

Kyocera Corporation Investor Meeting (November 2, 2009)

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< Slide 1: Financial results of H1 FY3/2010 - Comparison with H1 FY3/2009 - >

As shown in this slide, both sales and profit for the six months ended September 30, 2009 (the “first half”), decreased substantially compared with the six months ended September 30, 2008 (the “previous first half”). To react to a sudden downturn in business environment, we restricted capital expenditures as one of the measures among group-wide cost reduction programs, resulting in a decrease of ¥23.4 billion in capital expenditures compared with the previous first half. Relating to the decrease of capital expenditures, depreciation cost in the first half decreased by ¥10.6 billion compared with the previous first half. In addition, we revised themes in R&D activities and reduced R&D costs as much as ¥9.3 billion.

Next, I will explain financial summary of the first half.

< Slide 2: Summary of H1 FY3/2010 (1) - Comparison with H1 FY3/2009 - >

The first point of the summary concerns the decrease in sales and profit due to a slump in the business environment. Sales and operating profit in the components business decreased by ¥98.8 billion and ¥34.8 billion, respectively, compared with the previous first half. Demand was down in key markets, notably digital consumer equipment, industrial machineries, and automotive industries compared with the previous first half. Meanwhile, prices continued to decline in the solar energy business owing to intensifying price competition overseas.

In the equipment business, sales and operating profit decreased by ¥70.3 billion and ¥9.0 billion, respectively, compared with the previous first half. Sales of printers and digital MFPs decreased due to restricted investment in information technology in line with the economic downturn. Sales of mobile phone handsets also decreased.

< Slide 3: Financial Summary of H1 FY3/2010 (2) - Comparison with H1 FY3/2009 - >

The second point of the summary concerns appreciation of the yen against the U.S. dollar and Euro. In average exchange rates for the first half, the yen appreciated ¥11, from ¥106 in the previous first half to ¥95, against the U.S. dollar and ¥30, from ¥163 to ¥133, against the Euro compared with the previous first half. Sales and pre-tax income were pushed down by ¥45.0 billion and ¥13.5 billion, respectively, compared with the previous first half, due to the yen appreciation.

The third point concerns progress in cost reduction. At the financial results presentation in April this year, I stated that Kyocera was planning to reduce costs by ¥56.0 billion on a group-wide basis for the current fiscal year compared with the previous fiscal year. In the first half, we have achieved its full-year cost reduction plan of ¥56.0 billion. I will discuss the effects of these cost reductions later, particularly the improvement in operating profit in each reporting segment. We will promote further cost reductions from the third quarter onwards to strengthen management structure.

The fourth point concerns absence of one-time gain. In the previous first half, Kyocera recorded gain on sales of real estate in Japan and overseas as well as one-time loss, including impairment loss on fixed assets in the Electronic Device Group, for a net gain of approximately ¥7.8 billion. The absence of this one-time gain of ¥7.8 billion in the previous first half was the reason for the decline in profit in the first half.

Sales and profit were down significantly in the first half compared with the previous first half. However, we considerably improved profitability in the second quarter compared with the first quarter of the current fiscal year.

< Slide 4: Financial Results of Q2 FY3/2010 - Comparison with Q1 FY3/2010 - >

This slide compares financial results for the three months ended September 30, 2009 (the “second quarter”) with those of the three months ended June 30, 2009 (the “first quarter”).

Sales and profit substantially increased in the second quarter compared with the first quarter. In particular, profit from operation was up significantly from operating loss in the first quarter.

Let’s turn to the next slide for a financial summary of the second quarter.

< Slide 5: Summary of Q2 FY3/2010 (1) - Comparison with Q1 FY3/2010 - >

For the first point, Kyocera achieved sales and profit growth in all reporting segments in the second quarter compared with the first quarter.

In the components business, sales increased by ¥19.9 billion and operating profit increased by ¥10.1 billion compared with the first quarter. Demand for components used in digital consumer equipment continued to expand from the first quarter, while demand for parts for industrial machineries and automotive related parts have increased moderately since the second quarter.

Sales in the solar energy business grew steadily, particularly for residential use in the Japanese market.

As a result, production volume in the components business increased and operating profit also improved substantially due to higher utilization and to effect of cost reduction.

Sales and operating profit in the equipment business increased by ¥9.8 billion and ¥7.4 billion, respectively.

Sales in the Telecommunications Equipment Group and the Information Equipment Group increased due to the release of new products. Sales growth coupled with reorganization of business structures and cost reductions measures resulted in enhanced profits significantly. As a result, Kyocera achieved profitability in the equipment business in the second quarter.

< Slide 6: Summary of Q2 FY3/2010 (2) - Comparison with Q1 FY3/2010 - >

The second point of the summary refers to the implementation of strategic measures to strengthen business. Kyocera executed two main measures in this regard.

First, we secured new management resources through M&A in the Information Equipment Group and Others. In the Information Equipment Group, Kyocera Mita Corporation acquired the shares of

two information equipment distributors of Chungho ComNet Co., Ltd. in South Korea and made them into consolidated subsidiaries to reinforce sales capabilities in Asia, a market that is forecast to expand going forward. In Others, Kyocera Communication Systems Co., Ltd. made Net It Works Inc. a subsidiary to strengthen telecommunications engineering business. These new subsidiaries are expected to make a genuine contribution to results from the third quarter.

Second, we promoted optimization of management resources. To strengthen cost competitiveness, we sold a software development subsidiary in India in the Telecommunications Equipment Group. Through this move, we expect further cost reduction in software development onward.

I will now explain the second quarter results in each reporting segment in comparison with the first quarter.

< Slide 7: Quarterly Trends by Reporting Segment – Fine Ceramic Parts Group - >

In the Fine Ceramic Parts Group, demand for parts for digital consumer equipment such as sapphire substrates recovered, while demand for parts for semiconductor fabrication equipment, as well as automotive related parts increased slightly, resulting in overall sales growth.

Operating loss was considerably reduced owing to the effects of sales growth and cost reductions.

< Slide 8: Quarterly Trends by Reporting Segment - Semiconductor Parts Group - >

In the Semiconductor Parts Group, demand for ceramic packages for crystal and SAW devices and ceramic packages for CCD/CMOS image sensors for mobile phone handsets and digital cameras continued to grow. Demand for organic packages used in game consoles and servers rebounded.

Besides rising demand, comprehensive cost reductions and enhanced productivity drove an improvement in the profitability.

< Slide 9: Quarterly Trends by Reporting Segment - Applied Ceramic Products Group - >

In the Applied Ceramic Products Group, sales growth in the solar energy business made a significant contribution to the increase in sales. Demand in the solar energy business is expanding rapidly in the Japanese market, stimulated by the government's subsidy policies, while demand overseas has started to recover, especially in large-scale projects for power generating. In the cutting tool business, demand increased in the automotive industry moderately.

Despite a continued tough environment for solar energy related products overseas, characterized by intensifying price competition, increased sales in the solar energy and cutting tool businesses and improved profitability through cost cutting measures resulted in profit growth.

< Slide 10: Quarterly Trends by Reporting Segment - Electronic Device Group - >

In the Electronic Device Group, demand for core components such as capacitors, crystal related products and connectors mainly used in digital consumer equipment increased compared with the first quarter, driving an overall sales growth. Kyocera improved profitability thanks to an increase in sales of core components along with the effects of reduced costs.

< Slide 11: Quarterly Trends by Reporting Segment - Telecommunications Equipment Group - >

Sales in the Telecommunications Equipment Group were up due to the launch of new mobile phone handsets for the Japanese market. The effects of higher sales and cost cuts coupled with the positive results of integration on development and sales department led to a reduction in operating loss compared with the first quarter.

< Slide 12: Quarterly Trends by Reporting Segment - Information Equipment Group - >

In the Information Equipment Group, information technology investment in the corporate sector remained at a low level in Japan and overseas, producing an unfavorable business environment. Despite this, Kyocera actively promoted sales of new ECOSYS printers and TASKalfa brand MFPs, resulting in an increase in sales compared with the first quarter.

In terms of operating profit, Kyocera recorded gain on sale of fixed assets of approximately ¥1.5 billion in the second quarter. Even excluding this one-time gain, we significantly increased operating profit compared with the first quarter. As well as effect of sales increase, by integrating production and development sites, a program completed in the previous fiscal year, we have succeeded in lowering costs and thus increased profits amid a harsh business environment.

< Slide 13: Quarterly Trends by Reporting Segment - Others - >

Finally, in Others, an increase in ICT (Information & Communication Technology) business and contribution from a new subsidiary at Kyocera Communication Systems Co., Ltd. combined with recovery in demand for electronic component materials such as molding compounds for semiconductor encapsulation at Kyocera Chemical Corporation. led to an increase in segment sales. Kyocera achieved an increase in operating profit due primarily to sales growth at these two companies.

< Slide 14: Financial Forecast - Year Ending March 31, 2010 - >

I will now explain consolidated financial forecasts for the year ending March 31, 2010 ("fiscal 2010"). There are no changes to the sales and profit forecasts for fiscal 2010 announced on April 27, 2009. However, as I will discuss later, we revised financial forecasts for each reporting segment in light of first half performance and the business environment outlook for the second half.

In average exchange rates for fiscal 2010, there is no change to the yen / U.S. dollar forecast. The yen depreciated more than expected against the Euro in the first half, however, and we revised the forecast for the second half, and accordingly for the full-year also, from ¥123 to ¥129. As a result, appreciation of the yen in fiscal 2010 is projected to push down sales by ¥63.0 billion and pre-tax income by ¥19.5 billion, as compared with the previous fiscal year.

<Slide 15: Sales Forecast for FY3/2010 by Reporting Segment - Comparison with the Previous Forecast - >

This slide shows the changes between revised and previous forecasts for sales by reporting segment. In the components business, demand for parts in the Semiconductor Parts Group and the Electronic Device Group exceeded expectations to the first half, while demand is forecast to remain solid until the end of December 2009. As a result, sales in the components business are expected to exceed previous forecasts.

In the Applied Ceramic Products Group, despite strong demand in the domestic solar energy business, selling prices are forecast to decline beyond initial expectations overseas. Further, there has been only moderate recovery in the cutting tool business. As a result, sales in this reporting segment are expected to be lower than previous forecasts.

Based on these projections, sales in components business are expected to exceed previous forecasts by ¥10 billion on the whole.

In the equipment business, sales in the Telecommunications Equipment Group and the Information Equipment Group are forecast to fall short of previous forecasts due to stagnant replacement demand for mobile phone handsets and low expectations for resurgence in information technology investment. We expect lower sales than original forecast by ¥9 billion.

< Slide 16: Operating Profit Forecast for FY3/2010 by Reporting Segment - Comparison with the Previous Forecast - >

Initiatives to reduce costs and improve productivity implemented since the previous fiscal year in both the components business and the equipment business have led to steady improvements in profitability in each business. Accordingly, we expect to make definite improvements in profits.

In Corporate, interest income is below initial projections and decreased relative to the previous forecasts.

Now I will explain second half financial forecasts and initiatives in each reporting segment.

< Slide 17: Second Half Initiatives by Reporting Segment - Fine Ceramic Parts Group - >

In the Fine Ceramic Parts Group, demand for parts for digital consumer equipment is expected to continue expanding, notably sapphire substrates for LEDs, while demand for parts for semiconductor fabrication equipment and automotive related parts is forecast to increase, albeit mildly. This reporting segment has already returned to profitable on a monthly basis, and we will strive to turn this increase in demand into sales growth in the second half. By doing so, we aim to increase sales by 20% relative to the first half.

We forecast a return to profitable in the second half in this reporting segment due to increased sales and further cost reductions, and are aiming to generate significant profit improvement.

< Slide 18: Second Half Initiatives by Reporting Segment - Semiconductor Parts Group - >

In the Semiconductor Parts Group, demand for packages for crystal and SAW devices, packages for CCD/CMOS image sensors used in mobile phone handsets and digital cameras and SiP substrates used in mobile phone handsets is expected to continue growing. We also project robust demand for

packages for ASICs used in servers. We will strive to expand sales of these products and further raise market share by responding swiftly to customer requirements. In addition, we aim to improve profitability in the second half by reducing costs.

< Slide 19: Second Half Initiatives by Reporting Segment - Applied Ceramic Products Group - >

In the Applied Ceramic Products Group, we will work to increase sales in the solar energy business by expanding sales in the favorable domestic market. As a concrete measure, we will create a new sales channel by broadening our sales networks and expanding franchise stores, including outlets in AEON shopping centers, and forming close ties between our subsidiary Kyocera Communication Systems Co., Ltd. and its partner companies that provide telecommunications engineering services. By leveraging the know-how of the partner company in the construction of mobile phone base stations, we endeavor to expand sales of solar systems for residential use as well as for public and industrial facilities.

Prices continue to decline in overseas markets, while demand has bottomed out and is on a moderate recovery track. We will strive to enhance profitability in the solar energy business by exploiting the high reliability of Kyocera products to secure orders and by cutting costs through measures such as continued improvements in production yield and conversion efficiency.

In addition, we forecast an increase in demand in the cutting tool business in the second half compared with the first half due to moderate recovery in automotive related industries and progress in normalization of distribution inventory. In the second half we are forecasting improved profitability through increased orders.

We will work to increase sales and profit in this reporting segment compared with the first half by taking advantage of rising demand in the solar energy and cutting tool businesses.

< Slide 20: Second Half Initiatives by Reporting Segment - Electronic Device Group - >

In the Electronic Device Group, Kyocera forecasts demand for key components such as crystal related products, connectors and capacitors to continue favorable level until the end of December 2009. We will continue our effort to expand sales of components for digital consumer equipment. In addition to solid demand, we will endeavor to expand sales by promoting mass-production of new products such as crystal wave plates enabling simultaneous use of three wavelengths on a single wave plate, crystal etalon filters that sense deviations between multiple wavelengths of light and Low profile capacitors which thickness is only 150um.

We have steadily improved profitability in this reporting segment by reducing costs and enhancing productivity. We will continue these initiatives in the second half to further enhance profitability and establish highly profitable foundations.

< Slide 21: Second Half Initiatives by Reporting Segment - Telecommunications Equipment Group - >

In the Telecommunications Equipment Group, we forecast a significant increase in sales in the

second half of approximately 45% compared with the first half through the introduction of new products both in Japan and overseas. In the Japanese market, we expect healthy sales of 'K002,' a slim designed model as thin as 10.9 mm that has become a hot seller in the market, will continue to grow in the second half. As we already announced, we will launch a new mobile phone handset 'SA001' for au in the second half by integrating Kyocera's thinner design and SANYO's slider design technology.

In overseas markets, sales slumped in the first half due to a cyclical low for new handsets. We are expecting sales to key customers to increase in the second half through the launch of new models. We also seek to secure new customers in overseas markets, while expanding crossover sales of handsets in the second half is expected to help increase sales.

With regard to profitability, the effects of reorganizing development and sales systems since the previous fiscal year were reflected in the first half performance, and helped to strengthen business structure. By expanding sales in the second half, we believe we can enhance profitability further, and are therefore projecting a return to positive figures.

< Slide 22: Second Half Initiatives by Reporting Segment - Information Equipment Group - >

In the Information Equipment Group, we forecast an increase in sales and a decrease in profit in the second half relative to the first half. This is because we recorded a gain on sale of assets in the first half in the amount of ¥1.5 billion, while there will be no such gain in the second half, and also since the yen is projected to appreciate in the second half relative to the first half.

In the second half we will release eight new products including printers and MFPs and strive vigorously to expand sales of color products. We will also make effective use of the sales channels of Germany-based TA Triumph Adler AG, and of other new sales companies, which we made into subsidiaries in July this year in South Korea, as means to increase sales.

We still do not project genuine recovery in demand due to a continued suppression of information technology investment in the corporate sector. However, we view these difficult circumstances as an opportunity to expand business, by promoting our differentiated product strategy that enables lower running cost. We will aim to increase orders by utilizing sales networks secured as new management resources as well as further cost reduction, thereby ensuring profitability.

< Slide 23: Second Half Initiatives by Reporting Segment - Others - >

In Others, we aim to boost sales and profit compared with the first half by increasing ICT business, and increasing sales of electronic component materials including molding compounds for semiconductor encapsulation.

That concludes my explanation of second half initiatives in each reporting segment.

< Slide 24: Six monthly Sales and Pre-tax Income Trends - FY3/2009 ~ FY3/2010 Forecast - >

Finally, Kyocera has been working to strengthen business foundations until the first half by thoroughly reducing costs and securing profits in the components business despite few prospects for

a significant resurgence in sales. As a result, we built foundations that enabled us to substantially enhance profits in the first half relative to the second half of the previous fiscal year in spite that sales stayed at the same level. In the second half we will strive to expand sales and improve profitability by expanding businesses in key markets notably solar energy business and the Telecommunications Equipment Group and by further reducing cost across the board, with the aim of achieving full-year financial forecasts for fiscal 2010.