Kyocera Corporation Financial Presentation (April 28, 2010)

President and Representative Director, Tetsuo Kuba

<P.1: Financial Results - Year ended March 31, 2010 - >

Firstly, I will explain financial results for the year ended March 31, 2010.

As you can see in the table, Kyocera posted increases in each profit indicator despite a decrease in net sales for the year ended March 31, 2010 (“fiscal 2010”) compared with the year ended March 31, 2009 (“fiscal 2009”).

Net sales for fiscal 2010 decreased by 4.9% compared with fiscal 2009 to ¥1,073.8 billion. Profit from operations was up 47.1% to ¥63.9 billion, pre-tax income was up 8.6% to ¥60.8 billion, and net income attributable to shareholders of Kyocera Corporation was up 35.9% to ¥40.1 billion, compared with fiscal 2009.

Net sales and profits for fiscal 2010 surpassed forecasts announced in January 2010.

As a result, diluted earnings per share attributable to shareholders of Kyocera Corporation were ¥218.47.

Capital expenditures, depreciation and R&D expenses for fiscal 2010 each decreased compared with fiscal 2009 as Kyocera curbed capital investment and narrowed down its R&D themes.

<P.2: Summary of FY3/2010 Results>

This slide shows 2 points of summary of financial results in fiscal 2010.

The first point concerns the impact of yen appreciation. Despite a steady increase in sales as the fiscal period progressed on the back of upward momentum in the market since the beginning of fiscal 2010, particularly digital consumer equipment, sales were down relative to fiscal 2009 due primarily to appreciation of the yen against the U.S. dollar and Euro.

The yen appreciated ¥8 against the U.S. dollar from ¥101 in fiscal 2009 to ¥93 in fiscal 2010, and appreciated ¥12 against the Euro from ¥143 in fiscal 2009 to ¥131 in fiscal 2010. As a result of the yen’s appreciation, net sales for fiscal 2010 were down by approximately ¥49.0 billion. Pre-tax income was down by ¥13.5 billion primarily for the same reason.

The second point concerns an increase in profits due to cost reductions, etc. In addition to yen appreciation, Kyocera recorded one-time loss of approximately ¥29 billion relating to WILLCOM, Inc. ("WILLCOM") in fiscal 2010. Nevertheless, as a result of efforts to strengthen business foundations by reducing various costs, including cutting expenses in each business, we secured an increase in profits compared with fiscal 2009. Kyocera achieved its initial cost-reduction target for fiscal 2010 of ¥56 billion in the first half of fiscal 2010, and on a full-year basis, achieved an overall reduction of roughly ¥80 billion.

Kyocera recognized a one-time impairment loss relating to its investment in WILLCOM of approximately ¥20 billion in the third quarter (three months ended December 31, 2009), and recorded approximately ¥9 billion as impairment loss on account receivables in the fourth quarter in light of WILLCOM's financial condition. Even though this impairment loss of ¥9 billion was not included in the financial forecasts revised in January 2010, we were still able to exceed profit projections through improvement in profit levels in each business.

<P.3: Sales by Reporting Segment - Year ended March 31, 2010 - >

This slide shows sales by reporting segment for fiscal 2010. Sales in the Components Business decreased by 4.6% due mainly to lowered sales in the Electronic Device Group. Sales in the Equipment Business decreased by 5.9% due to declined sales in the Telecommunications Equipment Group.

<P.4: Operating Profit by Reporting Segment - Year ended March 31, 2010 - >

This slide shows operating profit by reporting segment. Kyocera strengthened business foundations in fiscal 2010 through initiatives to reduce costs in each business division. In the Components Business, profit was up 55.5% compared with fiscal 2009 due to improved profitability in the Semiconductor Parts Group and the Electronic Device Group. In the Equipment Business, profit increased by ¥11.6 billion compared with fiscal 2009 due to enhanced profitability in both the Telecommunications Equipment Group and the Information Equipment Group.

Next, I will explain results by reporting segment.

<P.5: Business Trends by Reporting Segment for FY3/2010 (1)>

The graph at top shows sales and operating profit for yearly basis from fiscal 2009, and the graph at bottom shows sales and operating profit on a six-month basis.

First, let's look at the Fine Ceramic Parts Group. This reporting segment posted decreases in sales and profit for fiscal 2010 compared with fiscal 2009 due to general stagnation in production activities in the information and communication, industrial machinery, and automotive industries.

As shown in the graph at bottom, in the second half of fiscal 2010 (six months ended March 31,2010), sales increased significantly compared with the first half as demand for components used in information and communication devices recovered, while components demand for industrial machinery and automotive industry was also on an upward swing after a period of delayed recovery. Operating profit in the second half improved compared with the first half of fiscal 2010 (six months ended September 30, 2009) due to considerably enhanced profitability resulting from an increase in sales and a reduction in manufacturing costs.

<P.6: Business Trends by Reporting Segment for FY3/2010 (2)>

Sales were up in the Semiconductor Parts Group for fiscal 2010 compared with fiscal 2009 as demand recovered for packages for SAW filters and crystal devices, and for CMOS/CCD image sensors, which are used in mobile phone handsets, digital cameras and other digital consumer equipment. Operating profit increased substantially due to cost reductions.

On a six-month basis, sales increased in the second half compared with the first half of fiscal 2010 due to continued strong demand for digital consumer equipment components. Operating profit increased significantly due to the increase in sales coupled with an improvement in productivity.

<P.7: Business Trends by Reporting Segment for FY3/2010 (3)>

In the Applied Ceramic Products Group, sales for fiscal 2010 were up relative to fiscal 2009 due to an expansion of solar energy business, particularly in the Japanese market. Operating profit decreased due to yen appreciation, price decline in solar energy products overseas, and stagnation in the machine tool market.

As for results in the second half of fiscal 2010, both sales and operating profit increased significantly compared with the first half due to an expansion of the solar energy business combined with rapid recovery in the cutting tool business due to an upturn in production in automotive related industry.

<P.8: Business Trends by Reporting Segment for FY3/2010(4)>

In the Electronic Device Group, despite recovery in demand, sales for fiscal 2010 fell short of levels reached in fiscal 2009 due in part to yen appreciation. Operating profit improved considerably as a result of efforts to cut manufacturing costs, which included a revision in manufacturing processes.

Looking at six-month results, sales increased in the second half compared with the first half of fiscal 2010 due to solid demand for digital consumer equipment components. Operating profit was up on account of sharp improvement in profitability due to higher sales, cost reductions and enhanced productivity.

<P.9: Business Trends by Reporting Segment for FY3/2010 (5)>

In the Telecommunications Equipment Group, graphs are shown excluding a loss of ¥9 billion related to WILLCOM. Sales in fiscal 2010 decreased compared with fiscal 2009 as sales of mobile phone handsets were down in North America and replacement demand declined in Japan. Loss was reduced in this reporting segment, however, thanks to efforts to reduce costs through reorganization of development and sales systems.

On a six-month basis, sales in the second half were up relative to the first half of fiscal 2010. Overseas, Kyocera expanded product line-up through the launch of new mobile phone handsets as well as cultivating new customers. In the Japanese market, the slim handset model “K002” for KDDI was a major market hit following its release last summer. This reporting segment posted a significant improvement in profitability if exclude one-time loss. As you can see in this graph, operating profit amounted to ¥1.8 billion after excluding ¥9 billion in loss relating to WILLCOM recorded in the second half of fiscal 2010.

<P.10: Business Trends by Reporting Segment for FY3/2010 (6)>

Sales increased slightly in the Information Equipment Group for fiscal 2010 compared with fiscal 2009. Despite a tough business environment caused by yen appreciation and curtailment of information technology investment worldwide, Triumph Adler AG, a German-based sales company that became a subsidiary in the fourth quarter of fiscal 2009 (three months ended March 31,2009), made a full-year contribution to sales in fiscal 2010.

Operating profit increased markedly due to manufacturing cost reductions.

Sales were up in the second half relative to the first half of fiscal 2010 due to mild recovery in the market and sales expansion of new products. Operating profit increased significantly in the second half relative to the first half owing to sales gains in color products, including MFPs, and to cost reductions.

<P.11: Business Trends by Reporting Segment for FY3/2010 (7)>

Finally, in Others, despite growth in sales at Kyocera Communication Systems Co., Ltd. (KCCS), sales at other subsidiaries decreased on the whole due to the economic downturn, causing overall sales in this reporting segment to decrease compared with fiscal 2009. Operating profit was up in real terms after excluding gain on sale of certain properties in the amount of ¥9.4 billion recorded in fiscal 2009, due to cost reductions, etc.

On a six-month basis, sales at KCCS and Kyocera Chemical increased in the second half compared with the first half of fiscal 2010, due to market resurgence. Both sales and profits in Others were up in the second half relative to the first half.

<P.12: Initiatives and Results in FY3/2010>

This slide summarizes initiatives implemented in fiscal 2010 and their results. Kyocera implemented the following three initiatives in fiscal 2010 to meet the challenges of swiftly enhancing profitability and strengthening management foundation in each business in response to declining performance since the second half of fiscal 2009 due to a deteriorating business environment.

First, we promoted comprehensive cost reductions. As mentioned, we reduced costs beyond initial targets in fiscal 2010, which helped to significantly boost profits.

Second, we sought to enhance sales and profit in the Telecommunications Equipment Group. This included establishing a sales subsidiary in the United States in April 2009 and promoting sales expansion by cultivating new customers and by commencing crossover sales. This reporting segment returned to profitability in real terms in the second half of fiscal 2010 after excluding one-time loss, due to a reduction in fixed costs through the sale of KWI, a software development subsidiary in India, reduction in development and manufacturing costs, and ongoing new product introductions.

Third, we worked to expand the solar energy business. Although we curbed capital expenditures throughout the Kyocera Group in fiscal 2010 in accord with the harsh business environment, we made aggressive efforts to expand production capacity and broaden the sales networks of the solar energy business, which is viewed as a key growth driver for Kyocera going forward.

As a result, we achieved production volume of 400MW for fiscal 2010, which was in line with initial plans and up approximately 40% compared with fiscal 2009. Further, we expanded sales networks in Japan, Europe and the United States by more than 100 in each market.

Through these initiatives, Kyocera was able to improve profitability, and strengthen the foundations of each business in fiscal 2010. This is a significant achievement as we look to develop business for the future.

<P.13: Financial Forecast - Year ending March 31, 2011 - >

Next, I will explain financial forecasts for the year ending March 31, 2011 (“fiscal 2011”).

For fiscal 2011, Kyocera forecasts sales to increase by 11.8% to ¥1,200.0 billion, profit from operations to increase by 91.0% to ¥122.0 billion, pre-tax income to increase by 117.1% to ¥132.0 billion, and net income to increase by 112.0% to ¥85.0 billion, compared with fiscal 2010.

Diluted earnings per share attributable to shareholders of Kyocera Corporation is projected to be ¥463.15.

<P.14: Sales Forecast by Reporting Segment - Year ending March 31, 2011 - >

This slide shows sales forecast for each reporting segment. Sales are forecast to increase in all reporting segments of the Components Business and the Equipment Business in fiscal 2011. In particular, we are projecting sales to surge in the Applied Ceramic Products Group, which includes the solar energy business that will benefit from a projected 50% increase in production compared with fiscal 2010.

<P.15: Operating Profit Forecast by Reporting Segment - Year ending March 31, 2011- >

This slide shows operating profit forecast for each reporting segment. As with sales, Kyocera forecasts substantial increases in operating profit in both the Components Business and the Equipment Business for fiscal 2011. In particular, significant gains in the Electronic Device Group and the Telecommunications Equipment Group are expected to drive growth.

As I just mentioned, key challenges to achieving financial forecasts for fiscal 2011 are to increase sales in the solar energy business, and to increase profit in the Electronic Device Group and the Telecommunications Equipment Group. I will explain initiatives in these three businesses later.

<P.16: Summary of FY3/2011 Forecast>

I will now present 4 points as a summary of the financial forecasts for fiscal 2011.

First, Kyocera aims to increase sales and profit as the business environment improves and by seizing opportunities for business expansion. The business environment is projected to improve in fiscal 2011 in line with global economic recovery, and as such, we are forecasting significant increases in sales and profit in both the Components Business and the Equipment Business.

Second, we will execute capital expenditures to take advantage of strong demand. Notably, we will increase production capacity in the Semiconductor Parts Group, particularly for ceramic packages used in digital consumer equipment, and also in the solar energy business, as a means to expand business.

Third, one-time loss will be absent. We recorded approximately ¥29 billion as a one-time expense relating to WILLCOM in fiscal 2010. The absence of such expense in fiscal 2011 is expected to considerably boost profit.

The fourth point concerns the impact of yen appreciation against the U.S. dollar and Euro. The exchange rates for fiscal 2011 are forecast to be ¥90 to the U.S. dollar and ¥120 to the Euro, marking appreciation of ¥3 and ¥11, respectively, compared with fiscal 2010. As a result, sales and pre-tax income are forecast to be down by approximately ¥41 billion and ¥13 billion compared with fiscal 2010.

<P.17: Key Challenges for FY3/2011>

I will now explain the key challenges to achieving financial forecasts for fiscal 2011.
As I stated, the keys to achieving forecasts for fiscal 2011 are to improve profitability in the Electronic Device Group and the Telecommunications Equipment Group, and to expand sales in the solar energy business.

<P.18: Improve Profitability in the Electronic Device Group (1)>

First, I will explain efforts to improve profitability in the Electronic Device Group.

This slide shows production volume forecast for core digital consumer equipment in calendar 2010. Double-digit growth is forecast for production volume of mobile phone handsets, PCs, flat-panel TVs and digital cameras in 2010, with the business environment expected to improve in fiscal 2011 compared with fiscal 2010.

<P.19: Improve Profitability in the Electronic Device Group (2)>

Kyocera will implement three initiatives in fiscal 2011 to improve profitability in the Electronic Device Group.

First, we will expand sales in emerging countries. In particular, we aim to expand sales in the Chinese market, which has become a core production base of digital consumer equipment, so component demand is forecast to expand.

Second, we will expand sales by actively launching new products. We will augment our line-up of small, high-capacitance ceramic capacitors for smart phones and other high-end equipment, where strong market growth is projected for fiscal 2011, and introduce small, high-precision TCXOs and tuning-fork crystal units to increase sales.

Third, we will reduce manufacturing costs and raise productivity. We steadily reduced costs and improved productivity in fiscal 2010 through a revision in manufacturing processes, notably for ceramic capacitors, enabling us to significantly enhance profitability from the second half. We will deploy similar initiatives across many other products in fiscal 2011 in an effort to improve profitability.

In the ceramic capacitor business, we will strive to reduce manufacturing costs, including shortening manufacturing processes and trimming material costs by promoting development of materials with more advanced performance.

<P.20: Improve Profitability in the Telecommunications Equipment Group>

Next, I will explain efforts to improve profitability in the Telecommunications Equipment Group.

The Telecommunications Equipment Group returned to profitability in the second half of fiscal 2010, on a base excluding one-time loss, by strengthening business foundations. We aim to be profitable in this reporting segment on a full-year basis in fiscal 2011 through further reinforcement of business foundation and sales expansion.

To further strengthen business foundation, we will promote greater integration between Kyocera and the former SANYO business, and bolster structure in both Japanese and overseas businesses.

One concrete measure was to merge KWC and KCI, subsidiaries in North America, in April 2010, to improve management efficiency. KWC was dissolved through this merger, and its development and production management systems were concentrated into Japan. The aim is to enhance profitability by boosting development efficiency and reducing manufacturing costs through component standardization.

We will also implement measures to expand sales in existing markets in North America and Japan, such as bolstering product range, including smart phones for the U.S. market, and striving to increase share by launching a series of new products to Japanese and overseas markets. Other efforts to increase sales include introducing GSM/UMTS handsets in new emerging markets such as Central and South America.

We aim to achieve profitability on a full-year basis through these initiatives.

<P.21: Expand Sales in Solar Energy Business (1) - Market outlook for FY3/2011 - >

The global solar market is forecast to grow by 50% in fiscal 2011 compared with fiscal 2010, based on expectations of market expansion driven by governmental policy, or at by least 10% as a conservative estimate.

Markets in Europe are projected to expand, notably in Germany, France and Italy. Healthy growth is forecast in the Japanese market in fiscal 2011 as well on the back of subsidies and a buy-back system for power (feed-in tariff), which started in 2009. High growth is also expected in the U.S. market with the full-fledged introduction of the Green New Deal during fiscal 2011.

<P.22: Expand Sales in Solar Energy Business (2)

- Kyocera's production plan and initiatives for expansion - >

Kyocera will vigorously increase production capacity to meet growth in the global solar energy market. In March 2010 we revised upward our production plan to fiscal 2012, and announced a new production plan for fiscal 2013. Production volume for fiscal 2011 has been revised up from the initial target of 550MW to 600MW, which is 1.5 times that of fiscal 2010. We plan to increase production in fiscal 2012 from the original target of 650MW to 800MW. In fiscal 2013, we aim to produce 1GW, that is, 2.5 times the volume of fiscal 2010.

We will strive to expand production capacity of both solar cells and modules toward the realization of these production plans.

In terms of plants for solar cell production, we have the Yokaichi Plant in Shiga Prefecture and will start production at the Yasu Plant in Shiga Prefecture around summer this year. We will gradually boost production capacity toward our annual production target of 1GW in fiscal 2013.

For solar modules, we are constructing a new production line at our plant in San Diego, United States, that satisfies "Buy American" provisions for the U.S. market, where growth in demand is forecast. We plan to commence production there in the first half of fiscal 2011. We will also construct production facilities in a step-wise manner at sites in Ise (Mie Prefecture), Mexico and the Czech Republic. In addition, We plan to complete construction of a new factory wing in addition to our existing plant in Tianjin, China, around autumn this year.

Preparations to increase production of both solar cells and modules are progressing smoothly, enabling us to capture strong demand through greater production capacity, and therefore expand the solar energy business.

<P.23: Expand Solar Energy Business (3) - Initiatives to increase sales - >

Next, I will explain initiatives to expand sales in the solar energy business.

The competitive advantages of multicrystalline silicon solar cells, which Kyocera produces, are being increasingly recognized in the market.

One major advantage of the crystalline solar cell is high energy conversion efficiency relative to the thin-film solar cell. Kyocera achieved conversion efficiency of 16.9% for its multicrystalline solar cell in fiscal 2010, which is among the highest in the world at the mass-production level.

Production of such high-efficiency cell facilitates the supply of high-output modules. We are currently providing 215W modules comprising 54 solar cells, thereby contributing to lower installation costs. From fiscal 2011, we will start marketing a larger module with industry-leading output of 235W that boasts 60 cells, up from 54 to meet demand for further lowering installation costs.

One further advantage of the crystalline solar cell is high reliability over a long period. Kyocera’s solar cells installed 25 years ago are still operational, and with no sign of a significant drop in conversion efficiency, this proves their long-term reliability, a strength of Kyocera. For products used over a long period that require considerable investment such as solar cells, long-term reliability offers a significant advantage.

Kyocera’s products have been employed in multiple large-scale projects such as power generation plants on account of their high quality and reliability. In Japan, we have received inquiries from Tokyo Electric Power Company (TEPCO) and Kyushu Electric Power Company, and even overseas.

We will work to expand sales in fiscal 2011 by further improving conversion efficiency, raising cost competitiveness, and promoting the features of high quality and long-term reliability.

<P.24: Management Objective for FY3/2011>

We succeeded in strengthening the management foundation in each business during fiscal 2010, and based on this, we will work to meet the three initiatives in fiscal 2011 I mentioned. By doing so, we aim to improve performance by seizing opportunities for growth, with targets of double-digit increase in sales, and over an two-fold increase in pre-tax income.