

Kyocera Corporation Telephone Conference Call (October 30, 2008)

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P6/Executive Officer and General Manager of Corporate Financial & Accounting Group, Shoichi Aoki

Today, I will explain the consolidated financial results for the six months ended September 30, 2008 (the "first half") and the outlook for performance in the fiscal year ending March 31, 2009 ("fiscal 2009") by using the financial results handout for the six months ended September 30, 2008 (the "financial results handout").

President Makoto Kawamura

<Consolidated Results for the First Half>

Let me begin by discussing consolidated financial results for the first half. Please turn to page 6 of the financial results handout.

Sluggish growth in demand for advanced digital consumer equipment, including mobile phone handsets, coupled with price erosion, particularly for electronic components, and continued yen appreciation, were the primary factors behind an extremely harsh business environment in the first half. Nonetheless, consolidated net sales for the first half increased by 3.5% compared with the six months ended September 30, 2007 (the "previous first half") due to the addition of sales from the mobile phone handsets business acquired from SANYO Electric Co., Ltd. ("SANYO") in April 2008, and also to a significant growth in sales from the solar energy business.

Profit from operations for the first half decreased by 8.2% compared with the previous first half, however, due to a slowdown in demand and a decline in selling

prices for electronic components coupled with weak sales of information equipment due to the economic downturn in Europe and the United States. Income before income taxes decreased by 9.2% and net income decreased by 10.6% for the first half compared with the previous first half.

Let's turn to average exchange rates for the first half. The yen appreciated by 13 yen against the U.S. dollar to ¥106, and remained relatively unchanged against the Euro at ¥163, as compared with the previous first half. As a result, net sales and pre-tax income after translation into yen were, for calculation purposes only, pushed down by ¥34.2 billion and ¥5.7 billion, respectively.

Next, I will explain the financial results by reporting segment. Page 8 of the financial results handout shows net sales and operating profit by reporting segment.

Sales in the Fine Ceramic Parts Group decreased by 9.5% compared with the previous first half. Deterioration in the business environment led to a decline in sales of parts for semiconductor fabrication equipment and automotive components, which are key products in this reporting segment. Operating profit was down 53.4% compared with the previous first half.

In the Semiconductor Parts Group, an increase in sales of both ceramic packages and organic packages resulted in an increase by 11.9% in this segment for the first half compared with the previous first half. Operating profit also increased by 28.2%.

The Applied Ceramic Products Group posted significant increases in sales and profits in the first half compared with the previous first half. Sales increased by 23.7% due to sales growth in the solar energy business in overseas markets, particularly Europe and the United States, while operating profit increased by 54.3%.

In the Electronic Device Group, despite growth in sales of crystal-related products, sales of ceramic capacitors decreased due to the impact of softening demand for components used in mobile phone handsets. Overall segment sales for the first half decreased by 7.1% compared with the previous first half. Operating profit decreased by 71.2% compared with the previous first half. This was due to the impact of declines in sales and selling prices, combined with the recording of ¥2.3 billion in one time impairment loss on production equipment for organic light emitting diode displays in the first half.

In the Telecommunications Equipment Group, demand for mobile phone handsets in the Japanese market has slowed dramatically since the second quarter owing to the introduction of an installment selling method. Despite this, sales in this reporting segment increased by 18.9% compared with the previous first half due to the contribution of the mobile phone business acquired from SANYO and to an increase in sales of telecommunication systems equipment. Operating loss of ¥2.4 billion was recorded in this reporting segment due to deterioration in the business environment and weak sales of mobile phone handsets in the United States.

In the Information Equipment Group, demand for printers and digital multifunctional peripherals weakened on the back of a substantial decline in investment in information equipment in the corporate sector, particularly in the United States, due to the economic slowdown. Appreciation of the yen against the U.S. dollar also had an adverse impact. As a result sales in this segment for the first half decreased by 8.2%, and operating profit decreased by 36.5% compared with the previous first half.

Sales in Others for the first half increased by 1.6% compared with the previous first

half due to the contribution from Kyocera Communication Systems Co., Ltd. Operating profit increased considerably compared with the previous first half due to the recording of ¥10.6 billion in gain on sale of real estate in Japan and overseas.

<Consolidated Forecasts for the Year Ending March 31, 2009>

Finally, I will explain consolidated financial forecasts for fiscal 2009, so please turn to the tables on page 11 of the financial results handout.

We revised the consolidated financial forecasts for fiscal 2009 announced in April this year, as you can see in the table.

During the six months ending March 31, 2009 (the "second half"), adverse market conditions will become more evident and sales of high value added digital consumer products in the Christmas selling season are expected to be relatively quiet. As a result, the recovery of demand for components originally forecast will not actually take place, and slow market conditions will continue.

Sales in the Telecommunications Equipment Group are also forecast to stagnate due to softening demand for mobile phone handsets in Japanese and overseas markets. In addition to this, rapid appreciation of the yen against the Euro since entering the second half is expected to adversely impact businesses with a high proportion of sales to Europe, such as the solar energy business and the Information Equipment Group. In light of this situation, current forecasts for net sales and profits for fiscal 2009 are below those announced in April.

Please turn to page 12 and I will explain the forecasts by reporting segment. Unfortunately, forecasts for all reporting segments are below those made previously, except for projections for operating profit in the Applied Ceramic Products Group

and Others.

First, let's look at the Fine Ceramic Parts Group. We have revised sales and operating profit forecasts down for this reporting segment from those made in April because it is difficult to foresee recovery in demand for semiconductor fabrication equipment during fiscal 2009, and because we project a decrease in demand in the automotive market.

In the Semiconductor Parts Group, demand for ceramic packages for image sensors and organic packages for servers, which was solid in the first half, is forecast to decrease compared with the first half due to inventory adjustments and a slow market. As a result, sales and operating profit in this reporting segment are forecast at levels below those announced in April.

In the Applied Ceramic Products Group, although we forecast steady growth in the solar energy business, the forecast for sales is below that made in April due to rapid appreciation of the yen against the Euro. Operating profit is forecast to be above previous projections, however, due to stable selling prices in the solar energy business in the first half, as well as steady expansion of production capacity and improved productivity in this business.

Forecasts for sales and operating profit in the Electronic Device Group are below those announced in April due to sluggish performance in the first half, no prospects for recovery in demand in the second half, and fierce price competition.

Forecasts for sales and operating profit in the Telecommunications Equipment Group have been revised below those made in April since demand in the Japanese market is not expected to recover in the foreseeable future and demand in the Christmas

selling season in the North American market is not expected to be as brisk as usual.

In the Information Equipment Group, although we plan to launch new products in the second half, due to the considerable impact of the global economic slowdown and rapid appreciation of the yen against the Euro we currently expect that sales and operating profit will be at levels below April forecasts.

Finally, in Others, sales are forecast to be lower than these announced in April due to restrained investment in information equipment owing to the economic downturn. We have adjusted the forecast for operating profit up, however, since the gain on sale of real estate recorded in the first half was more than initially expected.

Although the business environment is expected to get tougher in the second half, we will strive to steadily secure orders in buoyant businesses such as the solar energy business, and to comprehensively reduce costs throughout Kyocera Group.

I ask for your continued understanding of Kyocera's efforts.

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

My presentation will complement the explanation of financial results for the first half and forecasts for fiscal 2009.

I will begin with a breakdown of results for the Telecommunications Equipment Group in the first half, so please turn to page 8 of the financial results handout.

Net sales in the Telecommunications Equipment Group for the first half amounted to ¥135.4 billion, and operating loss stood at ¥2.4 billion. Let's look at a breakdown

of this:

- ① In the mobile phone handset business, sales were approximately ¥120.0 billion and operating loss was approximately ¥3.4 billion. Although we have not disclosed a regional breakdown of these results, only Japan achieved profitability in this business.
- ② In the telecommunication systems equipment business, sales were approximately ¥15.0 billion and operating profit was approximately ¥1.0 billion.

Turning to forecasts for fiscal 2009 on page 12, you can see that we forecast full year net sales of ¥250.0 billion and operating loss of ¥17.3 billion in the Telecommunications Equipment Group. Let's look at a breakdown of this:

- ① We forecast sales of approximately ¥220.0 billion and operating loss of approximately ¥19.0 billion in the mobile phone handset business. As with the first half, the mobile phone handset business in Japan is projected to be profitable for the full year of fiscal 2009.
- ② We forecast sales of approximately ¥30.0 billion and operating profit of approximately ¥2.0 billion in the telecommunication systems equipment business for fiscal 2009.

Next, I will explain the impact of changes in exchange rates and one-time costs in the second half in connection with the adjustments to fiscal 2009 forecasts made this time.

Please turn back one page to the table on page 11. This table shows assumed exchange rates for fiscal 2009. On a full-year basis, we forecast exchange rates of ¥101 to the U.S. dollar and ¥141 to the Euro.

Since the latter half of October, the yen has appreciated rapidly against both

European and U.S. currencies. As a result, we have revised the assumed exchange rates for the second half to ¥95 to the U.S. dollar and ¥120 to the Euro.

The effect of these adjustments will be to push down forecasts announced in April by ¥39.2 billion for net sales and by ¥16.7 billion for pre-tax income. In particular, sharp depreciation of the Euro against the yen is expected to have a significant negative impact on earnings in the Applied Ceramic Products Group, which includes the solar energy business, and in the Information Equipment Group.

To be specific:

- ① In the Applied Ceramic Products Group, we forecast sales and operating profit to be pushed down by ¥6.7 billion and ¥5.0 billion, respectively.
- ② In the Information Equipment Group, we forecast sales and operating profit to be pushed down by ¥20.9 billion and ¥9.1 billion, respectively.

We also forecast one-time costs of approximately ¥4.0 billion in the second half.

Although we have not carried out the following as of this moment, these amounts have been factored into the financial forecasts:

- ① Impairment of goodwill at subsidiaries in the approximate amount of ¥2.0 billion.
- ② Loss on valuation of securities held by Kyocera, as calculated at current market value, in the approximate amount of ¥2.0 billion.