

Kyocera Corporation Telephone Conference Call (April 27, 2006)

P1/ President, Makoto Kawamura

P4/ Executive Officer and General Manager of Financial and Accounting Corporate Group, Shoichi Aoki

President, Makoto Kawamura

I will discuss consolidated financial results for the year ended March 31, 2006 (fiscal 2006), as announced today. Please turn to page 8 of the financial results handout.

<Consolidated Results>

Consolidated net sales for fiscal 2006 amounted to ¥1181.5 billion, roughly the same as in fiscal 2005. Profit from operations increased by 2.2% to ¥103.2 billion and income before income taxes increased by 12.9% to ¥121.4 billion. Net income totaled ¥69.7 billion, up a significant 51.8% from fiscal 2005. This was due primarily to an increase in income taxes of approximately ¥6.1 billion owing to a reversal of deferred tax assets at a U.S. subsidiary and an additional tax of approximately ¥12.7 billion resulting from transfer price tax adjustments in fiscal 2005.

The yen depreciated 5 yen against the U.S. dollar, to 113 yen, and 3 yen against the Euro, to 138 yen, compared with the average exchange rates in fiscal 2005. Accordingly, net sales and income before income taxes after translation into yen were pushed up by ¥32.2 billion and ¥8.0 billion, respectively, compared with fiscal 2005.

Please turn to page 9 of the financial results handout and I will explain results by reporting segment.

I will begin with a summary of sales by reporting segment. Sales and operating profit in the Applied Ceramic Products Group increased significantly compared with fiscal 2005. Strong sales growth was recorded in the solar energy business amid an expanding global market. Sales of cutting tools for the automobile industry also grew. In the Semiconductor Parts Group, sales of ceramic packages and organic packages for digital consumer products increased steadily. Sales in the Information Equipment Group also increased compared with fiscal 2005 despite declining sales prices due to increased sales volume through aggressive sales activities.

In contrast, sales in the Telecommunications Equipment Group and the Optical Equipment Group declined due to the implementation of structural reforms aimed at improving profitability going forward. Sales in the Fine Ceramic Parts Group and the Electronic Device Group declined as steady sales growth in the second half supported by high component demand was insufficient to cover a downturn in sales in the first half.

As a result, consolidated net sales were roughly the same as in fiscal 2005.

Next, let's look at operating profit by reporting segment.

Operating profit in the Fine Ceramic Parts Group and the Electronic Device Group declined compared with fiscal 2005 as we were unable to cover the downturn in the first half. Operating loss in the Telecommunications Equipment Group was greatly reduced compared with fiscal 2005 due to increased sales of mobile phone handsets for "au" and new PHS handsets for WILLCOM, Inc. coupled with the positive effects of structural reforms. Besides, positive effects of the structural reform in the Optical Equipment Group were also recognized.

As a result, consolidated operating profit increased by 8.7% compared with fiscal 2005, to ¥109.3 billion.

Corporate, the line item directly under operating profit includes a gain on sale of shares in Taito Corporation, which was an affiliate, in the amount of ¥6.9 billion, and a gain in the amount of ¥5.3 billion as a result of the exchange of shares when Mitsubishi UFJ Financial Group was inaugurated. Loss on valuation of shares in the amount of ¥3.5 billion in a German-based sales subsidiary which is an affiliate of Kyocera Mita Corporation has also been included in Corporate.

I will now discuss results for the first and second half, so please turn to page 1 of the Supplementary Information attachment to the financial results handout.

Sales in the second half increased by 9.7% compared with the second half of fiscal 2005 (previous second half) and by 16.7% compared with the first half of 2006. Profit from operations in the second half increased by 74.5% compared with the previous second half and by 92.0% compared with the first half of fiscal 2006. Income before income taxes in the second half increased by 86.8% compared with the previous second half and by 63.1% compared with the first half of fiscal 2006. The operating profit ratio in the second half was 10.7%, maintaining a level over 10% since the first half of fiscal 2005. We aim to translate this trend of improving profit ratio into a further improvement in profit going forward.

<Consolidated Forecasts for the Year Ending March 31, 2007>

I will now discuss consolidated financial forecasts for the year ending March 31, 2007, so please turn to page 14 of the financial results handout.

Let's look at the market environment for fiscal 2007. In the electronics industry, we project an increase in demand for digital TVs and next-generation game consoles on a global scale, and for mobile phone handsets in the BRICs (Brazil, Russia, India, China), and therefore an increase in demand for components for these digital consumer products. Compared with fiscal 2006, we expect a more favorable environment in the electronics industry as a whole in fiscal 2007.

We also expect the price of general electronic components to remain relatively stable compared

with fiscal 2006, with a projected decline of around 10% on a full-year basis.

Based on these assumptions, we forecast full-year consolidated net sales for fiscal 2007 to increase by 4.1% compared with fiscal 2006 to ¥1,230 billion, profit from operations to increase by 19.2% to ¥123 billion, income before income taxes to increase by 13.7% to ¥138 billion, and net income to increase 19.1% to ¥83 billion. The figures I have just mentioned are the bare minimum we hope to achieve, and as such, we will strive to post an even better performance.

The assumed exchange rate for fiscal 2007 is 108 yen to the U.S. dollar and 134 yen to the Euro, marking appreciation of 5 yen and 4 yen, respectively, compared with fiscal 2006. Based on these assumed exchange rates, net sales and income before income taxes for fiscal 2007 will be pushed down by around ¥35 billion and ¥9 billion, respectively.

Next, I will explain forecasts by reporting segment, so please turn to page 15 of the financial results handout.

In the components business, we forecast sales of ¥601.0 billion and operating profit of ¥82.5 billion for fiscal 2007. We will strive to increase sales and profits by driving growth in the Semiconductor Parts Group in particular.

In the Fine Ceramic Parts Group, we project expansion in the semiconductor market and the full-fledged emergence of demand for next-generation LCD fabrication equipment. We intend to grab these business opportunities to expand sales of ceramic parts for semiconductor and LCD fabrication equipment. We will also strive to increase sales of sapphire substrates for LEDs, especially for mobile phone handsets.

In the Semiconductor Parts Group, we seek to further increase sales and profits in fiscal 2007. To achieve this, we will expand sales of ceramic packages for mobile phone handsets and digital cameras, and translate increased demand for organic packages for next-generation game consoles expected from fiscal 2007 onward into increased sales. At the same time, we will work to improve profitability through enhanced productivity.

In the Applied Ceramic Products Group, we project a temporary slump in the solar energy business in fiscal 2007 due to yen depreciation against the Euro and rising silicon materials prices. Accordingly, operating profit in this segment is forecast to remain roughly on a par with fiscal 2006. To make the most of expanding global demand for solar energy products, however, we will strengthen business foundations aimed at driving growth over the medium term. We will achieve this by securing silicon materials, and enhancing technical expertise and cost competitiveness by making solar cells thinner and boosting conversion efficiency.

In the Electronic Device Group, we will grab all business opportunities in the favorable market environment to drive growth by launching new ceramic capacitors and crystal-related components.

In the equipment business, we forecast sales of ¥516.0 billion and operating profit of ¥37.5 billion. We will strive to increase both sales and profits in this business. We also aim to ensure that structural reforms implemented in the Telecommunications Equipment and Optical Equipment Groups in fiscal 2006 translate into a vastly improved performance in fiscal 2007.

In the Telecommunications Equipment Group, we will increase sales of mobile phone handsets through the timely launch of new products and boost profitability at KWC. In addition, we will strive to expand market share of PHS handsets in Japan and to develop the PHS market overseas. We aim to expand business in the Optical Equipment Group by cultivating new customers for camera modules.

In the Information Equipment Group, the launch of certain new products was delayed from fiscal 2006 to fiscal 2007, and, accordingly, sales and operating profit for fiscal 2006 fell below previously announced forecasts. We plan to introduce these new products from May this year. Overall, we will launch a higher number of models than in fiscal 2006 as a means to expanding business.

Kyocera Group initiated a new management system in April this year. Under this new system, I have total responsibility for executing group management. This move is expected to enhance the speed of decision-making in Kyocera. We will continue with the policies of “strengthening existing businesses” and “creating new businesses” to bring growth to Kyocera Group. We will also strengthen our unique “amoeba” management system which has been a driving force for corporate growth since Kyocera was founded and which provides us with a competitive advantage over our rivals. By doing so, we seek to boost our overall capability to achieve goals. In particular, we are working to strengthen our capabilities in manufacturing, which is the profit center of Kyocera.

In fiscal 2007, we aim to take advantage of business chances in each business so that we can achieve our full-year forecasts. In addition, we will continue strengthening our business foundations aimed at being “a creative company that continues to grow in the 21st century.”

Executive Officer and General Manager of Financial and Accounting Corporate Group, Shoichi Aoki

<Consolidated Statements of Income>

I will now begin with a summary of the Consolidated Statements of Income, so please turn to page 19 of the financial results handout.

Net sales in fiscal 2006, the first line item, remained roughly the same as in fiscal 2005, up 0.1% to ¥1,181.5 billion.

Cost of sales, the next line item amounted to ¥838.3 billion, a decrease of 2.0% from fiscal 2005

owing to comprehensive cost reductions and an increase in productivity at manufacturing sites. Selling, general and administrative expenses (SG&A expenses) increased by ¥15.4 billion over fiscal 2005 to ¥240.0 billion. An increase in personnel costs at a domestic subsidiary newly consolidated into Kyocera Group, an increase in R&D expenses and an increase in software-related costs were the main reasons for this increase.

As a result, profit from operations for fiscal 2006 amounted to ¥103.2 billion, with a profit ratio of 8.7%. This result was up ¥ 2.2 billion, or 2.2%, compared with ¥101.0 billion in fiscal 2005.

In other income or expenses, interest and dividend income totaled ¥9.0 billion, up ¥2.6 billion compared with fiscal 2005. This was due primarily to an increase in dividends from KDDI Corporation and in interest income at a U.S. subsidiary.

Kyocera recorded ¥6.9 billion in gain on sale of investment in an affiliate accounted for by the equity method due to the sale of Kyocera's shares in Taito Corporation in the first half.

In the next line item, gain on exchange for the shares, Kyocera recorded a valuation gain on shares in UFJ Holdings, Inc. in connection with the exchange of such shares for shares of Mitsubishi UFJ Financial Group in the third quarter.

With respect to loss on devaluation of investment in an affiliate, Kyocera recorded valuation loss on shares due mainly to a decline in the value of shares in a sales company based in Germany which is an affiliate of Kyocera Mita Corporation.

As a result, total other income amounted to ¥18.2 billion, up ¥11.6 billion compared with fiscal 2005.

Accordingly, income before income taxes for fiscal 2006 totaled ¥121.4 billion, up ¥12.9% compared with fiscal 2005. The profit ratio was 10.3%.

If we subtract income taxes in the amount of ¥47.3 billion and minority interests of ¥4.4 billion from income before income taxes, we are left with net income for fiscal 2006 of ¥69.7 billion. This result was up a significant 51.8% compared with fiscal 2005. The profit ratio was 5.9%.

Income taxes in fiscal 2005 included an additional tax in the amount of ¥12.7 billion resulting from transfer price tax adjustments and a reversal of deferred tax assets in the amount of ¥6.1 billion at a U.S. subsidiary.

That concludes my presentation on the Consolidated Statements of Income. I will now explain the Consolidated Balance Sheets so please turn back to page 17.

First, let's look at assets. Consolidated total assets amounted to ¥1,931.5 billion at the end of March 2006, up ¥186.0 billion from ¥1,745.5 billion at the end of March 2005.

Total current assets were ¥920.7 billion, up ¥25.1 billion from the end of March 2005. Total non-current assets were ¥1,010.9 billion, up ¥160.9 billion from the end of March 2005.

Among the current assets, cash and cash equivalents decreased by ¥9.8 billion to ¥300.8 billion,

due mainly to the purchase of high-yield certificates of deposit and interest-bearing government bonds.

Short-term investments increased by ¥53.0 billion from ¥34.9 billion as of the end of March 2005, to ¥87.9 billion. This was due primarily to the purchase of certificates of deposit, as I just mentioned.

Inventories amounted to ¥190.6 billion, down ¥22.8 billion from the end of March 2005. The primary reasons for this decrease were a reduction in inventories of telecommunications equipment at Kyocera Corporation and in inventories at Kyocera Mita, as well as the sale of inventory in line with the sale of the manufacturing operations of KWC, a U.S. subsidiary. Inventories have decreased 20% from their peak of ¥239.6 billion as of the end of September 2004.

Now, let's look at non-current assets. Investments and advances totaled ¥560.7 billion, up ¥99.7 billion.

Investments in and advances to affiliates and non-consolidated subsidiaries decreased by ¥23.3 billion due mainly to the sale of Kyocera's shares in Taito Corporation and to a valuation loss on shares in a German-based sales affiliate, as I mentioned earlier.

Securities and other investments increased by ¥122.9 billion. This was due to an increase in the market value of KDDI shares held by Kyocera Corporation and to the purchase of interest-bearing government bonds mentioned earlier. These were the primary reasons for the increase in investments and advances.

Property, plant and equipment, net of depreciation, increased by ¥26.3 billion. The main reasons for this increase were capital expenditures to construct a new Kyocera SLC Technologies Corporation plant in Ayabe, Kyoto and to increase production capacity for solar energy products at Kyocera Corporation.

Consolidated capital expenditures for fiscal 2006 totaled ¥90.3 billion and depreciation totaled ¥63.0 billion. This concludes my explanation of assets.

Let's move on one page to page 18 and I will explain total liabilities, minority interests and stockholders' equity.

Total liabilities increased by ¥67.3 billion compared with the end of March 2005, to ¥577.5 billion. Minority interests in subsidiaries, one line item below, in the amount of ¥64.9 billion, which consist primarily of interests in AVX Corporation held by investors other than Kyocera Corporation, increased by ¥4.5 billion.

Total stockholders' equity increased by ¥114.2 billion to ¥1,289.1 billion. I will explain the reason for this later.

Total current liabilities increased by ¥34.3 billion to ¥378.6 billion compared with the end of

March 2005.

Total amounts of short-term borrowings, current portion of long-term debt and long-term debt decreased by ¥3.6 billion as repayments of debts to financial institutions exceeded new borrowings.

Trade notes and accounts payable increased by ¥16.6 billion to ¥103.5 billion as a result of strong component demand.

Other notes and accounts payable increased by ¥17.3 billion to ¥52.0 billion. This was due to purchases of government bonds at Kyocera Corporation and an increase in accrued liability related to royalty payments.

Non-current liabilities increased by ¥33.1 billion compared with the end of March 2005 to ¥198.9 billion. The reason for this was an increase in deferred income taxes, or income tax liabilities, in line with an increase in the market value of KDDI shares.

Total stockholders' equity increased by ¥114.2 billion to ¥1,289.1 billion.

Retained earnings increased by ¥50.9 billion to ¥967.6 billion after deducting cash dividends in the amount of ¥18.8 billion paid during the fiscal year from net income of ¥69.7 billion.

Accumulated and other comprehensive income increased by ¥61.1 billion to ¥72.9 billion. The breakdown of this increase is shown in the footnotes. Net unrealized gains on investment securities increased by ¥40.2 billion due primarily to a rise in the market value of KDDI shares.

Accumulated loss position of foreign currency translation adjustments decreased by ¥21.4 billion due to yen depreciation towards the end of fiscal 2006.

As a result, the stockholders' equity ratio was 66.7% at the end of March 2006.

That concludes my brief explanation of the balance sheets.