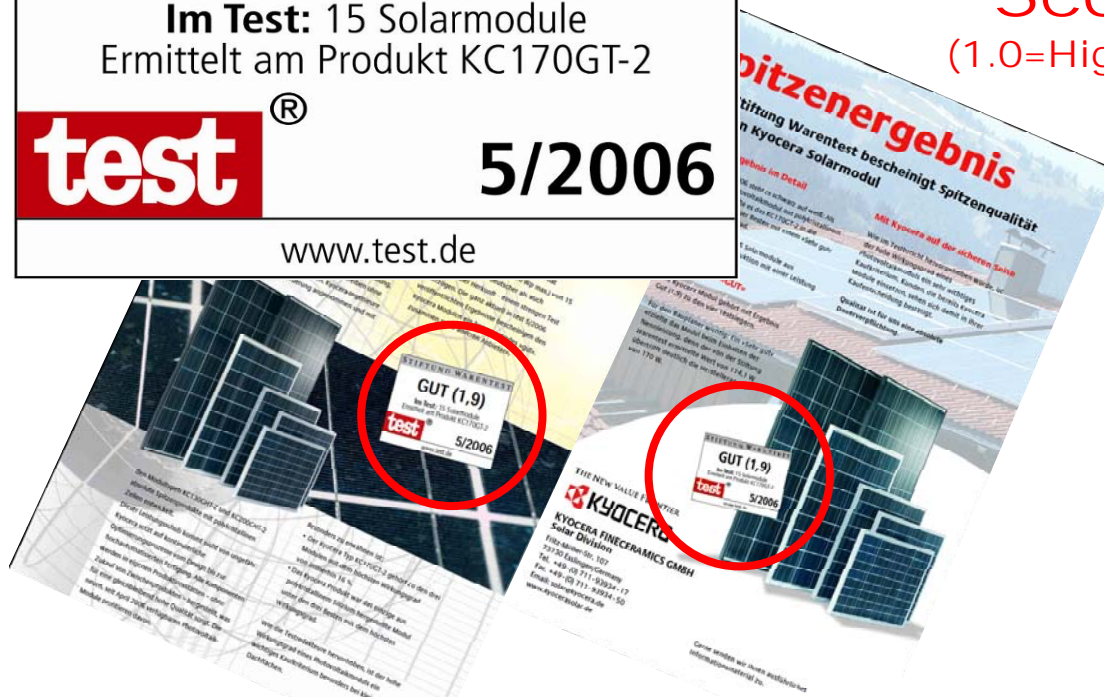


## No.1 Quality

Number of Manufacturers: 15

Score (Good Point): 1.9

(1.0=Highest Possible, 6.0=Lowest Possible)



**[ Evaluation criteria ]**

**Power Output**

**Durability**

**Reliability**

**Installation**

Quality is the key to differentiation → "Kyocera Quality"

**Czech Republic**



**China**



**Japan / Ise**



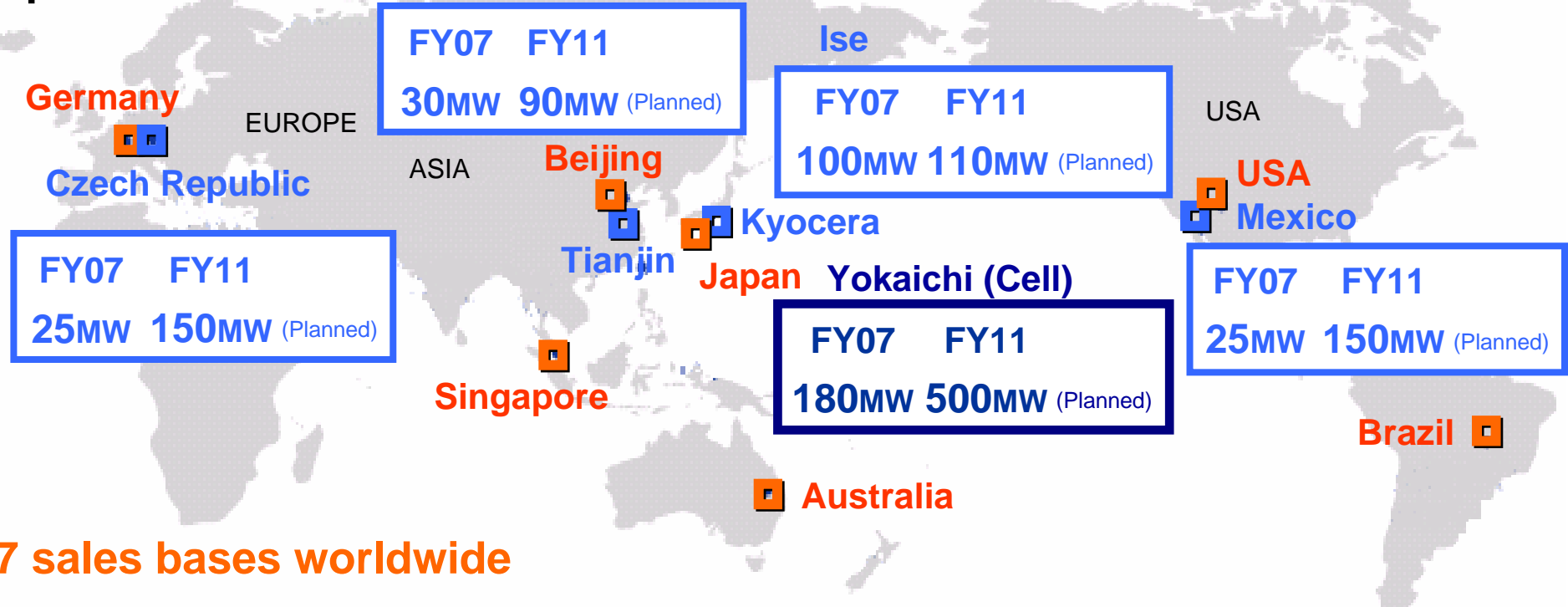
**Japan / Yokaichi**



**Mexico**



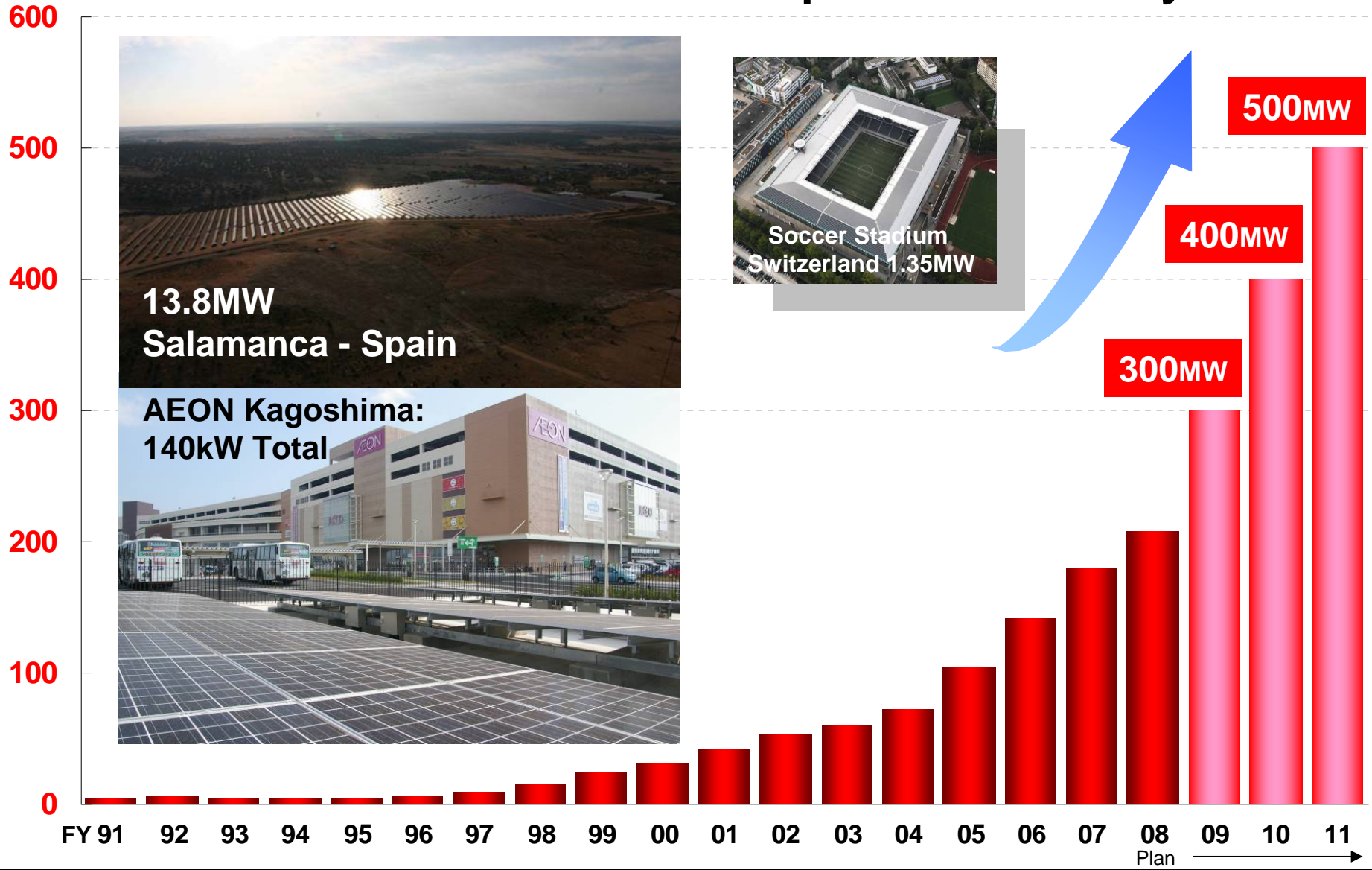
**4 production bases worldwide**



**7 sales bases worldwide**



# MW Planned Production Volume Expansion in PV Systems



Please refer to accompanying note on page 2.

## Notes for Consolidated Financial Results

**During fiscal year ended March 31, 2007, Kyocera sold its shares in Kyocera Leasing Co., Ltd., a subsidiary engaged in financing services. For this reason, business results of Kyocera Leasing Co., Ltd. and profit on sales of the shares in Kyocera Leasing Co., Ltd. have been recorded as income from discontinued operations in conformity with accounting principles generally accepted in the U.S. Consequently, some figures for the fiscal years from 2003 to 2006 have been retrospectively reclassified.**

THE NEW VALUE FRONTIER

