

Kyocera Corporation Financial Presentation (November 6, 2006)

President, Makoto Kawamura

<Slide 2: Forward-Looking Statements>

Please take note of the “Forward-Looking Statements” explanation in slide 2 in connection with information to be presented today.

<Slide 3: Consolidated Financial Results (1) – Six Months Ended September 30, 2006 –>

Both sales and profits increased significantly compared with the six months ended September 30, 2005 (previous first half). Net sales increased by 13.5% compared with the previous first half. Profit from operations increased by 87.0%, pre-tax income increased by 63.3%, and net income increased 2.2 times compared with the previous first half.

<Slide 4: Consolidated Financial Results (2) – Six Months Ended September 30, 2006 –>

Net sales in the components business grew 14.6% compared with the previous first half due to an increase in component demand amid a favorable market environment. Operating profit in the components business increased by 52.9%.

Net sales in the equipment business were up 13.7% compared with the previous first half owing to aggressive new product introductions. Operating profit improved considerably from a loss of ¥160 million in the previous first half to a gain of ¥13.6 billion.

Next, I will discuss extraordinary items regarding first half results.

<Slide 5: Extraordinary Items Affecting Profits in H1 FY3/07>

First, Kyocera sold its shares of Kyocera Leasing Co. Ltd. (KLC), a subsidiary engaged in financing services, in August this year. In line with this, gain on sale of investment in KLC etc. in the amount of ¥5.2 billion was the key reason for the increase in net income in the first half.

Second, a tax refund due to the voidance of a portion of the disposition related to transfer pricing taxation was returned to Kyocera in September 2006, and this added ¥4.3 billion to net income for the first half.

Third, Kyocera set aside a reservation in the amount of ¥3.9 billion in the first half for product warranty costs expected to arise in the solar energy business. Such reserve had a negative impact on pre-tax income and net income, which decreased in the amounts of ¥3.9 billion and ¥2.3 billion, respectively.

The reason for such reservation is as follows. Kyocera recognized defects caused by aging in a portion of the solar energy products sold overseas up to the year ended March 31, 2004.

Kyocera has conducted free inspection, repair and replacement pursuant to internal warranty rules. Kyocera's solar energy products are covered by the warranty for 25 years in the European and U.S. market, and accordingly, we set aside a reservation in the first half for warranty costs estimated to arise in the future.

Although this entire sum was recorded in the first half, if the 25-year warranty period is divided into one-year periods, the annual amount is a little over ¥150 million.

<Slide 6: Consolidated Net Sales and Pre-tax Income Trends – Through H1 FY3/05 to H1 FY3/07 –>

This graph shows consolidated net sales, pre-tax income and the pre-tax income ratio for six-month periods starting in the year ended March 31, 2005.

The pre-tax income ratio bottomed out at 6.7% in the second half of the year ended March 31, 2005. This figure improved to 11.8% in the first half of this fiscal year.

<Slide 8: Consolidated Financial Forecast – Year Ending March 31, 2007 –>

We have revised full-year financial forecasts as you can see on this slide in light of solid first half results and an expected favorable business environment in the second half.

Our new forecasts include net sales of ¥1,250.0 billion, profit from operations of ¥133.0 billion, pre-tax income of ¥148.0 billion and net income of ¥96.0 billion.

As a result, earnings per share is forecast at ¥509.92.

<Slide 9: Consolidated Net Sales and Pre-tax Income Trends – Through FY3/03 to FY3/07 (Forecast) >

Our new forecast numbers for net sales, pre-tax income and pre-tax income ratio will be the highest since the year ended March 31, 2002 when our financial results were adversely affected by the bursting of the IT bubble.

<Slide 10: Business Environment Outlook – Production Volume Forecast –>

This slide show the global production volume forecast for key electronic equipment, which is expected to continue increasing from calendar year 2005 to 2006, with strong growth also predicted for calendar year 2007.

With regard to component prices for the year ending March 31, 2007, the price of general electronic components is projected to decrease by only approximately 10% on a year-on-year basis. Kyocera sees this as a continuation of the favorable environment surrounding the components business.

<Slide 11: Outlook and Challenges for Key Reporting Segments (1) – Semiconductor Parts Group –>

Next, I will explain the outlook and challenges for the core reporting segments. First, let's look at the Semiconductor Parts Group.

The ceramic package business expanded in the first half, with sales of surface mount device packages for electronic components and packages for image sensors particularly strong. We also achieved sales growth in packages for optical devices, reflecting buoyant investment in optical communication infrastructure. Profitability was up as a result of improved capacity utilization at our China plant on the back of increasing demand, coupled with efforts to reduce costs. We aim to continue boosting sales and profits in the ceramic package business in the second half.

In the organic package business, shown at the bottom of the slide, sales of SiP substrates for use in digital cameras and mobile phone handsets increased. We forecast sales to continue growing strongly in the second half.

Meanwhile, sales of packages for game consoles fell short of targets in the first half, so addressing this remains a challenge for the second half. I will explain this point in further detail on the next slide.

<Slide 12: Outlook and Challenges for Key Reporting Segments (1) – Challenges in Organic Package Business –>

Due to the delay in establishment of automated technology to mass-produce packages for next-generation game consoles at the new factory in Ayabe, Kyoto in the first half, production volume and sales fell short of our target.

To overcome this problem, we seek to improve processing capability and strengthen our process control system in the second half. By doing so, we will be able to establish mass-production technology. For this purpose, we will transfer a large number of engineers from factories in Kagoshima and Shiga to the one in Ayabe, which will help us establish the technology required to realize this mass-production line for the Kyocera Group.

We will also work to expand sales in the organic package business by increasing the number of customer-approved items and overall production volume.

<Slide 13: Outlook and Challenges for Key Reporting Segments (2) – Sales and Pre-tax Income Trend of AVX –>

In the Electronic Device Group, we increased sales and profit significantly. AVX Corporation (AVX), in particular, strongly drove the increase in both sales and profit.

This graph shows the trends of net sales and pre-tax income at AVX. Sales and pre-tax income in

the second quarter of this fiscal year posted the highest levels seen in the past six quarters. The pre-tax income ratio improved to surpass the Kyocera Group target of 15%. Sales of ceramic capacitors and tantalum capacitors especially contributed to sales gains. In addition, a steady increase in sales of advanced products such as high-frequency modules and high-capacitance capacitors for the telecommunications and automotive markets.

<Slide 14: Outlook and Challenges for Key Reporting Segments (2) – Electronic Device Group –>

Let's look at the capacitor and crystal device businesses.

Orders for capacitors in Asia were strong in the first half, and we foresee increasing demand in the second half, as well. We are expanding our production capacity for capacitors, which will enable us to accept additional orders in the current favourable demand environment. In addition to benefiting from increased demand for commodity components, we were able to increase sales in our high-value-added products in the first half, and we expect this tendency will continue in the second half. In terms of production, we raised profitability at our overseas manufacturing bases, such as China and the Czech Republic, in the first half. In the second half, we plan to add product variations at our China factories and further utilize our overseas manufacturing bases.

In crystal devices, sales of crystal units and TCXOs expanded in the first half. In the second half, we plan to expand sales of these products in 2520 sizes for mobile phone handsets. We also improved productivity at domestic plants for Kyocera Kinseki Corporation, and will seek to further improvement in the second half.

<Slide 15: Outlook and Challenges for Key Reporting Segment (2) – Sales and Booking Trends of Electronic Device Group –>

The bar graph on this slide shows quarterly booking and net sales in the Electronic Device Group, while the line graph portrays the book-to-bill ratio.

Booking in the second quarter of this fiscal year amounted to ¥74.4 billion. This is an increase of 12.1% compared with ¥66.4 billion posted in the previous second quarter. It also exceeds the ¥71.0 billion recorded in the third quarter of the previous fiscal year, which covers the Christmas selling season by nearly 5%. The book-to-bill ratio in the second quarter was 1.04, supported by strong demand. In most fiscal years, the volume of booking in the third quarter is larger than in the second quarter, and accordingly, we expect that we will be able to record substantial sales in the second half.

<Slide 16: Outlook and Challenges for Key Reporting Segments (3) – Domestic Telecommunications Equipment Business – >

Now, I would like to discuss the Telecommunications Equipment Group. First, we saw strong net sales in the domestic market in both the mobile phone handsets and the PHS handsets businesses.

Two new mobile handset models we launched for KDDI Corporation (KDDI) have been a hit with the market, helping to boost our share of KDDI handset sales. In the second half, we will expand our sales by launching two additional new models, the W43K and the W44K.

With respect to the PHS handsets business, WILLCOM, Inc. achieved a gradual increase in subscription numbers for PHS service in Japan. Kyocera expanded sales of these products in line with such increase. In the second half, we plan to launch new models and further expand sales.

<Slide 17: Outlook and Challenges for Key Reporting Segments (3) – FY3/07 New Handset Models for Japanese Market –>

This slide shows new mobile phone handset models for domestic market. Two models shown on the right are launched recently along with mobile number portability services commenced on October 24. In the second half, we plan to expand sales by marketing new models like these.

<Slide 18: Outlook and Challenges for Key Reporting Segments (3) – New Model to be Launched in H2 FY3/07, W43K >

This slide shows the “W43K” handset with enhanced music functionality and playback capability. Besides equipping the handset with various functions to improve sound quality, the battery charger acts as a deep bass speaker, it can be enjoyed as an audio player by placing a handset on the charging base.

<Slide 19: Outlook and Challenges for Key Reporting Segments (3) – New Models to be Launched in H2 FY3/07, W44K >

The “W44K” handset seeks to improve the basic premise of all mobile phones, portability. The profile of the handset is a mere 15mm (0.6 inch) when folded closed, making the slim design of the model a key characteristic. As of November 1, 2006, it is the slimmest of all the WIN handsets of KDDI.

To improve the profitability of mobile handset business, Kyocera views the timely launch of handsets that meet diversified needs, one of the key ways to expanding sales. We will continue to develop products that focus on offering diverse functionality and superior design.

<Slide 20: Outlook and Challenges for Key Reporting Segments (3) – Telecommunications Equipment Group –>

Next, let's look at the overseas market. Kyocera Wireless Corp. (KWC) continued to show a loss in the first quarter, but recoded a profit in the second quarter thanks to steady growth in sales volume of new models.

In the first half, KWC introduced a variety of new models, including the unique handset designs shown on the left of this slide. KWC aims to increase shipments of new models for the Christmas selling season to ensure profits in the second half.

In the PHS business in China, the commencement of packet services was delayed, but eventually began in Tsingtao in October 2006. We will improve profitability through sales of new base stations and handsets in line with this.

In iBurstTM business, commercial services are provided in five countries as of today. Moreover, we are making effort to cultivate new markets such as Russia, India and the U.S., etc.

<Slide 21: Outlook and Challenges for Key Reporting Segments (3) – Sales and Booking Trends of Telecommunications Equipment Group –>

This graph shows net sales and booking in the Telecommunications Equipment Group since the previous fiscal year. Booking in the second quarter stood at ¥70.5 billion. This is an increase of 17.1% compared with the previous second quarter figure of ¥60.2 billion and also higher than the previous third quarter of ¥63.9 billion. In most fiscal years, the volume of booking in the third quarter exceeds that in the second quarter. Taking advantage of this tendency, we will undertake aggressive sales activities for our new models toward the Christmas selling season and aim to further expand sales in the second half.

<Slide 22: Consolidated Sales Forecast by Reporting Segment – Year Ending March 31, 2007 –>

I will now turn to the full-year sales forecast for each reporting segment, as shown on this slide.

Full-year sales forecasts for all segments in the components business have been revised upward relative to the previous forecasts announced in April 2006. The net sales forecast for the components business is ¥633.0 billion, up ¥32.0 billion from the previous forecast of ¥601.0 billion.

There is no change to the sales forecast for the equipment business relative to the previous forecast.

The sales forecast for Others has been revised downward relative to the previous forecast, due to the elimination of sales from KLC, which were included in the previous forecast.

<Slide 23: Consolidated Operating Profit Forecast by Reporting Segment – Year Ending March 31, 2007>

I will explain the revision of operating profit in each reporting segment. The operating profit forecast for the Fine Ceramic Parts Group has been revised upward from the previous forecast of ¥11.5 billion to ¥14.5 billion on the back of strong performance in the first half.

In the Semiconductor Parts Group, we revised the forecast of operating profit upward from ¥21.0 billion to ¥23.5 billion due to the strong performance of ceramic packages.

In the Applied Ceramic Products Group, Kyocera expects that the increase in operating profit will not be enough to offset the provision made in the solar energy business, and so has revised the operating profit forecast of ¥21.5 billion for this segment relative to the previous forecast. However, demand for solar energy products is expected to remain strong, and Kyocera is confident that it can overcome procurement problems for silicon materials, where the supply situation is tight until the first half of the next fiscal year. The solar energy business will continue to grow over the medium term.

The operating profit forecast for the Electronic Device Group has been revised from the previous forecast of ¥28.5 billion to ¥42.0 billion because we expect the favorable condition for capacitors and crystal devices will continue in the second half. As a result, the full-year forecast of operating profit for the components business as a whole has been revised upward by ¥17.5 billion from the previous forecast of ¥82.5 billion to ¥100.0 billion.

The new operating profit forecast for the Telecommunications Equipment Group is ¥4.0 billion, which is ¥5.0 billion less than the previous forecast. This is due to operating loss at KWC in the first half and the downturn in the PHS business in China.

The operating profit forecast for the Information Equipment Group has been revised upward from the previous forecast of ¥28.5 billion to ¥30.0 billion as performance in the first half exceeded company expectations and continued improvement in product mix through the introduction of new products in the second half.

Kyocera initially projected that the Optical Equipment Group would break even on a full-year basis. After careful estimation of sales in the camera module business, this projection has since been revised down. We now forecast an operating loss of ¥1.0 billion in this reporting segment.

In the Others segment, we revised downward from the previous forecast of ¥14.0 billion to ¥9.0 billion due mainly to the elimination of sales from KLC.

The pre-tax income forecast in total has been revised upward by ¥10.0 billion from the previous forecast of ¥138.0 billion to ¥148.0 billion.

<Slide 24: Aim to be a Creative Company that Continues to Grow>

The Kyocera Group will do its utmost to achieve these full-year forecasts by implementing the various measures in the second half that I have explained.

In addition to this, we aim to create foundations for our growth from the next fiscal year onward by strengthening our “operational excellence” and by raising our ability to achieve goals (“executional excellence”).

※ iBurstTM is a trademark of ArrayComm, Inc.