

# **Kyocera Corporation Business Presentation**

**August 5, 2008**

**Makoto Kawamura**

**President and Representative Director**

# Today's Presentation

## 1. Financial Results for the three months ended June 30, 2008 and Initiatives and Forecast from Second Quarter Onward

**Makoto Kawamura**

President and Representative Director

## 2. Developments in the Semiconductor Parts Group

**Tetsuo Kuba**

Senior Managing Executive Officer

General Manager of Corporate Semiconductor Components Group

## 3. Developments in the Information Equipment Group

**Katsumi Komaguchi**

President and Representative Director

Kyocera Mita Corporation

# 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 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 technological 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; our continuing to hold licenses to manufacture and sell certain of our products; future initiatives and in-process research and development may not produce the desired results; the possibility that companies or assets acquired by us may require more cost than expected for integration, and may not produce returns or benefits, or bring in business opportunities, which we expect; 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; the possibility of the future tightening of environmental laws and regulations in Japan and other countries which may increase our environmental liability and compliance obligations; 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.

# Consolidated Financial Results

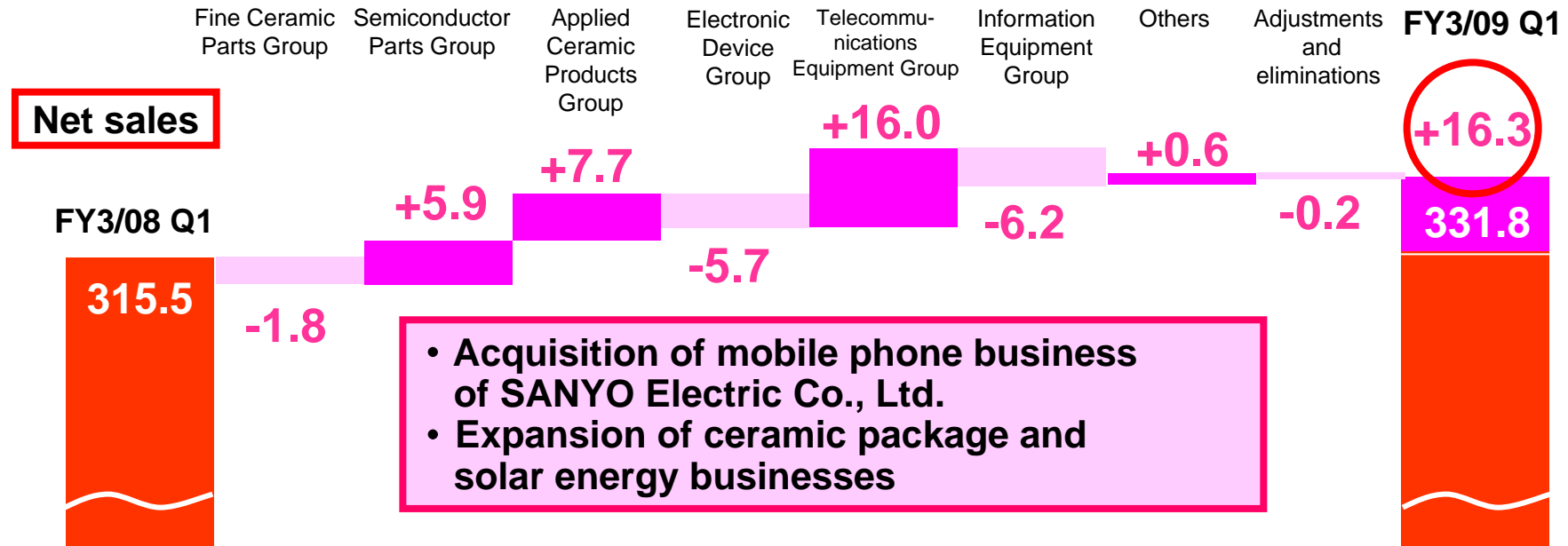
- Three months ended June 30, 2008 -

(Unit: Yen in millions)

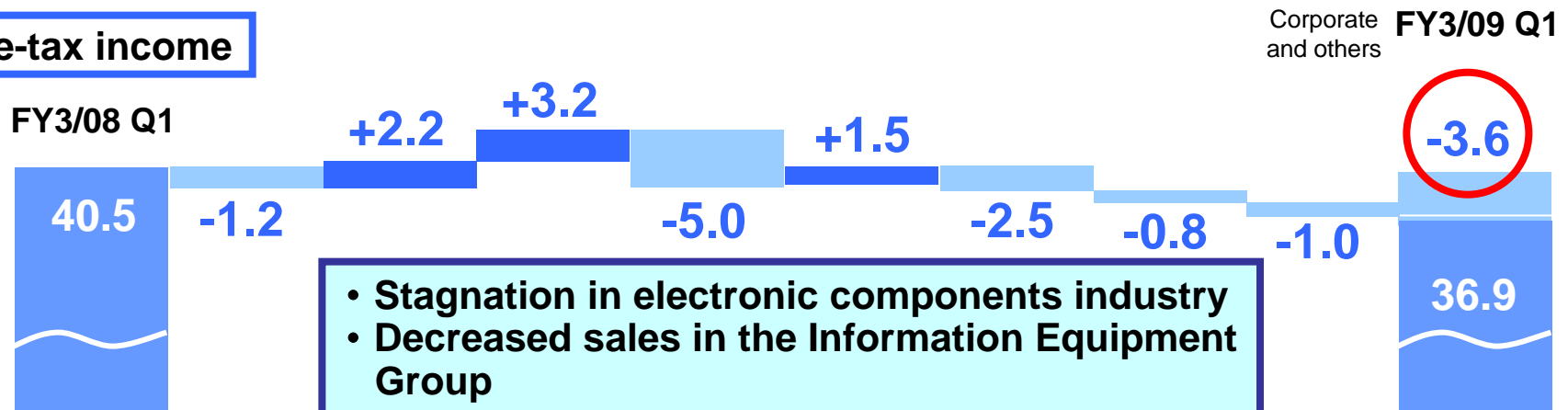
	Three months ended June 30,				% Change
	2007		2008		
	Amount	% to net sales	Amount	% to net sales	
Net sales	315,450	100.0	<b>331,758</b>	<b>100.0</b>	<b>5.2</b>
Profit from operations	31,616	10.0	<b>27,962</b>	<b>8.4</b>	<b>-11.6</b>
Pre-tax income	40,484	12.8	<b>36,905</b>	<b>11.1</b>	<b>-8.8</b>
Net income	24,984	7.9	<b>21,962</b>	<b>6.6</b>	<b>-12.1</b>
EPS (diluted - yen)	131.93	—	<b>115.82</b>	<b>—</b>	<b>-12.2</b>
Capital expenditures	15,044	4.8	<b>17,967</b>	<b>5.4</b>	<b>19.4</b>
Depreciation	16,281	5.2	<b>19,251</b>	<b>5.8</b>	<b>18.2</b>
R&D expenses	15,315	4.9	<b>16,914</b>	<b>5.1</b>	<b>10.4</b>
Average exchange rate (yen)	US\$: 121	Euro: 163	US\$: 105	Euro: 163	
Foreign currency fluctuation effect on: (compared with the previous same period)	net sales	¥14.0 billion		- ¥20.8 billion	
	pre-tax income	¥5.4 billion		- ¥2.9 billion	

# Consolidated Net sales and Pre-tax income by Reporting Segment of FY3/09 Q1 - Compared with FY3/08 Q1-

(Unit: Yen in billions)



**Pre-tax income**



# Business Outlook

- Year ending March 31, 2009 -

## Production Volume Forecasts for Key Electronic Equipment Worldwide

(Kyocera Forecast)

	<b>CY2007</b> (Millions of Units)	<b>CY2008</b> (Estimate) (% change from CY2007)	<b>Background</b>
<b>Mobile phone handsets</b>	<b>1,150</b>	<b>+10%</b>	Steady increase in demand for low-end models in emerging countries
<b>PCs</b>	<b>260</b>	<b>+10%</b>	Continuing firm expansion of demands, notably for note PCs
<b>Flat panel TVs</b>	<b>95</b>	<b>+20~30%</b>	Increase in demand for large flat panel TV sets

## Component Price Trend in FY3/09

**Expect decline of around 15% compared with FY3/08**  
e.g., Ceramic capacitors

# Consolidated Financial Forecast

- Year ending March 31, 2009 -

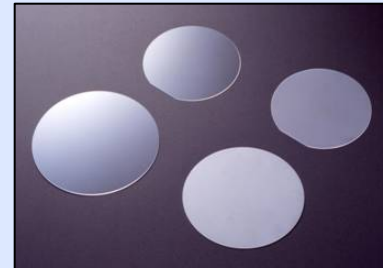
(Unit: Yen in millions)

	Year ended March 31, 2008		Year ending March 31, 2009		% Change
	Amount	% to net sales	Amount	% to net sales	
Net sales	1,290,436	100.0	<b>1,476,000</b>	<b>100.0</b>	<b>14.4</b>
Profit from operations	152,420	11.8	<b>145,000</b>	<b>9.8</b>	<b>-4.9</b>
Pre-tax income	174,842	13.5	<b>165,000</b>	<b>11.2</b>	<b>-5.6</b>
Net income	107,244	8.3	<b>102,000</b>	<b>6.9</b>	<b>-4.9</b>
EPS (diluted - yen)	565.80	—	<b>537.91</b>	—	<b>-4.9</b>
Capital expenditures	85,101	6.6	<b>84,000</b>	<b>5.7</b>	<b>-1.3</b>
Depreciation	75,630	5.9	<b>90,000</b>	<b>6.1</b>	<b>19.0</b>
R&D expenses	61,605	4.8	<b>72,000</b>	<b>4.9</b>	<b>16.9</b>
Average exchange rate (yen)	US\$: 114	Euro: 162	US\$: 100	Euro: 155	
Foreign currency fluctuation effect on: (compared with the previous year)	net sales	¥5.9 billion	-¥95.0 billion		
	pre-tax income	¥7.5 billion	-¥20.0 billion		

# Initiatives and Forecast from Second Quarter Onward (1)

## Fine Ceramic Parts Group

- Timing of recovery for the semiconductor fabrication equipment industry is uncertain
- Expand production of single-crystal sapphire substrates
- Expand sales of automotive related components



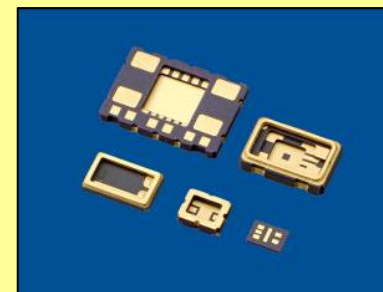
Single-crystal sapphire substrates



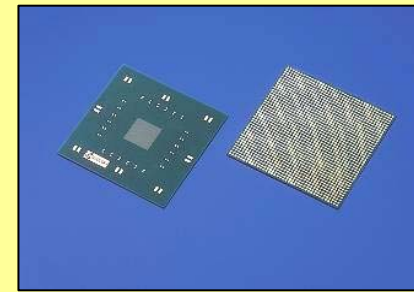
Ceramic glow plugs

## Semiconductor Parts Group

- Expand sales of both ceramic and organic packages (for mobile phone handsets, digital consumer equipment, server related products)



Ceramic package for crystal / SAW devices



Organic packages for ASICs



# Initiatives and Forecast from Second Quarter Onward (2)

## Applied Ceramic Products Group

**Expand solar energy business**

- Annual production volume of 300 MW
- Prepare for mass production of back contact cells
- Achieve annual sales of ¥100 billion immediately



Production line for solar power generating systems



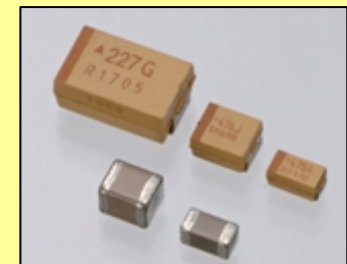
Production plant for solar cells (Yokaichi, Shiga)

## Electronic Device Group

- Expand sales of TCXOs and crystal units for mobile phone handsets
- Improve profitability of capacitors (introduce new products, improve productivity)



Timing devices



Capacitors

# Initiatives and Forecast from Second Quarter Onward (3)

## Telecommunications Equipment Group

- Pursue synergies with the acquired business (build business strategies, share development resources, reduce production costs, etc.)
- Develop next generation PHS base stations and prepare for production
- Develop base stations for WiMAX business



## Information Equipment Group

- Improve sales and profitability through introduction of new products
- Timing of recovery of demands in the U.S. market is uncertain



Color digital multifunctional peripherals  
KM-C4035E



R&D center  
Kyocera Mita Corporation

# Business Expansion in Strategic Markets



# Continuous Expansion of Sales and Profit

**Improve EPS**

Expand profit of both Components and Equipment Businesses

**Creativity and Growth**

Pursue synergies

Develop new products and technologies

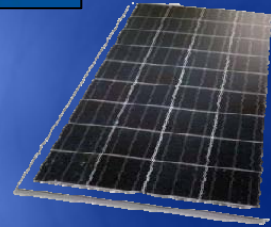
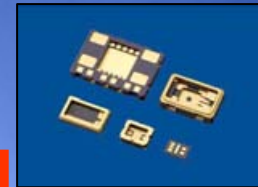
## Key Markets

**Telecom-  
munications**

**Information**

**Environment  
and Energy**

**Automotive**



# Developments in the Semiconductor Parts Group

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# Semiconductor Parts Group Results

-Three months ended June 30, 2008 (FY3/09 Q1) -

(Millions of yen)

	Three months ended June 30,		Increase or Decrease
	2007	2008	
Net sales	35,277	41,167	16.7 %
Pre-tax income	4,023	6,198	54.1 %
Pre-tax income ratio	11.4 %	15.1 %	+3.7 P

➤ **Ceramic packages**

- Increased sales of packages for crystal and SAW devices, and for CCD/CMOS image sensors

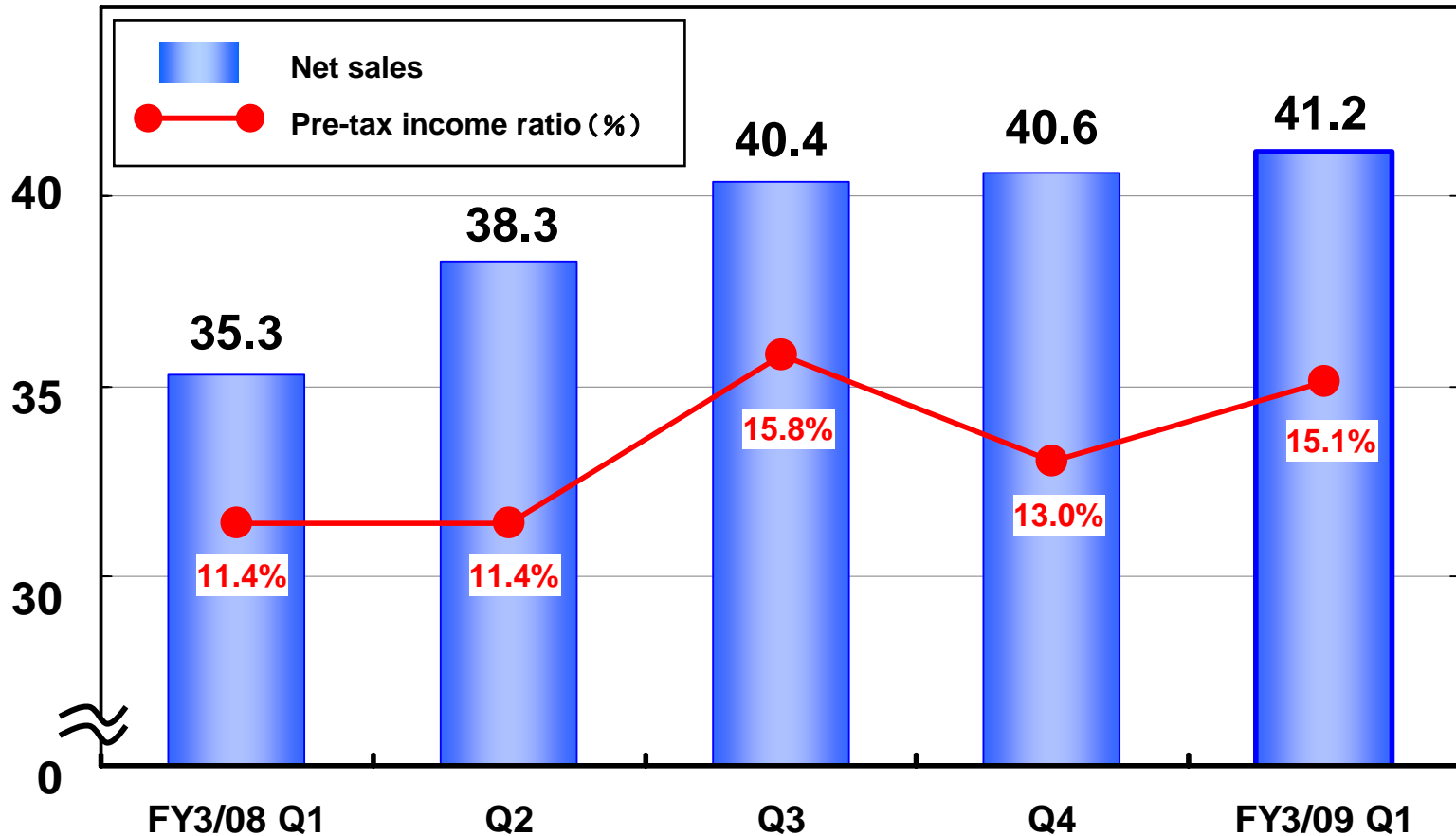
➤ **Organic packages**

- Increased sales of packages for ASICs and sustained profit since FY3/08 Q3

# Trend of Net Sales and Pre-tax Income Ratio

## -Semiconductor Parts Group-

(Billions of yen)





# Sales Breakdown by Market Application

- Ceramic products
- Organic products

## New markets

- Automotive, etc.

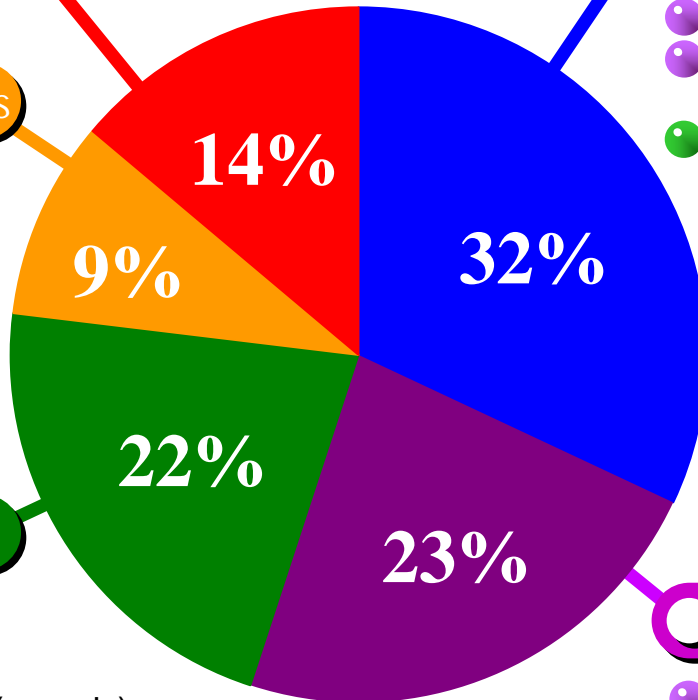
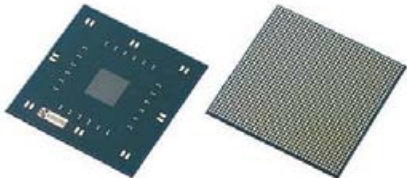
## Communications infrastructures

- Packages for LD/PD modules
- Components for fiber optic connectors



## Servers

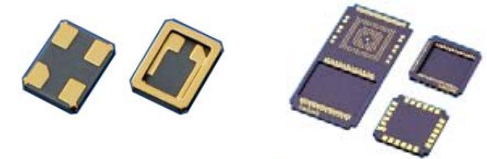
- Flip-chip packages for ASICs (ceramic)
- Flip-chip packages for ASICs (organic)



FY3/08 Results

## Mobile phone handsets

- Packages for crystal/SAW devices
- Packages for CMOS image sensors
- Packages for high-frequency communication modules
- SiP (System-in-a-Package) substrates



## Digital consumer equipment

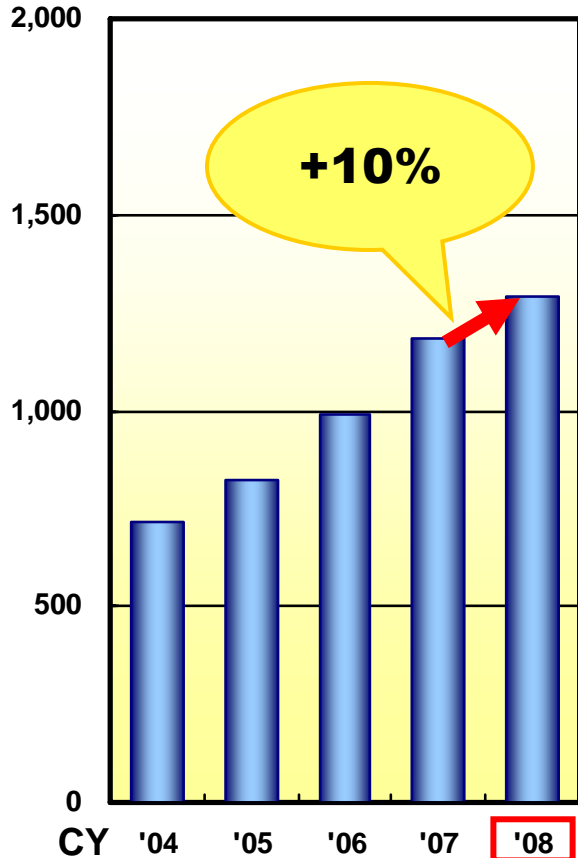
- Packages for crystal/SAW devices
- Packages for CCD/CMOS image sensors
- Flip-chip packages for game consoles
- SiP (System-in-a-Package) substrates



# Market Environment Surrounding the Semiconductor Parts Group

## Mobile Phone Handsets

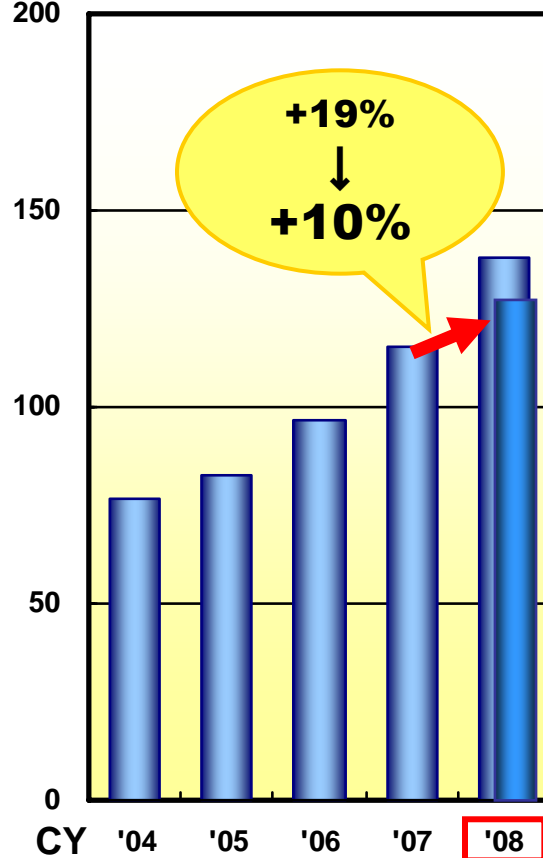
Production volume  
(Millions of units)



Forecast

## Digital Cameras

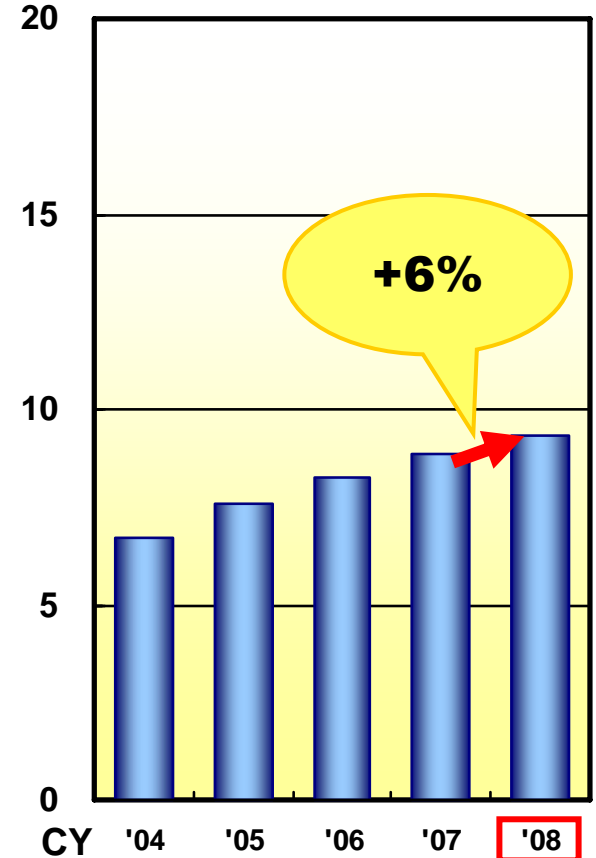
Production volume  
(Millions of units)



Forecast

## Servers

Production volume  
(Millions of units)

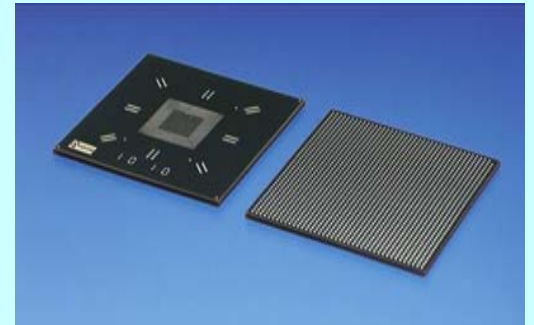
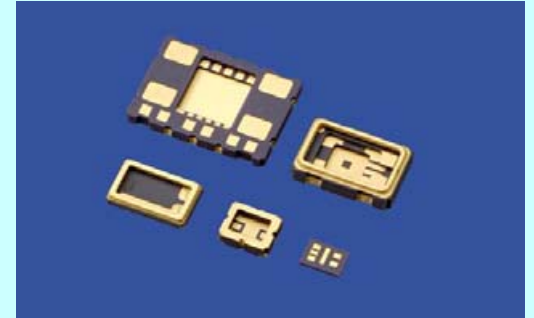


Forecast

## Initiatives in the Semiconductor Parts Group

### Expand sales in key markets

- 1** Mobile phone handset market
- 2** Digital consumer equipment market
- 3** Server related market






### Cultivate new markets

- 4** Expand into automotive, medical equipment and environment-related product applications


# 1 Expand Sales in Mobile Phone Handset Market

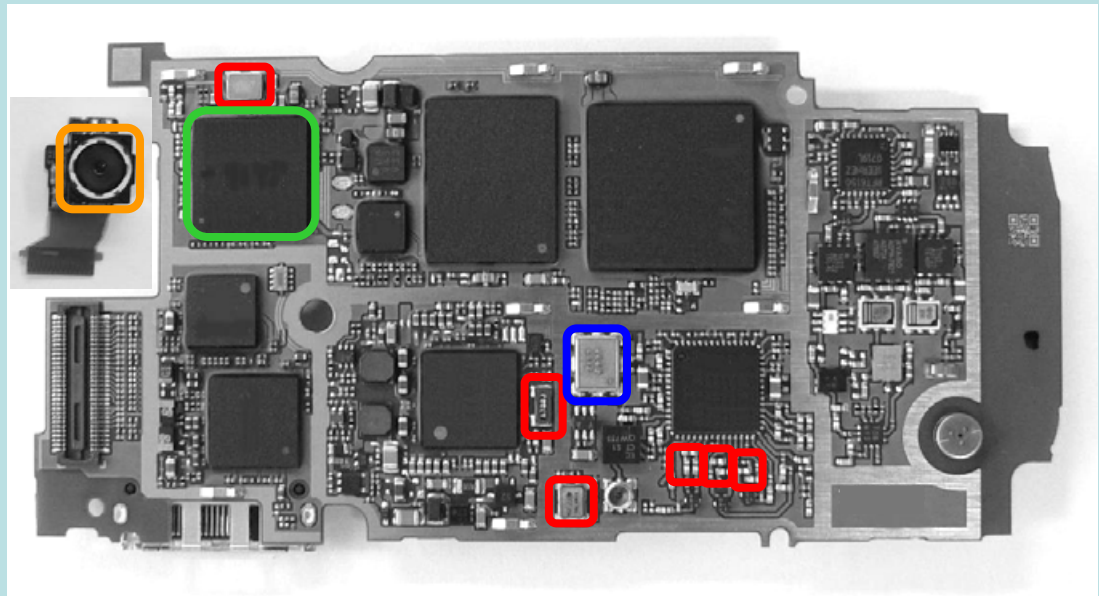
## Existing products

### Ceramic products

-  Packages for crystal/SAW devices
-  Packages for CMOS image sensors
-  Packages for high-frequency communication modules

### Organic products

-  SiP substrates for application processors



## New products

Expand line up of packages for capacitors, packages for microphones and other new applications

# 1 Expand Sales in Mobile Phone Handset Market

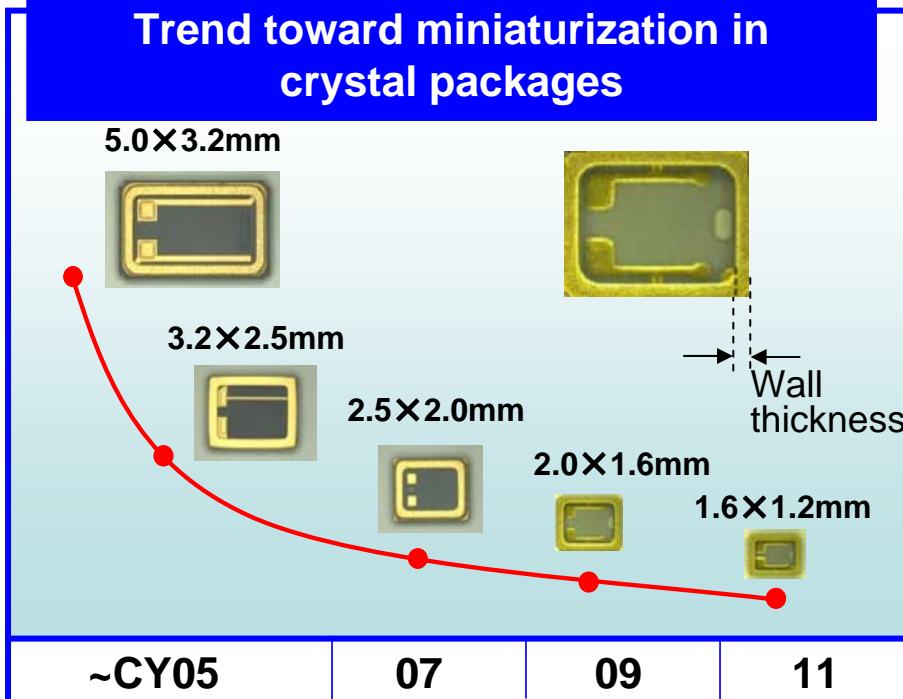


- Development of packages for crystal/SAW devices

## Technology trends: Market needs

Smaller, thinner equipment  
Smaller electronic components

### Trend toward miniaturization in crystal packages



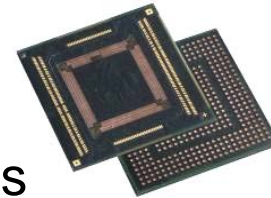
## Kyocera's advantages

Ability to obtain cutting-edge information due to high market share

Capability in developing high-strength materials

Possession of high reliability

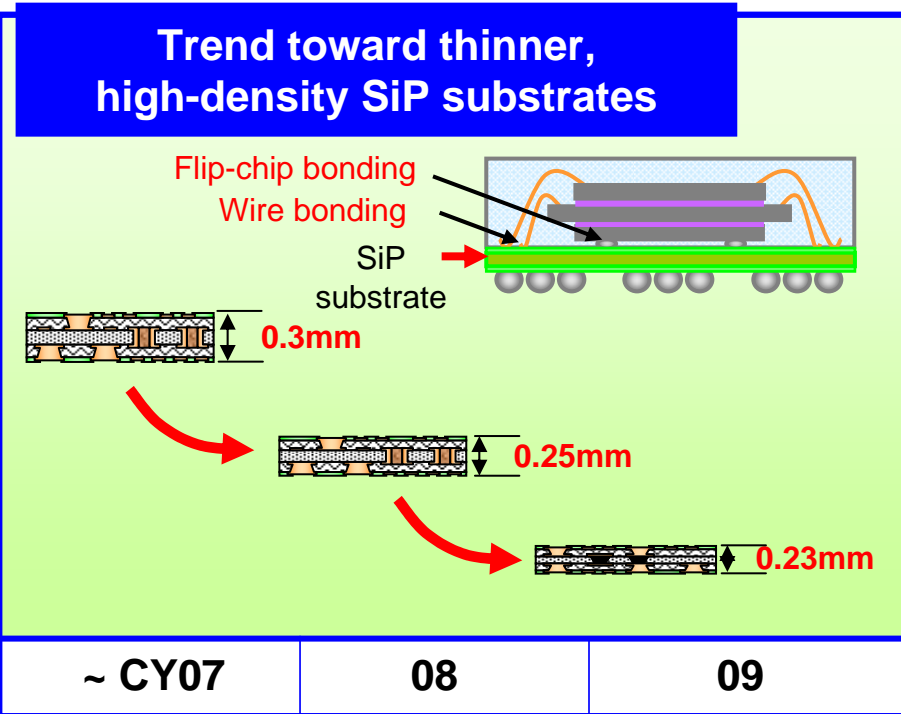
# 1 Expand Sales in Mobile Phone Handset Market



Development of organic SiP (System-in-a-Package) substrates

## Technology trends: Market needs

Smaller, thinner equipment  
High-density packaging in  
semiconductors



## Kyocera's advantages

Production technology for thin substrates

Surface treatment technology

Fine pitch wiring technology

## 2 Expand Sales in Digital Consumer Equipment Market

### Aggressively cultivate applications and products

#### Digital cameras



#### Game consoles



#### Flat-panel TVs

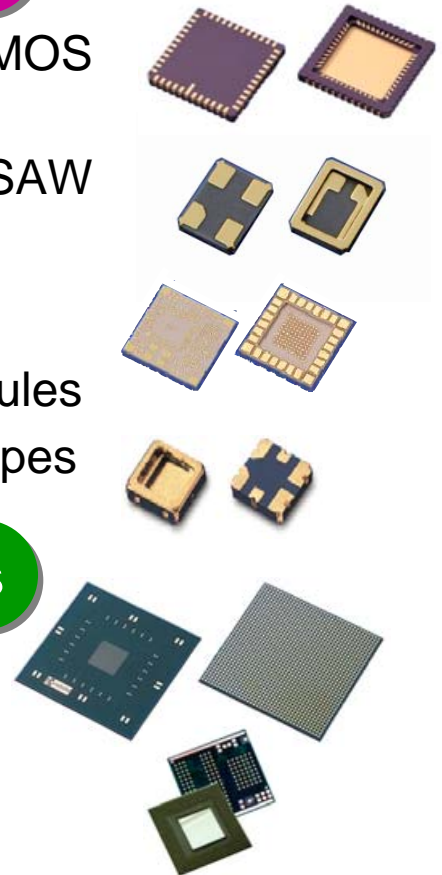


#### Ceramic products

- Packages for CCD/CMOS image sensors
- Packages for crystal/SAW devices
- Packages for high-frequency communication modules
- Packages for gyroscopes

#### Organic products

- Packages for CPUs/GPUs
- Packages for SiP substrates



### **3 Expand Sales in Server Related Market**

#### **○ Kyocera's advantages**

##### **① Strong customer relationships**

- Proven package supply record since the beginning of the semiconductor industry
- No.1 in market share

##### **② High-performance package technology**

- Outstanding design technology to control electrical characteristics
- Fine pitch wiring technology, multi-layering technology
- Ceramic material development capability

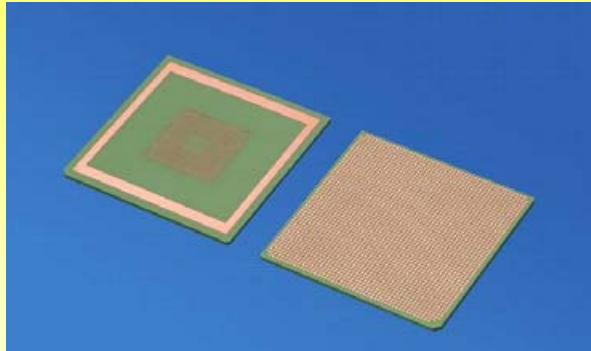
# 3 Expand Sales in Server Related Market

## ● Pursue further enhancement in performance

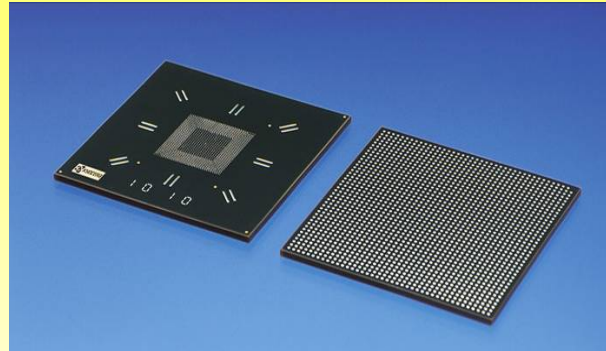
High pin count

Fine pitch

High-speed transmission



Ceramic flip-chip packages



Organic flip-chip packages

- Solidify market leadership position by maintaining our advantages
- Leverage properties of ceramic materials to develop business

▶ Larger chips    ▶ Secure packaging and mounting reliability

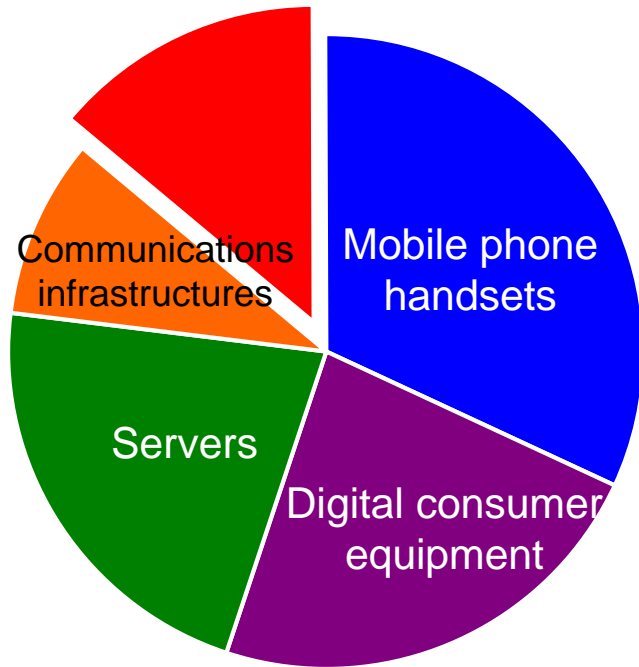
- Optimized thermal expansion coefficient
- Outstanding rigidity

} Realize high reliability



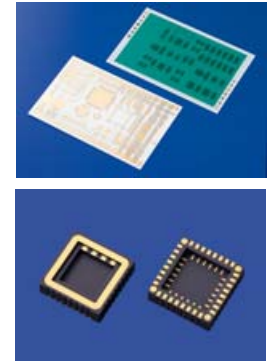
# 4 Cultivate New Markets (1)

## New Markets



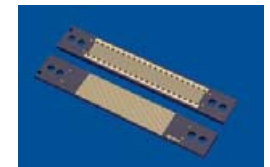
### Automotive applications

- Substrates for various ECUs
- Packages for various sensors
- Packages for millimeter wave radars



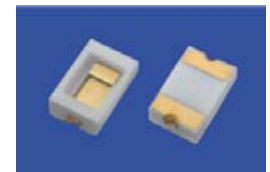
### Medical equipment applications

- Substrates for CT scanners
- Packages for endoscopes



### Environment-related product applications

- Packages for LEDs



# 4 Cultivate New Markets (2)

Develop ceramic substrates and packages for automotive market

## Market needs

- Eco-friendly, fuel-efficient
- Safety
- Comfortable, convenient

Rapid shift to expanded use of electronics

## Examples of applications

Various ECU substrates

Thermal durability

Packages for accelerometers

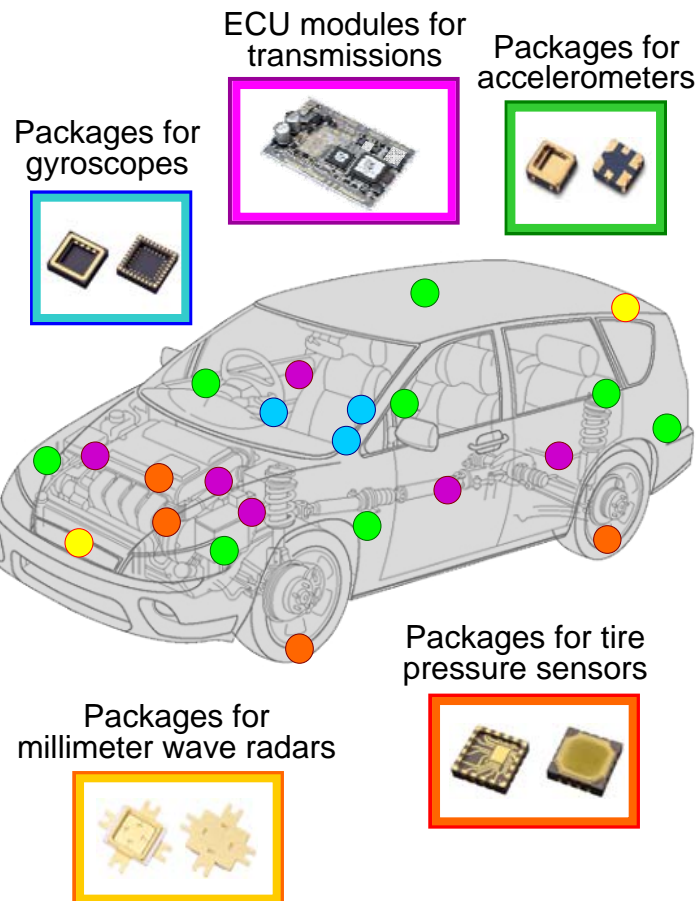
Hermeticity

Packages for gyroscopes

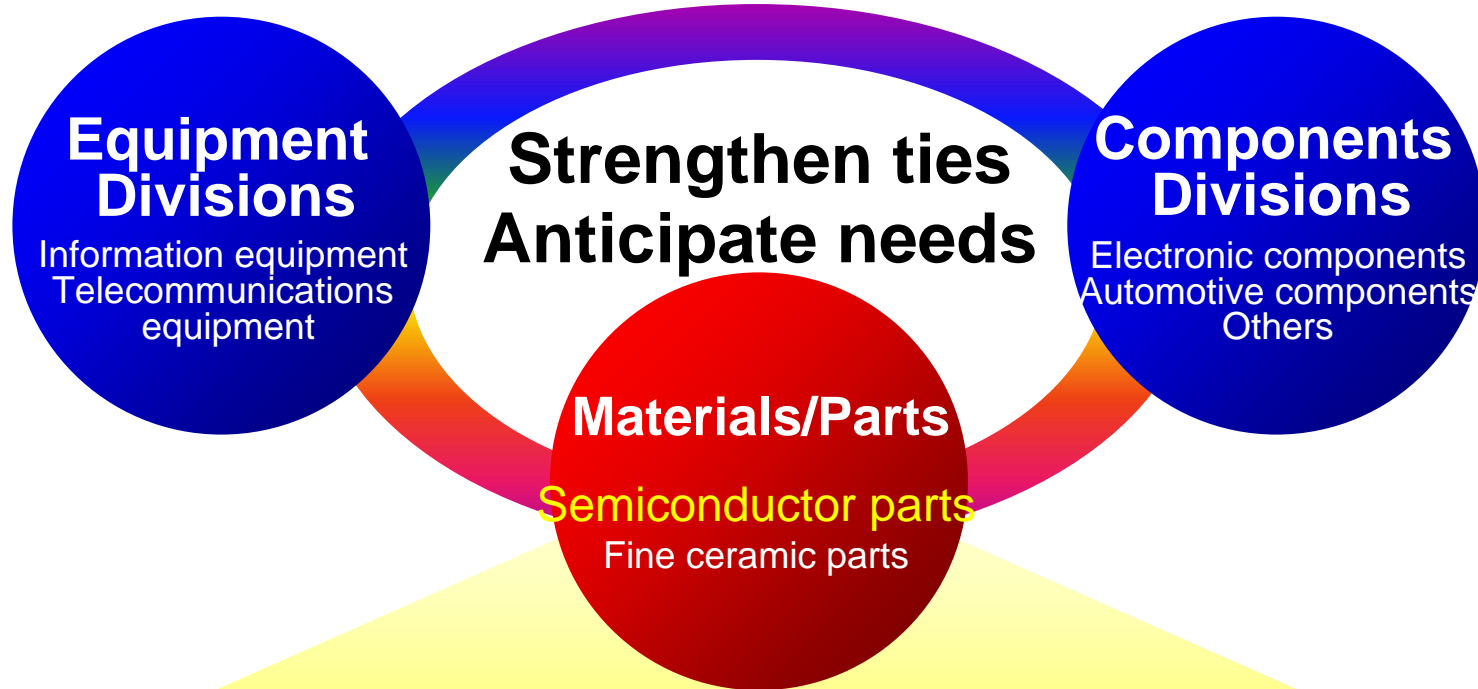
Size reduction

Packages for pressure sensors

Packages for millimeter wave radars



# Future Developments in the Semiconductor Parts Group



Aggressively expand business by leveraging the collective strengths of Kyocera Group

Aim to further expand business by utilizing the properties of ceramic materials and organic materials

# Developments in the Information Equipment Group

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## Financial Results

-Three months ended June 30, 2008 (FY3/09 Q1)-

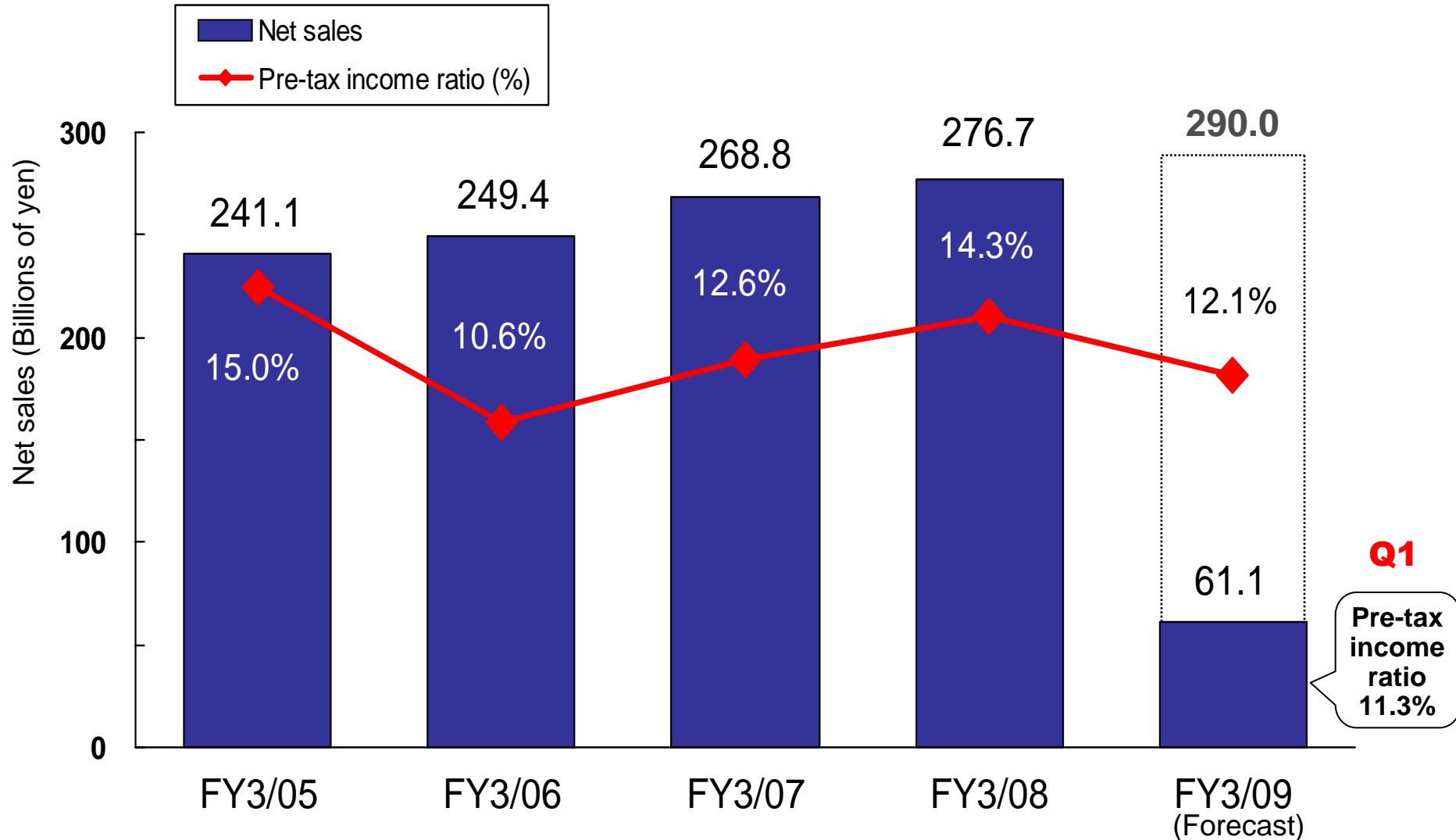
(Millions of yen)

	Three months ended June 30,		Increase or Decrease
	2007	2008	
Net sales	67,272	61,114	-9.2%
Pre-tax income	9,406	6,887	-26.8%
Pre-tax income ratio	14.0%	11.3%	-2.7 P

- Decline in office equipment investment due to U.S. economic slowdown led to sluggish demand for information equipment and intensifying price competition
- Cost of raw materials such as plastics and metals rose steeply

# Trend of Net Sales and Pre-tax Income Ratio

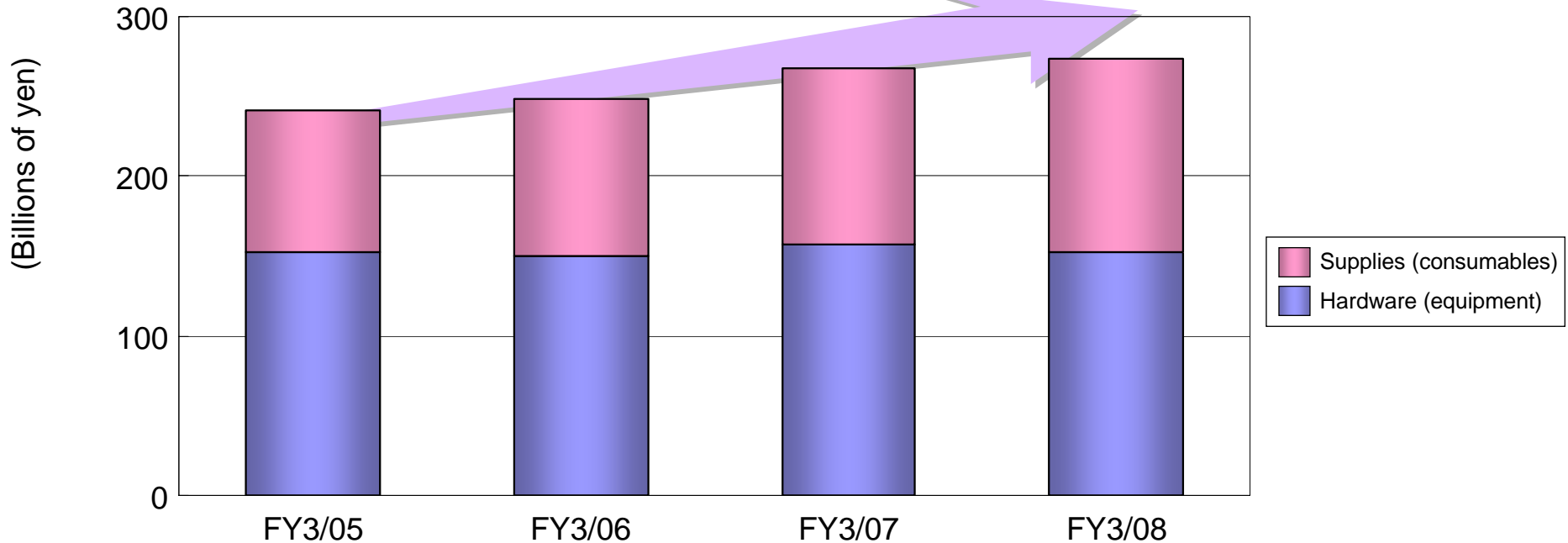
## -Information Equipment Group-



# Growth and Expansion in Information Equipment Group

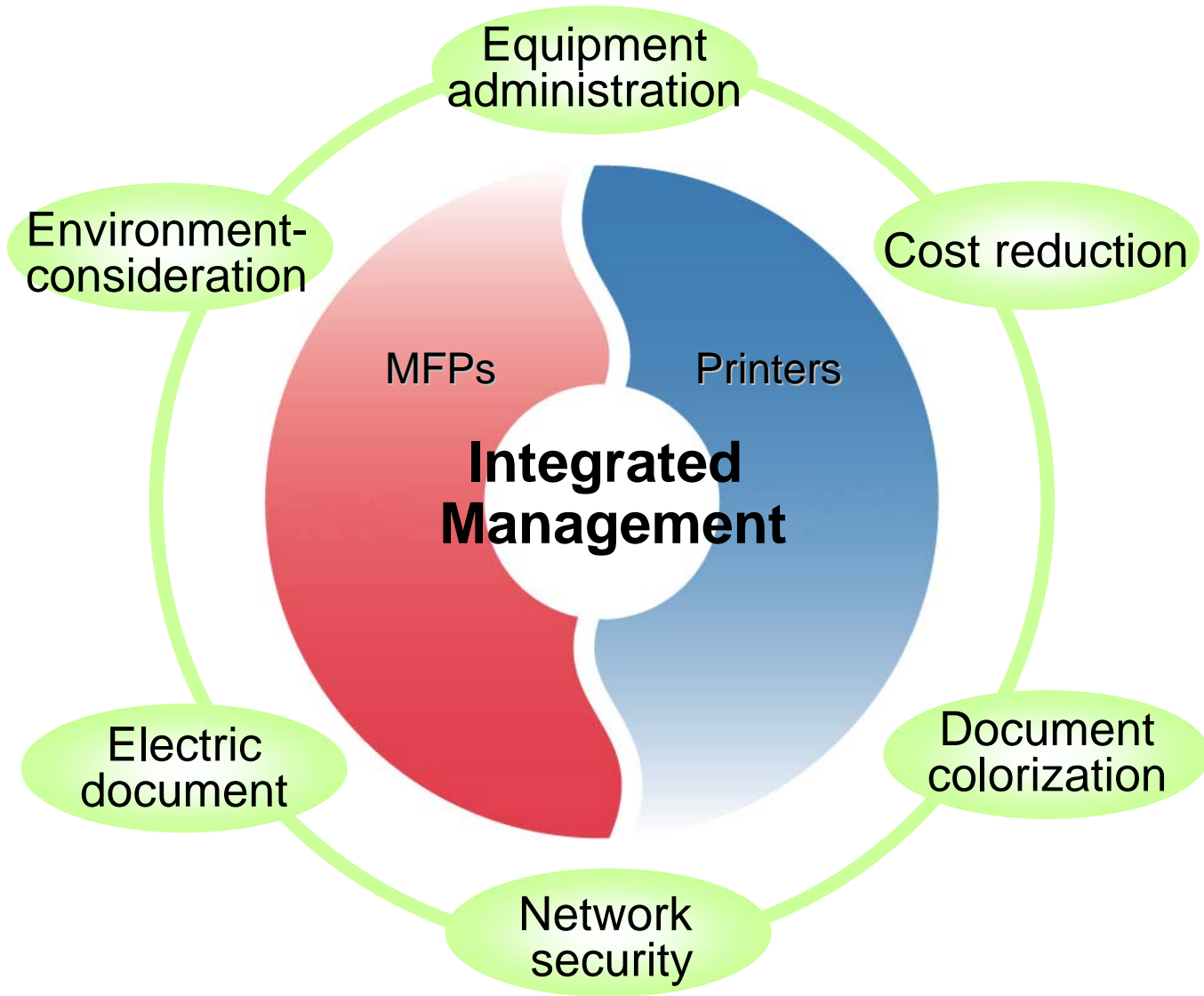
-Realize stable profit growth through expanded sales of color consumables-

<Information Equipment Group Consolidated Net Sales>



- ◆ Average annual growth rate FY3/05 ~ FY3/08: Approx. 5%
  - Supplies (consumables, parts, services): Approx. 11%
    - Further acceleration in annual growth rate going forward for color consumables at 25%
    - Color consumables provide high added value (high profitability)

## Expansion of Integrated Management Needs at Corporate Customers





## Initiatives Aimed at Expanding Business

Increase installation volume of color models and maximize profit from color consumables

**1. Develop color engine platform**

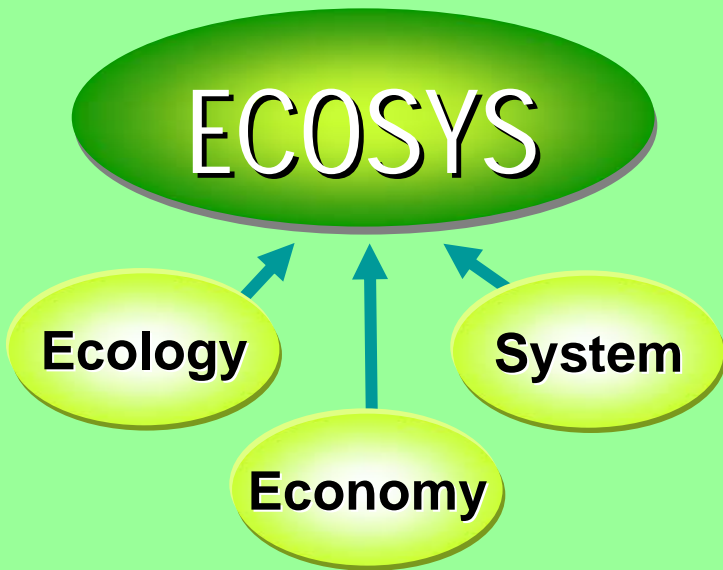
**2. Develop controller platform**

**3. Develop new color toner and invest in plants**

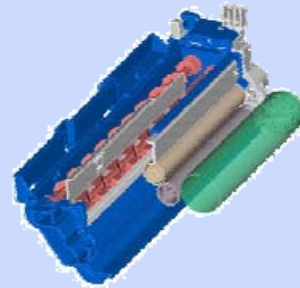
## Develop Color Engine Platform

-Evolution in “ECOSYS” concept-  
Increase volume of color models and  
maximize profit from color consumables

### Long Life Technology



Original interactive  
touchdown projection  
developing system  
(high image quality  
and long durability)



**Original color technology**



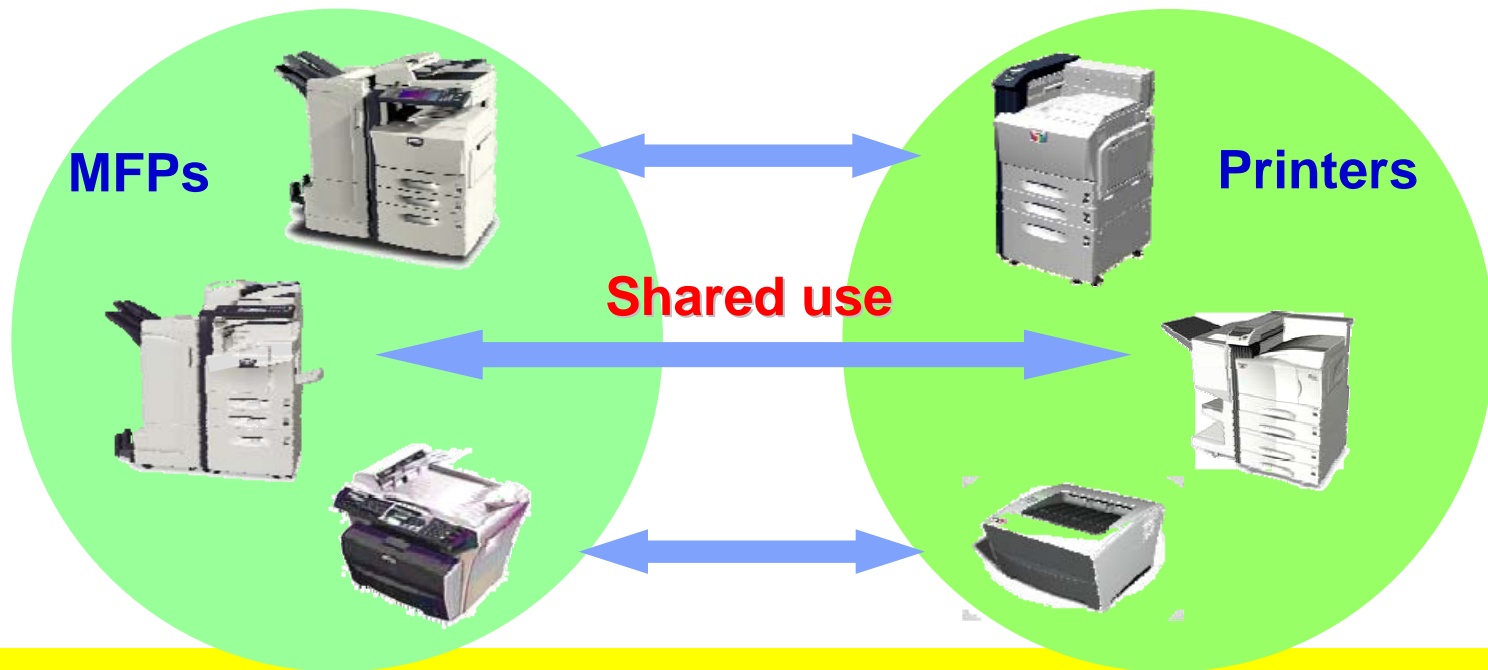
**KM-C4035E**  
**(Voyager series)**

a-Si photoreceptor  
drums  
(long durability and  
high reliability)



## Shared Engine Platform

Utilizes advantages gained from a unique development strategy centered on a shared engine platform between printers and MFPs



### Advantages of a Shared Engine Platform

- Development resource sharing
- Efficient material procurement and cost reduction
- Integrated sales strategy
- Production technology sharing
- Integrated service system

# Develop Controller Platform

*Printer controller*

*MFP controller*

Internally developed controller

Controller developed by third party

**CY2001**  
Introduced internally developed printer controller into own MFPs

- Standardized printing environment
  - Drivers, network, etc.
- Strengthened customization responsiveness

**CY2004**  
Internally developed WiseCore controller

- Enhanced document solution responsiveness
- Bolstered security solutions

**CY2008**  
Acquired intellectual property of Peerless Systems Corporation

- Strengthened color processing technology

**CY2008**  
Employed WiseCore controller in color models

- [ Merits of sharing ]
- Increase responsiveness to corporate customers' integration needs
    - standardized security and Web services, etc.
  - Speed up development by creating a platform for controller technology

## Develop New Color Toner and Invest in Plants

### Tamaki Plant: Construction of new toner plant (Commenced operations in May 2008)

#### Strengthen development of color technology

- Development of high-image-quality color toner: Small particle diameter, toner particle shape control
- System to increase toner production



Construction completed on May 2008

R&D Center



THE NEW VALUE FRONTIER

