

Kyocera Corporation Investor Meeting (February 2, 2007)

Slide 1 / President, Makoto Kawamura

Slide 18 / Director of Kyocera Kinseki Corporation, Masami Terasawa

Slide 32 / Executive Officer and General Manager of Automotive Components Division, Toshimi Gejima

President, Makoto Kawamura

<Slide 1: Forward-Looking Statements>

Please take note of the “Forward-Looking Statements” on slide 1 in connection with the information to be presented today.

<Slide 2: Consolidated Financial Results - Nine Months Ended December 31, 2006 ->

This slide shows consolidated financial results for nine months ended December 31, 2006.

Kyocera Corporation sold its shares in Kyocera Leasing Co., Ltd. in August 2006, and accordingly, figures for the previous nine months have been retrospectively reclassified.

As the percentage changes shown on the right of this table show, both sales and profits for the nine months ended December 31, 2006 (the “nine months”) achieved double digits increase compared with the nine months ended December 31, 2005 (the “previous nine months”). Sales increased by 11.1%, profit from operations increased by 51.6%, pre-tax income increased by 36.5%, and net income increased by 58.7%.

With the objective of expanding business amid a favorable market environment manifesting strong demand for digital consumer equipment, Kyocera worked hard to aggressively launch new products and to improve productivity. As a result, both sales and profits achieved a large increase compared with the previous nine months.

<Slide 3: Consolidated Financial Results by Reporting Segment – Compared with Q3 (Nine months) FY3/2006 ->

This slide compares sales and pre-tax income with those of the previous nine months, and shows as amount changes.

In the upper part of the slide, you can see that sales in both the Telecommunication Equipment Group and the Electronic Device Group increased by over ¥20 billion. Excluding the Optical Equipment Group, all reporting segments achieved an increase in sales.

The bottom part of the slide shows pre-tax income. Besides the Electronic Device Group, which posted an increase of ¥14.0 billion compared with the previous nine months in operating profit,

the Semiconductor Parts Group and the Telecommunications Equipment Group also recorded increases in operating profit in excess of ¥6 billion. Thus, all reporting segments achieved an increase in operating profit.

<Slide 4: Consolidated Financial Forecast- Year Ending March 31, 2007 ->

This slide shows financial forecasts for the fiscal year ending March 31, 2007 (“fiscal 2007”), which has been just revised.

Business performance during the nine months ended December 31, 2006 was stronger than the forecasts announced in October 2006. Kyocera projects that this favorable market condition will continue in the forth quarter ending March 31, 2007. Accordingly, Kyocera has revised its previously announced forecast of consolidated sales for the full fiscal year from ¥1,250.0 billion to ¥1,270.0 billion, an increase of ¥20.0 billion.

As a result, Kyocera projects that operating profit in the components business will surpass the forecast previously announced, but costs in the total amount of approximately ¥5.0-6.0 billion on a consolidated basis, including inventories write-downs in the amount of approximately ¥2.5-3.0 billion in the Telecommunications Equipment Group, are projected to be incurred with the goal of improving profitability and strengthening business foundations in the forthcoming fiscal years, and as a consequence there has been no change in the forecast of consolidated profits from the forecasts previously announced.

Kyocera projects earnings per share to be ¥509.51.

Capital expenditures for the fiscal 2007 are forecasted to decrease by ¥4.0 billion to ¥68.0 billion compared with the forecast announced in October 2006 due to restrained capital expenditures in the Information Equipment Group compared with the original plan and postponed capital expenditures in components business until fiscal 2008. Depreciation is also forecasted to decrease by ¥2.0 billion to ¥68.0 billion, accordingly.

R&D expenses are forecasted to be ¥62.0 billion, a decrease of ¥1.0 billion.

<Slide 5: Consolidated Financial Forecast by Reporting Segment - Compared with FY3/2006 ->

This slide compares forecasts for consolidated sales and pre-tax income ending March 31, 2007 and those of the year ended March 31, 2006, and shows as amount change.

As shown in the top row, sales in both the components business and equipment business are forecasted to increase compared with fiscal 2006, totaling ¥59.1 billion and ¥32.7 billion respectively. As shown in the second row, pre-tax income in both the components business and equipment business are also forecasted to increase compared with fiscal 2006, totaling ¥25.7

billion and ¥11.1 billion respectively.

Beside buoyant component demand, group-wide commitment to optimize use of the “Amoeba Management System,” which encourages goal achievement in any cases, started to contribute to bear fruit in the nine months.

<Slide 6: Consolidated Net Sales and Pre-tax Income Trends – FY3/03 through FY3/07 (Forecast) ->

This slide shows sales and pre-tax income for the past five years, including the forecast for fiscal 2007.

Net sales, pre-tax income and the pre-tax income ratio are all projected to be the highest for the recent five-year period. As depicted by the line graph, Kyocera Group achieved a pre-tax income ratio of 10.0% in the fiscal year ended March 31, 2006 (“fiscal 2006”). We expect to further improve this by 1.7 percentage points to 11.7% for fiscal 2007.

Going forward, Kyocera aims to further improve business performance.

<Slide 7: Operating Profit Ratio Trends – FY3/03 through FY3/07 (Forecast) - >

This slide indicates trends of operating profit ratio in the components business, equipment business, and “Others”, and trends of consolidated pre-tax income ratio in the same period.

Although the components business, shown in white, only posted a single-digit operating profit ratio until fiscal 2004, since that time, concerted efforts have been made to enhance profitability, by improving productivity at production sites both in Japan and overseas, and by raising sales of high-value-added products. As a result, we forecast to achieve an operating profit ratio of 16.1%, which is over 15%, the target we have set for fiscal 2007.

The operating profit ratio in the equipment business, shown in pink, bottomed out in fiscal 2005 due to the execution of structural reforms both in the Optical Equipment Group and the Telecommunications Equipment Group. Improvements have been made gradually since that time. We forecast a recovery in the operating profit ratio to 5.7% for fiscal 2007.

For Kyocera to continuously grow further, reinforcement of “Amoeba Management System” is extremely crucial to improve “operational excellence”, namely to strengthen manufacturing divisions as a profit centers, and to improve “executional excellence,” which is to motivate all employees to pursue challenging goals. I have made it own of my priorities since last year to create a highly profitable structure.

In the past year, we worked to revitalize each Amoeba, which has led to a greater ability to achieve goals. I believe this is reflected in an improved performance this fiscal year, and demonstrates that we have set solid foundations for a highly profitable structure.

With this solid foundations, Kyocera will proceed with specific initiatives to grow further this year.

<Slide 8: Reinforce “Amoeba Management System” and “Create New Value” to Promote Growth>

This year, besides continuing our existing policy to optimize use of the “Amoeba Management System,” we have instituted a key management policy to “Create New Value” aimed at driving sustained sales expansion and a high profit ratio. These efforts are expected to lead to further growth and an improved EPS, thus enabling us to meet the expectations of all shareholders and investors.

<Slide 9: “Create New Value” –Specific Initiatives ->

Next, I am going to explain regarding specific initiatives to “Create New Value.”

To “Create New Value,” each Kyocera employee will always seek to be innovative and to make improvements. Based on our stance to execute “Amoeba Management System,” we will work to achieve three fundamental policies.

First of all, Kyocera aims to achieve utmost “Kyocera Quality.” This is simple but most important initiative relating to “Practice ‘customer-first’ principle,” one of our management policies,

Secondly, to “Promote global management,” Kyocera aims to optimize production locations and to create new businesses and cultivate new markets through group-wide synergies.

Lastly, in order to “Establish a highly profitable structure,” Kyocera aims to strengthen strategic businesses and improve operating asset efficiency.

<Slide 10: Promote Global Management –Optimize Production Locations (1) ->

Next, I will explain regarding optimization of production locations.

Kyocera plans to optimize overseas production locations by being attentive to markets and customers.

Kyocera has already established a quadripartite production system in its solar energy business and now produces solar cells and modules in sites close to the important markets in Europe, Japan, the United States and Asia. We also seek to establish a similar production system in other businesses by anticipating future.

Price becomes the most important priority for mature products, evident in certain products in the Electronic Device Group. For these products, the key challenge is strengthening cost competitiveness in order to raise market share. We aim to achieve this by optimizing production locations worldwide.

Further, we strive to hedge risks caused by concentrating production sites too much in specific countries. This includes investigating into additional production sites expected to be core to Kyocera going forward so that we can craft the ideal production system without causing any disturbance to customers.

<Slide 11: Promote Global Management – Optimize Production Locations (2) ->

In Japanese production sites, we seek to raise the competitiveness of products manufactured in Japan by basically focusing on high-value-added products. Specifically, we will strengthen production technology prowess by developing new production methods and introducing streamlined production lines. In addition, we will put our key processes into “black-box”, namely to secure intellectual property protection for superior technologies.

We will promote a scrap-and-build policy to be in force at each factory to ensure the most appropriate arrangement in our production lines. This allows the most effective use of space, leading to enhanced productivity.

<Slide 12: Promote Global Management – Create new businesses and cultivate new markets through synergies among group-wide resources ->

Maximizing group-wide synergies is extremely crucial to create new businesses and cultivate new markets. Kyocera possesses management resources spanning from materials to components, equipment and services. Through the effective use and combination of these resources, it is possible to create new businesses and cultivate new markets.

Businesses closer to end-users, such as the services and the equipment business, convey precise market trends within the Group. Meanwhile, we will establish the routine to provide attractive products from the materials business to the components business and from the components business to the equipment business within the Group.

Mobile phone handsets are one of the well-known examples for this kind of synergistic flow as they incorporate Kyocera’s electronic devices and ceramic packages. Another example is the ECOSYS series of information equipment incorporating our unique amorphous silicon drums, which revolutionized the traditional business model of the printer.

<Slide 13: Establish a Highly Profitable Structure – Strengthen strategic businesses - >

Next, I will explain regarding “Strengthening strategic businesses.”

Decisions criteria for medium to long term strategic businesses are the market growth rate, whether it possesses competitive advantages, and the size of sales proportion to consolidated net sales.

This diagram maps Kyocera Group's major businesses based on medium to long term market growth rate and market share.

The vertical axis shows medium to long term market growth rate and "10%" is used as a demarcation point.

The horizontal axis shows market share. From the left, products are categorized into single digit share, 10~30% share and over 30% share.

Kyocera views those businesses that have been circled on the diagram as strategic businesses over the medium to long term, including, automotive components, ceramic capacitors, crystal devices, information equipment, solar energy products and organic packages.

The automotive components business commands relatively high market share achieved by cultivating new markets through developments of products with ceramic technology. This business field is expected to continue growing strongly going forward, so we intend to steadily expand this business.

Markets for the ceramic capacitor and crystal device businesses are in intense competition. But we aim to increase market share by strengthening cost competitiveness and swiftly launching new high-value-added products.

The Information equipment business possesses only a small market share at present. We are striving to expand business here based primarily through our unique business strategy, the ECOSYS concept. We are also working to improve the quality of our products and services.

Lastly, the markets for solar energy products and organic packages are expected to continue growing at a rapid rate. To drive corporate growth that exceeds market growth rate, we will make effective use of management resources held within the Group and then will expand market share.

Regarding businesses that are not shown as "strategic" but command extremely high market share, shown on the right of this diagram, we will enhance our competitive advantages to create solid business foundations amid stable market growth.

<Slide 14: Reinforce "Amoeba Management System" and "Create New Value" to promote Growth>

Again, the goal of Kyocera is to grow further, namely, to achieve continuous sales expansion and high profit ratio at the same time. With the objective of driving further growth, we will promote group-wide initiatives to "Create New Value" from this year.

<Slide 15: Strengthen Strategic Businesses –Electronic Device Group ->

Later, amongst strategic businesses presented now, representatives of the Electronic Device Group and Automotive Components Division will discuss respective medium to long term business

strategies. Before that, I will explain about the basic strategy of each business.

The Electronic Device Group is our largest business, accounting for 22% of consolidated sales. Basic strategy of Kyocera is to differentiate itself from the competitors and expand business through wide product variety.

This graph shows breakdown of sales in the Electronic Device Group.

Ceramic capacitors and modules are shown here in light blue. As Kyocera is not a leader in these markets, we aim to strengthen competitiveness by concentrating on high-value-added products manifesting high growth potential in demand and also by reforming low-profit product lines. Sales of ceramic capacitors and modules account for around one quarter of sales in the Electronic Device Group, or around 5~6% of the entire Kyocera Group.

Kyocera is a market leader for many of products shown in pink and yellow. These products having high market share include crystal devices at Kyocera Kinseki Corporation and tantalum capacitors and advanced products at AVX Corporation (hereinafter “AVX”). Notably, advanced products at AVX achieved growth in sales by cultivating new markets.

Similarly, Kyocera is a leader in thin-film devices market, shown in yellow. Our printing device and display device businesses have developed immensely as our proprietary technologies – such as thermal printheads and amorphous silicon drums – enable us to maintain a significant competitive advantage.

As presented, the Electronic Device Group possesses a wide product line-up, and supplies passive and functional components, connectors and thin-film devices based on ceramic, tantalum, crystal and other materials technologies. We will continue striving to differentiate ourselves from the competition and expanding business in this segment through such unique business structure.

<Slide 16: Strengthen Strategic Businesses –Automotive Components Business ->

Next, I am going to explain regarding automotive components business.

Although the size of the automotive components business is still small, Kyocera can provide products that meet a wide range of customer needs, including ceramic structural parts, electronic components and semiconductor parts, by leveraging group-wide technologies and in accordance with the following market requirements: “Minimizing environmental burden,” “Promoting safety” and “Improving comfort and convenience.” As such, high growth is expected in this business over the medium- to long-term.

Kyocera’s basic strategy is to expand the overall automotive components business in light of market trends.

We will explain our crystal devices business and automotive components business strategies by each managers today.

Director of Kyocera Kinseki Corporation, Masami Terasawa

<Slide: Development of Crystal Device Business >

I am Terasawa, Director of Kyocera Kinseki Corporation. I am going to discuss regarding crystal device business. It is remarkable in the electronic component industry, in which capacitors are the flagship product, that Kyocera has a crystal device business. Crystal devices are known as the "salt of the industry" and are, after semiconductors, the most indispensable elements for the development of electronics. Kyocera Kinseki Corporation ("Kyocera Kinseki") was inaugurated in 2004 when Kyocera's quartz crystal operations merged with Kinseki Ltd. Kyocera handles sales and distribution, and Kyocera Kinseki is positioned as the manufacturing company.

<Slide 18: Net Sales and Pre-tax Income Trends>

This slide shows performance of Kyocera Kinseki for each six-month period from commencing with the fiscal year ended March 31, 2006("fiscal 2006"), following the merger between Kinseki and Kyocera, through projections for the second half of the fiscal year ending March 31, 2007("fiscal 2007").

The blue bar graph depicts sales and the red bar graph depicts pre-tax income. As figures for Kyocera Kinseki alone are not publicly announced, a scale has not been indicated on the vertical axis.

Sales bottomed out in the first half of fiscal 2006 and since then have been on a gradual recovery track. We forecast a steady increase in sales and sales for the fiscal year ending March 31, 2008 to achieve a year-on-year growth ratio of over 10% compared with those for fiscal 2007, exceeding the peak recorded in the fiscal year ended March 31, 2005("fiscal 2005") due to a favourable market environment and to a steady increase in sales. The pre-tax income ratio decreased substantially in the first half of fiscal 2006, but has recovered steadily since then.

We project that the pre-tax income will decline in the second half of fiscal 2007, relative to the first half of the same year. We are, however, confident that profit structure has been steadily improved. In the next fiscal year ending March 31, 2008, the pre-tax income ratio is expected to exceed the level posted in fiscal 2005.

<Slide 19: Growth Trends Rate of Semiconductor Devices and Crystal Devices(Sales revenue basis)>

This slide shows past sales and mid-term forecasts for semiconductor devices, known as the "rice of the industry," and crystal devices, known as the "salt of the industry." Figures here indicate year-on-year growth ratios. Figures in blue show data relating to semiconductors taken from WSTS (World Semiconductor Trade Statistics) while figures in red show data relating to the

crystal devices taken from the Quartz Crystal Industry Association of Japan (the QIAJ).

As you can see, the lines show very similar trends. Since 1996, not only the trends but the growth rates have become closer as well. That is where the analogy with rice and salt was born.

With respect to the forecasts of sales of semiconductors for 2006, 2007 and 2008, the blue line shows the data prepared by WSTS. With respect to the same period, forecasts of sales of crystal devices shown by the red line are based on Kyocera Kinseki's projection. Double-digit growth is expected for semiconductors and crystal devices until 2008 when the Beijing Olympics are to be held.

<Slide 20: Market Trends of Crystal Devices (Sales unit basis) >

This slide shows results for the different types of crystal devices, with sales volume as the unit. Use of tuning fork crystal units is increasing due to incorporation thereof into various equipment. As a result, sales volume has been growing with these devices coming to comprise 40% of the total crystal devices in fiscal 2006.

Sales of crystal units have remained flat in the consumer market, but have been increasing in the industrial and automotive markets, and these also have come to comprise 40% of total crystal device sales. In oscillators, sales of TCXOs for mobile phone handsets have grown rapidly and have come to comprise 14% of total crystal device sales.

However, looking at the composition ratio within the crystal devices market on a monetary basis, the share of tuning fork crystal units dropped to 17%, which means total sales of ¥45.0 billion out of the ¥250.0 billion market for crystal devices as a whole according to the data of the QIAJ. This is because the unit price of tuning fork crystal units is low. However, as the unit price for other crystal units and oscillators is high, the shares of other crystal units and oscillators on monetary basis are 31% and 38%, respectively, which are both high as compared with their respective ratios on a number of units basis.

The red line shows year-on-year growth rate in terms of number of units sold, which has been high, between 10% and 25%, in the recent five years, thus sufficiently compensating the rate of decline in unit price. As such, crystal devices can be seen as a stable, high-growth field.

<Slide 21: Market Trends of Crystal Devices >

I will now explain the demand forecast for crystal devices. This slide shows actual demand results and future trends worldwide for core crystal devices such as crystal units, TCXOs, clock oscillators and optical devices.

The bar graphs show worldwide results and forecasts of demand on a monetary basis, while the line graph shows year-on-year growth rate. We expect demand for crystal units to grow steadily in

the mobile device, consumer and automotive markets. Although demand for TCXOs is forecast to remain unchanged next fiscal year, it will increase from 2008 onward due to the expanding popularity of GPS-equipped mobile phone handsets. Only slight growth is projected in clock oscillators due to replacement by other products, while growth in the network-related market is expected. With respect to optical devices, we forecast little change as the market for DSC approaches maturity.

<Slide 22: Kyocera's Position by Product>

This slide shows the positioning of Kyocera Kinseki's products. The horizontal axis depicts market size, while the vertical axis depicts share of orders of Kyocera Kinseki in monetary terms according to QIAJ.

As you can see, we possess overwhelming share in TCXOs for mobile phone handsets, which is the largest market. Also, we have secured top share in the market for optical devices.

Going forward, our strategy to expand orders revolves around increasing share of clock oscillators and crystal units for consumer use, which is the biggest market next to TCXOs for mobile phone handsets. Our strategy also includes the attempt to enter into the market for tuning fork crystal units, one aspect of our move forward to become a comprehensive crystal products manufacturer. The market for crystal units for automobiles is expected to grow as use in next-generation automotive-networks, such as Flexray, expands. We aim to increase market share in a step-by-step fashion.

<Slide 23: Product Trends of Crystal Devices (1)>

The most important challenges going forward are to meet the requirements of set makers in terms of miniaturization, higher frequency and greater precision in crystal devices.

Crystal devices are now required to be smaller, in line with advancement in game consoles, audio players, modules and mobile phone handsets. In addition, higher frequency is essential in the data transmission and storage markets due to their focus on transmission speed, transfer speed and SATA (Serial attached SCSI).

It is also necessary to increase accuracy. For example, accuracy is required for mobile phone handsets with GPS. Kyocera aims to clear these hurdles in an appropriate and timely manner in order to increase orders for crystal devices required for use in various electronic equipment.

<Slide 24: Product Trends of Crystal Devices (2)>

As an example of the trend towards miniaturization, this slide shows the changes in size of SMD crystal units. In the future, SMD crystal units below 3225 will become the mainstream. In the

fiscal year ending March 31, 2010, we expect that miniaturized crystal units will occupy more than 60% of the entire market for SMD crystal units.

Kyocera Kinseki has been working hard in pursuit of miniaturization in close coordination with the ceramic package division and the production technology division of Kyocera Corporation. Efforts have culminated in the joint development of packages and a shift to self-manufacture of production equipment. By maximizing synergies within Kyocera Group, we will develop new products ahead of the competition that are highly differentiated.

With regard to size trends in SMD crystal units, the market for large size items has not yet reached complete maturity, despite amid continued movement towards miniaturization, so demand for the large size items remains stable. How to compete with other manufacturers in this large size product market will be also a key challenge to increase orders of crystal units.

To this end, we are already mass-producing leading-edge products in the 3225, 2520 and 2016 sizes. The 3225 size has wide application, with the CX3225SA for automotive use, the 3225SB for mobile phone handsets and the 3225GB for consumer use.

<Slide 25: Price Trends>

Now I will explain price trends in crystal units. Compared with general electronic components, crystal units show a different tendency in price changes. The diagram at the top represents price trends by size of crystal units. The surface-mounting type 5032 size has ended its role in the mobile phone related market, however, the price thereof remains stable.

The price for each size of crystal units bottoms out as the market approaches maturity, with higher price more likely for smaller sizes. For reference, the graph below shows price trends by size for chip resistors, a standard electronic component. The key point is the parts that are circled in the chart. In the case of chip resistors, the bottom price in a mature market for any size tends to be lower than that for the previous generation of products, unlike the crystal devices.

<Slide 26: Promote Localization >

In light of the aforementioned, this slide shows Kyocera Kinseki's targeted global business structure. The horizontal axis portrays production sites in Japan and overseas, while the vertical axis portrays sales and profits. Kyocera Kinseki started operations at overseas factories early on, with the factory in Thailand now in its 16th year.

In Japan, we have placed a focus on the manufacture of leading-edge products. With respect to manufacture of mature products in Japan, it is important to focus on products that are ordered in small lots and are relatively expensive, to ensure stable production flow.

There has been a strong trend that our production at overseas sites has focused on products one

step behind the state of the art products, which has weakened business foundations. For that reason, we have reviewed our strategy regarding the location of manufacturing sites. In Thailand and the Philippines, it is very important that we get ourselves on an equal footing with Chinese and other Asian manufacturers. To achieve this, we will make the manufacture of mature products, such as crystal units for tuners, in which enjoy a large market, as business foundation.

Of course we will also continue the development of cutting-edge products, however, as the life of these products is short, there is very little time to recoup investment. Amid such an environment, we seek to raise profits from mature products, which always exist, as a means of strategically creating solid business foundations.

<Slide 27: Increase Market Share>

Next, let's look at the major challenge of increasing share in the consumer market. Chinese and other Asian manufacturers are steadily increasing market share of mature, low-priced leaded products and glass sealing type SMD products, which are commonly used in this market.

As I mentioned earlier, we will shift to local production of leaded crystal units in Thailand and glass sealing type crystal units in the Philippines. We can get back on an equal footing with Chinese and Asian makers by making use of mature products, but with unique features.

We will make these key products at the Thailand and Philippines factories, where we expect to achieve cost competitiveness against Asian manufacturers such as Chinese manufacturers. We intend to compete by leveraging our high technological prowess and quality.

<Slide 28: Product Trends of Crystal Devices (3)>

I will now explain the second technology trend – the shift to higher frequency, something that is required by customers in a ubiquitous network age. In terms of higher frequency, WDM technology is the core technology required in high-capacitance data transmission.

Going forward, fixed phone lines for telecommunication will be gradually replaced by optical lines. Technologies such as GE-PON, used in existing backbone networks, will be used by consumers more and more as FTTX, and the market will expand accordingly. The high-speed wireless data transmission market is expected to expand in parallel with these tendencies.

Kyocera Kinseki has a wide range of production lines from traditional AT crystal units to inverted mesa type crystal units and SAW resonators that can operate in the gigahertz range. Maximizing the use of these resources, we will develop and start mass-producing clock oscillators that meet the requirements for next-generation data transmission so we can expand our business.

<Slide 29: Product Trends of Crystal Devices (4)>

Let's move on to the trend towards higher precision. Mobile phones have been taking on the role of driving advancement in ubiquitous networks. With the incorporation of a GPS security function into them, we expect that mobile phone handsets will enter a new phase as information terminals. GPS relies to a great extent on standard signal sources to quickly and accurately detect position. It is expected that demand will increase for greater accuracy in GPS under standard temperature characteristics, from 2.0 ppm (parts-per-million) to 0.5 ppm. For TCXOs compatible with the 0.5 ppm range, crystal design and IC fitting will be the key in determining temperature characteristics.

Competitors have employed a new IC chip that utilizes a high-degree compensation method in order to enable temperature compensation. In contrast to this, Kyocera Kinseki has employed a traditional IC chip for temperature compensation, and as a result, we are able to mass-produce the product via unique technology ahead of other manufacturers.

<Slide 30: Expand Applications of Crystal Devices >

I will now explain new applications for crystal devices. Crystal devices have traditionally been used as a stable frequency supply source, utilizing their piezo-type properties.

One major innovation in recent years has been the advent of the digital still camera, which has precipitated phenomenal expansion in the market for filters, which apply optical birefringent functionality. Sensor market is expected to be a new area of application for crystal devices.

We expect applications for crystal devices to grow further, including QCM sensors that can modulate frequency depending on the weight of the electrode in the crystal element and sensors that can monitor changes in pressure and temperature.

<Slide 31: Long-term Sales Target>

Finally, let's look at the long-term sales target of Kyocera Kinseki. We seek to increase the sales ratio of crystal units for consumer equipment and clock oscillators to change the current business structure focused on the mobile communications market. We aim to achieve doubled sales of these products in the future.

Executive Officer and General Manager of Automotive Components Division, Toshimi Gejima

<Slide 32: Major Automotive Components>

I will introduce the principle automotive components manufactured by Kyocera. Kyocera is engaged in the manufacture of a wide range of products including engine-related items such as glow plugs and piezo stacks, shown in blue on the left of the diagram, sensor-related products such as heaters for oxygen sensors and SAW resonators, shown in yellow in the upper right, and car electronics-related products such as camera modules, connectors and capacitors, shown in red in the bottom right.

We organically combine the element technologies, design rule and evaluation know-how accumulated over many years with the wide array of products, in order to enhance the market-worthiness of our automotive components. This has enabled us to further expand our business in the automotive field.

<Slide 33: Kyocera's Strengths in Automotive Components>

In the automotive components business, a quality control system that ensures reliability and performance is crucial. This constitutes the key to effective competition in the automotive components market.

Kyocera has established a strong quality control system and ceaselessly promotes further quality improvement. For such purpose, Kyocera integrates the following management resources: the quality control system developed in connection with our mass-production of ceramic turbocharger rotors; product design and process design through Failure Modes Effect Analysis (FMEA) to secure high reliability; a database incorporating prior defect experiences for sharing information; and Kyocera's unique Amoeba Management System that propels continuing improvement on the work-floor.

ECU was commercialized using this system, resulting in zero defects in the past seven years. As a result, the product has been widely appreciated by the customer.

By integration of core technologies for a variety of products – from materials and components to the manufacture of finished products – which have been the basis of Kyocera since its incorporation, and this system, we believe we have established the foundations for significant growth going forward.

<Slide 34: EURO Regulation for Auto Emissions>

This graph shows trends until EURO 5 regulations related to exhaust gas in Europe come into effect in 2008. Substantial reduction of particulate matter (PM) and nitrogen oxide (NO_x) is being planned. To achieve the targets, improvement of combustion technology is becoming increasingly

important.

<Slide 35: Sales Trends of Diesel Engine Cars in Europe>

As this diagram shows, diesel cars with good fuel consumption (represented in blue) are becoming increasingly popular as environmental-friendly cars in Europe.

This trend has been promoted by development of the common rail system, which is effective for the exhaust gas countermeasure, as shown by the yellow line in this diagram. Fuel combustion has been markedly improved through this system.

<Slide 36: Piezo Stacks for Common Rail and Glow Plugs>

I will now explain the piezo stack, which is used in the common rail system, and the ceramic glow plug, which is expected to assist in improving fuel combustion.

As shown in this diagram, the common rail is a pressure container containing high-pressure fuel. An alignment of injectors with piezo stacks is connected to the common rail, and precisely controlled timing and the amount of fuel injection is made. Piezo stacks are piezoelectric devices that enable precise control of fuel injection amounts.

The glow plug, shown at bottom right, helps ensure optimum fuel combustion during ignition in diesel engines.

<Slide 37: Fuel Injection Controls>

This shows the fuel injection process for the common rail system. The existing common rail system employs five injection events per cycle. Pilot injection and pre-injection pre-mix the fuel before the main injection to drive power. This helps reduce particulate matter, control NOx emissions and reduce vibration and noise.

After injection and post injection aim to enhance the environmental-friendliness of exhaust gas and improve fuel consumption by reducing particulate matter through diffusive combustion and activating a catalyst to reduce unburned combustibles.

Piezo method injectors feature quick response: around five times faster than conventional solenoid actuators. This facilitates shorter injection intervals and more precise control over fuel delivery, resulting in close to ideal combustion conditions. In response to stricter exhaust gas emissions regulations for automobiles going forward, it is expected that this type of injector using Piezo stacks will become indispensable.

Kyocera's piezo stack uses one-sixth the amount of palladium, an expensive precious metal, relative to other companies, to achieve lower costs. In addition, our structural design alleviates internal stress during operation, a result made possible by outstanding production technology. The

result is a groundbreaking product that competitors do not have.

We have already begun supplying this product to customers. In the future, we expect its usage to increase with each automobile model change.

<Slide 38: Trends of Ceramic Glow Plugs>

To comply with emissions regulations, which are getting tougher year-by-year, it is necessary for glow plugs to heat to assist in optimum combustion while the car is running, not just when starting the car, and this in turn requires increased high-temperature endurance.

For this reason, it is said that approximately 25% of metal glow plugs in the market (around 100 million units a year) will be replaced by ceramic glow plugs.

This diagram represents the roadmap for the ceramic glow plug. There is currently a shift from the third-generation self-saturation type to glow plugs with low-voltage specifications, which enable precise temperature control, and to glow plugs with pressure-sensors, which can control combustion feedback. Going forward, we will need to develop products that are closely related to engine control.

Kyocera's heater core, the heating component in ceramic glow plugs, possesses the world's highest endurance performance. We have already started producing and supplying them to a major car electronics manufacturer. We intend to strengthen the tie with these manufacturers so that we can lead the market with the timely development of new products.

<Slide 39: Electronic Control Unit (ECU) Market Trends>

The ECU, which stands for Electronic Control Unit, a computer used for control of the drive train of an automobile, such as the transmission, helps to improve environmental friendliness by improving fuel efficiency.

With conventional ECUs, multiple control mechanisms were concentrated into a single ECU. In the future, concomitant with increasing data inputs, as shown in the center, sub-ECUs to control circuitry will be integrated into the drive train to form a single control system. There is a continued shift towards this new paradigm of integrated mechanics and electronics. As a result, the number of ECU modules per vehicle is expected to increase to around 100 by 2010.

<Slide 40: Kyocera's Strengths in ECU business>

Kyocera's ceramic ECUs have an advantage in terms of heat resistance, high rigidity, and high thermal conductivity, and they have received high reliability reviews from customers. Making the most of these advantages, it has become possible to cut down the size of ECUs to one-third as compared with the glass epoxy substrates of rival companies.

Kyocera has leveraged an abundance of experience and data accumulated in its multi-layer ceramic substrate business over many years as well as unique packaging technology to realize highly-reliable, miniature, high-density mounting. Further, Kyocera possesses vertically integrated production technology, from substrate to module assembly, making it possible to pursue an optimum combination of technologies. We believe that we can keep pace with the sudden wave of digitization via these technologies.

Within the current trend toward the new integrated control system, Kyocera aims to further expand business in this field by taking advantage of its higher reliability and smaller packaging technology.

<Slide 41: Promote Safety>

Traditionally, crash safety technologies, known as passive safety, have been used to reduce damages caused by accidents. These have included seatbelts, airbags and a safe body structure. However, in the future, technologies that prevent accidents and reduce potential damage, known as active safety and pre-crash safety technologies including ABS (Antilock Braking System), will be required.

Such technologies will make a major contribution to achieving the goal to halve road fatalities set by the Ministry of Land, Infrastructure and Transport of Japan.

<Slide 42: Expand Applications for Automotive Cameras>

It is expected that between 6 and 10 cameras will be mounted on one automobile in the future. Amid heated discussion on safety in the past few years, the application of viewing cameras, shown in the middle of the diagram in red, has been expanding, aimed at improving vision. In particular, in the United States, where people tend to park nose-in, the number of road deaths caused when people reverse out of parking spaces has been increasing, and this has become a serious social issue. Japan leads the world in car navigation systems and the use of rearview monitor cameras has been rapidly increasing. The use of this type of camera is expected to increase in the United States as well. Kyocera's miniature view cameras, which incorporate well established design and lens technologies based on our digital camera business, will contribute substantially to the expansion of our U.S. market going forward.

In addition, the application of sensor cameras, shown in green, is expected to grow with the objective of ensuring driving safety. Needs and desired functionality are becoming diverse, encompassing IHC (Intelligent Headlight Control), which can detect oncoming vehicles and control the headlights, and features to recognize lanes and detect occupants. The market for sensor cameras is one in which Kyocera can derive value from its emphasis on design quality. We

will integrate our extensive know-how in consumer cameras with the unique quality control system developed in our automotive components business to develop new products and applications for automotive camera modules.

<Slide 43: Market Expansion: Automotive Camera Modules>

As shown in the diagram here, the automotive camera market is forecast to grow sixfold from its current size by 2010. We will firmly capture this turning point toward market expansion and continue to promote development in this market.

<Slide 44: Development Roadmap for Automotive Sensor Cameras>

With regard to sensor cameras, we launched first-generation white line detection cameras developed in 2004. Since then, they have been applied successfully as sensor cameras, and we have built confidence in our design technology.

Second-generation CMOS black and white cameras can fully suppress graphic image noise thanks to the development of an algorithm to detect barriers such as people, cars, bicycles and motorbikes. We plan to mass-produce these cameras from the end of this year.

Third generation cameras are expected to comprise CMOS color cameras with high luminosity that will protect pedestrians by detecting barriers, and will enable such features as lane keep assist. The market for such third generation cameras is expected to expand to encompass use as multifunctional sensors.

Use of these systems is expected to grow significantly between 2009 and 2015 as a key aspect of driving safety. In addition, we have dispatched engineers to a major car manufacturer and established a system for joint development and product evaluation. We can thus swiftly grasp market trends and promote timely product development. We aim to nurture the automotive camera module business as a major pillar of our automotive components business.

<Slide 45: Improving Comfort: Peltier Modules>

Peltier modules are semiconductor elements that enable precise temperature control by switching the direction of electrical current, making it possible to switch between cooling and heating instantaneously.

Making use of this characteristic, a system that can freely adjust car seat temperatures has been commercialized, as shown in this diagram. Going forward, employments of this temperature control system in individual seat of the car, including the driver's seat and passenger seats are expected to expand.

At present, this system is employed almost solely in luxury cars, however, it is expected that it

will be used in popular cars more and more into the future. We expect the number of units will grow sixfold by 2010.

Of course we have to satisfy requirements for low power consumption and high reliability for use in automobiles.

There are the different requirements than applied to ordinary peltier modules, which are becoming more widespread in the general consumer market. For Kyocera, which has succeeded in achieving a substantial improvement in performance through a new production method using single crystal technology, such different requirements will provide us with a great business opportunity.

<Slide 46: Advantages of Kyocera's Peltier Modules>

Kyocera's peltier modules have three advantages, namely, low power consumption, high reliability and low costs.

We can reduce power consumption by 40% compared with the products of competitors, as this diagram shows.

With respect to reliability, Kyocera holds outstanding design technology, enabling high durability against repeated cooling and heating that is far beyond our competitors.

With respect to the low cost feature, as shown at right, compared with the complex processing method of other companies, which requires three cuts from a block, we can produce the elements via a single cutting process from a single crystal rod. Thus, we can reduce processing hours and material wastes.

We plan to start mass-production from the end of this year by leveraging these advantages. In addition to application in seat temperature control, this technology is superior to that of earlier entrants in the field, capable of meeting stringent requirements for quality in optical components used in cooling the heat from lasers. We will continue to promote the horizontal development of the technology.

<Slide 47: Further Expand Automotive Components Business>

I have now explained the main products that are expected to drive business development in the automotive fields of environment, safety and comfort. First, in terms of environment-related products, we will ride the wave of stricter regulation and look to develop markets for piezo stacks, glow plugs and ECUs in Japan, the United States, Europe and the BRICs. With respect to automotive cameras, key to safety, we have established a collaboration with semiconductor manufacturers making CMOS, etc. and have succeeded in creating firm foundations to cultivate the market.

The market for peltier modules is also expected to expand markedly going forward as we stick to

our initial strategy.

These products, which take advantage of our quality control system and market growth, will impact greatly on the future of the automotive market.

We aim to expand sales of these products under our new business model fourfold by fiscal March 2010 compared with the fiscal year ended March 2006. To drive business expansion, we will aggressively implement the policies of Mr. Kawamura, the President of Kyocera Corporation, to ‘optimize use of Amoeba Management System’ and to ‘create new value.’