

# **Kyocera Corporation Financial Presentation**

## **(Six Months Ended September 30, 2008)**

**November 5, 2008**

**MAKOTO KAWAMURA**  
**President and Representative Director**

# Today's Presentation

**Consolidated Financial Results**  
**Six Months Ended September 30, 2008**

**Consolidated Financial Forecast**  
**Year Ending March 31, 2009**

# Consolidated Financial Results

- Six months ended September 30, 2008 -

(Unit: Yen in billions)

	Six months ended September 30,				% change
	2007		2008		
	Amount	% of net sales	Amount	% of net sales	
<b>Net sales</b>	636.6	100.0	<b>658.7</b>	<b>100.0</b>	<b>3.5</b>
<b>Profit from operations</b>	67.8	10.7	<b>62.2</b>	<b>9.4</b>	<b>-8.2</b>
<b>Pre-tax income</b>	81.5	12.8	<b>74.0</b>	<b>11.2</b>	<b>-9.2</b>
<b>Net income</b>	50.6	8.0	<b>45.2</b>	<b>6.9</b>	<b>-10.6</b>
<b>EPS (diluted - yen)</b>	267.06	-	<b>238.52</b>	<b>-</b>	<b>-10.7</b>
<b>Capital expenditures</b>	32.6	5.1	<b>37.0</b>	<b>5.6</b>	<b>13.5</b>
<b>Depreciation</b>	37.3	5.9	<b>40.4</b>	<b>6.1</b>	<b>8.4</b>
<b>R&amp;D expenses</b>	31.1	4.9	<b>35.4</b>	<b>5.4</b>	<b>13.9</b>
Average exchange rate (yen)		US\$: ¥119	€ : ¥162	US\$: ¥106	€ : ¥163
Foreign currency fluctuation effect on: (compared with the previous first half)	Net sales	¥ 22.6 billion		¥ - 34.2 billion	
	Pre-tax income	¥ 8.9 billion		¥ - 5.7 billion	

# Financial Summary of the First Half

## Net sales

+ 3.5% (¥ 22.2 billion) compared with the previous first half

- Sales in the Telecommunications Equipment Group increased due to business acquisition from SANYO Electric Co., Ltd.
- Sales in the Applied Ceramic Products Group were up due to production expansion in solar energy business

## Pre-tax income

- 9.2% (¥ - 7.5 billion) compared with the previous first half

- Impact of yen appreciation: ¥ - 5.7 billion
- Electronic Device Group: Demand decline and intensifying price competition (- 71.2%)
- Information Equipment Group: Demand decline in the United States (- 36.5%)
- One-time losses and gains recorded
  1. Impairment charges on OLED display production equipment (Electronic Device Group: ¥ - 2.3 billion)
  2. Gain on sale of real estate (Others: ¥ + 10.6 billion)

# Consolidated Financial Forecast

- Year Ending March 31, 2009 -

(Unit: Yen in billions)

	Year ended March 31,		Year ending March 31, 2009				% Change
	2008		Previous forecast (released in Apr. 2008)		Revised forecast (released in Oct. 2008)		
	Amount	% of net sales	Amount	% of net sales	Amount	% of net sales	
<b>Net sales</b>	1,290.4	100.0	1,476.0	100.0	1,240.0	100.0	- 3.9
<b>Profit from operations</b>	152.4	11.8	145.0	9.8	74.0	6.0	- 51.4
<b>Pre-tax income</b>	174.8	13.5	165.0	11.2	94.0	7.6	- 46.2
<b>Net income</b>	107.2	8.3	102.0	6.9	56.0	4.5	- 47.8
<b>EPS (diluted - yen)</b>	565.80	-	537.91	-	295.19	-	- 47.8
<b>Capital expenditures</b>	85.1	6.6	84.0	5.7	78.0	6.3	- 8.3
<b>Depreciation</b>	75.6	5.9	90.0	6.1	87.0	7.0	15.0
<b>R&amp;D expenses</b>	61.6	4.8	72.0	4.9	74.0	6.0	20.1

Average exchange rate (yen)		US\$: ¥114	€: ¥162	US\$: ¥100	€: ¥155	Forecast for the second half		Full-year forecast	
Foreign currency fluctuation effect on: (compared with the previous fiscal year)	Net sales	¥5.9 billion		¥ - 95.0 billion		Average exchange rate (yen)	US\$	¥95	¥ 101
		Pre-tax income	¥7.5 billion		¥ - 20.0 billion			€	¥120
	Foreign currency fluctuation effect on: (compared with the previous fiscal year)		¥ - 71.6 billion		¥ - 105.8 billion		Net sales		
		¥ - 27.3 billion		¥ - 33.0 billion		Pre-tax income			

# Factors Behind Revision of Forecasts

## - Year ending March 31, 2009 -

### 1. Global economic recession

- Weak sales in Christmas selling season in Europe and the United States, and slow growth in demand for high-value-added equipment
- Slumping demand for document equipment

### 2. Change in assumed exchange rates

- Full-year assumed exchange rate changed from ¥155 to ¥141 against the Euro  
(Assumed rate for the second half: €1 = ¥120)

### 3. Sales decline in telecommunications equipment business

- Decline in demand in Japanese mobile phone handset market
- Declined sales affected by fierce competition in overseas mobile phone handset business

### 4. Deteriorating electronic device business environment

- Demand not forecast to recover in the second half
- Price declines above initial forecasts  
(More than 20% in ceramic capacitors compared with the end of Mar. 2008)

# Management Challenges in the Second Half

1. Secure orders with a focus on buoyant businesses:  
Solar energy business

2. Promote comprehensive cost cuts and reinforce  
corporate structure

- Review capital expenditure plans
- Reduce purchasing costs
- Enhance productivity through review of production processes

3. Strengthen business foundations

- Rebuild Telecommunications Equipment Group based on a medium-term perspective
- Bolster new products and new technology development

# Consolidated Sales and Operating Profit Forecast by Reporting Segment - Year ending March 31, 2009 -

(Unit: Yen in millions)

Reporting segment	Sales		Operating Profit	
	Amount	% of total	Amount	profit ratio (%)
Fine Ceramic Parts Group	70,000	5.7	3,800	5.4
Semiconductor Parts Group	144,000	11.6	16,000	11.1
Applied Ceramic Products Group	174,000	14.0	34,200	19.7
Electronic Device Group	250,000	20.2	9,000	3.6
<b>Components Business</b>	<b>638,000</b>	<b>51.5</b>	<b>63,000</b>	<b>9.9</b>
Telecommunications Equipment Group	250,000	20.1	-17,300	—
Information Equipment Group	239,000	19.3	19,000	7.9
<b>Equipment Business</b>	<b>489,000</b>	<b>39.4</b>	<b>1,700</b>	<b>0.3</b>
Others	138,000	11.1	15,500	11.2
<b>Total</b>	<b>1,240,000</b>	<b>—</b>	<b>80,200</b>	<b>6.5</b>

(Adjustments and eliminations -25,000)



# Challenges in Telecommunications Equipment Group

## Market Outlook

### Japanese Mobile Phone Market

- Demand will peak out due to market saturation
- Prolonged replacement cycle

### North American Mobile Phone Market

- Market will be driven by smartphone (Qwerty key), WCDMA
- Share of Korean makers will expand among major carriers

### Communication Systems Market

- New high-speed wireless communication services to start in Japan from FY3/10

Enhance development and measures to expand sales of mobile phone handsets  
 ⇒ Improve profitability of mobile phone handset business

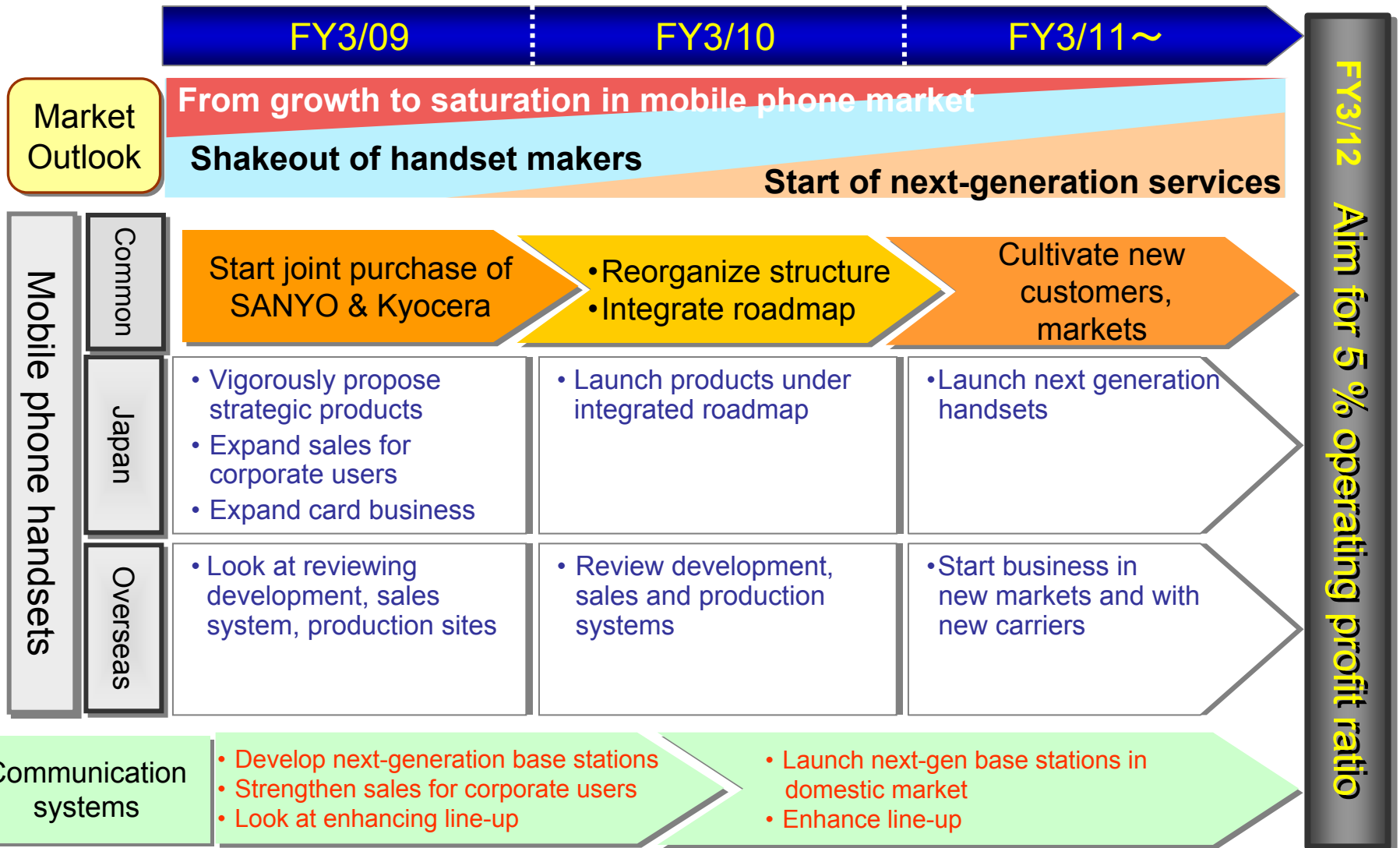
Promote development of next-generation base stations  
 ⇒ Secure stable sales and profit

Integrate development systems

Strengthen sales systems

Link up with carriers

# Roadmap in Telecommunications Equipment Group



# Challenges in Electronic Device Group

## Enhance Profitability of Capacitor Business

### Challenges

- Secure orders
- Strengthen price competitiveness
- Expand highly profitable, distinctive products



### Business environment

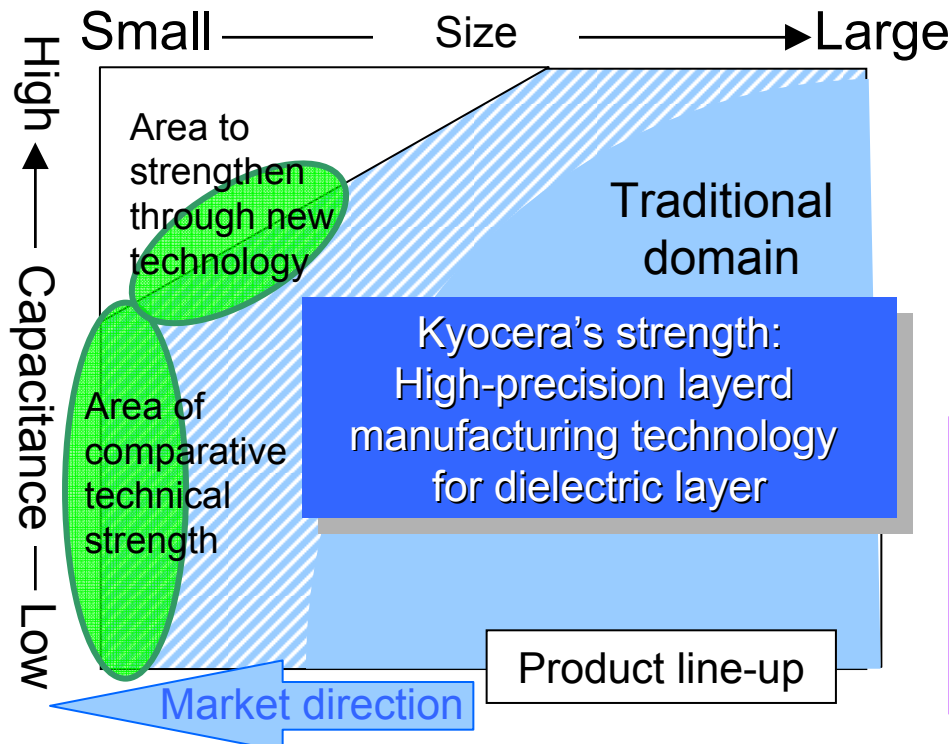
- Less components per unit due to drop in demand for high-end models
- Rapid decline in prices

# Strategy in Capacitor Business

Secure Stable Profitability by Focusing on Areas of Specialty and Expanding Highly Profitable Products Line-up

Focus on areas of specialty in growing markets: Specialize in compact products

Expand highly profitable, distinctive products: Develop products driven by materials and terminal formation technologies



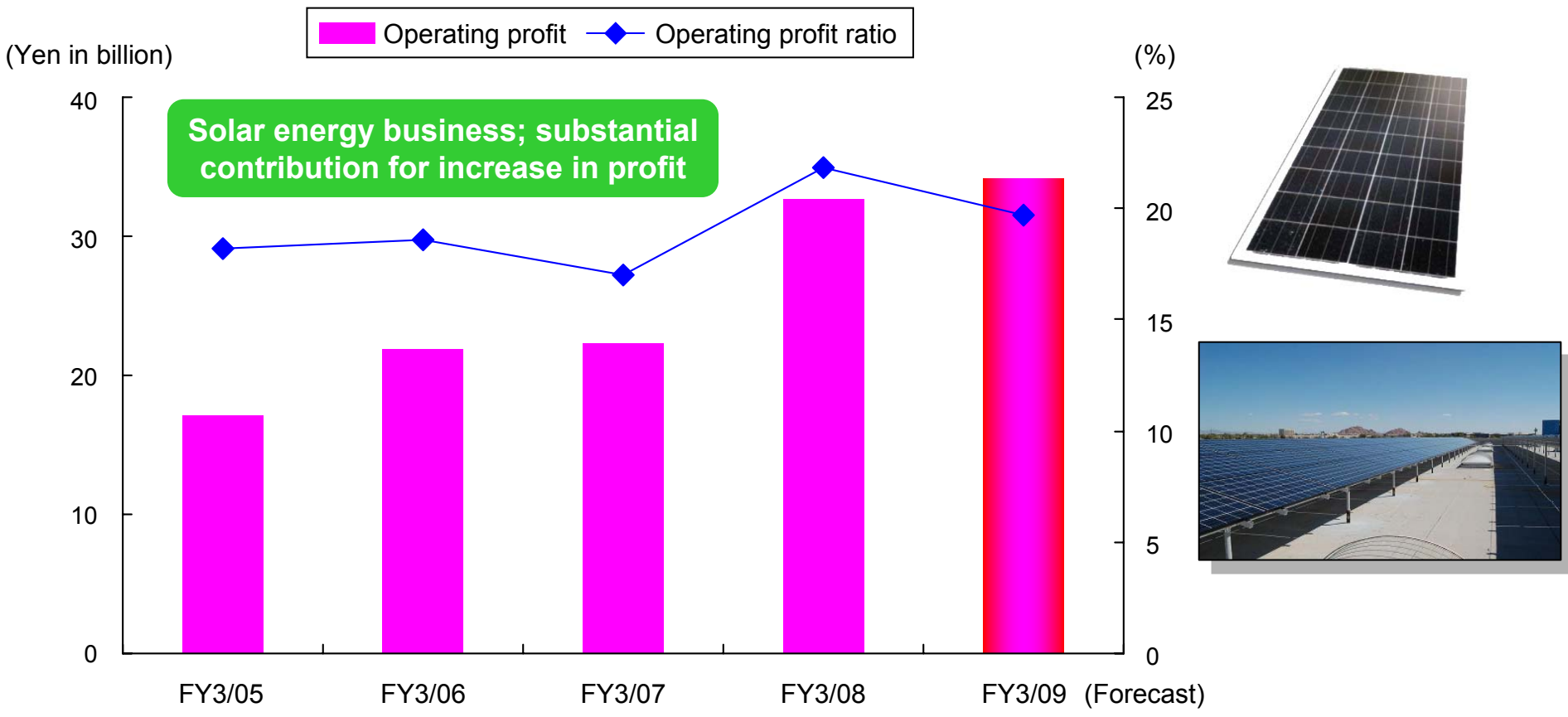
Develop products by leveraging dielectric materials technology

- High-voltage power + compact, high capacity for on-board power supply
- Products with appropriate temperature properties through new dielectrics

Develop products by leveraging unique terminal formation technology

- Compact, low-inductance products
- Ultra-thin products

# Trend of Operating Profit in Applied Ceramic Products Group

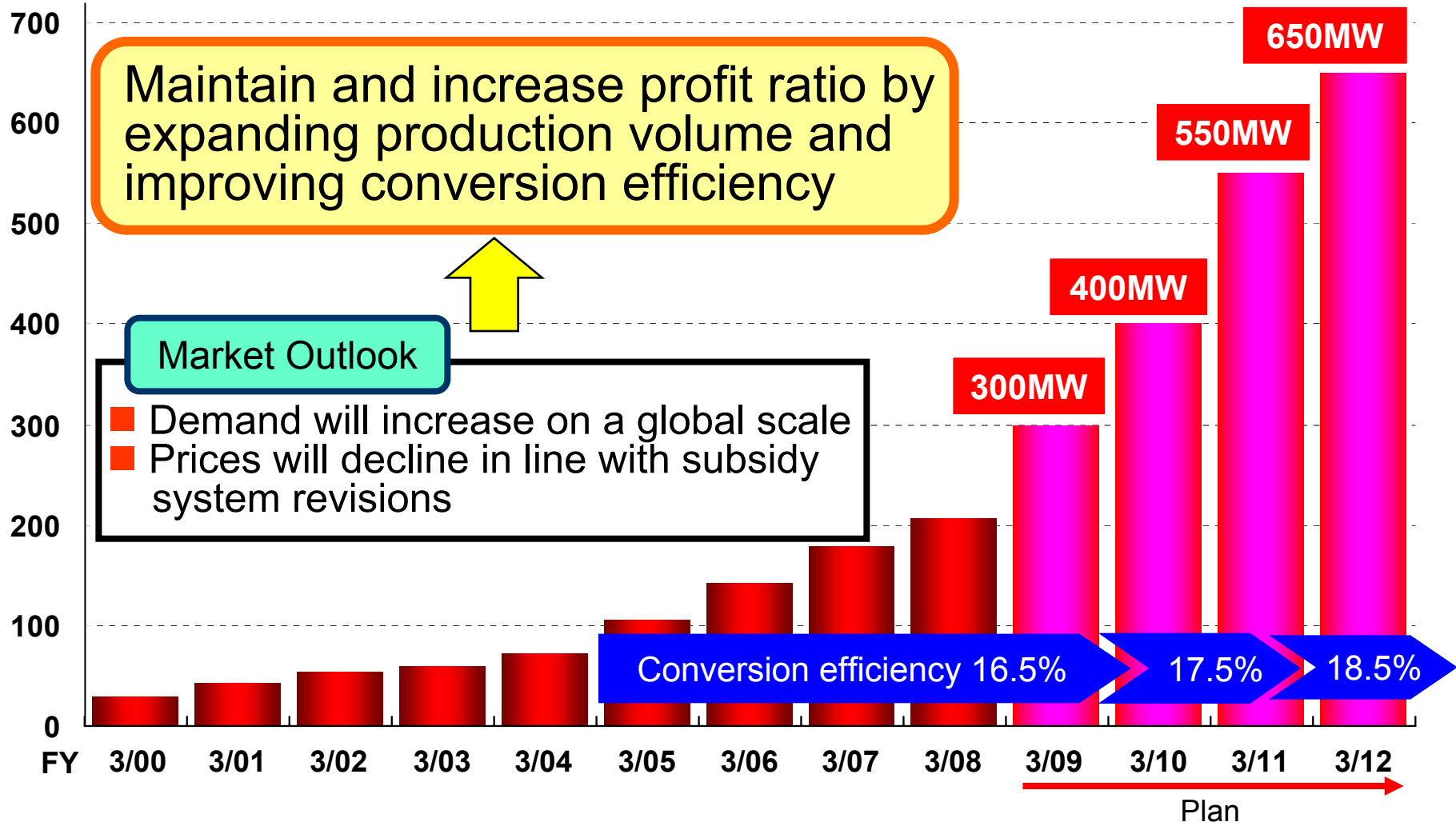


**Promote further expansion as a growth driver for Kyocera Group**

# Future Development of Solar Energy Business

Kyocera's solar cell production plan

Production volume (MW)



# Kyocera Group Initiatives

## FY3/09 Initiatives

- Steadily secure orders, led by buoyant businesses
- Promote comprehensive cost reductions
- Strengthen corporate structure

## Midium Term Initiatives

- Reinforce business foundations
  - Ensure optimum allocation of management resources in Telecommunications Equipment Group
  - Create new technologies, products and markets by pursuing synergies in production, development and sales

## Key Markets

Telecommunications

Information Processing

Environment/  
energy

Automotive

# Forward-Looking Statements

Certain of the statements made in this document are forward-looking statements (within the meaning of Section 21E of the U.S. Securities and Exchange Act of 1934), which are based on our current assumptions and beliefs in light of the information currently available to us. These forward-looking statements involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors include, but are not limited to: general economic conditions in our markets, which are primarily Japan, North America, Europe and Asia, particularly China; unexpected changes in economic, political and legal conditions in China; our ability to develop, launch and produce innovative products, including meeting quality and delivery standards, and our ability to otherwise meet the advancing technological requirements of our customers, particularly in the highly competitive markets for ceramics, semiconductor parts and electronic components; manufacturing delays or defects resulting from outsourcing or internal manufacturing processes which may adversely affect our production yields and operating results; factors that may affect our exports, including a strong yen, political and economic instability, difficulties in collection of accounts receivable, decrease in cost competitiveness of our products, increases in shipping and handling costs, difficulty in staffing and managing international operations and inadequate protection of our intellectual property; changes in exchange rates, particularly between the yen and the U.S. dollar and euro, respectively, in which we make significant sales; inability to secure skilled employees, particularly engineering and technical personnel; insufficient protection of our trade secrets and patents; our continuing to hold licenses to manufacture and sell certain of our products; the possibility that future initiatives and in-process research and development may not produce the desired results; the possibility that companies or assets acquired by us may require more cost than expected for integration, and may not produce the returns or benefits, or bring in business opportunities, which we expect; events that may impact negatively on our markets or supply chain, including terrorist acts and outbreaks of disease; the occurrence of natural disasters, such as earthquakes, in locations where our manufacturing and other key business facilities are located; the possibility of future tightening of environmental laws and regulations in Japan and other countries which may increase our environmental liability and compliance obligations; fluctuations in the value of, and impairment losses on, securities and other assets held by us; and changes in accounting principles. Such risks, uncertainties and other factors may cause our actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. We undertake no obligation to publicly update any forward-looking statements included in this document.