

Kyocera's corporate governance is designed to ensure extremely sound, transparent and effective management and thereby best protect the interests of stockholders. No discussion of corporate governance at Kyocera would be complete without first looking at the "Kyocera Philosophy," which provides both the moral and intellectual backbone for Kyocera's management style.

The "Kyocera Philosophy" was created by Dr. Kazuo Inamori, Kyocera's founder, as he codified his views on the subject of business management. He was convinced that one of the most important points for the management of the company was that the "Kyocera Philosophy" should apply to the actions of all who work for the enterprise — directors, managers and employees alike. The "Kyocera Philosophy" embodies many principles, covering subjects ranging from the fundamentals of business management to the specifics of day-to-day operations. Its principles demand impartial, fair and totally transparent management, while emphasizing the importance of maximizing profits by eliminating waste, minimizing expenses and maximizing revenues. The "Kyocera Philosophy" demands particularly high standards of ethical behavior from all leaders within the company. From the beginning, Kyocera has been guided by principles that have naturally worked toward achieving the corporate governance goals mentioned above.

Kyocera's management believes that the standards and criteria applied by all members of the enterprise hold the key to achieving the aims of corporate governance. At its core, the "Kyocera Philosophy" exhorts workers to use the criterion of what they judge "the right thing to do as a human being" as the basis for guiding all actions and decisions. Because of their universal nature, the principles of the "Kyocera Philosophy" are as applicable to Kyocera's worldwide operations as they are to any other business.

During fiscal 2005, Kyocera managers and employees in Japan attended an aggregated total of 49,998 training and education sessions designed to promote deeper understanding of the "Kyocera Philosophy." The "Kyocera Philosophy" also formed an important part of our orientation efforts for new recruits and on-the-job training programs. Outside

Japan, a total of 1,011 managers at Kyocera subsidiaries received training along these lines in fiscal 2005.

Kyocera emphasizes a so-called "amoeba" management system in which operations are managed at the level of small groups. This system is believed to reflect the "Kyocera Philosophy" best, and is regarded as the source of Kyocera's strength in creating highly motivated management by getting all employees involved in the daily operation of the company. Explicit delegation of responsibilities to small groups has the added advantage of promoting transparency in all details of management, while creating a system that promotes efficiency. In Kyocera's experience, these processes maintain sound business management practices, which in turn translate into greater benefits for all stakeholders.

To make these principles work in practice, a system of checks and balances is also crucial. Kyocera has adopted the corporate governance model outlined in the Commercial Code of Japan that is based on the use of corporate auditors. In this system, the board of corporate auditors oversees the management decisions of the board of directors and policy execution by executive officers. In addition, to ensure a systematic and sustained approach to compliance management throughout Kyocera, Kyocera established a Risk Management Department. The table on page 6 provides details of Kyocera's corporate governance structure.

The "Kyocera Philosophy" provides the foundation for Kyocera's corporate culture and governance framework. It is supported by a system designed to provide unbiased, independent checks. Kyocera plans to maintain and improve its system of corporate governance to ensure that it always fulfills the expectations of stockholders.

## NYSE Corporate Governance Standards

Companies listed on the NYSE must comply with certain standards regarding corporate governance under Section 303A of the NYSE Listed Company Manual.

However, listed companies that are foreign private issuers, such as Kyocera Corporation, are permitted to follow home country practice in lieu of certain provisions of Section 303A.

The following table shows the significant differences between the corporate governance practices followed by U.S. listed companies under Section 303A of the NYSE Listed Company Manual and those followed by Kyocera Corporation.

Corporate Governance Practices Followed by NYSE-listed U.S. Companies	Corporate Governance Practices Followed by Kyocera Corporation
1. A NYSE-listed U.S. company must have a majority of directors meeting the independence requirements under Section 303A of the NYSE Listed Company Manual.	<p>For large Japanese companies, including Kyocera Corporation, which employ a corporate governance system based on a board of corporate auditors (the "corporate auditor system"), Japan's company law has no independence requirement with respect to directors. The task of overseeing management and accounting firms is assigned to the corporate auditors, who are separate from Kyocera Corporation's management.</p> <p>Large Japanese companies, including Kyocera Corporation, are required to have at least one "outside" corporate auditor who must meet independence requirements under Japan's company law. An "outside" corporate auditor means a corporate auditor who has not served as a director, manager or any other employee of Kyocera Corporation or any of its subsidiaries for the last five years prior to the appointment.</p> <p>As of March 31, 2005, Kyocera Corporation has two outside corporate auditors. Starting on the date of the ordinary general meeting of shareholders of Kyocera Corporation relating to the fiscal year ending March 31, 2006, at least 50% of Kyocera Corporation's corporate auditors will be required to be outside corporate auditors.</p> <p>Also, starting on the same date, the independence requirements for outside corporate auditors will be strengthened by extending the five-year period referred to above to any time prior to the appointment.</p>
2. A NYSE-listed U.S. company must have an audit committee composed entirely of independent directors, and the audit committee must have at least three members.	<p>Like a majority of Japanese companies, Kyocera Corporation employs the corporate auditor system as described above. Under this system, the board of corporate auditors is a legally separate and independent body from the board of directors. The function of the board of corporate auditors is similar to that of members of the audit committee of a U.S. company: to monitor the performance of the directors, and review and express opinions on the method of auditing by Kyocera Corporation's accounting firm and on such accounting firm's audit reports, for the protection of Kyocera Corporation's shareholders.</p> <p>Large Japanese companies, including Kyocera Corporation, are required to have at least three corporate auditors. Currently, Kyocera Corporation has four corporate auditors. Each corporate auditor has a four-year term. In contrast, the term of each director of Kyocera Corporation is two years.</p> <p>Starting on July 31, 2005, when the requirements of Rule 10A-3 under the U.S. Securities Exchange Act of 1934 relating to listed company audit committees become applicable to foreign private issuers, Kyocera Corporation expects to rely on an exemption under that rule which is available to foreign private issuers with boards of corporate auditors meeting certain criteria. Kyocera Corporation expects to make a disclosure regarding such reliance in its annual reports on Form 20-F for the fiscal year ending March 31, 2006 and thereafter.</p>
3. A NYSE-listed U.S. company must have a nominating/corporate governance committee composed entirely of independent directors.	<p>Kyocera Corporation's directors are elected at a general meeting of shareholders. Its board of directors does not have the power to fill vacancies thereon. Kyocera Corporation's corporate auditors are also elected at a general meeting of shareholders. A proposal by Kyocera Corporation's board of directors to elect a corporate auditor must be approved by a resolution of its board of corporate auditors. The board of corporate auditors is empowered to adopt a resolution requesting that Kyocera Corporation's directors submit a proposal for election of a corporate auditor to a general meeting of shareholders. The corporate auditors have the right to state their opinion concerning election of a corporate auditor at the general meeting of shareholders.</p>
4. A NYSE-listed U.S. company must have a compensation committee composed entirely of independent directors.	<p>The total amount of compensation for Kyocera Corporation directors and the total amount of compensation for Kyocera Corporation corporate auditors are proposed to, and voted at, a general meeting of shareholders. Once the proposals for each of such total amounts of compensation are approved at the general meeting of shareholders, each of the board of directors and board of corporate auditors allocates the respective total amounts among its respective members.</p>
5. A NYSE-listed U.S. company must generally obtain shareholder approval with respect to any equity compensation plan.	<p>Japanese companies, including Kyocera Corporation, generally issue "stock acquisition rights" (granting the holder thereof the right to acquire from the issuer shares of its common stock at a prescribed price) for stock option purposes. Typically, when stock acquisition rights are used for such purposes, they are issued under terms and conditions which are especially favorable to the recipients thereof, and because of that, such issuance is subject to approval at a general meeting of shareholders under Japan's company law. Kyocera Corporation obtains approval at a general meeting of shareholders with respect to its issuance of stock acquisition rights for stock option purposes.</p>