

THE NEW VALUE FRONTIER



**Kyocera Sustainability Report**  
**2006**

**KYOCERA Corporation**

# Editorial Policy

The Kyocera Group aims to become a creative company that continues to grow in the 21<sup>st</sup> century and builds a sustainable society through its business activities. We owe our successful global management to the kind support generously rendered by the stakeholders surrounding the Kyocera Group, including our customers, employees, shareholders, investors, clients, and local communities. We deeply appreciate the continued understanding and trust in our business commitment.

The Sustainability Report is issued annually to inform our stakeholders of the results of our diverse activities and thereby promote communication. We sincerely hope that this report will serve to deepen the understanding of the Kyocera Group and will further enhance our mutual communication. Supplementary information for this report is available at our web site.

Upon developing this report, we have strived to clearly present our management approach with a particular focus on Corporate Social Responsibility (CSR), along with the establishment of the CSR Committee and the Corporate CSR Division, and to achieve an easy-to-read report by adding some visual effects.

We are eager to hear your comments on the Kyocera Group's activities and appreciate it if you would kindly fill in the questionnaire attached at the end of this report and send it back to us. Thank you in advance for your cooperation.

## ■ Guidelines for Reference

### ● Ministry of the Environment

Environmental Reporting Guidelines 2003

### ● GRI\*

Sustainability Reporting Guidelines 2002

\* Abbreviation of Global Reporting Initiative, which is an international organization established in 1997 to develop a universal framework for sustainability reports applicable across the world.

## ■ Scope

Kyocera Corporation and its consolidated 168 subsidiaries unless otherwise noted.

"Kyocera" in this report refers Kyocera Corporation only.

## ■ Reporting Period

In principle, April 1, 2005, through March 31, 2006

Some data/reports may include past or future data.

## ■ Previous Report      ■ Next Report (Provisional)

July, 2005

June, 2007

## ■ Other Information (Latest Date of Issue)

Company Profile (June, 2006)

Financial Statements (June, 2006)

Annual Report (July, 2006)

Kyocera started business in 1959 with the manufacture of U-shaped Kelcima, a ceramic insulating part for a TV picture tube. The cover of this report has a design image of U-shaped Kelcima.

## Corporate Overview (as of March 31, 2006)

Company Name: KYOCERA Corporation

Established: April 1, 1959

Representative: President Makoto Kawamura

Capital: 115.7 billion yen

Net sales: Consolidated 1,181.5 billion yen

Non-consolidated 477.4 billion yen

No. of Employees: Consolidated 61,468

KYOCERA Corporation:	1 company
Consolidated subsidiaries:	168 companies
Non-consolidated subsidiaries based on equity method:	2 companies
Total: 171 companies	

Non-consolidated 12,457

Main businesses: 1. Fine Ceramic Parts Group  
2. Semiconductor Parts Group  
3. Applied Ceramic Products Group  
4. Electronic Device Group  
5. Telecommunications Equipment Group  
6. Information Equipment Group  
7. Optical Equipment Group  
8. Others

\* The values of capital and net sales are rounded to the nearest 100,000,000 yen.

\* The number of non-consolidated employees does not include loaned employees.

## Contact

Corporate CSR Division, Kyocera Corporation

6 Takedatobadono-cho, Fushimi-ku, Kyoto 612-8501  
Japan

URL: <http://www.kyocera.co.jp>

<http://global.kyocera.com>

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## Corporate Motto

敬天愛人

### “Respect the Divine and Love People”

Preserve the spirit to work fairly and honorably,  
respecting people, our work, our company and our global community.

## Management Rationale

To provide opportunities for the material and intellectual growth of all our employees,  
and through our joint effort, contribute to the advancement of society and humankind.

## Management Philosophy

To coexist harmoniously with nature and society.

Harmonious coexistence is the underlying foundation of all our business activities  
as we work to create a world of abundance and peace.

# Top Management Message



A handwritten signature in black ink that reads "Kazuo Inamori".

**Kazuo Inamori**  
Founder and Chairman Emeritus

The Kyocera Group's management rationale is "To provide opportunities for the material and intellectual growth of all our employees, and through our joint effort, contribute to the advancement of society and mankind." From Kyocera's inception, we have been managing our company with an unchanging philosophy to "Pursue business fairly based on doing what is right as a human being." Our management is built on the employees' strong trust and heart-to-heart relationships. The prosperity of the Kyocera Group today reflects our employees' consistent efforts to develop and market new products and services that please our customers, and our management's desire to contribute to society globally.

Corporate Social Responsibility (CSR) is now attracting global attention, with morality and ethics in corporate governance increasingly recognized as necessary components of business conduct. It is now essential for companies to become closer to society, support and share with each other, and coexist with all stakeholders by establishing good relationships. We must demonstrate a highly elevated and equitable corporate mission which can be accepted by everyone from the bottom of their hearts, while embodying a noble philosophy and the most fundamental morality as human beings. Corporations must adopt a philosophy of "Coexistence" to live together with communities in a relationship of mutual support and prosperity. This is the most important role for business enterprises to play as public institutions.

The Kyocera Group's management rationale promotes our philosophy of "Living Together" in three basic areas: "Coexisting with our community," "Coexisting with our global society," and "Coexisting with nature." We take these principles into our business activities and practice them on a day-to-day basis.

We must possess a warm and loving heart to please others and find personal happiness in truly practicing a philosophy of coexistence. I continue to share the beliefs with the Kyocera Group employees regarding the ideal human attitude while preaching to them to have a warm heart, love others, and contribute to our global society and people.

I truly believe that these corporate activities are the only way for the Kyocera Group to earn society's trust and respect, the necessary foundation for our group's continued prosperity, which will, over time, lead to the improvement of social sustainability. Our society is changing dynamically every day, with market and social environments becoming more and more sophisticated. We must take these factors into serious consideration as we take on greater social responsibility. In this way we can respond to the expectations of our stakeholders.

We continue to follow our original philosophy of basing all decisions on the criteria of "Doing what is right as a human being." It is our unwavering commitment that the Kyocera Group shall continue to be a good corporate citizen that contributes to our global society and people, with a beautiful heart.

# Top Management Message



*N. Nakamura*

**Noboru Nakamura**  
Chairman



*M. Kawamura*

**Makoto Kawamura**  
President

The Kyocera Group aims to become “The Company” that represents the ultimate form of a business enterprise, based on our management rationale. We strive to earn society’s trust globally in terms of both business performance and corporate ethics. To realize this goal, we have adopted a management policy to become an innovative enterprise that continues to grow throughout the 21<sup>st</sup> century while practicing fair management and expanding our business.

We continue our efforts to make our businesses highly profitable by fostering synergy between each operation in our group, while doing our part as a corporate citizen by expanding our business continuously in today’s drastically changing business environment. To meet these objectives, Kyocera has made its “Customer First” principle the most important theme of our business. We introduce new products and services which please our customers based on this concept. We believe that the only way to satisfy our customers is to return to the essence of our work in all areas, including manufacturing. More specifically, we need to strengthen the work floor capability and raise our ability to accomplish higher targets consistently and without fail.

To do this, we need to fully practice our Kyocera Philosophy, which is based on a bond of human minds, and our Amoeba Management System, which is a driving force behind Kyocera’s growth. Every employee in the Kyocera Group must be satisfied with their jobs and able to fully demonstrate their capabilities in the workplace. This allows us to elevate ourselves as human beings. We believe that our continued success in creating valuable businesses depends on the revitalization of Research and Development, production and sales, combined with a rising ability to attain aggressive goals.

Through these business activities, we hope to play an active role as a good corporate citizen while establishing strong and trustful relationships with all stakeholders. Our efforts in this area include promoting academic achievement, culture, international exchange, better communication with local communities, and social contributions, among other activities.

In addition to these efforts, we are aggressively involved in environmental protection activities, which have gained global interest in recent years. Kyocera continues to reduce or eliminate environmental burdens through its business activities, including providing solar power generation systems around the globe, establishing local production to further popularize solar energy products, and advancing the development of highly efficient Solid-Oxide Fuel Cell systems. Our business activities are designed to make environmental protection a top priority.

We shall continue to manage the Kyocera Group based on the fundamental principles of the Kyocera Philosophy, which teaches us to seek the ideal attitude as a human being. This will ensure the further prosperity of our group while making us a valuable company that contributes to the sustainable development of our global society. We will be very pleased if this Kyocera Sustainability Report helps you to understand our business activities. We appreciate your support of our operations and we value your opinions.

# Kyocera Group Management Roots

The roots of the Kyocera Group management reside in the Kyocera Philosophy, a philosophy of life based on the real-life experiences and empirical rules of Kazuo Inamori, founder of Kyocera Corporation. With “To do what is right as a human being” as its most essential criterion, the Kyocera Philosophy expounds the significance of commitment to fair management and operation in compliance with the most fundamental human ethical and moral values and social norms.

## What is the Kyocera Philosophy (Corporate Philosophy)?

### ■ Origin of Kyocera Philosophy

In 1959, Kazuo Inamori, founder of the company, established Kyoto Ceramic Co., Ltd., together with seven other colleagues and with the generous support of people around them. Starting with a meager amount of capital, the company had no imposing office building or elaborate machinery in the beginning. All it had were fellow companions who shared the joys and sorrows and formed a close bond as members of one big family. Inamori then decided to base the management of the company on this bond of human minds. This is because he believed that while human minds are extremely changeable, they are also most dependable once the minds are bonded by strong trust.



Member at the foundation

Later, Inamori encountered many difficulties in managing Kyocera, but he overcame them each time believing in the strong bond of human minds. The Kyocera Philosophy was thus born as he debated his life and work.

### ■ Basic Ideas of the Kyocera Philosophy

The Kyocera Group believes that decisions should always be made through reason and with “To do what is right as a human being” as the basic criteria to achieve compliance with public morals. The criterion of “To do what is right as a human being” is based on the fundamental ethical and moral values of the natural goodness of human beings: “Don’t be greedy,” “Do not cheat people,” “Do not lie,” and “Be honest” are teachings we all received from our parents as a child and represent the most basic principles of a human being. We believe that when making decisions and taking action in daily life, we should resort to the criterion of “What is universally right as a human being” and not the criterion of “What best suits our own convenience.”

### ■ Three Core Elements of the Kyocera Philosophy

The Kyocera Philosophy involves the following three core elements:

**1. Rules, regulations, and promises as the code of corporate conduct**

It includes corporate morals, which clearly show the management approach of the Kyocera Group.

**2. Mindset required for a company to achieve its objectives and goals**

The Kyocera Group aims to become one of the world’s leading companies by conducting business activities toward the realization of its management rationale. The Kyocera Philosophy provides practical approaches and ways of thinking required to fulfill the lofty objective.

**3. Factors that form a respectful corporate personality**

We think that a company has a personality. The Kyocera Philosophy defines the requirements for our corporate personality to earn the trust and respect of people across the world that goes beyond the bounds of races and nations.

# Kyocera Group Management Roots

## Dissemination of the Kyocera Philosophy

The Kyocera Philosophy is a philosophy of life acquired through Inamori's daily practice, and its basis lies in "To do what is right as a human being." If followed, it will make each employee happy and the company will prosper. Kyocera owes its present prosperity to the incessant efforts of our employees, who followed this philosophy and believed in the infinite potential of human beings. For the Kyocera Group to continue being an outstanding corporate group, and for each individual employee to lead a happy life, we believe it most important for us to acquire and practice the Kyocera Philosophy of "doing the right thing as a human being."

### ■ Kyocera Philosophy Handbook

The Kyocera Group distributes a Kyocera Philosophy Handbook to every employee so that each and every employee can use, learn, and practice the Kyocera Philosophy on every possible occasion. The Kyocera Philosophy Handbook is the condensed essence of the Kyocera Philosophy with a brief explanation accompanying each item and comprises four categories ("The Heart of Management," "To Lead a Wonderful Life," "At Kyocera, Everyone is a Manager," and "Performing Our Daily Work") and 78 items.



#### Kyocera Philosophy Handbook

##### I. What Kyocera Aims For

##### II. Kyocera Philosophy

1. The Heart of Management
2. To Lead a Wonderful Life
3. At Kyocera, everyone is a Manager
4. Performing Our Daily Work

##### III. To Become an Excellent Leader

(Issued in April, 1994)

### ■ Education of Kyocera Philosophy

We consider it important to provide opportunities to learn the Kyocera Philosophy in a repetitive and continuous manner in order to thoroughly disseminate it among employees and for them to be able to acquire and embody the Philosophy. To this end, we offer the Kyocera Philosophy training to executives, employees, and part-timers on a regular basis. The same standardized training programs corresponding to each rank and position are also implemented at overseas Kyocera Group companies. Thus, we have a solid education system in place, which enables every Kyocera employee to work while learning and sharing the Kyocera Philosophy.



### ■ Reading Meetings, Events, and "Compas" at each Workplace

At each Kyocera office, there are a variety of opportunities to learn the ways to "do what is right as a human being" in all phases of daily operations and life in a repetitive manner. They include reading by turns, the books and stories related to the Kyocera Philosophy during the daily morning meetings. At such meetings, each person has an opportunity to express his/her views, through which all employees reflect on their daily actions and seek better ways to practice the Kyocera Philosophy.

We believe that it is essential for a company to build and maintain solid trust relationships among employees analogous to those of a big family. We conduct company events and "compas" (gatherings) as a means to this end. The "compas" in the Kyocera Group does not mean a mere social gathering, but a place to exchange views to deepen mutual understanding and unite toward the realization of the shared goal, where work issues are discussed and determination and commitment are expressed. The "compas" and other company events serve to provide excellent opportunities to get to know staff members who are not in daily contact, such as senior executives and officers, as well as colleagues from other divisions, and deepen the relationships and strengthen the bonds among employees.





**Toward the Practice of the Kyocera Philosophy**

**Kyocera Employee's Action Guidelines**

In the midst of rapid globalization, sensible action and attitudes firmly based on a universal philosophy and transparent rules are keenly required of enterprises and businesspersons. We believe that an enterprise will not be able to continue its development and growth unless it, giving due consideration to the aforementioned requirements, strives to coexist and earn the solid trust of society. Based on this recognition, the Kyocera Group developed and distributes to employees the Kyocera Employee's Action Guidelines, which is a code of conduct intended to align all phases of company activities with the Kyocera Philosophy, according to which employees should conduct their daily business activities.



**Kyocera Employee's Action Guidelines**

- [1] Basic Attitude
- [2] Working Attitude
- [3] Spirited and Motivating Workplace
- [4] Community Activities
- [5] Relationships with Clients and External Organizations
- [6] Legal Compliance
- [7] Information Handling
- [8] Behavior in Foreign Countries
- [9] Global Environmental Protection Activities

(Issued in June, 2000)

**Kyocera Amoeba Management**

The Kyocera Group uses its own business administration method called "Amoeba Management." Amoeba Management is a method specifically developed to realize the corporate philosophy of the Kyocera Group. Under the system, the company organization is divided into small groups called "amoebas," which operate on a self-supporting basis. We believe that employees' enhanced sense of participation in management and motivation engendered by Amoeba Management constitutes the source of the Kyocera Group's strength. The small group system also serves to clarify the responsibilities of each member of the group, secure transparency in every detail, and enable a thorough check of efficiency.



**Purposes of the Amoeba Management**

1. Establishment of a market-oriented, divisional accounting system (a system that enables a prompt response to changes in the market)
2. Development of personnel with a sense of being a manager (management by leaders with a strong will and sense of responsibility)
3. Realization of participatory management (all employees actively participate in the management of the company, find *raison d'être* and sense of accomplishment in their work)

**Kyocera Accounting Handbook**

Accounting is integral to the management of a company as it plays the key role as the compass that leads a company to the destination. When handling accounting matter, it is important to trace them back to their essence and take appropriate measures according to our primary criterion of "To do what is right as a human being."

The Kyocera Group distributes the Kyocera Accounting Handbook to every employee. It is an easy-to-understand summary of practical accounting principles that facilitates the accurate identification of the company's actual situation and future direction. We believe that each and every employee's thorough understanding, acquisition, and practice of the Kyocera Accounting Handbook will lead to the formation of a solid foundation not only for fair accounting activities, but also for the long-term development of the Kyocera Group.



**Kyocera Accounting Handbook**

- Introduction: The Principle of Pursuing the Substance
- Chapter 1: The Principle of One-to-One Correspondence
- Chapter 2: The Principle of Double-Checking
- Chapter 3: The Principle of Absolute Perfection
- Chapter 4: The Principle of Muscular Management
- Chapter 5: The Principle of Continuously Improving Hourly Efficiency
- Chapter 6: The Principle of Cash-Based Management
- Chapter 7: The Principle of Transparent Management

(Issued in October, 2000)

# Kyocera Group Management Roots

The Kyocera Group distributes pocket-size booklets summarizing the Kyocera Philosophy, Kyocera Employee's Action Guidelines, and Kyocera Accountancy to employees for everyday use. Listed below are excerpts from these booklets.

## Kyocera Philosophy, Kyocera Employee's Action Guideline, Kyocera Accountancy

### Management Based on the Bonds of Human Minds

Kyocera started as a small suburban workshop – with no money, credentials or history. Meager technology and 28 trusty comrades were all that we could rely on.

Kyocera's management is based on all employees exerting their full efforts and managers dedicating their lives to merit their trust; all believing in each other, none working for selfish motives. All united to make Kyocera a company that they can be proud to work for.

Human minds are said to be easily changeable. Yet, there is nothing stronger than the human mind. Kyocera developed into what it is today because it is based on the bond of human minds.

### Follow Truths and Principles

Since Kyocera's founding, all its corporate decisions have been based on basic truths and principles. Corporate management would neither succeed, nor be lasting, if it were unreasonable and morally unacceptable to society. We at Kyocera do not rely on the so called "business common-sense." We don't make decisions by merely following the standard practices of "most other companies."

Whether decisions are on organization, finance or distribution of earnings, basing them on the essence of the matter avoids our making mistakes – even in a foreign culture or a new economic reality we have never experienced before.

### The Result of Life or Work = Attitude x Effort x Ability

The outcome of our life or work is the product of three factors: attitude, effort and ability.

Effort and ability range from 0 to +100 points. As these two numbers are multiplied rather than simply added, it means that persons who exert unbeatable efforts to compensate for their only "average" ability can accomplish more than geniuses who rely just on their ability while making only a minimal efforts. This product is further multiplied by attitude, which can range from -100 to +100. Depending on our attitude, the outcome of our work and our life can change by 180 degrees.

Thus, while ability and effort are important, it is our attitude that counts the most.

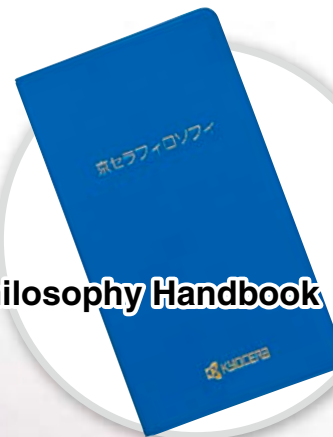
### Make Decisions with an Altruistic Mind

Our mind seems to have two sides. One side appears to be concerned only with our own interests, while the other side is altruistic and will sacrifice to help others. When decisions are made with the selfish mind, nobody wants to help us, because these decisions have a self-centered, narrow perspective and are prone to mistakes.

By contrast, when our altruistic mind makes a decision, everyone around us wants to help because the decision is benevolent, comprehensive and correct.

In order to do good work, we need to make decisions based on the part of our heart that cares for others, not based on our own selfish interests.

## Kyocera Philosophy Handbook



### The 'Customer-First' Principle

Kyocera started out as an electronic parts manufacturer, but it was always independent, and never a subcontractor.

Being independent meant continuously producing products that met the needs of our customers. We had to be more advanced technologically than our customers, and able to earn their satisfaction in all the areas of delivery, quality, price and innovativeness.

We challenged ourselves to become totally committed to our customers' needs, even if it meant rejecting conventional concepts. "Making customers happy" is a basic value of any business, and the only way to continue earning profits.

### Maximize Revenues, Minimize Expense

#### (Measure your inflow and control your outflow)

Managing a business is a simple matter. It is based on maximizing revenues and minimizing expenses. Profit is simply the difference between the two, and a result of this effort. Therefore, we need to be concerned only with maximizing revenues and minimizing expenses.

We must not be trapped into the so-called "common sense" fixation that raw material costs must be a specified percent of production, or that sales promotion must be a set percentage.

The important thing is to exercise our creativity and exert tenacious efforts to maximize revenues and minimize expenses.

### Listen to What the Product Says

When a problem occurs or when our work encounters a roadblock, we must continue to seriously and humbly examine the matter.

For example, we may face a dead-end situation on our production floor where no matter what we do, our yield does not improve. At such times, we must thoroughly and objectively examine every detail of our product, machinery, material, jigs and fixtures. We will then hear the cry of defective products and ill-maintained equipment. Our products themselves will give us clues to solving the problem.

We must humbly observe the reality as it is, without any preconceptions or bias.

**Legal Compliance**

Kyocera conducts business in full compliance with laws and regulations and with a solid sense of morality firmly based on the Kyocera Philosophy. The criterion to do what is right as a human being lies in the sound sense of morality based on social imperatives, such as laws. The Kyocera employees must not willingly engage in or take part in illegal acts for any reason, regardless of whether or not they are job related. At the same time, employees should strive to attain legal knowledge relevant to business operations and daily life activities and behave with a sound, social common sense and a sense of justice, in order to avoid committing illegal acts by mistake or unknowingly.

**Corporate Social Responsibility**

Through its business activities, Kyocera strives not only to provide a stable life to employees, but also to fulfill its social responsibilities by pursuing adequate profits and returning them to society via tax payments and dividends to shareholders. At the same time, the company contributes to society through a variety of activities, including the promotion of global environmental protection activities and the provision of support to social and cultural activities. We ask all employees to engage diligently in the company's business with a full awareness that you are part of Kyocera, a company committed to fulfilling its social responsibilities, and to combine their active efforts to achieve the lofty goal of contributing to society by increasing profits and developing the company.



**Kyocera Employee's Action Guidelines**

**Community Activity**

Since its foundation, Kyocera has conducted community service activities in appreciation of local communities that have rendered generous support and warmly watched the development of the company. We ask our employees to keep alight this torch of serving local communities through our activities.

**(1) Interactions with Local Communities**

As a reliable company deeply rooted in local society, Kyocera has a variety of initiatives designed to promote interactions with local communities, such as opening the Kyocera Museum of Art to the public, sponsoring a summer festival, and active participation in community events. We ask our employees to strive to enhance exchanges with local communities by participating in local events, meetings, and volunteer programs in their after-work hours and on holidays.

**(2) Social Contribution Activity**

Kyocera is also active in social contribution activities and has an array of unique programs, such as the Kyoto Prize, Friendly Exchange Mission of Chinese Children to Japan, support for sports and arts programs, fundraising activities, local cleaning activities, and blood donations, just to name a few. These activities are all based on our belief that a company, as a corporate citizen, should join in the efforts to build a better society. As a good citizen, we call for each employee's active participation and cooperation in social contribution activities that the company promotes. We also ask our employees to contribute to society by engaging in volunteer work during after-work hours. We believe that these social contribution activities will also help develop the employees as human beings.

**Muscular Management**

A company needs to achieve long-term growth and development while surviving intense market competition in order to protect employees' lives and meet the expectations of shareholders. To this end, the company must maintain a muscular constitution just like an athlete's well-trained body.

"Muscular" means a lean body with well-developed muscles and no excess fat. Muscles for a company mean the assets that generate sales and profits, such as people, goods, money, and facilities.

On the other hand, those assets that do not produce sales or profits are deemed excess company fat. For example, unsold inventory and excessive equipment are equivalent to idle money, that is, excess fat on the body. The company with such waste will never be able to survive the intense market competition. Only by thoroughly discarding useless assets and fully utilizing the effective assets can the company have a lean, muscular constitution that enables long-lasting development.



**Kyocera Accounting Handbook**

**Double-check System Prevents People from Committing a Crime**

Kyocera management is based on human minds, that is, all employees make ongoing efforts to foster mutual trust and form strong bonds. Human minds can be quite strong, but can also be weak at times. It is due to this weakness that people sometimes make an irreparable mistake as if they were suddenly possessed by some evil spirit. For example, when a month's performance is really bad, an employee may modify the figures against his/her better judgment, or the employee may use the company's money with the intention of paying it back later, but fails to do so. We should not let our employees engage in such wrongdoings. While the person who committed a wrongdoing should be held responsible for the act, there were also loopholes in the company's control system that allowed it to happen. Double-checking is a system to eliminate such loopholes. In meaning money, products, and materials, for example, we ensure thorough double-checking by dividing people into those who handle incoming and outgoing assets and those who issue slips. We believe that the provision of "a solid system that does not allow people to commit a crime" is the true consideration for people who work in the company.

**Gain Social Trust via Fair Information Disclosure**

We hear numerous cases where a company attempted to hide unfavorable information that was supposed to be disclosed, but it ended up receiving severe criticism from society for not disclosing it in the first place. Since companies operate in society, they will not be able to survive if they lose its trust.

In order to gain societal trust, a company's external management information, including financial reports, should be completely clear. Since management information is nothing but an accumulation of internal facts, the fact that each employee follows proper accounting procedures is the primary premise for the company's fair information disclosure.

Moreover, since truth is one and only one, it is a company's social responsibility to disclose this truth openly. For example, if a company had nonperforming assets and hid the fact that it had not yet disposed of them, it would constitute a deception to make the company's performance look artificially better.

It is, therefore, important for a company to disclose information fairly, even when such information contains unfavorable data for the company. Even if the truth involves a serious issue, the company's attitude to squarely face such issues will eventually lead to gaining societal understanding and trust in the company.

# CSR of the Kyocera Group

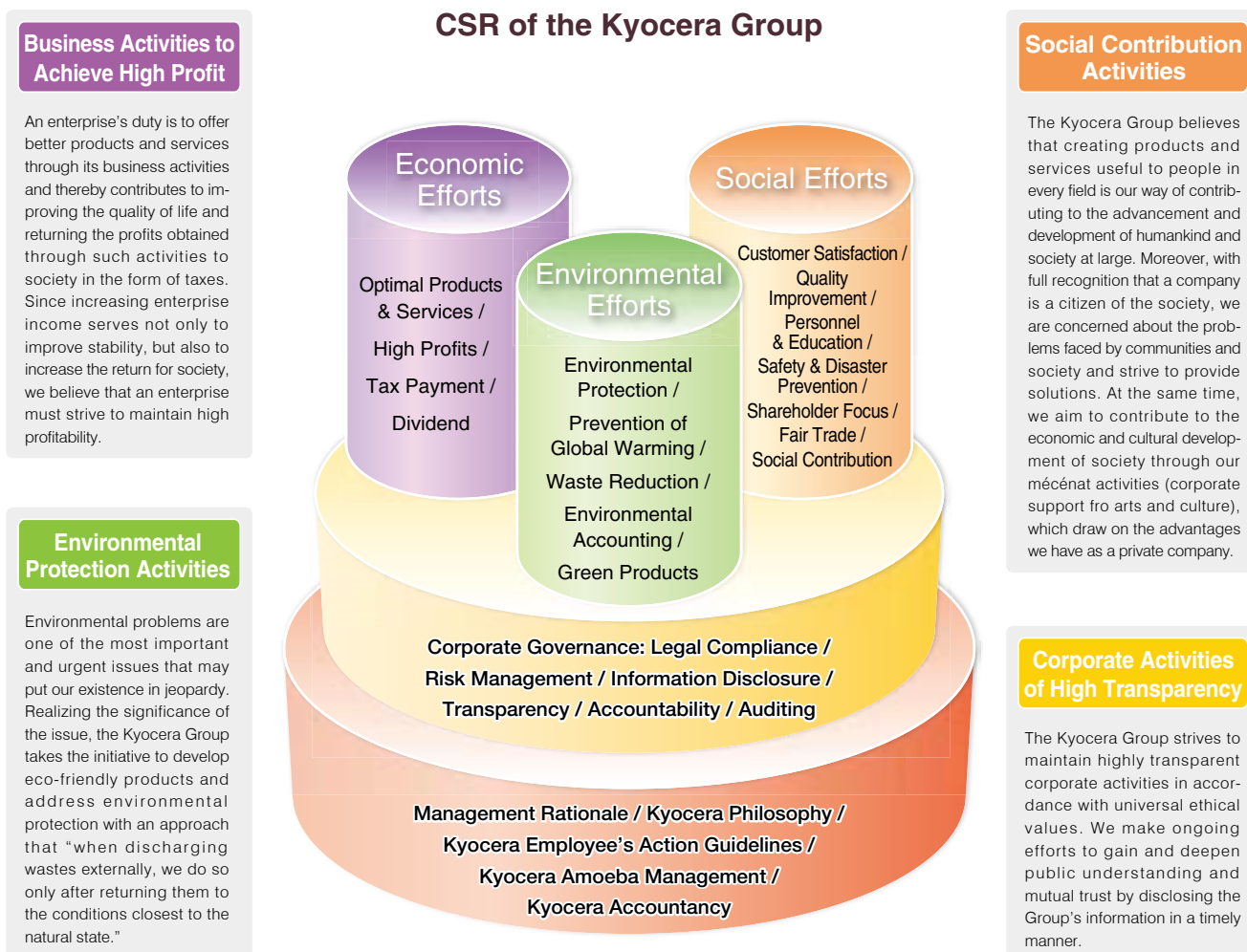
Aiming to become “The Company,” a company highly admired and respected by all people, the Kyocera Group sets high objectives and makes concerted efforts to attain them. We believe that efforts toward the fulfillment of our CSR (Corporate Social Responsibility) and realization of “The Company” will serve to ensure the sustainability of the Kyocera Group and eventually lead to the improvement of the sustainability of society at large.

## Kyocera Group’s View of CSR

Since Kyocera’s founding, its management rationale has been “to provide opportunities for the material and intellectual growth of all our employees, and through our joint efforts, contribute to the advancement of society and humankind.” The Kyocera Philosophy, on which management practices are based, upholds “doing what is right as a human being” as the principal criterion for making business decisions. The essence of Kyocera has thus always been a matter of working hard for the ultimate good of society and mankind, based on fundamental ethical and moral values—values that derive their power to motivate from the best aspects of the human character: fairness, equality, justice, industry, courage, philanthropy, humility and loyalty. Hence, for Kyocera, CSR does not represent any new concept or value system, but is rather a question of putting the Kyocera Philosophy into action. Kyocera’s firm conviction is that implementing this philosophy helps to build mutual trust with customers, stockholders, suppliers, local communities and other stakeholders, and contributes to the sustainable long-term development of both Kyocera and society in general.

### CSR Activity Domain

The CSR activities of the Kyocera Group address the triple bottom lines—the economic, social, and environmental issues—in a balanced manner, while consolidating the management foundation of corporate governance built on the Management Rationale and the Kyocera Philosophy.



## CSR Efforts

### ■ Purpose of CSR Activities

The purpose of the Kyocera Group's CSR activities is sustainable development of both the Kyocera Group and society through the practice of the Kyocera Philosophy.

By promoting organizational CSR activities based on the implementation of the Kyocera Philosophy, building mutual trust with stakeholders, ensuring sustainable development of the Kyocera Group, we contribute to the sound development of society.

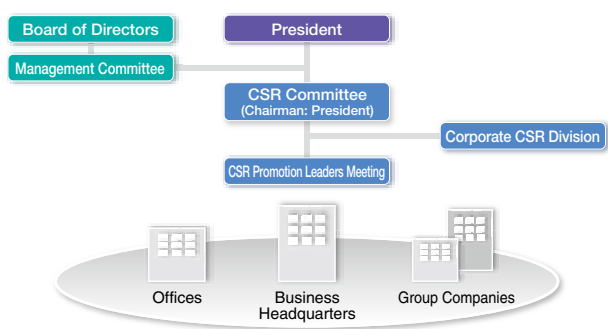
### ■ Focus of CSR Activities

The CSR activities of the Kyocera Group address the triple bottom lines, namely the economic, social, and environmental issues, in a balanced manner. In particular, we focus on the following four points:

- **Returning to the Origin of the Amoeba Management System**  
Establishment of a highly profitable structure by properly implementing the Amoeba Management / Reinforcement of "field power" (creation of a spirited workplace) and "achievement capability" (capability to accomplish one's goal)
- **Consolidation of Corporate Governance**  
Ensure policy management and steady operations by clearly defining core issues and priorities of corporate governance
- **Enrichment of Social Contribution Programs**  
Organize the purposes and domains of activities, such as academic and cultural activities, community contributions, and disaster relief activities, and implement activities in a systematic manner
- **Promote Communication with Stakeholders**  
Disclose information and ensure accountability to build relationships of mutual trust with stakeholders
  - Development of Sustainability Report
  - Holding of Sustainability Report Presentation Meeting and Sustainability Report Reading Meeting

### ■ Development of the CSR Promotion System

In order to reinforce the system of promoting CSR activities across the Kyocera Group, the CSR Committee and Corporate CSR Division were established on November 1, 2005. The CSR Committee, which is chaired by the Kyocera president and comprises of the CSR-related general managers as members, promotes the Kyocera Group's CSR activities by formulating CSR-related matters and policies. The Corporate CSR Division, on the other hand, is responsible for developing and implementing specific Group-wide activities based on the policies determined by the CSR Committee.



**Main CSR Activities**

	■ Economic Efforts	■ Social Efforts	■ Environmental Efforts
<p><b>1963</b> Year-end charity fund-raising started</p> <p><b>1965</b> Hourly Efficiency System established</p> <p><b>1968</b> Received the 1<sup>st</sup> Medium and Small Business Research Institute Award</p> <p><b>1969</b> Presented Education Promotion Fund to Gamo-cho, Shiga</p> <p>Presented Inamori Scholarship Fund to the Faculty of Engineering, Kagoshima University</p> <p><b>1970</b> Received Commendation for Contribution to Export from Ministry of Trade and Industry</p> <p>Kyocera Orphan's Pension System established</p> <p><b>1972</b> Received the 18<sup>th</sup> Okochi Memorial Production Special Award</p> <p>Listed on the Second Section of the Tokyo Stock Exchange</p> <p><b>1973</b> Entry into the cutting tools market with CERATIP</p> <p><b>1974</b> Listed on the First Section of the Tokyo Stock Exchange</p> <p>Received the 16<sup>th</sup> Science and Technology Secretary Award</p> <p><b>1975</b> Entry into the jewelry market with re-crystallized gemstones CRESCENT VERT</p> <p>Entry into the solar energy business with Japan Solar Energy Co., Ltd. established</p> <p><b>1976</b> ADR (American Depositary Receipt) issued in U.S.A.</p> <p>The 1<sup>st</sup> Kyocera Overseas Training Tour conducted</p> <p><b>1978</b> Entry into the medical material business with dental implant BIOCERAM</p>	<p><b>1980</b> Listed on the New York Stock Exchange</p> <p>Entry into the information equipment business with copiers developed</p> <p><b>1984</b> DDI (Currently KDDI) established</p> <p><b>1985</b> Environmental Division established</p> <p>The 1<sup>st</sup> Kyoto Prize award ceremony held (Inamori Foundation)</p> <p><b>1989</b> Entry in the cellular phone business with communications equipment division headquarters established</p> <p><b>1990</b> Kyocera Green Committee established</p> <p><b>1991</b> Kyocera Environmental Charter established</p> <p><b>1992</b> Kyocera Quality Policy established</p> <p>1<sup>st</sup> Environmental Protection Promotion Plan started</p> <p>Kyocera Eco Label System established</p> <p>Mie Tamaki Plant (currently Kyocera Mita Tamaki Plant) first acquired ISO 9002 certification</p> <p><b>1994</b> Kyoto Purple Sanga Co., Ltd. established</p> <p><b>1995</b> Kagoshima Kokubu Plant received the Regional Development Contribution Award</p> <p><b>1996</b> Kyocera Global Environment Contribution Award established</p> <p>Mie Plant (currently Mie Ise Plant, Kyocera Mita Tamaki Plant) first acquired ISO 14001 certification</p> <p><b>1997</b> Solar-Energy Division received the Ministry of Environment, Secretary Award</p>	<p>The Friendly Exchange Mission of Chinese Children to Japan established</p> <p><b>1998</b> Green procurement started</p> <p><b>1999</b> Kyocera new headquarters building received New Energy Award: New Energy Foundation Director Award from the Agency of Natural Resources and Energy</p> <p>Received the 8<sup>th</sup> Global Environment Award (Fujisankei Group Prize)</p> <p>ISO 14001 certification obtained for corporate integration system</p> <p><b>2000</b> Posting Environment Report on the Internet started</p> <p><b>2001</b> Customer Support Center established</p> <p>Inamori-Kyocera Western Districts Development Scholarship Fund established in China</p> <p>Sales to the Kyocera Group passed the 1 trillion yen mark</p> <p><b>2003</b> Kagoshima Kokubu Plant received the 1<sup>st</sup> Japan Sustainable Management Award: Excellent Sustainable Management Award</p> <p>Employee Consultation Room established</p> <p><b>2004</b> Social and Environmental Reports Presentation Meeting started</p> <p>Corporate CS Improvement Committee established</p> <p>Efforts toward the acquisition of OHSAS 18001 certification started</p> <p><b>2005</b> CSR Committee and Corporate CSR Division established</p>	

# Corporate Governance

Based on the Kyocera Philosophy, the Kyocera Group always strives to maintain equity and fairness, and faces all situations with courage and conscience, and it intends to realize transparent systems for corporate governance and internal control.

## Corporate Governance

### Basic Policy for Corporate Governance

**Definition:** Structures to ensure that Directors conducting the business manage the corporation in a fair and correct manner.

**Purpose:** To maintain the soundness and transparency of management and to achieve fair and efficient corporate management through which the management rationale of Kyocera Group can be realized.

The Board of Directors shall inculcate the “Kyocera Philosophy,” which is the basis of the management policy of Kyocera Group, into all Directors and employees working in Kyocera Group, and establish a sound corporate culture. The Board of Directors shall establish proper corporate governance through exercise of the Kyocera Philosophy.

### System for Corporate Governance

The Board of Directors of the Company determines, pursuant to the basic policy described above, the below-outlined system for corporate governance of the Company, which is the core company within the Kyocera Group, to ensure that the conduct of business by the Directors is in compliance with all applicable laws and regulations and the Articles of Incorporation. The Board of Directors will constantly seek the ideal system for corporate governance and always evolve and develop its existing corporate governance system.

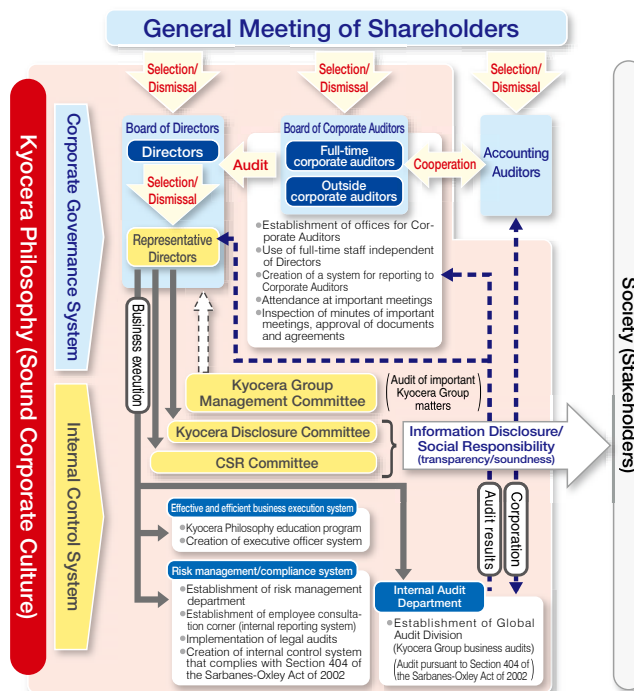
#### Organs of Corporate Governance

The Board of Directors shall establish a corporate structure in which the Corporate Auditors and the Board of Corporate Auditors will serve as organs of corporate governance pursuant to the provisions of the Articles of Incorporation, as approved by the General Meeting of Shareholders of the Company. Directors of the Company shall strictly observe the following, to ensure effective audit by the Corporate Auditors and the Board of Corporate Auditors:

- For the purpose of assisting Corporate Auditors and the Board of Corporate Auditors, Corporate Auditor Offices shall be established under the Board of Corporate Auditors. Employees assigned to these offices shall fall within the jurisdiction of each Corporate Auditor.
- A system for reporting to Corporate Auditors by directors and employees is established.
- In the event that Representative Directors are requested by any Corporate Auditor to effectuate any of the following matters, as necessary to establish a system to ensure effective audit by the Corporate Auditors, Representative Directors shall comply with such request:
  - a. Attendance at important meetings;
  - b. Inspection of minutes of important meetings, important approval documents, and important agreements, etc.; and
  - c. Meetings with Representative Directors to exchange opinions regarding management of the Company in general.

#### Kyocera Philosophy Education

Representative Directors of the Company shall undertake “Kyocera Philosophy Education” from time to time in order to inculcate the “Kyocera Philosophy” into the Directors, including themselves, and employees of the Kyocera Group.



## Internal Controls

### Basic Policy for Internal Controls

**Definition:** Systems to be established within the corporate organization to achieve management policy and master plans in a fair manner, in order for the Directors undertaking management of the Company to effectuate Management Rationale.

The Board of Directors of the Company shall establish internal controls through implementation of the Kyocera Philosophy.

### System for Internal Controls

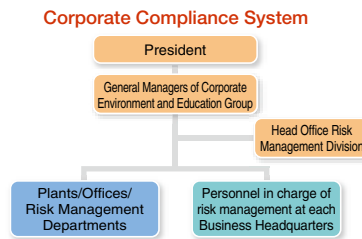
Under the policy as described above, the Board of Directors shall cause Representative Directors to establish the systems described below. In addition, the Board of Directors shall constantly evolve and develop such systems, seeking an ideal system of internal controls.

- Management and maintenance of information relating to conduct of business by Directors
  - Establishment of the “Kyocera Disclosure Committee”
  - Proper maintenance of information relating to the conduct of business by the Directors in accordance with applicable laws and regulations and the internal rules of the Company.
- Internal Rules and systems relating to management of risk of loss, and systems to ensure that conduct of business by employees is in compliance with applicable laws and regulations and the Articles of Incorporation
  - Establishment of a “Risk Management Department”
  - Establishment of an “Employee Consultation Corner” as an internal complaint reporting system
- Systems to ensure efficient conduct of business by Directors
  - Delegation of authority, clarification of related responsibility and efficient and effective conduct of business via an executive officer system
  - A system for Executive Officers to report the status of their conduct of business to the Board of Directors
- System to ensure appropriate conduct of business at Kyocera Group
  - In addition to the aforementioned systems;
  - Establishment of the “Kyocera Group Management Committee”
  - Establishment of an “Internal Audit Department”

**Compliance and Risk Management**

**■ Compliance System**

Aiming to ensure the practice of compliance management, we strive to enhance each and every employee's awareness of compliance. To this end, we have established Kyocera Employee's Action Guidelines. As part of our compliance promotion efforts, the Risk Management Division has organized risk management section at each office/plant of the Kyocera Group for the purpose of thoroughly communicating legal information, implementing compliance education, and promoting the audit system and corrective action process. At the same time, the division strives to reinforce compliance management by appointing staff members dedicated to risk management within each business division.



**■ Risk Management**

The Kyocera Group aggressively rolls out global businesses, aiming to become a creative company that continues to grow in the 21<sup>st</sup> century. In order to appropriately respond to the ever diversifying internal and external risks associated with such global activities, the Group has established a total risk management system comprising "the Compliance Management System" applicable to day-to-day operations and the Emergency Response System based on the Group's "Crisis Management Manual" for an emergency. By implementing prevention and countermeasures via this total risk management system, the Kyocera Group strives to enhance risk management.

**Risk Management Basic Policy**

1. Thorough Legal Compliance
2. Establishment of Lofty Workplace Morals
3. Prevention and Countermeasures via Total Risk Management System

Day-to-day operations: Compliance Management System  
Emergencies: Emergency Response System, Crisis Management Manual

**■ Thorough Communication of Applicable Laws and Regulations**

"The Corporate Information Site" has been established on the Kyocera Group's intranet where domestic and international related laws and regulations are posted in an effort to clarify the laws and regulations applicable to each division and to communicate revisions to these laws to key staff in a timely manner. Advertisements for consumer products are internally checked pursuant to the Law for Preventing Unjustifiable Extra or Unexpected Benefits and Misleading Representation to ensure easy-to-understand, fair advertisements. To this end, standards for working terminology are posted on the intranet in the Corporate Information Site.

**■ Compliance Education**

In 2005, the scope of existing compliance training for executives was expanded to incorporate its programs into the curricula for new employee, plant manager, and branch manager training programs. The new curricula were implemented successfully. In addition, as part of the ongoing general training on individual laws, training on "Personal Information Protection Law" was conducted in 2005. In 2005, a total of 456 employees participated in Compliance Training and a total of 1,078 employees attended the training session on "Personal Information Protection Law."

**■ Auditing System**

**Legal Audits**

Kyocera implements statutory audits to monitor and evaluate the company's compliance of corporate business activities with applicable laws and regulations. A system is in place through which independent inspections and audits are conducted using the original check sheets developed for each domestic law. In the future, we intend to promote closer collaboration with domestic and overseas group companies to consolidate the auditing systems for overall compliance and legal compliance.

**■ Kyocera Export Control Program**

Kyocera strives to ensure export control with a focus on security via the Kyocera Export Control Program.

While the Export Control Committee in each division oversees export compliance for daily operations, the Risk Management Division conducts education and operational audits within every division and office each year. These efforts allow the company to flexibly and accurately respond to revisions to export laws and regulations resulting from rapid globalization and diversification of products and technologies.

**■ Employee Consultation Hot-line Center**

The Employee Consultation Hot-line Center accepts consultations from employees and part-time employees concerning potential compliance issues. Privacy protection and other related information are clearly explained to the user. The Employee Consultation Hot-line Center is not only a place to listen to employees' problems, but also serves to investigate the facts on behalf of the consulter and then implements the necessary corrective or preventive measures.

**■ Protection of Personal Information**

With an acute awareness that personal information is an integral part of privacy, Kyocera strives to protect such information as part of the company's social responsibility. To this end, the company has established a personal information control system comprising the "Kyocera Basic Policy for Protection of Personal Information" with an executive officer in charge and the Risk Management Division as the division in charge.

**Compliance with Article 404 of Sarbanes-Oxley Act**

Kyocera is listed on the New York Stock Exchange, it is subject to the Sarbanes-Oxley Act of 2002. In 2004, the Kyocera Group started efforts to meet the requirements in Article 404 of the Act, and in May 2005, established the Global Audit Division as a division to address the issue. Fiscal year 2007 (ended March 31, 2007) marking the first year the Act being applied, the Kyocera Group intends to conduct evaluations on the effectiveness of the internal control system via internal and external audits.

# Value-added Business Diversification

The Kyocera Group aims to become a creative company that continues to grow in the 21<sup>st</sup> century. To realize this management policy, the Group promotes the strategy of Value-added Business Diversification. While practicing the Kyocera Philosophy and Amoeba Management, the driving forces of the Kyocera Group's ongoing growth, the Group intends to establish a global competitive edge by consolidating and enhancing the Group's technology set, sales and marketing strength, and solid financial constitution. Based on these competitive advantages, the Kyocera Group aims to achieve a pretax profit ratio of more than 15% (consolidated).

## Management Policy of the Kyocera Group

**Creative Company that Continues to Grow in the 21<sup>st</sup> Century**

Aim to achieve the set objective by promoting "the creation of new technologies and new markets" in accordance with the following three specific policies.

**Achieve More than 15% Group-wide Pretax Profit Ratio**

**Establishment of a Highly Profitable Business Structure**

- Execution of Amoeba Management
- Enhancement of achievement capability
- Enhancement of field power

**Thoroughly Practice "Customer First"**

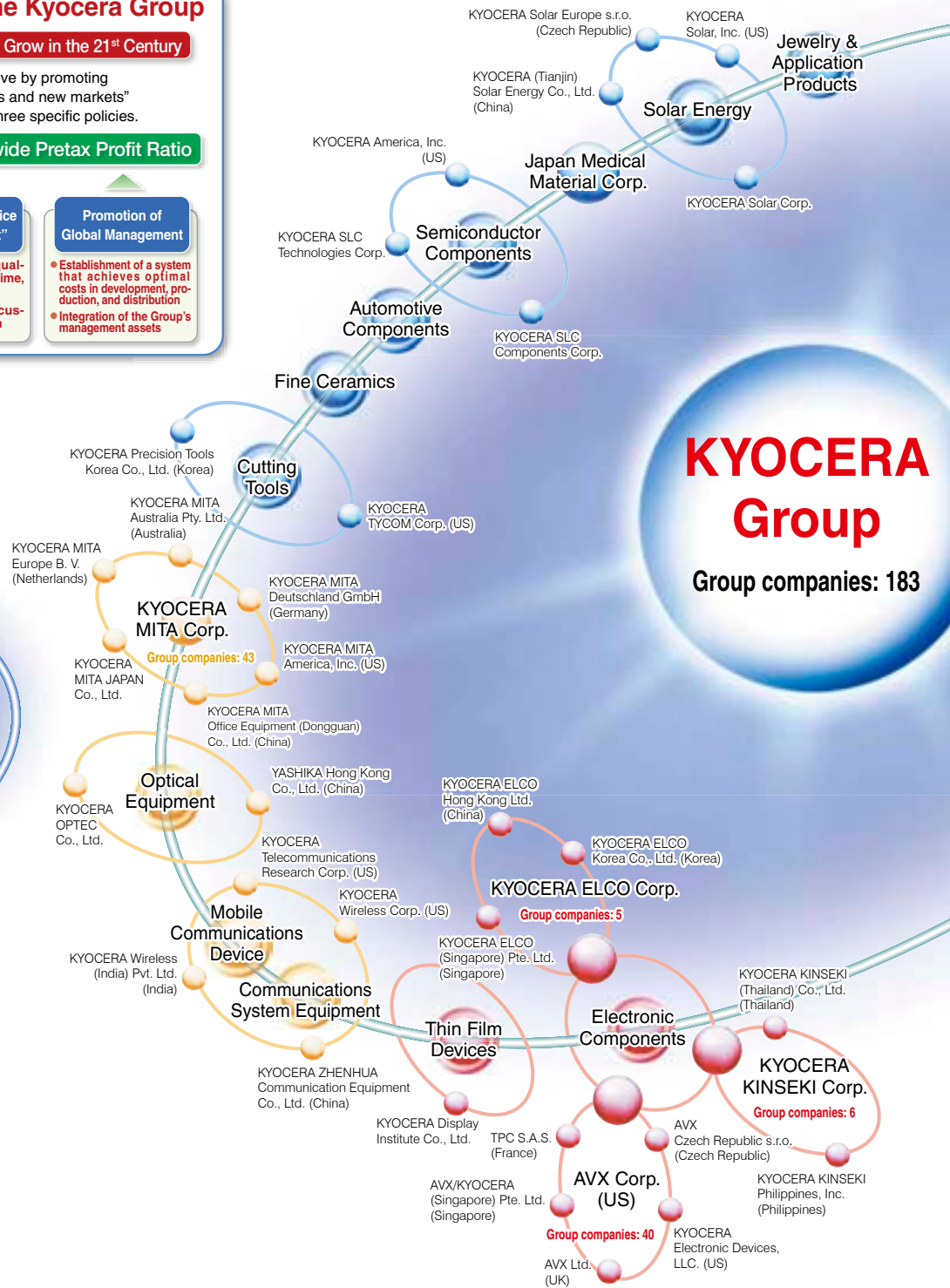
- Improvement in quality, price, delivery time, and service
- Enhancement of customer satisfaction

**Promotion of Global Management**

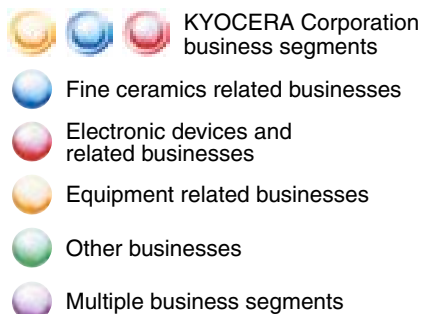
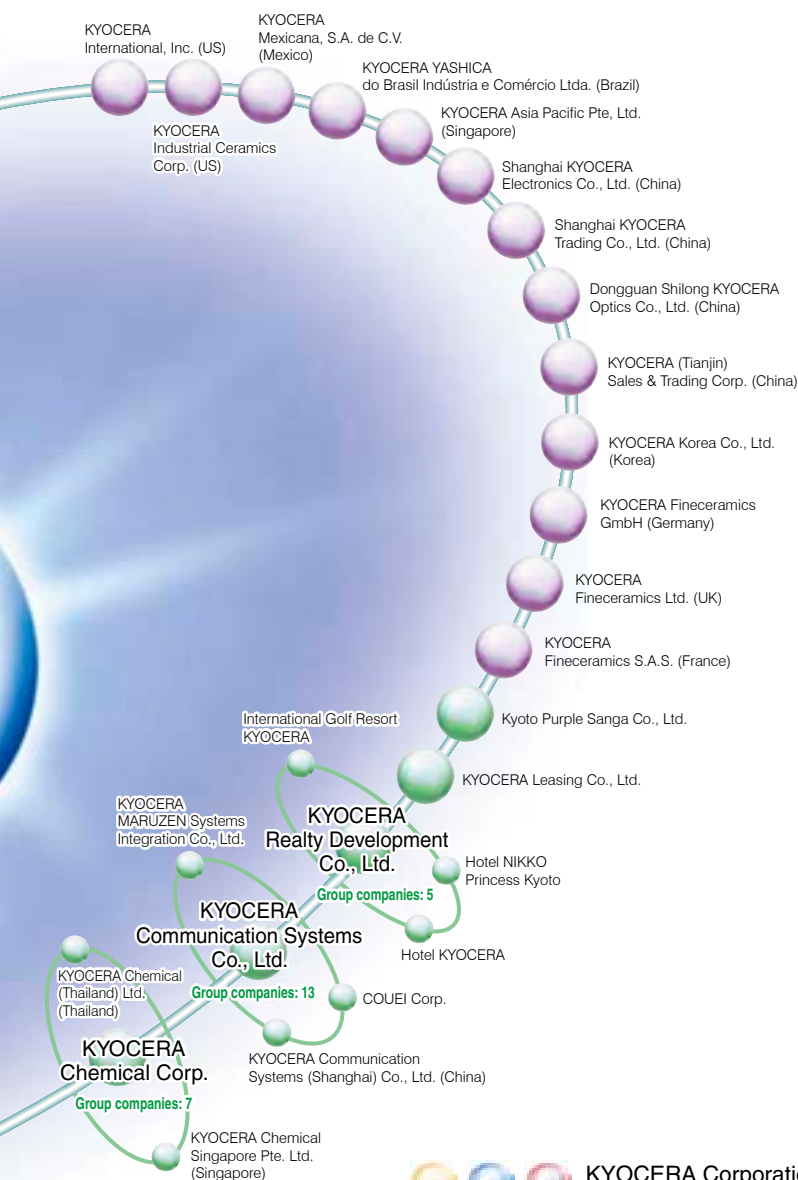
- Establishment of a system that achieves optimal costs in development, production, and distribution
- Integration of the Group's management assets



As the largest shareholder in KDDI, Kyocera works in close collaboration with the company in the communications and information industry.







(As of March 31, 2006)

## Business Operations of Major Group Companies

- **KYOCERA KINSEKI Corp.**  
Develops and manufactures crystal units, crystal applied devices and SAW devices
- **KYOCERA MITA Corp.**  
Manufactures and markets information equipment such as copiers, printers and digital multifunction printers
- **KYOCERA Chemical Corp.**  
Develops, manufactures and markets electronic component materials, electric insulation materials and synthetic resin products
- **KYOCERA SLC Technologies Corp.**  
Manufactures and markets connectors used for electronic products
- **KYOCERA ELCO Corp.**  
Develops, manufactures and markets electronic connectors and interconnect products including internal devices
- **KYOCERA OPTEC Co., Ltd.**  
Manufactures and markets lenses and precision optical products
- **KYOCERA Display Institute Co., Ltd.**  
Research and development of OLED display
- **KYOCERA Communication Systems Co., Ltd.**  
Markets communication equipment, provides system integration services, develops and markets software, and provides management consulting services
- **KYOCERA Solar Corp.**  
Markets, installs and services solar power generating systems and products
- **KYOCERA Leasing Co., Ltd.**  
Provides financing services such as financing, leasing, and factoring
- **KYOCERA Realty Development Co., Ltd.**  
Manages the Hotel KYOCERA, the Hotel NIKKO Princess Kyoto and the International Golf Resort KYOCERA; owns, manages and leases real estate properties
- **Kyoto Purple Sanga Co., Ltd.**  
Manages Kyoto Purple Sanga, a professional soccer team, and markets its original items
- **KYOCERA (Tianjin) Sales & Trading Corp. (China)**  
Manages and distributes Kyocera products made both in China and elsewhere
- **KYOCERA (Tianjin) Solar Energy Co., Ltd.**  
Develops and manufactures solar modules and systems
- **Shanghai KYOCERA Electronics Co., Ltd.**  
Manufactures and markets electronic components and fine ceramic products
- **Dongguan Shilong KYOCERA Optics Co., Ltd.**  
Manufactures and markets precision optical camera, cellular phone camera modules, cutting tools, thin-film device products and applied products
- **KYOCERA ZHENHUA Communication Equipment Co., Ltd.**  
Develops, manufactures, markets and services CDMA handsets and related telecommunications products
- **KYOCERA International, Inc.**  
Regional head office of North and Central American operations
- **KYOCERA America, Inc.**  
Manufactures and markets fine ceramic products
- **KYOCERA Industrial Ceramics Corp.**  
Manufactures and markets fine ceramic products; markets electronic devices
- **KYOCERA Solar, Inc.**  
Develops, manufactures, markets and services solar power systems that can operate on or off commercial power grid
- **KYOCERA Wireless Corp.**  
Develops, manufactures, markets and services CDMA handsets
- **AVX Corp.**  
Manufactures and markets a wide range of electronic components, including multilayer ceramic capacitors, tantalum capacitors, interconnect products and more
- **KYOCERA Fineceramics GmbH**  
Markets fine ceramic products and electronic devices
- **KYOCERA Solar Europe s.r.o.**  
Manufactures solar modules

Below are some of the major events of the Kyocera Group in 2005.

2005

## Apr. iBurst™ System Started Commercial Services in South Africa

Following Australia, commercial services of the iBurst™ System\*, a wide-area broadband system with high efficiency enabled by advanced technology, started in the Republic of South Africa in April 2005. Currently, this service is available in four countries, including the Republic of Azerbaijan and Kenya.

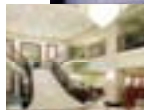


\* The system offers maximum download throughput of approximately 1 Mbps/user and achieves stable, simultaneous high-speed connections for more than one user. The handover function enables smooth data transmission even when moving. The IP-based system allows telecommunications carriers to develop business plans at low cost.

2005

## May Number One in Kansai and Third Across the Nation in Customer Satisfaction Ranking

Following Hotel KYOCERA (Kirishima, Kagoshima), which ranked at the top in western Japan in 2003 in the JARAN's magazine hotel rankings, the Hotel NIKKO Princess Kyoto also ranked number one in Kansai and third in the country in the hotel satisfaction rankings by a bulletin from the Fukurikosei Club (Relo Club, Ltd.).



2005

## May Kyocera Received the Industry Promotion Award from the Japan Fine Ceramics Association

The Kyocera Machinery Components Business Division received the Industry Promotion Award from the Japan Fine Ceramics Association for its contribution to the expansion of semiconductor/LC processing equipment ceramic components business.



2005

## Jul. Development of Micro Connectors with the Industry's Lowest Stacking Height

KYOCERA ELCO Corporation announced that the completion of development of the 8040 series of micro connectors with 1.00 mm pitch, a low profile of 1.4 mm in height, and the industry's lowest stacking height. Production and distribution have started.



2005

## Jul. GreenFile X was Released

KYOCERA Communications Systems Co., Ltd. released GreenFile X, a document management solution in compliance with the Personal Information Protection Law and the e-Document Law\*. This solution is equipped with an access control function, a folder management function, and a keyword management function and supports the 5S activities (tidiness, orderliness, cleanliness, standards and discipline) in the document management system.



\* Law enacted on April 1, 2005 that addresses the storage of documents required of private enterprises, not via paper, but via electronic medium.

2005

## Aug. Won the 6<sup>th</sup> Place Finish Prize at the Women's Marathon in the 10<sup>th</sup> IAAF World Championships in Athletics –Helsinki

Yumiko Hara, a member of the Kyocera Women's Athletic Club, participated in the women's marathon in the 10<sup>th</sup> IAAF World Championships in Athletics held in Helsinki, Finland. She won the 6<sup>th</sup> place finish prize at 2:24:20, the fastest time among Japanese participants.



2005

## Aug. Kyocera Shiga Yasu Office Opened

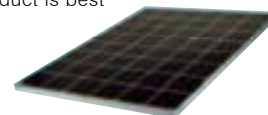
In accordance with the asset transfer agreement with IBM Japan, Ltd., Kyocera opened the Shiga Yasu Office in Yasu City, Shiga Prefecture.



2005

## Sep. New Solar Cell Module was Released

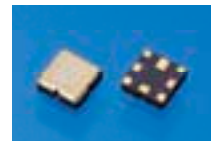
Kyocera released a Dirt-free Module, which easily sheds airborne dust and dirt accumulated on the surface of a PV system together with rain. The product is best suited for flat-roofed facilities where a PV system can be mounted at a low angle, such as plants, warehouses, and offices.



2005

## Sep. Kyocera's New Development, SAW Filters for Mobile Phones Compatible with Terrestrial Digital TV

Kyocera Kinseki Corporation developed the SL2525E series of Surface Acoustic Wave (SAW) filters for mobile phones compatible with terrestrial digital TV. The filters are small and lightweight and require no external circuit elements.



2005

## Oct. Kyocera Started Solar Module Production in the Czech Republic

Kyocera started operation at KYOCERA Solar Europe s.r.o. (in Kadan, Czech Republic) as the production base for solar modules for the European market. This Czech plant completes the World Quadruple Solar Module Production System of the Kyocera Group.



2005

## Oct. Two Types of Eco-friendly, Monochrome Digital Multifunction Copier Systems were Released

KYOCERA MITA Corp. released the KM-8030 and KM-6030 monochrome digital multifunction copier systems, which feature one-component development, amorphous silicon drum, and long-life technology that reduces waste.



2005

## Oct. Kyocera Mobile-phone Unit Tuka S Won the Prizes at the SERAI Awards\* Sponsored by Shogakukan Inc.

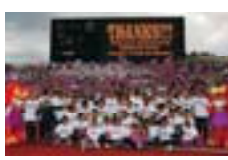
Kyocera mobile-phone unit Tuka S won both the Age-Friendly Divisional Prize and the Kenji Ekuon Prize (named after a member of the selection committee, Kenji Ekuon) at the 4<sup>th</sup> SERAI Awards.\* These prizes were awarded for the simple, user-friendly operation of the product.



\* This is an award where voting of subscribers to SERAI published by Shogakukan and a selection committee select and commend products and services friendly and useful for senior people called the SERAI generation.

**2005**  
**Nov.** **Kyoto Purple Sanga Returns to J1 after Winning the J2 Division**

Kyoto Purple Sanga receives full support from the Kyocera Group and maintained a large lead from the beginning of the 2005 season and finally made a comeback to J1 after winning the J2 league match. Together with Kyoto citizens, we look forward to a stellar performance in the J1 league after an absence of three seasons.



©KYOTO PURPLE SANGA

**2005**  
**Nov.** **Kyocera's PV Business was Introduced in Project X by NHK (Japan Broadcasting Corporation)**

NHK's popular TV program Project X introduced Kyocera's solar energy business. At the time of the oil shock in 1973, Kyocera undertook the PV business. With the determination to play a leading role in the creation of new energy to contribute to society, the company embarked on the development of solar cells by drawing on its crystal technology. The efforts to develop unique technologies and episodes in the process were introduced.



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**2005**  
**Dec.** **Grand Prix in the Copier Division Customer Satisfaction Survey**

KYOCERA MITA America, Inc. awarded the Grand Prix in the 2005 Copier Division Customer Satisfaction Survey in the US market by J.D. Power and Associates (US), an international survey organization highly trusted and esteemed by enterprises across the world.



**2006**  
**Jan.** **Styrene-Free Insulating Varnishes with Lower VOC was Developed**

Anticipating VOC (volatile organic compounds) restrictions in Japan and abroad, KYOCERA Chemical Corporation developed and started mass production of styrene-free varnishes that achieved a radical reduction in VOC emissions (less than 1/50 of exiting ones) and foul odors.



**2006**  
**Feb.** **World's First Created Pink Opal**

Kyocera successfully developed a pink opal, which is quite rare in nature, and released it as the Created Pink Opal in February.



**Consolidation of Domestic Production Bases**

The current market climate where low costs and high quality products are rigorously sought requires us to build a new production structure that enhances productivity and thoroughly avoids waste. Aiming to establish in-house integrated and highly streamlined production lines, the Kyocera Group thoroughly reviewed the existing production process and constructed six new plants in Japan. These plants strive to achieve the Group's objective of production with a yield rate of 100% and secure employment in Japan.

**"Six New Plants"**

- Shiga Yohkaichi Plant (No. 3-4 building established) [Apr. 2005]
- Kagoshima Hayato Plant (No. 1-4 building established) [Aug. 2005]
- Shiga Yohkaichi Plant (No. 3-5 building established) [May 2005]
- Kagoshima Kokubu Plant (No. 2-6 building established) [Sep. 2005]
- KYOCERA SLC Components Corporation established [May 2005]
- Nagano Okaya Plant (addition and betterment of A5/A6/C4 buildings) [Oct. 2005]

**Shiga Yohkaichi Plant: No. 3-5 Building**



This plant was constructed to increase the production of solar cells in response to the increasing demand for products that assume a vital role in environmental protection efforts and will lead the future business. On the roof of the plant are 2,100 solar modules, a solar power generation system with a combined total output of 210 kW.

**Shiga Yohkaichi Plant: No. 3-4 Building**



**KYOCERA SLC Components Corporation**



The company manufactures semiconductor organic packages and high-density sub-composites, both of which are indispensable products in this ubiquitous era. The company is equipped with the industry's most advanced facilities and process technologies, including energy-saving equipment and use of low-cost energy.

**Kagoshima Hayato Plant: No. 1-4 Building**



**Kagoshima Kokubu Plant: No. 2-6 Building**



The plant started operations as a base for process development to create integrated and highly streamlined production lines that achieve high productivity at a 100% yield rate.

**Nagano Okaya Plant: No. C4 Building**



# Financial Report

**Value-added  
Business  
Diversification**

Facing a rapidly changing business environment, the Kyocera Group joins forces to realize sustainable corporate growth by pursuing high profitability of each business and synergy of businesses within the Group.

# Overview of Business Performance

The Kyocera Group aims to be “The Company” respected by society from the perspective of corporate ethics, while maintaining continuous sales growth and high profitability. To achieve this management vision, the Group makes concerted efforts to further drive business expansion to be “a creative company that continues to grow in the 21<sup>st</sup> century.” Kyocera promotes efficient resource management and emphasizes consolidated group management and intends to increase corporate value (aggregate market value of its shares) through improvement of business performance.

\* The consolidated financial statements are prepared in conformity with generally accepted accounting principles (U.S.A.). Listed figures are rounded off to the nearest unit value.

## Overview of Performance for the Fiscal Year ended March 31, 2006

The consolidated sales of the Kyocera Group for the fiscal year ended March 31, 2006 amounted to 1,181,489 million yen, a modest increase of 0.1% over the previous year, while profits increased due to a substantial improvement in profits from the equipment business as a result of the positive effects of structural reforms.

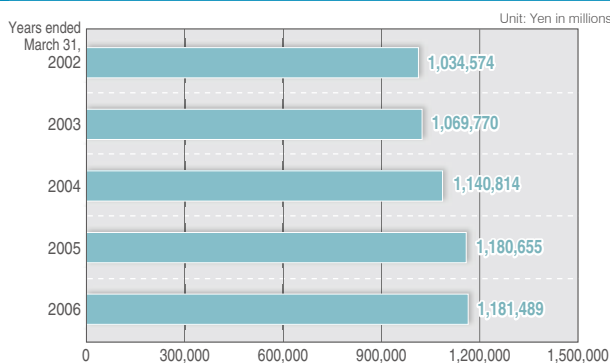
In the component business, sales and profits in the Applied Ceramic Products Group increased considerably compared with the previous year due to expansion of sales of solar energy products and cutting tools. However, sales and profits in the Fine Ceramic Parts Group and the Electronic Device Group declined due to slumping component demand until the end of the first quarter of fiscal 2006 and to a substantial decline in component prices.

In the equipment business, sales in the Telecommunications Equipment Group and the Optical Equipment Group declined compared with fiscal 2005 due to continued structural reforms at KYOCERA Wireless Corp. and the material downsizing of the camera equipment business. Despite this, there was a considerable improvement on a profit front as the positive effects of structural reforms in both of these business groups began to emerge, accompanied by and increased sales in Japan of new products in the Telecommunications Equipment Group, namely mobile phone handsets and PHS handsets.

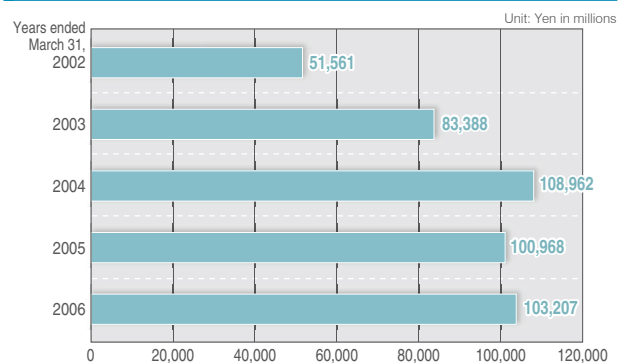
Consequently, profit from operations increased by 2.2% over the previous year to 103,207 million yen, while income before income taxes was 121,388 million yen, a 12.9% increase from the previous year, and net income grew 51.8% over the previous year to 69,696 million yen.

### ■ Changes in Net Sales, Profit from Operations, Income before Income Taxes, and Net Income (consolidated)

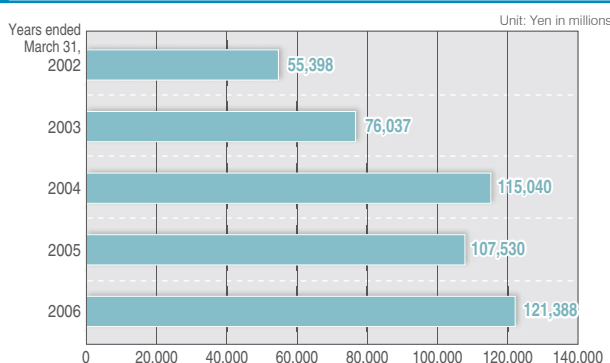
#### Net Sales



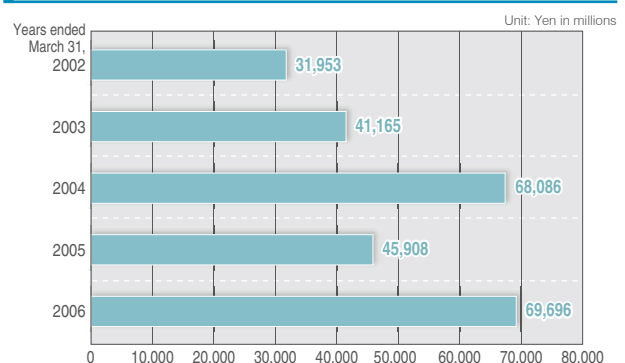
#### Profit from Operations



#### Income before Income Taxes



#### Net Income

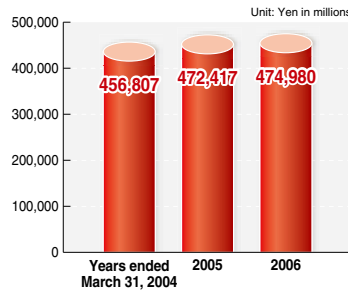


# Overview of Business Performance

## Sales by Region

The Kyocera Group comprises a group of 183 versatile companies\* (as of March 31, 2006) centering on KYOCERA Corporation. Close cooperation and collaboration among these companies are the driving force of the Group's business conducted throughout the world. The Kyocera Group is also committed to contributing to each region not only through the provision of products and services, but also through employment and support of cultural development within each region.

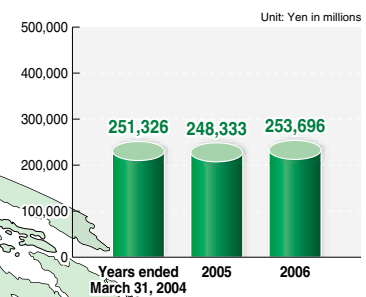
### Domestic Sales



#### Current Conditions

Sales increased compared with fiscal 2005 due to steady sales growth in the solar energy business, the mobile phone handsets and PHS related products business in the Telecommunications Equipment Group, and the telecommunications engineering business at KYOCERA Communication Systems Co., Ltd.

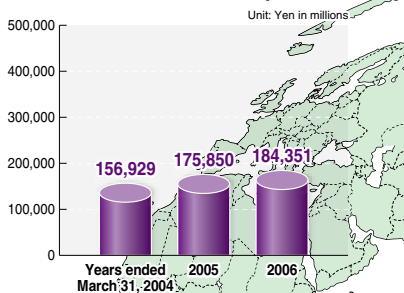
### Sales in U.S.A.



#### Current Conditions

Although sales of the Telecommunications Equipment Group declined, sales by the Electronic Device Group, the solar energy business, and the Information Equipment Group increased. Consequently, overall sales increased compared with fiscal 2005.

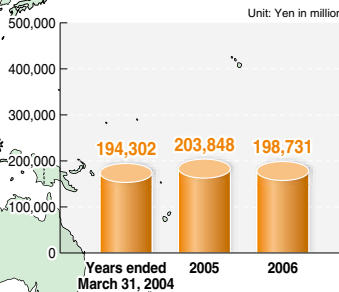
### Sales in Europe



#### Current Conditions

Sales increased compared with fiscal 2005 due mainly to increased sales in the solar energy business.

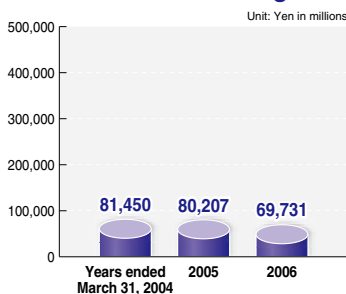
### Sales in Asia



#### Current Conditions

While sales in the solar energy business, the cutting tools business in the Applied Ceramic Products Group, and the Electronic Device Group grew, overall sales decreased over the previous year due to a decline in sales by the Telecommunications Equipment Group.

### Sales in Other Regions

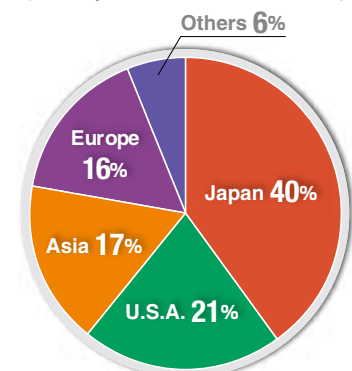


#### Current Conditions

Sales decreased compared with fiscal 2005 due to a decline in sales by the Telecommunications Equipment Group in Latin America.

* Non-consolidated parent company	1
Consolidated subsidiaries	168
Non-consolidated affiliates based on the equity method	2
Related companies based on the equity method	12
<b>Total</b>	<b>183</b>
(As of March 31, 2006)	

### Sales Ratio by Region (for the year ended March 31, 2006)



# Performance by Business Segment

## Fine Ceramic Parts Group

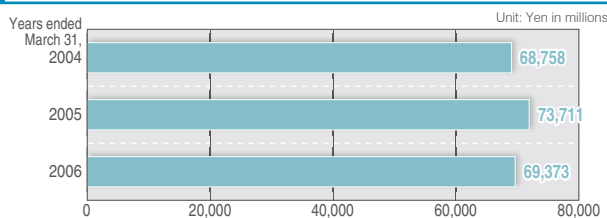
Net Sales	69,373 million yen	5.9% decrease over fiscal 2005
Operating Profits	11,014 million yen	4.5% decrease over fiscal 2005

### Main Products

- Information & Telecommunication components
- Sapphire substrates
- Semiconductor process equipment components
- LCD process equipment components
- Automotive & ITS related components
- General Industrial Ceramic components

Sales and operating profits in this segment decreased from the previous year when demand for semiconductor ceramic components was stronger. Sales of sapphire substrates for LCD projectors decreased due to intensified competition with other materials. Due to a decrease in sales, operating profits consequently decreased over the previous year.

### Net Sales



Components for semiconductor process equipment



Components for LCD process equipment

## Semiconductor Parts Group

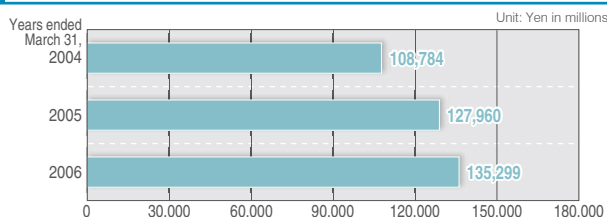
Net Sales	135,299 million yen	5.7% increase over fiscal 2005
Operating Profits	17,742 million yen	1.1% increase over fiscal 2005

### Main Products

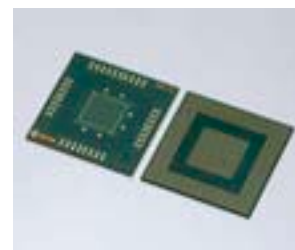
- Ceramic packages for surface mount devices
- Ceramic multilayer packages/multilayer substrates
- Metallized products
- Optical communication ceramic packages/components
- Organic multilayer packages/substrates

Sales of ceramic packages for digital consumer equipment, such as mobile phone handsets and digital cameras, and organic packages for digital consumer equipment, such as servers and game machines, increased steadily. Operating profits were negatively impacted by an increase in depreciation costs due to aggressive capital investment for future business expansion, including construction of new plants. However, sales and operating profits in this segment increased compared to the previous fiscal year.

### Net Sales



Multilayer ceramic packages



High precision organic multilayer packages  
【KYOCERA SLC Technologies Corp.】

## Applied Ceramic Products Group

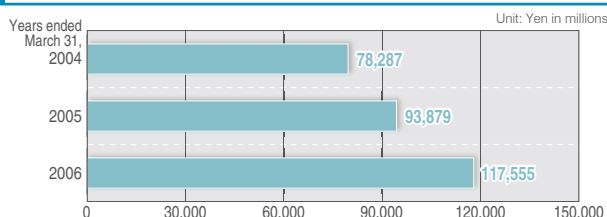
Net Sales	117,555 million yen	25.2% increase over fiscal 2005
Operating Profits	21,876 million yen	27.7% increase over fiscal 2005

### Main Products

- Cutting tools
- Micro drills
- Residential and industrial photovoltaic generating systems
- Solar cells / modules
- Jewelry
- Applied fine ceramic products
- Dental and orthopedic implants

Both sales and operating profits in this segment increased significantly over fiscal 2005. This was due to strong sales growth in solar systems, whose global market continued to expand, spurred by rising environmental awareness, and in cutting tools for the brisk automobile market.

### Net Sales



Residential PV system



Cutting tool CERATIP

# Performance by Business Segment

## Electronic Device Group

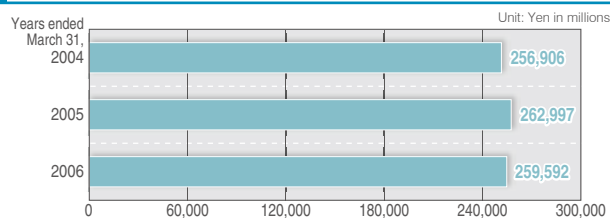
Net Sales	259,592 million yen	1.3% decrease over fiscal 2005
Operating Profits	27,170 million yen	23.3% decrease over fiscal 2005

### Main Products

- Ceramic chip capacitors
- Tantalum capacitors
- Timing devices
- TCXOs (Temperature Compensated Crystal Oscillators)
- VCOs (Voltage Controlled Oscillators)
- RF modules
- Ceramic resonators/filters
- Thermal printheads
- LED printheads
- Amorphous silicon drums
- LCDs
- Connectors

Although the business environment in the first quarter of fiscal 2006 was stagnant due to low demand for components and a sharp decline in component prices, component demand for digital consumer equipment, such as mobile handsets, increased after last summer. However, this was not sufficient to absorb the decline in sales and profits of the first half of fiscal 2006 because of slow sales of crystal related products for digital cameras and mobile handsets.

### Net Sales



LCD for industrial equipment



Capacitors

## Telecommunications Equipment Group

Net Sales	229,035 million yen	8.7% decrease over fiscal 2005
Operating Profits	-1,706 million yen	—

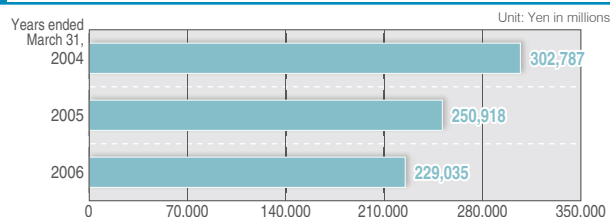
### Main Products

- CDMA (code division multiple access) mobile phone handsets
- PDC (personal digital communications) mobile phone handsets
- PHS (personal handyphone system) related products (PHS phone handsets, PHS base stations, high speed wireless data transfer systems)

Sales of mobile phone handsets decreased at KYOCERA Wireless Corp. (US subsidiary) because it was in the process of structural reforms in the first half of fiscal 2006. In addition, sales of PHS-related products for the overseas market decreased. Consequently, sales in this segment decreased compared with fiscal 2005.

For operating profits, a loss of 1,706 million yen was posted. However, this was a recovery by 13,212 million yen from the loss posted for fiscal 2005, thanks to increased sales of mobile phone handsets and PHS handsets in Japan and the positive effects of structural reforms at KYOCERA Wireless Corp.

### Net Sales



CDMA mobile phone handsets



PHS phone handsets



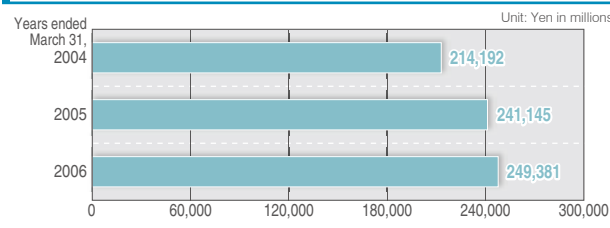
## Information Equipment Group

Net Sales	249,381 million yen	3.4% increase over fiscal 2005
Operating Profits	26,412 million yen	27.0% decrease over fiscal 2005

- Main Products**
- ECOSYS non-cartridge printers
  - Copiers
  - Digital network multifunctional products

Sales in this segment increased compared with fiscal 2005 due to the introduction of a series of new machines and aggressive sales activities, despite intensifying global competition and the consequent severe market environment. On the other hand, operating profits decreased compared with fiscal 2005 due to the negative impact of declined commodity prices and the increased development costs for color printers and digital multifunction copier systems preinstalled with solution functions.

### Net Sales



Digital Color Multifunction Copier System  
【KYOCERA MITA Corp.】



Ecosys Business Printer  
【KYOCERA MITA Corp.】

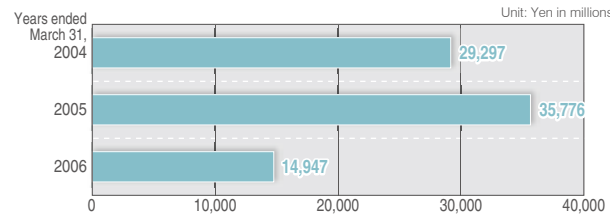
## Optical Equipment Group

Net Sales	14,947 million yen	58.2% decrease over fiscal 2005
Operating Profits	-5,774 million yen	—

- Main Products**
- Optical modules
  - Lenses

Sales decreased compared with fiscal 2005 due to radical downsizing of the camera equipment business as part of structural reforms. Although an operating loss of 5,774 million yen was posted, results improved compared to fiscal 2005 by 9,613 million yen as a result of structural reforms.

### Net Sales



High resolution camera module for mobile phone handsets



Aspheric Lenses  
【KYOCERA OPTEC Co., Ltd.】

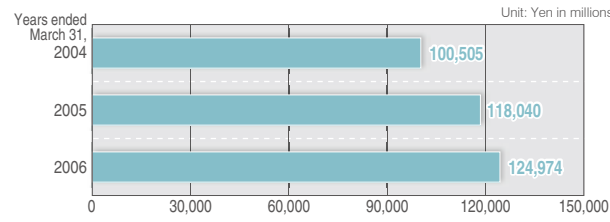
## Others

Net Sales	124,974 million yen	5.9% increase over fiscal 2005
Operating Profits	12,560 million yen	3.5% decrease over fiscal 2005

- Main Products & Businesses**
- Materials for electronic components
  - Chemical materials for electronic component insulators
  - Resin products
  - Telecommunications network system business
  - Computer network system business
  - IT solutions services business
  - Consulting business
  - Leasing business
  - Hotel business
  - Realty develop business
  - Insurance agent and travel agency business

Sales in this segment increased compared to fiscal 2005 due to steady sales growth of the telecommunications engineering business and the contribution of a new subsidiary of KYOCERA Communication Systems Co., Ltd. (KCCS), which joined the Group in fiscal 2005. Operating profits decreased slightly over fiscal 2005, however, due mainly to the impact of a decline in profits at Kyocera Chemical Corporation (KCC).

### Net Sales



Overcoat for semiconductors  
【KYOCERA Chemical Corp.】



D@TA Center  
【KYOCERA Communication Systems Co., Ltd.】

# Social Responsibility Report

**Building Mutual  
Trust Relationships  
with Stakeholders**

Enterprises are public organs that engage in human activities. Therefore, they, as social entities, should be in line with social imperatives. Corporate management is a type of life activity performed by all stakeholders in a company and we consider that it should be carried out organically by supplementing each other.

# Management Rooted in Local Communities

Management Rooted in Local Communities

## Sustainability Report Meeting

The Kyocera Group promotes the Sustainability Report Meeting to enhance communication with the local community, one of our important stakeholders. In the Sustainability Report Meeting, we invite residents, an administrative agency, and clients in each of the communities where our plants are located to report on the economic, social, and environmental activities of the Kyocera Group, exchange opinions, and host an observation tour of the plant. In fiscal 2006, the second year of the initiative, the Report Meeting was held from July to October at 13 venues, including all plants of KYOCERA Corporation and the main plants of the Kyocera Group. These meetings served to deepen the understanding of the activities of the Kyocera Group by residents in each community.



### Excerpts from Participants' Views, Requests, and Inquiries

#### Views

Below are just some of the valuable opinions and comments we received from participants:

"The Group's management and environment policies were explained in detail, which deepened my understanding of the Group. I hope you will continue such efforts to enhance our understanding of the Kyocera Group."

"We, as a local community, welcome a variety of social contribution activities the company engages in. Today, I was able to experience the employees' combined commitment to these activities."

"I realized anew that your products are all high-quality, environmentally-friendly products and that the plant is also constructed and maintained in an environmentally friendly manner."

"I was deeply impressed by the fact that we have a globally competitive plant in our community and Kyocera is truly contributing to community."

"The environmental accounting clearly showed the environmental improvements with specific figures, which was very easy-to-understand for us, non-experts."

#### Requests and Inquiries

The following are some of the requests and inquiries of our efforts:

"I wonder if you could apply the Kyocera Philosophy to school education."

"I'm interested in learning the Kyocera Philosophy. Is there any way to do it?"

"I don't know any store where solar cells are sold. Could you tell me where I can buy them?"

"I learned a lot about environmental consideration from your activities and wish that you give this opportunity to observe also to children and our officials."

"What programs do you have for employees' mental health?"

### Number of venues and participants

Fiscal 2006 Performance

	Number of Venues	Number of Participants
KYOCERA Corporation	9	263
Kyocera Group	4	113
Total	13	376



### Communication with Employees

#### Sustainability Reports Reading Meeting

Aiming to deepen the understanding of employees on the underlying concepts of various activities and specific activity programs, the Kyocera Group conducted a Sustainability Reports Reading Meeting at major Kyocera plants in fiscal 2006.

Venue	Number of Participants
Shiga Gamo Plant, Shiga Yohkaichi Plant	408
Kagoshima Sendai Plant	341
Kagoshima Kokubu Plant	480
Total	1,229



# Relationship with Customers

The Kyocera Group is always promoting a high-valued-added business. Based on the 'Customer First' principle, we define the quality policy in order to provide products and services for customers' satisfaction. Furthermore, we have the product safety policy to provide the products that put global environment and product safety first.

## Thorough Penetration of "Customer First" Principle

### Quality Policy

1. Kyocera places top priority on our environmental management and product safety systems.
2. Kyocera provides products and services to our customers that exceed their expectations by putting them first.
3. Kyocera aims to be a world leader in quality by doing every job right the first time.

Concretely, the quality policy specifies the following three points.

1. We promote corporate activities which do not adversely affect the global environment and mankind.
2. We think quality, delivery, cost and services from customers' stand-points, and always try to make them happy.
3. For good work, we think about our products carefully from the first stage and keep our rules. By doing so, we can provide products of good quality and become the company which has trust from all over the world.

### Action for Improvement of Customer Satisfaction Level

#### The Kyocera Group "Companywide CS\* Improvement Committee"

One of the management policies of Kyocera Group is "practice the 'Customer First' principle."

The Kyocera Group aims to "become an innovative enterprise that continues to grow throughout 21<sup>st</sup> century." As the most important subject, we are extending efforts toward getting customers' satisfaction and high reliability.

As one of the concrete activities, "Company wide CS Improvement Committee" was established in September, 2005. The chairman is the president, and the committee consists of members who are representatives from each department including Kyocera Group companies. It has been held once a month.

\* CS denotes 'Customer Satisfaction.'

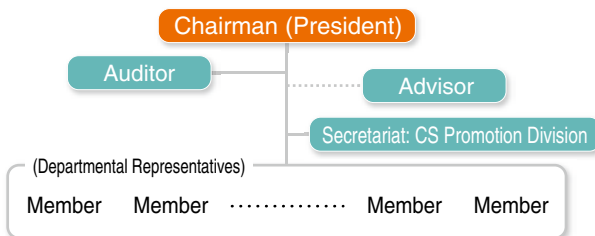
#### Objectives

We improve customer satisfaction level and quality of products by making each department's quality level clear and working on the problems for improvement.

#### Contents of Activities

- (1) We define five CS indicators. We work on establishing the system for each division's reporting their performances and improving CS indicators.
- (2) Based on the results which we analyzed the causes of CS problems such as customer complaints, we try to improve the problems that affect us greatly. Also, we inform each division of points that we have to improve. By doing so, we strive for preventing recurrence.

#### System of Company wide CS Improvement Committee



#### CS Indicators

- Claim cost rate
- Rate of loss resulting from defective goods
- Turnaround time for resolving claims
- Rate of delivery by due date
- Customer satisfaction index

### Enhancing the Quality Management System

Kyocera extends efforts for enhancing the quality management system through the following activities which are mainly practiced by CS Promotion Division and quality assurance departments of each division.

- Certification maintenance activities\* of quality management system by internationally recognized standard.
- Implementation of quality audit to departments having problems defined through activities of CS Improvement Committee.
- Establishment of quality objectives based on management policy and quality policy of each division. Formulation of the plan for achieving the goal, and implementation of improvement activities.

\* For certification status of quality management systems by internationally recognized standards, please refer to Page 80 "Facts and Figures."

### Sharing of Information about Quality Technology

Kyocera is establishing the website about quality technology on its internal intranet in order to estimate and prevent quality problems and improve the technology. By using this database, we can share the common information.

- CS promotion website — Information related to CS such as Company wide CS Improvement Committee
- Database for quality technology — Improvement cases about quality problems



### Product Safety Policy

1. Kyocera is fully acquainted with the latest information related to Product Liability and Product Safety.
2. Kyocera maintains the world-leading standard of Product Safety.
3. Kyocera systematically practices Product Safety in accordance with manuals.

“All products that Kyocera produces and sells must be on the basis of ‘Safety First,’ and must not harm to human life, body and properties.” Based on these ideas, we define the Product Safety Policy. Further, we establish “the Guideline for Product Safety System” which is standard for specific actions at all the stages of corporate activities.

### Promotion System for Product Safety

Relating to Product Safety of Kyocera, CS Promotion Division is supporting activities in cooperation with each division and related departments.

- (1) Based on the Product Safety Policy and the manual, we review safety of our products in each process. In accordance with the specified ways, we work on it starting with the design and development stages.
- (2) Using the Indicated Document Official Check System, respective professional divisions review the observance of laws and public standards about indications related to the safety such as labels and directions.

### Indicated Document Official Check System

System for respective professional divisions' checking the parts related to laws and public standards of the indicated document.

Division	Applicable fields	Applicable documents
CS Promotion	Safety indications	Labels and packages
Risk Management	Trademark and patent	Guarantee cards
Legal	Guarantee and indemnification	Instruction manuals
Intellectual Property	Contract	Sales promotion documents
Corporate Communications	etc.	Catalogue and advertisement

## Customer Support Center

### Actions to Customers' Inquiries

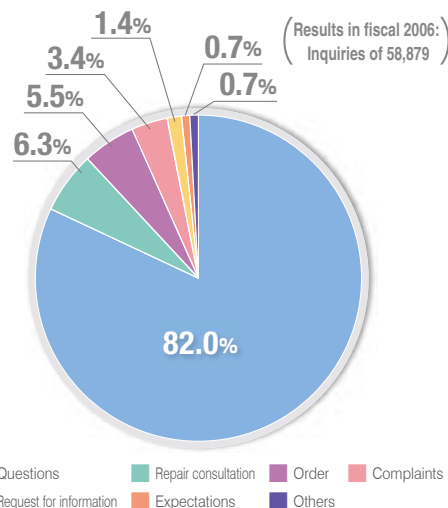
At Kyocera, the Customer Support Center is established for products designed for general customers. The Center is independent of divisions which take charge of completed products. Through this mechanism, we can take earnest, correct, quick actions to customers regardless of interests of corporate divisions.

The information received from customers is reported to the top management and business divisions immediately. They make the efforts for improving product quality, services, and customer satisfaction level.

### Protection of Customer Information

To accomplish corporate duties specified by the Act for Protection of Computer Processed Personal Data held by Administrative Organs, Kyocera is ensuring the perfect security of customers' personal data in accordance with corporate regulations and rules.

### Breakdown of Inquiries



# Relationship with Employees

## Personnel

The management rationale “to provide opportunities for the material and intellectual growth of employees” does not simply mean economical stability and affluence, but also the achievement of intellectual growth such as “meaningful job” and “purpose of life” through self-realization. In achieving this rational, Kyocera focuses on building the HR (Human Resources) System that will appropriately correspond from the following standpoints; “Changes in the Social Environment” such as diversification of values or aging of society, “Changes in the Work Environment” such as increasing in mobility in the labor market and the globalization of corporate activities, and also constant acknowledgement of the feature and cultural differences among the countries.

### Personnel Vision Based on Management Rationale

To contribute to realization of the management vision through the innovation of the HR System, which creates work climate that everyone share pleasure and pains. Thus, all the employees are satisfied with meaningful job and feel proud of the company.

### Respect of Human Right

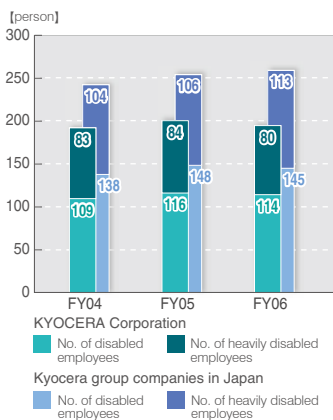
In accordance with the “Universal Declaration of Human Right” of the United Nations and “Standards and Fundamental Principles and Rights at Work” of International Labor Organization (ILO), Kyocera promotes diversity in the employment and the promotion (and obviously prohibiting forced and child labor). Kyocera is an Equal Opportunity Employer that value humanity and capability, regardless of difference in sex, age, thoughts and creeds, nationality or physical features.

### Providing Work Opportunities to Meet Various Needs

#### Employment of Disabled People

Kyocera promotes proactive employment of disabled people and proactive creation of easy-to-work place environments by considering the work and job assignment that will fit the aptitude of each individual. The disabled people employment ratio at Kyocera is 1.95% (as of March 31, 2006), beyond the legal employment ratio in Japan. Kyocera Group will continue proactive employment of disabled people.

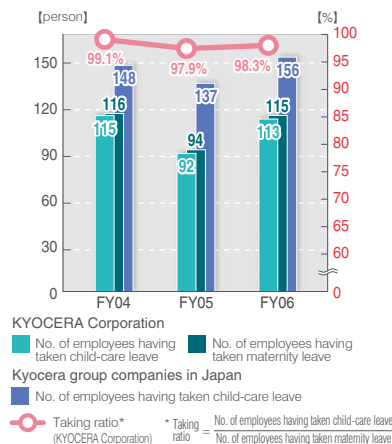
#### No. of Disabled Employees



#### Work-to-Life Balance

Kyocera introduced the Child-care Leave Program in fiscal 1993, in order to support the employees in balancing work with family life. This program is for employees with children that are less than one year old. The Family Leave Program that allows employees requiring attendance of family members to take leave for a maximum of one year (longer than legal requirement) is also introduced. In fiscal 2007, short-time shift system will be established to support the next-generation child-care.

#### No. of Employees Having Taken Child-care Leave

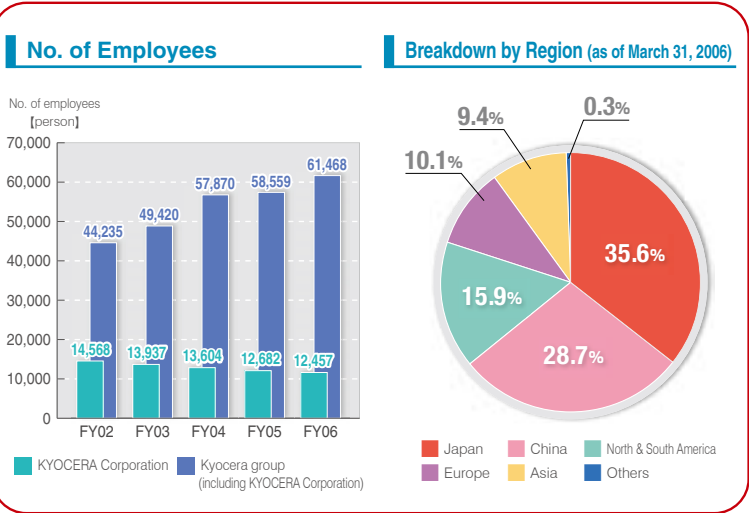
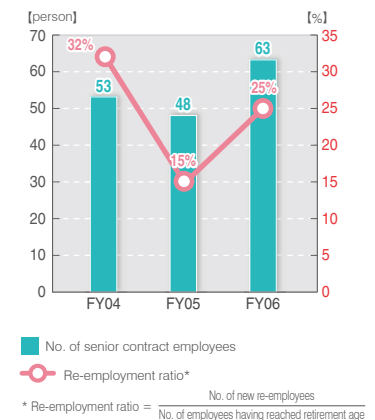


#### Senior Employee System

##### (Rehiring Staff of Retirement Age)

Kyocera introduced the Senior Employee System (re-employment system) in fiscal 2002, to provide places of employment for those who reached the retirement age of 60 years old. This system allows employees, who reached the retirement age, the economic stability and satisfaction by providing the feeling of life through work. At the same time, they can contribute to further development of the company through input of their ability and skills, and this will lead to the dissemination of corporate culture and climate. Thus, this system will match the needs of both parties.

#### No. of Senior Contract Employees (KYOCERA Corporation)



**Internship Program**

Kyocera provides internship opportunities for students. They can consider future carrier, can seek suitable job, and understand professional knowledge and skill required through the experiences provided. In fiscal 2006, the internship program was implemented at several workplaces, mainly in Engineering, Sales and Management Divisions. We intend to continue the program in the future as well.

**Human “Asset” Development**

Kyocera regards human “resources” as human “assets,” and supports employees so that they may be able to enhance their profession through conscious self-growth. Based on the view that most of self-development is realized through the job, Kyocera put efforts in arranging the workplace environment to allow each employee to work happily by exercising the best of his/her characteristics. By matching the feelings and willingness of employees toward work, and company’s business needs, Kyocera aims to concurrently succeed in development of the employees the company.

**Development Representative System**

(New Employee Growth Support)

For each new recruit, Kyocera assigns development representative, who provides detailed instructions through intensive communication. The development representative and new recruit have three interview sessions in their first year, to support prompt settlement in the workplace. At the same time, an interview session with the personnel representative is provided twice a year, which allow new recruit to gain several advices from different perspectives. In addition, the follow-up interview by the development representative for the employees of second year is introduced in fiscal 2007.

**Human Resource Information Registration System**

Using this system, each employee can register his/her own data (such as his/her job experiences, acquired skills, future career vision and overseas assignment preference) at any time on the internal network system. This system contributes in the adequate matching of employee capabilities and job requirements when considering job assignments. The system is introduced in fiscal 2007.

**Challenge System**

(Interview System between Manager and Members)

The system is designed to clarify the individual business objective aligned with development plans for the following year, by having interview session between manager and each member once a year. Employees comprehend individual roles, and therefore they will work and put effort in self-development proactively. The managers continually improve the organizational strength and the task performing strength while listening to the members’ thoughts. This system has expanded its target and contents in fiscal 2007.

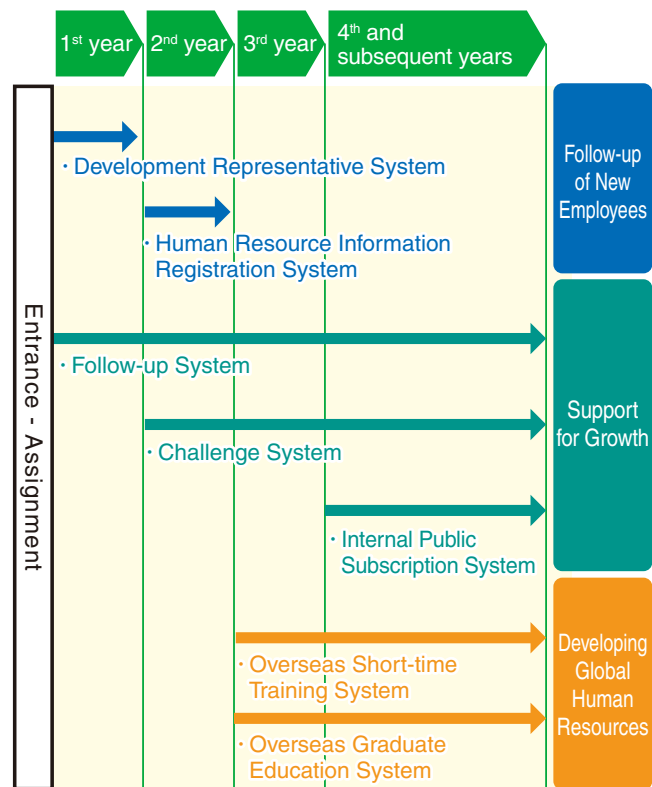
**Job posting System**

This system enables divisions that require prompt fulfillment of man-power requirement (such as new or expanding business field) by filling the positions through internal recruitment. Employees will freely challenge wide business fields of Kyocera Group at his/her will. The system is introduced in fiscal 2007 so as to provide opportunities for willing human “assets” to widen his/her field.

**Overseas Training System**

Kyocera provides the Overseas Short-time Training System and the Overseas Graduate Education System. These allow employees to improve their linguistic ability through business experiences, together with acquiring advanced knowledge, technology and global mind that cannot be obtained in Japan. These systems were reviewed in fiscal 2006 to expand applicable countries and the number of employees to be dispatched so as to establish flexible programs according to the needs. In fiscal 2007, 5 employees and 1 employee are to be dispatched for Overseas Short-time Training and Overseas Graduate Education respectively. In the future, Kyocera intends to further expand the number of employees to be dispatched to develop global human “assets” that will enhance the advancement of the globalization of Kyocera.

**Human “Asset” Development Flow**



Personnel

# Relationship with Employees

## Promotion of Female Employees Activities

Kyocera regards the activities for promotion of female employees as an important matter and established “the Positive Action Promotion Committee\*1” and “the Female Employee Activity Promotion Committee\*2” in January, 2006 with the post of chairmanship assumed by the officer responsible for personnel affairs. Kyocera strives for constructing a corporate climate to enable diversified human resources, through positively adopting female employees and supporting their activities. And this will create competitive superiority of Kyocera.

\*1 Positive Action Promotion Committee  
 Commission: Representatives of individual divisions  
 (1) Will consider and implement the expansion of carrier field and promotion of female employees  
 (2) Will gather opinions regarding systems and policies (draft)

\*2 Female Employee Activity Promotion Committee  
 Commission: Representatives of plants, offices, labor union and female employees  
 Pure opinions of female employees are heard, regarding (1) enlightenment activity and (2) systems and policies (draft).



Female Employee Activity Promotion Committee

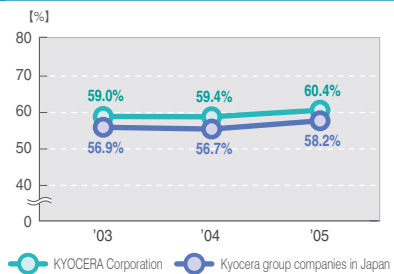
## Working Environment

### Annual Paid Holidays

Kyocera encourage employees to take annual paid holidays for refreshment and effective use of leisure time.

The 5-day successive holiday system, one of encouragements, is used by employees at ratio as high as about 80%. The multi-purpose leave system and half-day paid holiday system are also available. These rearrange environment for employees to take annual paid holidays easily. Kyocera intends to continuously advance these systems to promote health and welfare of employees.

### Annual Paid Holidays - Taking Ratio



## Globalization

About two-thirds of the total Kyocera Group employees work outside Japan and almost all of them are employed at sites. The fundamental principle of personnel affairs at overseas is the “locally oriented,” and this brings the sense of unity between the dispatched employees of Kyocera and local employees. This doctrine has been consistently applied since the first establishment of overseas site in the USA. Kyocera enjoys high evaluations as a global enterprise from all quarters for contribution in expansion of employment as well as contribution in expansion of local economy through production and the sales activities in understanding the local culture and established practice.

## Labor-Management Relation

Since the foundation, Kyocera has placed high priority, in mutual trust and close-knit relationship of employees. The relationship between the company and employees is not vertical like a relationship between management and employees, but it is associative that acts for common objectives to bring one’s own dream to life. Therefore, Kyocera puts its basis on horizontal relationship, which is partnership. To maintain and enhance this partnership, Kyocera has put emphasis on full-participation events such as Sports Festival, and “Compa.” Since Kyocera has an aforementioned concept, its labor relation principle is to keep the same objective and ideology, which is called “coaxial labor-management relation,” and this exceeds general concept of “labor-management cooperation.”

### Labor-management Conference

In Kyocera, a periodical labor-management conference is held every month at each plant and office, which is attended to by the representatives of each party. In the conference, plant and office activities are reported to share the information. Furthermore, confirmation of working situations and labor environment, and exchange of opinion regarding improvement and issues are taken place. This is does to promote working environment for employees from field-oriented viewpoint.



### Kyocera Group Sports Festival

The “Kyocera Group Sports Festival,” is a typical event, jointly sponsored by labor and management. This is held every year to enhance mutual trust and to create strong solidarity through competitive sports and triumphal ceremony. In 2005, the 28<sup>th</sup> festival was held in Okaya City, Nagano Prefecture. And 32 representative teams from plants and offices and domestic group companies that won the preliminary games at each location, played exciting games.





**Education of Employees**

Kyocera has been managing the company based on the Kyocera Philosophy since its founding. The Kyocera Philosophy has been the driving force of Kyocera's development. Therefore, it is extremely important that it is handed down very accurately to all employees. Based on such an understanding, the Kyocera Group puts an emphasis on education of the Kyocera Philosophy and offers education and training programs at the Kyocera Management Research Institute and Kagoshima Training Center. In addition, in order to foster human resources that will contribute to the further development of the Kyocera Group, various programs such as management education and technology/skill enhancement education are carried out.

**Education Philosophy**

The education philosophy is based on the Kyocera management rationale. This management rationale expresses a fundamental philosophy created by Kazuo Inamori, founder of the company, after thinking out, "what is the objective of the company?" The education philosophy aims to foster human resources who contribute to the realization of Kyocera group's management rationale.

By acquiring Kyocera Philosophy and also exerting sincere efforts and steady creativity and ingenuity, we will contribute to the global development of Kyocera. Also, we will foster competent human resources, who can contribute to provide opportunities for the material and intellectual growth of all our employees, and the advancement of society and humankind.

**Purpose of Education**

Aiming to realize the Education Philosophy, the Kyocera Group sets the following four education objectives with a corresponding education system specific to each objective.

- |   |                                    |
|---|------------------------------------|
| 1. Thorough dissemination of the Kyocera Philosophy among employees                       | Philosophy Education               |
| 2. Development of management executives with high managerial ability                      | Management Education               |
| 3. Development of professionals with high level knowledge and technological skills        | Technology and Technique Education |
| 4. Development of employees with basic knowledge and skills required for daily operations | Basic Education                    |



Kyocera Management Research Institute (Kyoto)



Kyocera Kagoshima Training Center (Kirishima)



Training

Education of Employees

**Education System**

**Philosophy Education**

Philosophy Education is provided to all employees with the objectives to deeply and correctly understand the Kyocera Philosophy, practice it and acquire it within workplace. In fiscal 2006, the Kyocera Group expanded Philosophy Education to employees of part-time, temporary, and contract employees aiming to impart better understanding of the Kyocera Philosophy and to share it with them.

**Management Education**

Kyocera Management Course that is to acquire management control techniques, such as the Amoeba Management, Hourly Efficiency System and Kyocera Accounting based on the Kyocera Philosophy that is fundamentals of Kyocera's development and also, the Kobe University MBA Basic Course, which aims to develop capable human resources of global management and provided to top and middle management personnel who are expected to become leaders of next generation.

**Technology & Technique Education**

This Education is provided to foster employees in all divisions of production, engineering, development, sales and management control in order for them to acquire high level of professional knowledge, technology and skills. Especially, various technology trainings applied to engineers are put on emphasis.

**Basic Education**

This training is provided to younger generation employees for development of creativity and problem solving capability as well as learning the basic capability required for business activities. Language learning is also conducted as a part of this education.

# Relationship with Employees

## Top Management Seminar

– Further Dissemination and Establishment of the Kyocera Philosophy –

In an effort to further disseminate and establish the Kyocera Philosophy within the domestic Kyocera Group, Chairman Emeritus Kazuo Inamori and Senior Advisor Kensuke Ito conduct seminars and lectures for employees (Employee Forum and Office Visiting Lectures). For employees, these seminars, where they hear lectures directly from the founder and the thought of top management, served to provide excellent opportunities for them to return to the original point of Kyocera and learn the significance of the Kyocera Philosophy and its practice. In fiscal 2006, 11 such seminars were held and total of 7,221 employees participated.



Employee Forum (Kyoto International Conference Hall)

## Overseas Philosophy Education

– Sharing of the Corporate Rationale across the Global Kyocera Group –

### <Top Management Philosophy Seminar>

Within the global Kyocera Group, on an ongoing bases, Top Management Philosophy Seminars are given to executive management personnel at overseas group companies aiming for an establishment of the Kyocera Philosophy as a corporate culture at these companies. This seminar launched in August, 2003 and has been held every six months in six blocs across the world (two blocs in North America, two in China, one in the Asia-Pacific region, and one in Europe). The study of all items contained in the Kyocera Philosophy Handbook was completed in fiscal 2006.



Top Management Philosophy Seminar (USA)

### <Middle Management Philosophy Seminar>

At overseas group companies, this philosophy education program is also provided for middle management personnel, primarily focusing on section managers. This program intends to foster frontline managers who will lead the development of normal employees after taking this seminar and by doing so, contribute to the dissemination of the Kyocera Philosophy and the formation of a solid foundation for the global management of the Group. This seminar started in the fall of 2004 in North America and is now offered to group companies across the world including in China where the Kyocera China Management Research Institute that was established in April, 2005, plays a central role in promoting the program.



Middle Management Philosophy Seminar (China)

## ■ Fiscal 2006 Education Performances

In fiscal 2006, a total of 54,747 employees participated in Philosophy Education held in both Japan and overseas. Philosophy education is provided to all levels of employees from top management to part-time employees in a regular and systematic manner. Philosophy seminars are also held overseas on a regular basis. The positive effects of disseminating the Kyocera Philosophy are now emerging on a global scale. The Kyocera Management Course, where Amoeba Management and the Hourly Efficiency System are being taught, based on the Kyocera Philosophy, was also expanded to cover a wider range of employees, primarily middle management leaders.

Program		Top Management	Middle Management	Normal Employees	Part-time Employees	Attendance* (person)
Philosophy Education	Japan	Executive and Senior Manger Seminar	Mangers and Deputy Manager Seminar	Normal Employee Philosophy Seminar	Part-time Employee Seminar	43,212
	Overseas	Top Management Seminar	Middle Management Seminar			6,787
Management Education		Kyocera Management Course				2,400
		Kobe University MBA Degree Basic Course				508
			Human Assessment Seminar			87
Technology and Technique Education			Operational Education/Basic Training			885
Basic Education			Education by Entrance Year/ Mid-career Personnel Training	Regular New Employee Training		868

\* Attendance is the result from education programs held by Kyocera Education Division.

**Safety and Health, Disaster Prevention**

To realize the management rationale, the safe and healthy working environment needs to be provided so that employees may work safely without any concern. With aggressive promotion of safety and health through disaster prevention activities, Kyocera extends the efforts to establish the corporate climate of "Safety First."

**Introduction and Operation of Occupational Health and Safety Management System**

To eliminate labor accidents, Kyocera initiated an establishment of the "Occupational Health and Safety Management System (OHSAS 18001)" in July, 2004. In April, 2005, we started the operations of this system at the Kyocera Shiga Gamo Plant, Shiga Yohkaichi Plant and at the corporate environment and safety organization in its headquarter which controls the entire Kyocera group activities, achieving in the certification in October, 2005. In the audit conducted by an external certification institution, there were three observations, and the corrective actions for them have since been completed.

All the plants belonging to KYOCERA Corporation and KYOCERA MITA Corporation have been operating under the OHSAS 18001 system since April, 2006. We will start its operation at all the Kyocera group plants in Japan from April, 2007.

**Kyocera Group Occupational Health and Safety Policy**

**Basic Principle**

Since its founding, Kyocera has been managed based on the management rationale "to provide opportunities for the material and intellectual growth of all employees, and through our joint effort, contribute to advancement of society and humankind" under the corporate motto "Respect the Divine and Love People" with the extended family principle (to allow all employees to mutually share the sense of appreciation and gratitude, conduct oneself in good faith, trust in one another as family members and help each other) as one of management techniques. This means that Kyocera wholeheartedly wishes that all employees are healthy both physically and mentally so as to live every day happily. Based on this principle, Kyocera shall create a disaster-free "safe and healthy working environments" more aggressively and continually through comprehensive activities for occupational health and safety with higher sense of purpose than ever.

**Occupational Health and Safety Policies**

Kyocera Group is engaged in R&D and production of fine ceramics, electronic devices and equipment, and supplying various products which are socially contributing. We intend to take occupational health and safety activities with participation by all employees while establishing the occupational health and safety policy as shown below in order to materialize "safe and healthy working environments" by promoting the culture of safety and also developing the corporate climate of "Safety-First."

1. To maintain and improve the health and safety of employees, the related national laws and regulations, ordinances in regions where plants/offices are located and other requirements agreed upon shall be strictly observed through enhancement at all management level.
2. To effectively promote occupational health and safety activities, an organization shall be established to define the roles and responsibilities. At the same time, required and sufficient training shall be provided to all employees related to the operation of the Occupational Health and Safety Management System.
3. To define and assess occupational health and safety risk sources, a risk assessment shall be practiced to review and set the occupational health and safety objectives. At the same time, the Occupational Health and Safety Management System shall be established, implemented and continually improved.
4. To create the safe and healthy working environments, actions shall be taken with priority given to the following items. Realization of safe and healthy work environment shall be aimed through improvement of occupational health and safety performances.
  - 1) Reduction of risks through improvement of "unallowable risks"
    - (1) Solutions for the working method, equipment and workplace improvements
    - (2) Solutions for arousing careful attention during daily commuting, business trip, etc.
  - 2) Promotion of health maintenance and improvement activities
  - 3) Promotion of comfortable working environment through "Perfect 5S" (SEIRI – tidiness, SEITON – orderliness, SEISO – cleanliness, SEIKETSU – standards, SHITSUKE – discipline) activities
5. To actively cooperate with and participate in regulatory agencies and regional social activities respectively relating to the occupational health and safety.

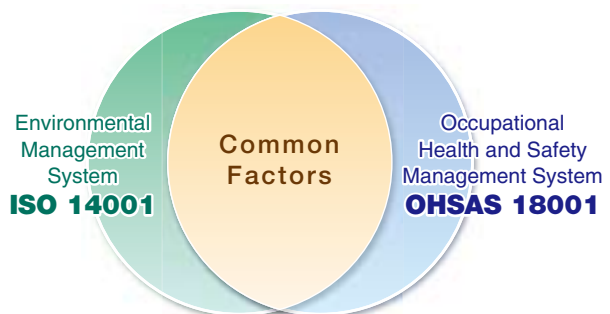
The "Kyocera Group Occupational Health and Safety Policies" shall be thoroughly implemented for all Kyocera group employees and the employees of subcontractors stationed on-site.

Safety and Health, Disaster Prevention

**Integration of "Occupational Health and Safety" and "Environmental Management" Systems**

The Kyocera Occupational Health and Safety Management System is designed to attain effective and efficient continual improvement through the repetitive cycles of "Plan - Do - Check - Act," the same approach as the ISO Standards for Quality and Environmental Management Systems. In view of the facts that the Occupational Health and Safety Management System operates the same manner as the Environmental Management System and for reducing the expenses by streamlining the redundancies, we operate both systems as "the Kyocera Group Integrated Environmental and Safety Management System," the system which integrates Occupational Health and Safety management with the Environmental management under the integrated certification.

**Environment and Safety Management System**



# Relationship with Employees

## ■ Outline of Risk Assessment

As the basis of the Occupational Health and Safety Management System, Kyocera Group practices “risk assessment” as follow:

### Development of “Working Procedure” Required for Risk assessment

Considering that raising a safety awareness of individual employees is indispensable for elimination of labor accidents, we prepare “working procedures” to define the proper operation and environmental safety points. Based on the procedures, we conduct a risk assessment to our operation one by one.

### Scope and Evaluation Method of Risk Assessment

Labor accident do not occur only arise from “operations” specified in the working procedures. In addition to the optimization of “operation” of individual employee, we practice a risk assessment over a wide range activities covering the work environment such as “facility and equipment” and “workplace.”

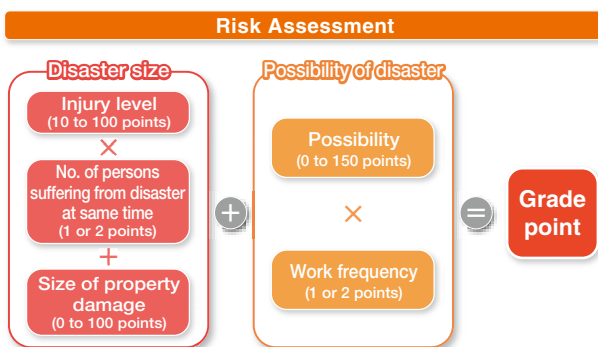
### Risk Assessment Participants and Category

Category Participants	Work	Equipment	Workplace, road in plant, etc.	Dairy commute, Business trip	Mental health
Employees	○	○	○	○	○
Subcontractors (stationed on-site)	○	○	○	—	—
Subcontractors (visitors)	—	*	*	—	—
Customers	—	—	*	—	—

\* Department in charge practices a risk assessment and explains its details to participants

As a result of our risk assessment in fiscal 2006, the total of 15,991 cases of risk were identified which were followed by improvement activities practiced in conformance to specific risk levels.

### Risk Assessment Calculation Formula (Work)

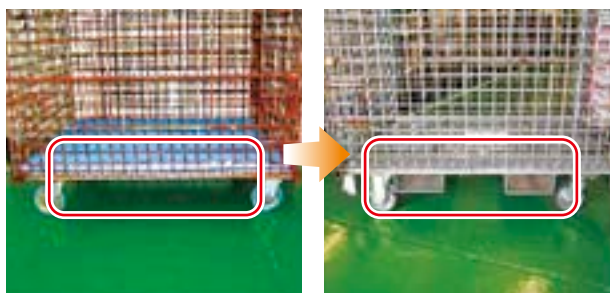


## ■ Example of Improvement Resulting from Operation of Management System

Kyocera Shiga Gamo Plant and Shiga Yohkaichi Plant, having introduced OHSAS 18001 in fiscal 2006, newly identified the risks that could not be found in their regular and daily safety activities, and successfully implemented the measures for permanent improvement.

### Improvement through OHSAS Activities Example 1

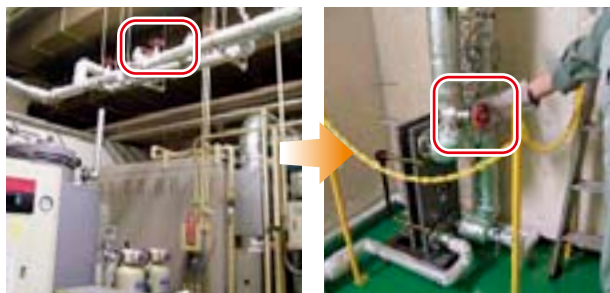
#### Prevention of Cargo Piles Collapse for Container Moved by Forklift



In order to prevent a collapse of cargo piles, the guide holes for forklift arms are attached on container.

### Improvement through OHSAS Activities Example 2

#### Prevention of Operator Fall by Changing Valve Switch Location



An operation at high elevation was eliminated by changing the valve switch position from a high elevation near the ceiling to a lower elevation near the floor.

### Improvement through OHSAS Activities Example 3

#### Prevention of Disaster from Cutter by Installing Safety Cover



Safety cover was attached to the cutting edge to eliminate a possibility of support hand contacting the cutting edge.

## ■ Creation of Comfortable Working Environment

The improvement of work environment is promoted for safe, healthy and comfortable work place conditions for the employees where chemical substances are used, heavy weights are transported and potentially hazardous or dangerous work is executed.

As the company standard, the chemical substances at the work place environment are controlled at the concentration value less than 1/10 of the legal specification, which is closer to the lower detection limit. 98.4% of work areas of the total Kyocera Group companies in Japan are already at the Level 1 (No more improvement required) in fiscal 2006.

As a result of measurement of the work place environment in the first half of fiscal 2006, shown in the graph below, 3 places were discovered at the Level 3 (Improvement required as legally specified), and all 3 completed the necessary improvement by the end of fiscal 2006.

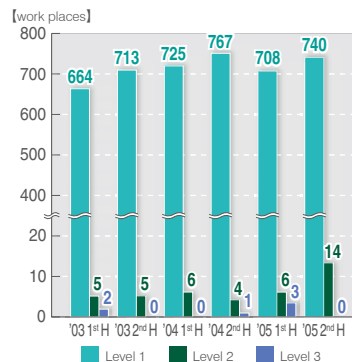
We are working to improve the work environment for our employees' health in fiscal 2007 by performing thorough management of chemical substances that affect the Occupational Health and Safety Management result based on the "Working Procedure" introduced on OHSAS 18001.

### Creation of Comfortable Work Environment



Scattering prevention tray and local exhaust device installed for soldering work

### Working Environment Measurement Results in Kyocera and Group Companies in Japan



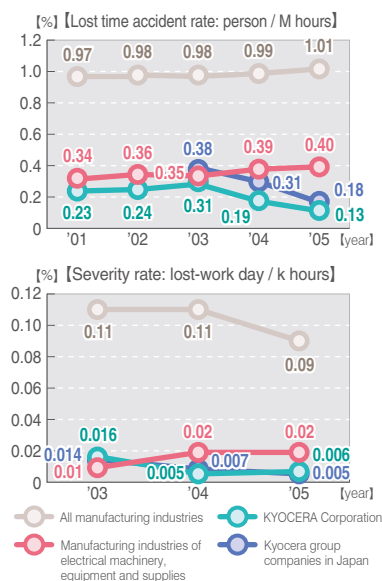
\* Graph data: Total values of Kyocera and group companies in Japan

## ■ Safety Results

Relating to the safety result of the total Kyocera Group companies in Japan, the lost time accident rate was 0.18 (KYOCERA Corporation: 0.13) in 2005, better than that of 0.31 (KYOCERA Corporation: 0.19) in 2004. We could improve the safety level on our operation.

Kyocera in particular showed the least number of labor accidents in the past in succession to 2004. In total Kyocera Group companies in Japan, the safety results have also improved for 3 years in succession up to 2005, as the result of significant activities conducted by the group companies with close cooperation each other.

### Labor Accident Record (Kyocera and 19 Group Companies in Japan)



## ■ Disaster Prevention Activities

Kyocera conducts the disaster prevention activities such as internal contests for fire-fighting and facility-wide fire drills alongside with the local community to improve fire extinguishing techniques and enhancement of fire prevention management.



Nighttime disaster prevention drill (Kagoshima Kokubu Plant)



Fire-fighting drill (Shiga Yohkaichi Plant)

## ■ Kyocera Group Safety and Disaster Prevention Awareness Month

To prevent labor accidents, fire hazards and explosions, the Kyocera Group companies in Japan designate October of every year as the "Kyocera Group Safety and Disaster Prevention Awareness Month" and implement safety and disaster prevention activities during the month. Education/training, enlightenment activities, inspection of equipment, compliance check and self-patrol on each office/plant are conducted as our actions. Our safety and disaster prevention staff visited 4 plants and conducted the on-site survey in fiscal 2006 to detect the problems concerned and gave instructions for the improvement.

## ■ Measures to Asbestos

The Kyocera Group companies in Japan regard measures to asbestos urgent and started primary surveys extending over a wide range of products, materials, manufacturing facilities, equipment and buildings. As a result, the Kyocera Group has been conducting the countermeasures promptly where practicable. Kyocera Group continues to conduct the surveys at the area where further investigations are required. We are also publishing the necessary information on our web site.

# Relationship with Shareholders and Investors

For our shareholders and investors, the Kyocera Group makes the utmost efforts to improve the appropriateness and fairness for information disclosure and to enhance transparency for its corporate business activities.

## ■ General Meeting of Shareholders

Kyocera aims to open up a general meeting of shareholders and re-defines it as a supreme organ of decision-making and an occasion to communicate with shareholders directly.

Reports to be distributed to shareholders contain reference information such as photos, graphs, and explanations of financial results for ease of comprehension. We send out a notice of the general meeting of shareholders earlier than legally required. Furthermore, we have enabled the shareholders to vote via the Internet so that the opinions of greater number of shareholders can be communicated to our management. In addition, we hold the “social gathering for shareholders” after the general meeting of shareholders to help them deepen their understanding about Kyocera Group.

To open up the “General Meeting of Shareholders”, we

1. prepare report that is easy to understand;
2. send a notice of the meeting earlier than legally required;
3. enable the voting rights to be exercised via the Internet; and
4. hold the “social gathering for shareholders” after the general meeting of shareholders.

## ■ Active Information Disclosure

The Kyocera Group discloses various kinds of information actively and in a timely manner on our corporate website such as the stock price and latest news of Kyocera Group in addition to the financial statements and other legally specified information.

These investor relations activities of Kyocera have a commanding reputation as one of “Top-rated Companies for Disclosure” selected by The Security Analysts Association of Japan in 2005 for the Electronic and Precision Equipment section.

Our information disclosure activities via internet were awarded with the “Daiwa Investor Relations 2006 Top-rated Internet Investor Relations Companies” rating.



<http://global.kyocera.com/ir/index.html>

## ■ Profit Distribution to Our Shareholders

To reflect our rationale of our shareholders' interest first, Kyocera has established a new dividend policy to strengthen linkage between the dividends distribution and our performance. Kyocera determines the dividend distribution based on an overall assessment taking into consideration the capital expenditures necessary for further corporate growth from a medium to long-term perspective. Based on this policy, Kyocera distributed the year-end dividend of 50 yen per share (an increase of 20 yen compared with the year-end dividend of the previous year) for the year ended March 31, 2005 / fiscal 2005). The aggregate amount of dividends per share through fiscal 2006 was 100 yen per share.

## ■ Socially Responsible Investment (SRI) Index

Recently, SRI (Socially Responsible Investment) has increased, for which fulfillment of corporate social responsibilities is taken into account in addition to the financial performance as a means of investment selection. Social fairness, ethics conducts, and considerations for environment and human rights are the criteria for investment selection.

The Kyocera Group promotes various activities to fulfill the corporate social responsibilities. Such an approach is highly evaluated by the market, and the Kyocera stock is selected as one of the stocks which comprise the investment index.

### SRI Indexes and Funds with the Kyocera Stock Included (including ECO funds)

#### Overseas SRI indexes

- Ethibel Sustainability Index (as of May 12, 2006)

#### Japanese SRI (ECO) funds

- Japan Open “Good Company” (as of December 16, 2005)
- Green Open “Buna-no-Mori” (as of July 15, 2005)
- Daiwa SRI Fund (as of May 19, 2006)
- Asahi Life “Asu-no-Hane” (as of September 20, 2005)
- Morning Star “Tsunagari” (as of July 15, 2005)
- ECO Partners “Midori-no-Tsubasa” (as of January 27, 2006)
- ECO Balance “Umi-to-Sora” (as of September 26, 2005)

## ■ Investor Relations Activities in Japan and Overseas

The Kyocera stock is listed at the Tokyo Stock and Osaka Securities Exchanges as well as the American Depositary Receipt (ADR) on the New York Stock Exchange.

Kyocera actively promotes an appropriate information disclosure for both domestic and overseas shareholders and investors. The information is available through our corporate website.

# Relationship with Suppliers

The Corporate Purchasing Group, which is in direct contact with suppliers, promotes the rationale “Purchasing is Company’s face. Always be fair. Let’s become a reliable and valuable Purchasing Group through gratitude toward others, humble reflection of our behaviors, and the best efforts at all times.” This calls for an approach to always work fairly and honorably with our suppliers and to exercise a caution against a view which a buyer has an advantage over seller.

## ■ Relationship with Suppliers

Kyocera values the relationship with suppliers as “Good partners.” Kyocera promotes the continuous improvements of quality, environment, delivery time and cost based on positive proposals provided by suppliers. Kyocera also provides documents describing the details for fundamental concept of business relationship of the Kyocera Group or visit suppliers actively to establish a reliable relationship through technical exchanges so as to establish the partnership based on mutual trust. Kyocera thus aims at a co-prosperity with suppliers through mutual attempts.

## ■ Supplier Selection Policy

Kyocera conducts businesses with suppliers based on the following criteria. Where a new supplier wishes to have a business relationship with us, we conduct the supplier assessment according to the “Questionnaire on Activities for Environmental Protection” as the input data used for reference for selection the suppliers. The “similar survey” is required for assessment of the existing suppliers as well.

- “Understanding of fundamental way of thinking of the Kyocera Group”
- “Way of management thinking and the corporate rationale in tune with ours”
- “Stable financial condition, striving for continual improvement for management, engineering and production”
- “Excellence in terms of quality, cost, delivery and service response”
- “Positive toward the global environmental preservation activities”

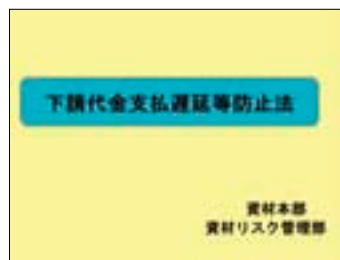
## ■ Supplier Seminar

Kyocera holds supplier seminars every year through invitation. The seminars are held to insure that the suppliers understand the management policy of the total Kyocera Group and the operating policy of each corporate division and to obtain the supplier’s further cooperation with us. In fiscal 2006, 394 persons from 259 companies participated in the seminars held in Yokohama and Kyoto. In the seminars, the Kyocera’s management policy, future targets and measures were explained by the President followed by explanations of detail business deployments by top managements of individual corporate divisions. At the informal gatherings held afterwards, valuable opinions were exchanged with suppliers to establish reliable relationships.



## ■ Activities on Fair Dealing - Act against Delay in Payment of Subcontract Proceeds, etc to Subcontractors

Kyocera considers not only legal compliance but also the fair and impartial dealing important. Training is provided to the employees of the purchasing division of all plants/offices on the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors to deepen the understanding through explanations of the intent of the law, basic way of thinking for fair dealing and terms of payment and others. The Kyocera Group companies in Japan also promote the training to insure fair dealing within the total group.



# Relationship with Communities

Since 1959, the Kyocera Group has been exploring new technologies and providing the market with high-quality, high-performance products while practicing corporate activities in line with its management rationale: "To provide opportunities for the material and intellectual growth of all our employees, and through our joint effort, contribute to the advancement of society and humankind." Recognizing that "a company should be a public organization," the Kyocera Group strives to achieve its business goals while engaging in a diverse array of social contribution activities.

## Support for Research and Scholarly Activities

### ■ The Kyoto Prize

The Inamori Foundation established the Kyoto Prize in 1985, in the spirit of Kyocera Corporation founder Kazuo Inamori's belief that people have no higher calling than to strive for the greater good of mankind and society.

The Kyoto Prize is awarded annually to individuals and groups who have made significant contributions in the three categories of "Advanced Technology," "Basic Sciences," and "Arts and Philosophy." The Kyocera Group actively supports the activities surrounding the Kyoto Prize.

#### The Kyoto Laureate Symposium

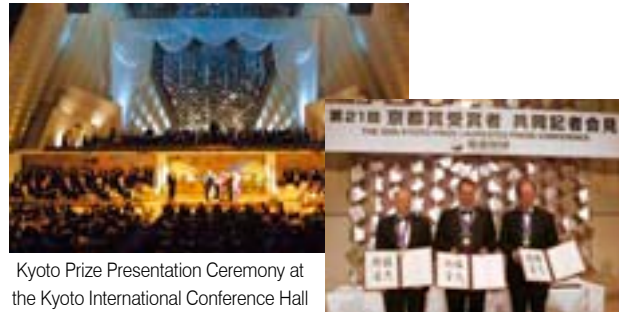
The fifth annual Kyoto Laureate Symposium, featuring the 2005 laureates, was held in San Diego, California, in April, 2006. This symposium is co-hosted by San Diego State University; the University of California, San Diego; and the University of San Diego – institutions that support the mission of the Kyoto Prize. During the symposium, all three laureates gave public lectures and Maestro Nikolaus Harnoncourt, the 2005 Arts and Philosophy laureate, conducted a public performance of European early music with local symphony musicians.

### ■ Support for the Inamori Academy of Management and Technology

The Kyocera Group supports the Inamori Academy of Management and Technology established by Kagoshima University, a national university in Japan.

The Inamori Academy of Management and Technology was established in April, 2005 based on the management philosophy of Kazuo Inamori, founder of Kyocera Corporation, to help produce talented professionals who have high ethical standards and are capable of contributing to the advancement of society and mankind. Its fundamental principle is to develop human resources who possess ethical, management, technical and entrepreneurial skills, and are needed by the local community.

Aiming to produce promising human resources for society, the Academy established unique courses and specialized graduate schools never before seen in Japan, where students can learn not only general management skills but also advanced concepts such as Amoeba Management and the Kyocera System of Accounting. The Academy will invite students from various Asian countries to more widely propagate the Inamori Management Philosophy in Asia. It will conduct educational activities to contribute to economic and social development, such as establishing sound corporate ethics and developing local industry in Southern Kyushu, where the Academy is located.



Kyoto Prize Presentation Ceremony at the Kyoto International Conference Hall

#### 2005 Kyoto Prize Laureates

**Advanced Technology Category [Electronics]** Dr. George H. Heilmeier  
Pioneered contributions toward the realization of flat-panel liquid crystal displays

**Basic Sciences Category [Biological Sciences]** Professor Simon Asher Levin  
Established the field of spatial ecology and proposed the biosphere as a "complex adaptive system"

**Arts and Philosophy Category [Music]** Mr. Nikolaus Harnoncourt  
A musician of exceptional creativity who contributed to the creation of historically informed performances of early European music, and who has extended his principles and interpretation to modern music

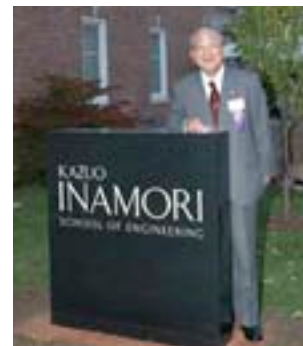
### ■ Inauguration of the Kazuo Inamori School of Engineering at Alfred University

Kyocera supports the school of engineering at Alfred University (Alfred, N.Y.), a globally renowned institution for education and research in ceramics.

This private university, established in 1836, operates under the motto, "Foster the intellectual growth of each student." It currently enrolls approximately 2,000 undergraduate students and 400 graduate students.

Alfred's school of engineering was renamed the "Kazuo Inamori School of Engineering" in October, 2005. The school plans to invite renowned professors specializing in advanced materials and processing technologies, such as biotechnology and optoelectronics, to establish the Fine Ceramics and Nanotechnology Research Institute.

Working closely with professors from Alfred University, Kyocera will develop and explore the application of advanced materials. By doing so, Kyocera will improve its basic and processing technologies in ceramics and promote their application to various industries.





**Support for Educational and Cultural Activities**

**■ Inamori-Kyocera Western Districts Development Scholarship Fund in China**

In 2001, Kyocera and Kazuo Inamori, its Founder and Chairman Emeritus, established the Inamori-Kyocera Western Districts Development Scholarship Fund to aid financially disadvantaged university students in the western districts of China, and to create new leaders who will help develop this area using scientific technologies. The Fund awards scholarships to students at 12 universities in the Shaanxi, Gansu, and Szechnan provinces of western China each year. As of (date), 1,365 students have received this scholarship.



**■ The Center for Strategic and International Studies' Kyoto Forum**

Kyocera organizes an international forum to deepen the understanding of various international issues in cooperation with the Inamori Foundation and the Center for Strategic and International Studies (CSIS)\* of the United States, a think tank in Washington, D.C. At the 2006 CSIS Forum, we discussed security issues in East Asia, including their relationship with the United States, under the theme of "Security in East Asia and the Future of Japan."



\* CSIS, a bipartisan think tank, was established in 1962 to study international public policies and propose methods to select policies and solve problems.

**■ Jomon Ruins Museum**

The Uenohara Jomon Ruins\*, a nationally designated landmark, are located in Kirishima, Kagoshima near the Hotel KYOCERA. These ruins represent the oldest and largest Jomon community in Japan, dating back about 9,500 years.

Kyocera provides an opportunity for people to better understand Jomon culture and history with Japan Jomon ruins showcases in the Hotel KYOCERA. Reproductions of Japan's ruins and shell mounds are displayed here.

\* Uenohara Jomon Ruins  
Japan's oldest and largest community from the early Jomon era was unearthed in Kirishima, Kagoshima in 1996.



**■ Activities for "Food Education"**

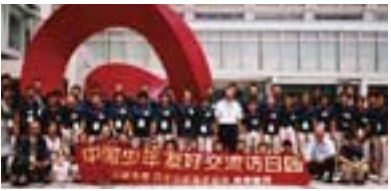
Kyocera values "Food" culture, a necessity of human life, and actively promotes "Food Education." We have created ceramic cooking utensils, such as knives developed with our original technologies. We are working to enhance the richness of the mind through cooking as a part of daily life. Because we value the communication between parent and child that can be shared through cooking, we developed products for children – such as knives with a dull point and light, soft cutting boards. We also cosponsor a TV program, "Parent-Child Cooking," broadcast by the Kids' Station.



**■ Friendly Exchange Mission for Chinese Children to Visit Japan**

Children are open-minded and full of dreams, with a sharp sensibility and an innocent view of the world. Kyocera wants to help children experience different cultures and thereby help develop the next generation of leaders for society. In pursuit of this goal, Kyocera has sponsored a Friendly Exchange Mission for Chinese Children to Visit Japan since 1997.

In 2005, 40 Chinese children from Beijing and Tianjin visited Japan during their summer vacation. They visited Tokyo and Kyoto, and experienced a homestay at Kyocera employees' homes in Kagoshima.



**■ The "Kyocera Collection" of British Parliamentary Documents**

In March, 1998, Kyocera donated a precious collection of "British Parliamentary Documents," encompassing some eight million pages and dating from the 19<sup>th</sup> century, to Japan's National Museum of Anthropology. The history of the British Parliament offers a model of democracy with a comprehensive store of related knowledge for mankind. This collection is expected to contribute to the advancement of learning in Asian countries.

The collection was transferred to the Center for Integrated Area Studies at Kyoto University (CIAS) in April, 2006.



Support for Educational and Cultural Activities

# Relationship with Communities

## Support for Athletic Activities

### ■ Kyoto Purple Sanga

The J-League's One Hundred Year Vision aims to develop "Sport teams deeply rooted in their local communities." In agreement with this vision and in response to requests by Kyoto citizens and local companies to create a professional soccer team in Kyoto, the Kyoto Purple Sanga was established in 1994. In pursuit of "The creation of a new sports culture," the Kyocera Group, in close collaboration with municipal governments and eminent companies, continues to provide full support to the team. In addition, Kyocera also supports regional sports, such as children's soccer classes and other sporting events.



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### ■ Project to Develop Professional Soccer Players

Kyocera established the "Scholar-Athlete Project" with Ritsumeikan Gakuen and the Kyoto Purple Sanga to develop top professional soccer players. The project aims to overcome various problems faced by contemporary Japanese society and sporting circles, and thus contribute to Japan's societal development. It will do so by fostering exceptional human resources capable of assuming an active role in the world and world-class professional soccer players with strong ethical and moral values.



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### ■ Support for National Wheelchair Ekiden Road Relay

The National Wheelchair Ekiden Road Relay is held to encourage people with disabilities to participate in social activities and sporting events, and to enhance the understanding and recognition of people with physical challenges. It is the only Wheelchair Ekiden Road Relay in Japan. Kyocera has supported the Ekiden Road Relay since its first race in 1990. In its 17<sup>th</sup> race in 2006, athletes in wheelchairs gathered from across the nation and raced 21.3 km in five blocks, starting from the Kyoto International Conference Hall.



### Other Major Donations (2005)

#### [Support for Research and Scholarly Activities]

- Donations to the Third World Congress of Environmental and Resource Economists
- Support for the 5<sup>th</sup> International KEITAI Forum
- Support for Kyoto International Culture Forum
- Support for Science and Technology in Society Forum

#### [Support for Educational and Cultural Activities]

- Donations for the construction of a monument to the Ogura Anthology of One Hundred Poems by One Hundred Poets
- Support for the Kyoto Lantern Festival "2005 Arashiyama" and "2006 Higashiyama"
- Support for the kids' musical "The Fall of Freddie the Leaf"

#### [Support for Athletic Activities]

- Donations to the IAAF World Championships in Athletics, Osaka 2007

#### [Community Contributions]

- Donations to the Yakushima Environmental Culture Foundation
- Donations to the Tianjin Japanese School for new construction
- Support for "COOL Beat in Kyoto" summer festival
- Support for the Ayabe June Festival
- Support for the Kirishima International Music Festival
- Cooperation with the Satsunan Orange Railroad Management Stabilization Foundation

### Disaster Relief Activities

In 2005, many regions in the world suffered great damage from disasters. The Kyocera Group provided disaster relief in the form of financial donations to victims.

- Disaster relief for victims of the Northern Pakistan Earthquake
- Relief funds for Southern U.S. states devastated by Hurricane Katrina

**Community Contributions**

**■ The Kyocera Museum of Fine Ceramics**

We believe that we can contribute to the future development of fine ceramic technologies and related industries by showcasing the developmental progress of such technologies to the public. The Kyocera Fine Ceramics Museums were established in the company's global headquarters building in 1998 and in the Kagoshima Kokubu Plant in 2001. There have been more than 100,000 visitors to the headquarters and 26,000 visitors to the Kagoshima museum as of November end, 2005.



**■ The Kyocera Museum of Art**

This museum, located on the first floor of our headquarters building, opened in 1998 as one of the cultural projects undertaken by Kyocera. Through its exhibits, we wish to make a contribution to the cultural development of the local community. Our major collections include Qianlong glassware, Picasso's copper plate print series 347 and other works of art. In addition to these collections, the Kyocera headquarters building features sculptures in the plaza and both sculptures and paintings in the lobby. We hope visitors will take advantage of this cultural space to relax and enjoy the artistic achievements on display.



**■ The Minister of Health, Labour and Welfare Award Presented at the National Convention of Social Welfare**

At the National Convention of Social Welfare held on November 4, 2005, the Kagoshima Kokubu Plant was honored by the Minister of Health, Labour and Welfare. The plant received an award commending its community welfare support, including the year-end charity drive that has been conducted annually since the plant was established in 1972. Kyocera will continue to extend efforts to contribute to the betterment of society and mankind.



**■ Support for the Campaign to Eradicate Breast Cancer**

KYOCERA TYCOM Corporation markets ceramic kitchen knives that make the most of ceramic's unique characteristics. The company donates part of the profits (\$5/knife) obtained from the sale of its pink-handled knife (FK-50-SE) in North America to eradicate breast cancer (Pink Ribbon Campaign\*) through the Susan G. Komen Breast Cancer Foundation.



\* Pink Ribbon Campaign  
The Pink Ribbon Campaign is an awareness campaign to eradicate breast cancer. The symbol originates from the pink ribbons created by one family that lost a loved one to breast cancer, symbolizing their hope for a cure for this disease.



**■ Support to the Hurricane-devastated Region in the Southern U.S.**

The Kyocera Group gave a monetary gift to support relief activities in the Southern U.S. areas devastated by Hurricane Katrina. Other Kyocera donations included CDMA mobile phones manufactured by KYOCERA WIRELESS Corp. and printers from KYOCERA MITA America to the victims and to military and government agencies providing reconstruction activities in New Orleans.



Certificate of Appreciation from the American Embassy

**■ Donation of a School Bus to the Child Development Support Center**

Since 1963, Kyocera has sponsored a year-end charity drive and donated monetary gifts from both the company and its employees to a deserving local community. In 2005, Kyocera's Sendai Plant donated a school bus specially designed for disabled students to the Tsukushi-En, a child development support center established in August, 2005, through the Satsuma Sendai Social Welfare Association.



**■ JICA (Japan International Cooperation Agency) Interns from Nigeria**

In December, 2005, eight JICA interns from the Federal Republic of Nigeria visited Kyocera Headquarters and the Mie-Ise Factory. This is part of a Japanese government program to promote technical cooperation to develop the human resources required to improve the economy and society of developing countries. They were given the opportunity to learn about Kyocera's Solar Energy business.



**■ Donation of a Solar Power Generation System to a Local Elementary School**

Kyocera donated a Solar Power Generation System to Joto Elementary School in Chuo-ku, Tokyo, near Kyocera's Yaesu Office. This system is used as an example of environmental preservation, teaching children the importance of valuing our environment.



Community Contributions

# Environmental Report

**Business enterprises  
must contribute to  
the society and  
humankind.**

**This is the philosophy  
of a pioneer in  
environmental  
preservation.**

21<sup>st</sup> Century Called the Century of Environment  
Kyocera recognized environment impacts of corporate activities on the earth and human living long ago.

With a clear vision of environmental preservation, Kyocera has been pursuing coexistence of its business and environmental activities.

In addition to supplying attractive products and services to people, Kyocera has been working on diversified environmental activities such as waste reduction, energy saving and global warming prevention, and resource conservation using all its resources.



As a result of verification for our environmental information conducted by an independent third party, the registration mark shown above was granted.

This means that reliability of the environmental information in this Sustainability Report meets the standard for “the Environmental Report Assurance and Registration Mark” specified by the Japanese Association of Assurance Organization for Environmental Information (J-AOEI).

# Blessings of Sunlight around the World



Solar power generation system donated to un-electrified village in Gansu Province, China in April 2006

Global warming is a serious problem not only affecting the living conditions for human beings, but also the balance of global ecological systems.

To preserve the global environment, we must quickly develop alternative sources of energy to replace fossil fuels. Solar power generation was developed as a system of clean energy source that favors no single global region. Kyocera involved in solar power generation is helping the world to look beyond short-term profit taking for the advancement of society from a long-term perspective. Kyocera aims to continue working to attain these lofty goals with an important role to play.

## History of Kyocera Solar Power Generation System

In 1975, Kyocera started develop solar cells by means of silicon ribbon crystals with the application of EFG method (technology to pull up ribbon-state sapphire substances). In 1977, Kyocera succeeded in pulling up silicon ribbons continuously and set a vision for the solar power generation business. In 1986, Kyocera was the first in the world to start mass production of polycrystalline silicon solar cells applying a casting method. Today, this is the main technology used throughout the world. Kyocera has been developing and producing solar cells this way in large volume for the last 30 years. Suffice to say, there are still many un-electrified areas in the world. Wishing to support the people in the areas facing energy crisis for various reasons, Kyocera is expanding its business around the world by delivering solar power for their happiness.



Solar power for lighting (Syrian Arab Republic)



Solar power supply for ice making machine (Republic of the Marshall Islands)

## Quadripartite Global Production Framework for Solar Energy Products



Awareness of the usefulness and effectiveness of solar power generation has been rising not only in Japan but also throught the world. Demand for solar energy is accelerating in Europe. In the United States, too, incentives for adopting solar electric generating systems are becoming more substantial, and meanwhile in China, the national energy strategies are starting to be implemented. In developing countries, solar energy has taken on increased significance as a lifeline.

Under such circumstances, Kyocera Groupe is supplying solar energy modules to all around the world based on the "worldwide quadripartite production framework" - Japan, China, Mexico, and Czech Republic.

# Kyocera Environmental Charter

Since its founding, Kyocera has been implementing comprehensive activities such as environmental preservation, energy saving, global warming prevention, resource conservation, and development of global environment preservation products based on the corporate motto “Respect the Divine and Love People” and management rationale “To provide opportunities for the material and intellectual growth of all our employees, and through our joint effort, contribute to the advancement of society and mankind.” The Kyocera Environmental Charter was established on October 1, 1991 in order to contribute to global environment preservation even more positively and continuously.

## Kyocera Environmental Charter

Established: October 1, 1991

Revised: January 1, 2006 (Latest revision)

### I Preface

Technological progress and economic development in the industrialized countries have given rise to affluent societies with high standards of living. At the same time, they have led to the mass consumption of natural resources and mass discharge of chemical substances – which, in turn, now threaten to destroy the earth’s ecosystem. In addition, explosive population growth and widespread poverty in developing countries have aggravated these environmental problems with large-scale deforestation. The social and economic activities of both advanced and developing countries are intertwined, and with all parties intent on greater material consumption, nature’s recuperative powers have been exceeded. As a result, the Earth’s natural capacity for recycling has been damaged on a global scale.

One of our major premises up to this time – that the earth’s ecosystem is infinitely large – is now being rejected in favor of the idea that the Earth is a closed ecosystem. Such a change in view affects the very foundation of mankind’s existence and demands a re-evaluation of the quality and quantity of the products used by mankind. This, in turn, will lead to a fundamental change in the industrial/technological system within which such products are manufactured.

In the course of history, mankind has witnessed three eras of rapid development: the Agricultural Revolution, the Industrial Revolution and the Information Revolution. It is generally felt that the current environmental movement will someday be regarded as mankind’s fourth era of rapid development: the Environmental Revolution.

Our future thus requires new policy goals. These should state that development and economic growth may be pursued only when proper consideration is given to the balance between nature and society. In view of the fact that small acts by each of the more than six billion people on this planet could result in complete environmental destruction, it is essential to establish a basic philosophy of coexistence and co-prosperity between the developed and developing countries, between business and government, and between individuals and societies. All must be viewed as participants in the stewardship of “Mother Earth,” not as opposing forces with conflicting interests.

The greatest responsibility for promoting the Environmental Revolution lies with the advanced countries. In particular, businesses in such countries play a vital role, as they control production technologies and are directly engaged in industrial activities.

### II Basic Management Philosophy

In accordance with our corporate motto – “Respect the Divine and Love People” – Kyocera has long complied with its management philosophy: “To provide opportunities for the material and intellectual growth of all our employees, and through our joint effort, contribute to the advancement of society and humankind.” We try to conduct business in harmony with the life-giving force of our universe.

Kyocera had early insight into the mindset that today’s global environmental problem demands of every business enterprise. This mindset implies that business should uphold the dignity of man and contribute to the sustainable development of human society.

Based on the management philosophy stated above, Kyocera and its domestic and overseas affiliates will adopt comprehensive measures of environmental preservation – including energy conservation, global warming prevention, resource conservation, the development of environmentally friendly products, and improvements that contribute to global environmental protection in a sustainable manner.

### III Environmental Management Policies

In the course of business activities, Kyocera will take a serious view of global environmental protection in compliance with the Company’s basic management philosophy, stated above, and will emphasize the following points:

1. Compliance with internal environmental standards that make global environmental protection our first priority;
2. Most efficient utilization of resources and development of innovative processing technologies;
3. Development of Earth-friendly products in two categories: (A) Environmental Improvement Products that will make a positive contribution and improve the global environment; and (B) Environmentally Gentle Products, that will impose a reduced impact on the global environment.
4. Cooperation with government environmental policies, and participation in or support of social contribution activities.

## IV Environmental Management Objectives

1. In order to minimize impact on the natural environment and any harmful effects on the ecosystem, Kyocera will establish and comply with internal standards which are more stringent than those specified by applicable international agreements, or the regulations of regions where the Company's facilities are located.
2. At all levels, Kyocera will scientifically study and evaluate the effects of business activities on the environment, and then take the necessary protective measures.
3. Kyocera will develop processing technologies and production facilities that will have maximum resource and energy efficiency in all production activities. At the same time, the Company will aim to reduce raw material and chemical consumption in all processes.
4. Kyocera will promote in-house energy conservation activities, such as more efficient use of electricity and fossil fuels, the introduction of high efficiency equipment, and the reutilization of thermal energy. At the same time, the Company will promote measures for global warming prevention.
5. Kyocera intends to purchase recyclable materials which contribute to resource conservation while maximizing resource-utilization efficiency by establishing recycling systems for wastewater and waste materials. The Company will take aggressive steps to recycle, decontaminate and reduce the volume of all waste.
6. Kyocera will increase its research, development and production of "Environmental Improvement Products" that make a positive contribution to the enhancement of the global environment.
7. Kyocera will increase its research, development and production of "Environmentally Gentle Products" that are gentle to the Earth and place a lighter burden on the environment at every stage of production, sales, distribution, consumption and disposal.
8. Kyocera will promote the "greening" (forestation) of its facilities in an organized effort to create grounds which are lush and inviting. At the same time, the Company will participate in and support social contribution activities.

## V Internal Organization

1. Establishment of a Green Committee
  - (1) In order to comply with the Kyocera management philosophy, which makes global environmental protection a priority, and to review internal environmental policy measures, Kyocera will establish a "Green Committee" consisting of the president and corporate division managers.
  - (2) Kyocera will establish the following subcommittees of the Green Committee: an "Environmental Preservation Section," which will aggressively promote global environmental preservation; an "Energy Conservation and Global Warming Prevention Section," which will promote energy saving and measures for global warming prevention; a "Resource Conservation Section," which will promote effective utilization of resources; and a "Global Environmental Products Section," which will promote the development of products which make a positive contribution to the environment and/or impose a reduced overall environmental burden.
2. Environmental Compliance Organization
  - (1) Kyocera will appoint Environmental Director(s) from its top management team, and establish both an "Environmental and Safety Management Committee" and an environmental organization to take charge of all environmental matters for the entire Kyocera Group. In addition, Kyocera will facilitate and simultaneously establish an internal system for assigning environmental and safety responsibilities to a designated person.
  - (2) For the purpose of environmental management, an "Environmental and Safety Compliance Committee" consisting of staff from production departments and environmental specialists will be established at each facility or corporate division as the need arises.
3. Preparation of Environmental Rules
 

Kyocera will prepare environmental and safety control manuals and rules to encourage complete implementation of environmental protection measures.
4. Environmental Audit
  - (1) To ensure compliance with legal and governmental environmental regulations, and internal environmental standards, an internal audit team and various sections reporting to the Green Committee will conduct audits on both a regular and an "as needed" basis.
  - (2) The Environmental Director, Corporate Division Manager, Facility Manager and Environmental Specialists will implement an independent auditing system regarding environmental protection at both the headquarters and each facility.

## VI Application

The Kyocera Environmental Charter will be applied to Kyocera Corporation's facilities and to its domestic and overseas affiliates.

# Environmental Management System

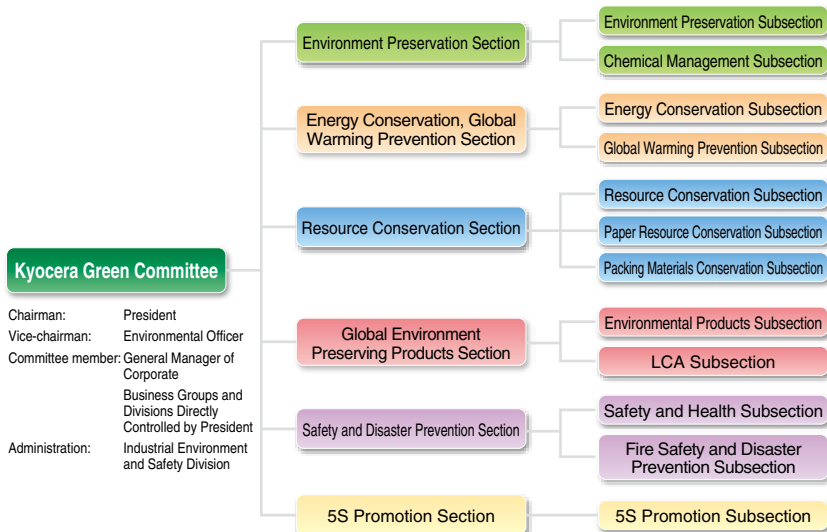
## Promotion System

Kyocera established the "Kyocera Green Committee," which is chaired by the president in December, 1990. The "Kyocera Group Green Committee" was established in December, 1991 so that the Kyocera Group may promote environmental protection activities based on the "Kyocera Environmental Charter."

At present, management systems are established and operated based on the ISO14001 Standard at all plants and offices of Kyocera Group.

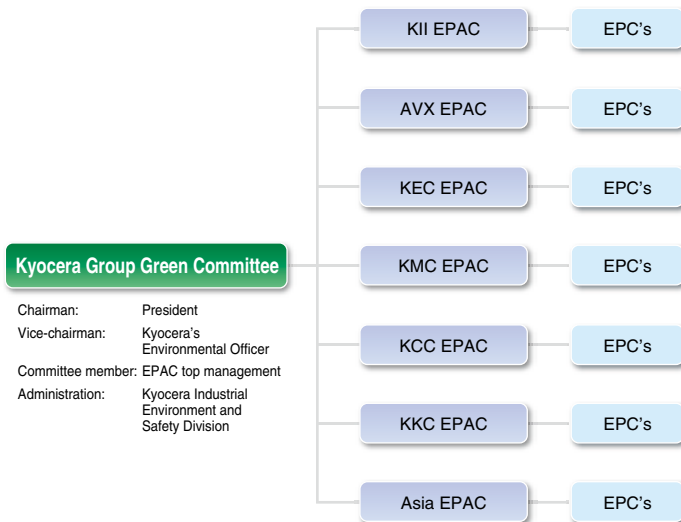
### Kyocera Green Committee

The Kyocera Green Committee consists of the president as the chairman and corporate division managers as members. The detailed goals and measures prepared by each section and subsection are deliberated and approved by this committee. The plants, offices and sales offices then implement the specific actions based on the decision. In fiscal 2006, "5S Promotion Section" was newly established for promoting 5S for the entire company comprehensively. "Safety and Disaster Prevention Section" was also established for developing safety and comfortable working environment.



### Kyocera Group Green Committee

Kyocera Group Green Committee meets periodically to provide a forum for Kyocera and each group Environmental Protection Assurance Committee (EPAC) to report the status, review problems and exchange the opinions. In fiscal 2006, KYOCERA KINSEKI (KKC) Group was newly established. Kyocera Group Green Committee extends instructions and guidance to its group companies so that they may develop their own activities suitable for respective regions.



There are seven groups of Environmental Protection Assurance Committees (EPAC).

- KII (KYOCERA International, Inc.) group
- AVX (AVX Corp.) group
- KEC (KYOCERA ELCO Corp.) group
- KMC (KYOCERA MITA Corp.) group
- KCC (KYOCERA Chemical Corp.) group
- KKC (KYOCERA KINSEKI Corp.) group
- Asia (Other companies mainly in Asia) group

#### EPAC: Environmental Protection Assurance Committee

EPAC extends instructions and guidance to the Environmental Protection Committee (EPC) of each group so that EPC may promote environmental protection activities based on the "Kyocera Environmental Charter." EPAC is promoting environmental preservation activities of the group by conducting audit with EPC.

#### EPC: Environmental Protection Committee

All group companies have a respective Environmental Protection Committee (EPC). EPC plans and implements its own activity, evaluates the results, and submits the report to EPAC periodically.



## Development of Environmental Management System

Objectives and measures decided at the Green committee are operated and promoted according to the "Kyocera Group Integrated Environmental Management System."

In October, 1996, we obtained our first ISO14001 certification at our Mie Plant (currently Mie Ise plant and KYOCERA MITA Tamaki Plant). After that, we expanded the certification to manufacturing plants, sales offices and R&D. In November, 2000, we obtained the certification together as "Kyocera Group Integrated Environmental Management System" including our group companies in Japan.

Regarding its overseas group companies, 25 mainly production sites have already obtained the certification. AVX Group plants obtained the ISO certification or established the self-certification environmental management system.

In fiscal 2004, "KGEMS\*" was introduced in mainly non-manufacturing sites of the group companies.

Kyocera Group operates the environmental management system based on the ISO14001 Standard at all sites such as "Kyocera Group Integrated Environmental Management System," "individual environmental management system" of each site, "self-certification environmental management system" of the AVX Group or "KGEMS" for our global environment preservation activities.

In fiscal 2006, the "Kyocera Group Integrated Environment and Safety Management System" was established in integration with the occupational health and safety system (OHSAS18001). We are expanding the scope step by step.



Kyocera Group Integrated Environmental Management System ISO14001 Registration

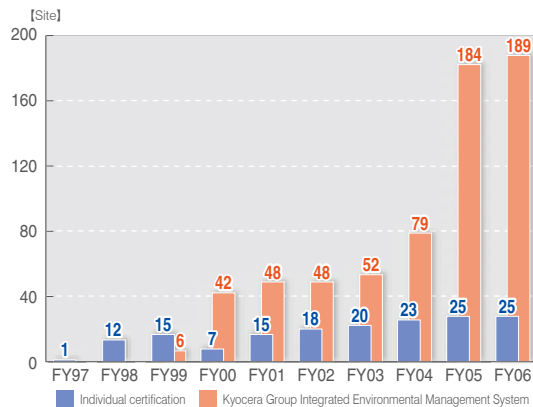


Survey for registration

### No. of Plants/Offices Operating Environmental Management System (Fiscal 2006)

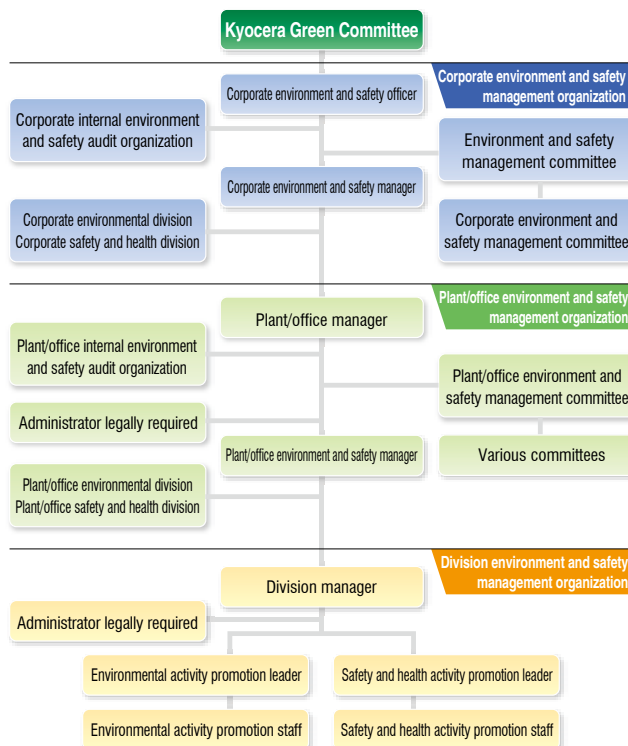
Kyocera Group Integrated Environmental Management System	189
Environmental Management System (Individual Certification)	25
Self-certification Management System	44
KGEMS	100
<b>Total</b>	<b>358</b>

### Expansion of ISO14001 Certification Scope



#### \* KGEMS

"KGEMS" stands for Kyocera Group Environment Management System. It is a self-certification system that follows ISO14001. Conformance to ISO14001 of the environmental management manual of "KGEMS" has been verified by a third party.



Environment and Safety Management System Organization Chart

Promotion System

# Environmental Management System

## Environmental Accounting

Kyocera Group established its environmental accounting system in fiscal 2003, and it has been using the system for expanding the environmental measures internally and collecting data from each business segment as environmental management index. In fiscal 2005, quarterly data collection was implemented in an effort to improve collection accuracy as well as timely collection of information. In fiscal 2006, AVX and KII Groups outside Japan were added to the scope of data collection. We will aggressively expand the scope and use it as a global environmental management index.

**Scope of data collection:** (1) 189 integrated ISO14001 certified plants/offices with "Kyocera Group Integrated Environmental Management System" (Ref. Page 81)  
(2) Kyocera Shiga Yasu office, KYOCERA SLC Components Corp., Dongguan Shlong KYOCERA Optics Co., Ltd. (China), Shanghai KYOCERA Electronics Co., Ltd. (China), AVX Group 20 plants and KII Group 4 plants, Total 217 plants/offices

**Accounting period:** April, 2005 to March, 2006

**Reference guideline:** "2005 Environmental Accounting Guideline" issued by Ministry of Environment

## Environmental Accounting Analysis Results

Kyocera Group has introduced the consolidated environmental accounting based on the "Kyocera Group Environmental Accounting System."

Relating to the environmental conservation cost in fiscal 2006, the investments amounted to 4,614 million yen and the expenses amounted to 11,313 million yen. The investments increased by 2,150 million yen from fiscal 2005 due to introduction of pollution preventive facilities required for construction of new plants, introduction of multi-energy operation systems, turbo refrigerators and solar power generation system as measures for global warming prevention, and investments in facilities such as waste volume reduction devices as measures for reduction of waste.

Expenses increased by 2,232 million yen due to the increased depreciation expenses and operational costs of new facilities, increased R&D costs for energy saving, energy creation and harmless waste treatment, and expanded scope for accounting.

On the other hand, the economical benefits from environmental conservation activities increased by 1,464 million yen from fiscal 2005 mainly as the result of global warming prevention and waste reduction activities.

Analysis by business segment revealed that the largest amount of investment was taken up by the semiconductor components related businesses, and the largest amount of expenses was for the electronic components related businesses.

### Environmental Conservation Cost

	Investments		Expenses		Major areas addressed	Ref. page
	FY2006*	FY2005	FY2006*	FY2005		
Costs within business area	3,299 (2,113)	1,346	5,660 (4,694)	4,453		
Pollution prevention cost	1,687 (849)	698	2,988 (2,421)	2,257	Installation and maintenance of pollution preventive facilities, environment impact measurement and analysis	53 and 67
Global environment conservation cost	961 (894)	240	525 (457)	419	Introduction of energy saving type equipment, greenhouse gas discharge reduction activities	69 to 72
Resource recycling cost	651 (370)	408	2,147 (1,816)	1,777	Resource saving activities, installation and maintenance of waste recycling facilities	65, 66, 73 and 74
Upstream, downstream cost	—	26	357 (348)	356	Green procurement, collecting and recycling of end-of-life products	63 and 64
Administration cost	49 (8)	1	1,056 (1,009)	917	Development and implementation of environmental management system, PRTR related activities	48 to 52 and 53
R&D cost	1,266 (1,266)	1,091	4,225 (4,225)	3,345	Development of products contributing to environmental preservation	57 to 62 and 76
Social activity cost	—	—	8 (7)	7	Donation to environmental affiliate organization, support for environmental education at primary schools	54
Environmental remediation cost	—	—	7 (3)	3	Purification and monitoring of groundwater	53
<b>Total</b>	<b>4,614 (3,387)</b>	<b>2,464</b>	<b>11,313 (10,286)</b>	<b>9,081</b>		

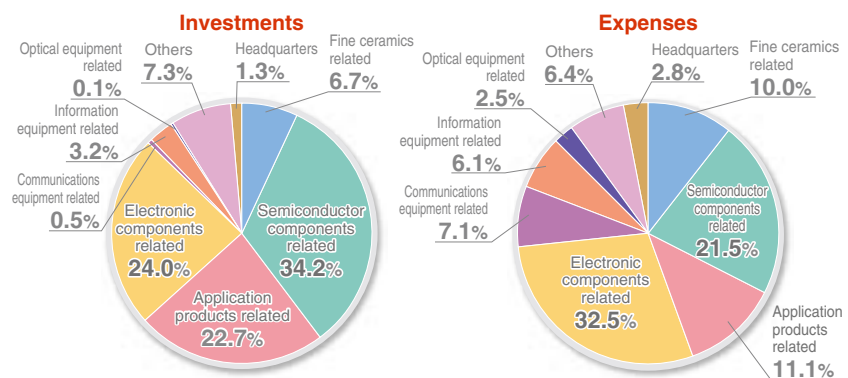
\* Values for fiscal 2006 within the same scope for accounting of fiscal 2005 are shown for reference in ( ).

### Economical Benefits by Environmental Conservation Actions

	Amount		Major areas addressed
	FY2006*	FY2005	
Income	1,814 (1,810)	1,437	Sales of products with value
Expense saving	4,172 (3,959)	3,085	Reduction of electricity charges, fuel cost and waste treatment expenses
<b>Total</b>	<b>5,986 (5,769)</b>	<b>4,522</b>	

\* Values for fiscal 2006 within the same scope for accounting of fiscal 2005 are shown for reference in ( ).

### Analysis Result by Business Segment



**Principle of consolidated environmental accounting:** Duplicated data collection is prevented for internal transaction among the companies within the accounting scope. 100% amount of all investments, expenses and environmental conservation benefits of the group companies are added including the companies of which Kyocera does not have 100% ownership.

**Principle of environmental conservation cost:** We collect the investments and operational cost of environmental conservation equipment and expenses related to environmental conservation activities.

**Principle of environmental conservation benefits and economical benefits:** We collect the environmental conservation and economical benefits only when the improvement effects relating to environmental conservation can be confirmed with clear quantitative data clearly.

Relating to the environmental conservation benefits (cumulative calculation), the large reduction benefits were attained for electricity by adoption of inverter-type equipment and introduction of solar power generation systems, fuel saving by introduction of turbo refrigerators, and greenhouse gas reduction by introduction of multi-energy operation systems. As a result, we could further reduce 43.3% of CO<sub>2</sub> emissions as compared with that of fiscal 2005.

We could further reduce 20.8% of wastes compared with that of fiscal 2005 as the result of making the complex intermediate waste processing facilities more efficient and introduction of waste volume reduction equipment. As for the environmental conservation benefits (gross amount), many benefits increased over the fiscal 2005 as a result of expansion of the accounting scope. When we look at values per net sales, 8 items out of 13 were improved. Major environmental impact reduction activities taken in fiscal 2006 are shown at right. As described above, we actively promoted greenhouse gas reduction and waste reduction. We continue to promote our aggressive activities on these two items considering them as the most important.

### Environmental Conservation Benefits (Cumulative Calculation)

Benefits	Annual benefit amounts			Unit	CO <sub>2</sub> conversion	CO <sub>2</sub> reduction amount		
	FY2006*	FY2005				FY2006*	FY2005	
Electricity saving	71,852 (69,012)	59,732		MWh	→	CO <sub>2</sub> reduction benefits	61,260 ton-CO <sub>2</sub> (58,798 ton-CO <sub>2</sub> )	42,740 ton-CO <sub>2</sub>
Fuel saving	5,505 (5,212)	3,710		Converted to crude oil (kg)			237 million yen (228 million yen)	166 million yen
PFC and other greenhouse gases reduction	22,075 (22,075)	12,348		ton-CO <sub>2</sub>				
Water consumption reduction	39,910 (38,676)	36,249		km <sup>3</sup>				
Chemical substance reduction	12,627 (11,399)	9,430		ton				
Waste reduction	33,157 (33,024)	27,446		ton				

The price of 3,876 yen / ton-CO<sub>2</sub> is used for conversion of CO<sub>2</sub> discharge reduction amount to yen. (EU emissions trading prices as of March end, 2006 is used.)

\* Benefit amounts for fiscal 2006 within the same scope for accounting of fiscal 2005 are shown for reference in ( ).

### Environmental Conservation Benefits (Gross Amount)

		Unit	FY2006*1	FY2005	Gross benefit	Benefit per net sales*2	
Environmental conservation benefits relating to resources put into business activities	Total energy input volume	GJ	16,568,377 (10,683,356)	11,452,628	△5,115,749	△6.3%	
	Energy input volume	Electricity	MWh	1,411,569 (890,869)	959,606	△451,963	△8.1%
		Fuel	kℓ (Converted to crude oil)	69,471 (49,694)	52,189	△17,281	2.2%
	Input volume of PRTR substances	ton	1,646 (1,646)	6,178	4,532	73.6%	
Input volume of water	m <sup>3</sup>	10,820,175 (8,397,875)	8,880,552	△1,939,623	10.5%		
Environmental conservation benefits relating to waste or environmental impact originating from business activities	Volume of greenhouse gas emission	ton-CO <sub>2</sub>	717,315 (402,403)	485,975	△231,340	△8.5%	
	Volume of greenhouse gas emission by type	CO <sub>2</sub>	ton-CO <sub>2</sub>	713,985 (399,775)	474,390	△239,595	△10.6%
		PFC	ton-CO <sub>2</sub>	3,330 (2,628)	11,585	8,255	78.9%
	Volume of PRTR substances released and transferred	ton	286 (286)	441	155	35.7%	
	Total industrial waste and others emission volume	ton	27,739 (16,942)	21,811	△5,928	6.5%	
	Total wastewater volume	m <sup>3</sup>	6,856,782 (6,176,982)	6,669,241	△187,541	24.5%	
NOx emission amount	ton	74.7 (54.7)	69.4	△5.3	20.9%		
SOx emission amount	ton	7.1 (3.0)	4.3	△2.8	△21.5%		

(Note) Total values of each item are different from those on other pages, since the scope of collection of environmental conservation benefit (gross amount) is equal to the scope of collection of environmental conservation cost.

\*1 Gross amount for fiscal 2006 within the same scope for accounting of fiscal 2005 is shown for reference in ( ).

\*2 Benefit shows the difference of benefit amounts between fiscal 2006 and fiscal 2005. Benefit per net sales shows the difference per 100 million yen sales in percentage.

### Major Greenhouse Gas Reduction Activities

Plant name	Item	Outline	Investment amount	Benefit estimated (annual)	
				Reduction amount	Economic effect
Shiga Yohkaichi Plant	Introduction of turbo refrigerator	Reduction of air conditioning impact through introduction of high-efficiency turbo refrigerator	40 million yen	623 ton-CO <sub>2</sub>	9 million yen
Kagoshima Kokubu Plant	Multi-energy operation system	Optimum operation in combination of cogeneration system with high-efficiency turbo refrigerator	517 million yen	2,851 ton-CO <sub>2</sub>	103 million yen

### Major Waste Reduction Activities

Plant name	Item	Outline	Investment amount	Benefit estimated (annual)	
				Reduction amount	Economic effect
Shiga Yohkaichi Plant	Introduction of chemical substance adsorber	Waste liquid treatment with adsorption of chemical substances	8 million yen	240 ton	4 million yen
Shiga Yohkaichi Plant	Introduction of waste liquid concentration equipment	Volume reduction through concentration of waste liquid	27 million yen	150 ton	3.2 million yen

## Investment Plan for Environmental Equipment (Fiscal 2007)

Kyocera Group evaluates both the cost and benefit of environmental equipment when introduction is evaluated in order to find the best equipment from both environmental and economic standpoints. We plan various investments for environmental equipment in fiscal 2007 as shown right.

In addition, we have a plan to establish "acid waste liquid treatment equipment" and "wastewater recycling facilities."

### Major Investment Plans

Plant name	Item	Outline	Investment amount	Benefit estimated (annual)	
				Reduction amount	Economic effect
Shiga Yohkaichi Plant Kagoshima Sendai Plant Kagoshima Kokubu Plant Kagoshima Hayato Plant R&D Center, Keihanna KYOCERA SLC Technologies Corp. International Golf Resort KYOCERA Co., Ltd.	Integration of turbo refrigerator	Reduction of air conditioning impact through introduction of high-efficiency turbo refrigerator	542 million yen	18,530 ton-CO <sub>2</sub>	277 million yen
Kagoshima Kokubu Plant	Introduction of hydrogen generator	Reduction of gas purchasing cost through production of hydrogen gas	431 million yen	—	144 million yen
Shanghai KYOCERA Electronics Co., Ltd.	Installation of waste water treatment facility	Closed system of cyanide to reduce wastewater impact	269 million yen	Cyanide: 1,924 kg	—

# Environmental Management System

## Environmental Audit



(For supplier environmental audit, please refer to Page 63.)

### ■ Environmental Management System Audit

Under the Kyocera Group Integrated Environmental Management System, we conduct the “Corporate internal environmental audits” in addition to the “Office/plant internal environmental audits” at each office/plant.

For the corporate internal environmental audits, the result of the office/plant manager’s activities is also audited as well as verifying the effectiveness of the internal environmental audits conducted at each office/plant. This audit is one of the good points of the Kyocera Group Integrated Environmental Management System. The audit results are reported to the office/plant manager and corporate environmental officer with timely corrective actions following. This result is also referenced to the environmental management system when it is reviewed.

We had 2 observations on the examination conducted by an independent certification agency in fiscal 2006, but our environmental management system was considered to be operating properly and continuously improved. We succeeded in the continuous certification registration. All the observations noted since have been corrected.

### ■ Environmental Survey

Environmental survey has been implemented to evaluate the status of environmental management at each domestic and overseas office/plant and to improve the management oversight. In fiscal 2006, we conducted the surveys at the five domestic plants.



Environmental survey

## Environmental Education

### ■ Environmental Education to Employees

Under the Kyocera Group Integrated Environmental Management System, we conduct the “environmental education” as planned because all individual employees who engage in the activity have to deepen their understanding the meaning and role of environmental conservation activities and improve environmental awareness.



Environmental education for new employees

### ■ Environmental Education Participants (Fiscal 2006)

Category	Education	Participants (person)
Education per different levels	New employee education	1,754
	Team leader education	261
	Education to subcontractors (stationed in site)	275
Education per different functions	Office/plant manager education	11
	Education to office/plant environmental manager	6
	Education to office/plant environmental staff	17
	Departmental manager education	87
	Environmental activity promotion leader education	103
Specified environmental operation education	Environmental activity promotion staff education	199
	Specified environmental operation education	17,579
	Subcontractor (visitor) education	1,367
Total		21,659

### ■ Internal Environmental Auditor Training Seminar

Since internal environmental auditors are important for continuous improvement of the environmental management system, internal auditor training is held periodically. The auditors are qualified after passing the strict comprehension test.

Since we established “Kyocera Group Integrated Environmental and Safety Management System” in fiscal 2006, we have conducted the seminars to have internal auditors trained and qualified by adding the occupational safety and health requirements. 128 internal environmental and safety auditors and 3 senior internal environment and safety auditor have passed the comprehension test and now work as internal environment and safety auditors.

### ■ Environmental Education to Subcontractors (Visitors)

Environmental education is provided to our subcontractors who deliver chemicals and engage in construction work, etc. so that they should be aware of the environmental concerns for their work and counter measures for emergency. In fiscal 2006, this education was provided to 1,367 subcontractor employees at all offices/plants.

### Kyocera Group Environment Month

Kyocera Group designate June of every year as the “Kyocera Group Environment Month” and has many improvement events for environmental awareness as well as advancement of the environmental management system and environmental protection activities at each office/plant.

In fiscal 2006, we had the activities such as “environmental patrol” conducted by office/plant managers with the common goal: “the global warming prevention, waste reduction, reusing and recycling.”

During the month, 564 “Environment posters” and 17,103 “Environment slogans” were created by our employees. Their excellent creations were posted throughout the year at the group companies as our enlightenment activities.

#### 【Most Excellent Slogan (Fiscal 2006)】

Facing a crisis of global warming.  
CO<sub>2</sub> reduction is a promise of Kyoto, a wish of the world

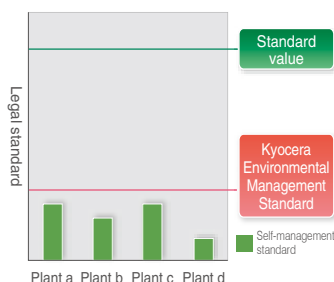


Environment posters

## Environmental Risk Management

### ■ Kyocera Environmental Management Standard

Kyocera has established the “Kyocera Environmental Management Standard” that changed management with tighter limits than the legally mandated controls. Each individual office/plant has its own “Self-management standard” that has even tighter limits for strict management.



The management capability has been steadily improved as a result of introduction and improvement of environment-related facilities that were required to observe the “Self-management.”

#### Example of Kyocera Environmental Management Standard (Extracted from total 44 water related substances)

Item	Unit	Water Pollution Control Law	Kyocera Environmental Management Standard	Self management standard (Ex: Kagoshima Kokubu Plant)
Biological oxygen demand (BOD)	mg/ℓ	160 max.	10 max.	9.5 max.
Chemical oxygen demand (COD)	mg/ℓ	160 max.	10 max.	9.5 max.
Suspended solid (SS)	mg/ℓ	200 max.	5 max.	4.8 max.
Soluble iron content	mg/ℓ	10 max.	5 max.	0.2 max.
Chromium content	mg/ℓ	2 max.	0.1 max.	0.01 max.
Soluble manganese content	mg/ℓ	10 max.	5 max.	0.13 max.

### ■ Emergency Prevention

Kyocera has been taking preventive action such as installation of spill prevention dike against an accident or emergency which may affect the environment.

Kyocera conducts emergency training drills at least once a year.



Emergency training

### ■ Observance of Environment-related Laws and Regulations

In fiscal 2006, Kyocera group did not have any administrative guidance or order for fines or penalties.

In Kagoshima Kokubu Plant, we had a complaint against vibrations arising from a newly installed compressor. The corrective action was taken immediately with an approval.

### ■ Monitoring of Soil and Groundwater Pollution

Kyocera established its internal environmental management standard relating to soil protection in fiscal 1993 and has been conducting the soil survey once every year. Furthermore, the “Underground Installations Management Standard” was established in fiscal 1997 specifying the structure for the piping and storage tanks of waste water containing soil contaminants in order to enable a easy visual inspection for the early stage leakage detection and prevention of further contamination.

KYOCERA Chemical Corporation that joined the Kyocera Group in 2002 started the self surveys in 2003 to check the soil and groundwater contamination status and found the contaminations at their several plants. Although the contamination level was considered to affect hardly the environment around the plants and human body, this finding was notified to the governing administrative regulators immediately. We plan to complete the countermeasures against the specified contaminant by the end of December, 2006 while asking for guidance of the administrative regulators.

There are other sites where we have been conducting the water remediation as the result of past surveys. We have been monitoring the groundwater conditions continuously at such locations. Neither soils nor groundwater around the sites have been environmentally affected.

# Environmental Management System

## Environmental Communications

Kyocera Group holds the "Sustainability Report Meeting" for further improvement of communications with the community around our plants. Further, we have been working to deepen mutual understanding with our stakeholders by ensuring the interactive communications such as information disclosure using various media and through cooperation of environmental learning.

### ■ Support for Environmental Learning

#### Visiting Elementary Schools for Environmental Learning

Kyocera supports the environmental learning of children and provides them with an opportunity to experience the environmental problems around them. This is because we want them to be the future leaders for improving the environment.

Kyocera has participated in the "Environmental Learning Activities" sponsored by the Kyoto Chamber of Commerce and Industry since fiscal 2002. In fiscal 2006, Kyocera provided environmental education at 2 elementary schools in Kyoto. During the lesson, children became interested in the solar power generation system by touching the solar products and realized the importance of preserving the environment also.



#### Children's impressions

- I was glad to touch the solar products.  
The solar cell was thin indeed.
- I thought that I should think much of electricity.
- I hope that solar cars are widely used when I am grown up.

### Support to Integrated Education

Kyocera supports integrated education of junior high school students.

In fiscal 2006, Kyocera aided the students who study "water" at the Kagoshima Kokubu Plant. We provided an opportunity for the students to learn importance of environmental preservation by giving them an opportunity to visit our wastewater treatment facility and to see the demonstration of wastewater treatment at the laboratory.



### ■ Support to and Cooperation with NPO/NGO

Kyocera group is promoting the support to and cooperation with NPO/NGO and trade associations working for environmental preservation. In fiscal 2006, we participated in activities such as the "Career education established with support from companies."

### ■ Environmental Information Disclosure

#### Sustainability Report

To introduce environmental preservation activities of the Kyocera group, we have been publishing our sustainability report every year since 2000 and disclosing the information at our website. In 2003, we started a publication of the report in a booklet form. In 2005, we published the information in Chinese in addition to Japanese and English.

To provide the information to our stakeholders widely, the latest environmental information is available at the websites of our group companies as well.

URL: <http://www.kyocera.co.jp>

<http://global.kyocera.com>

#### Environmental Advertisement

Wishing all its products to be friendly to the environment, the Kyocera Group takes environmental cares starting with development of materials.

For wider dissemination of the information for our environment-friendly products, we distribute environmental advertisements at exhibitions and others places and advertise environment-friendly products in magazines and other media.



#### Participation in Environmental Exhibition

Kyocera Group participates in exhibitions held under the environmental theme. In the "Eco-Products 2005," we opened the "Environmental school" to introduce our solar power system and exchanged communications with the visitors.



### ■ Campaign to Beautify the Premises

Kyocera Group has been focusing on being a "Locally-sensitive company" by cleaning the company surroundings periodically.

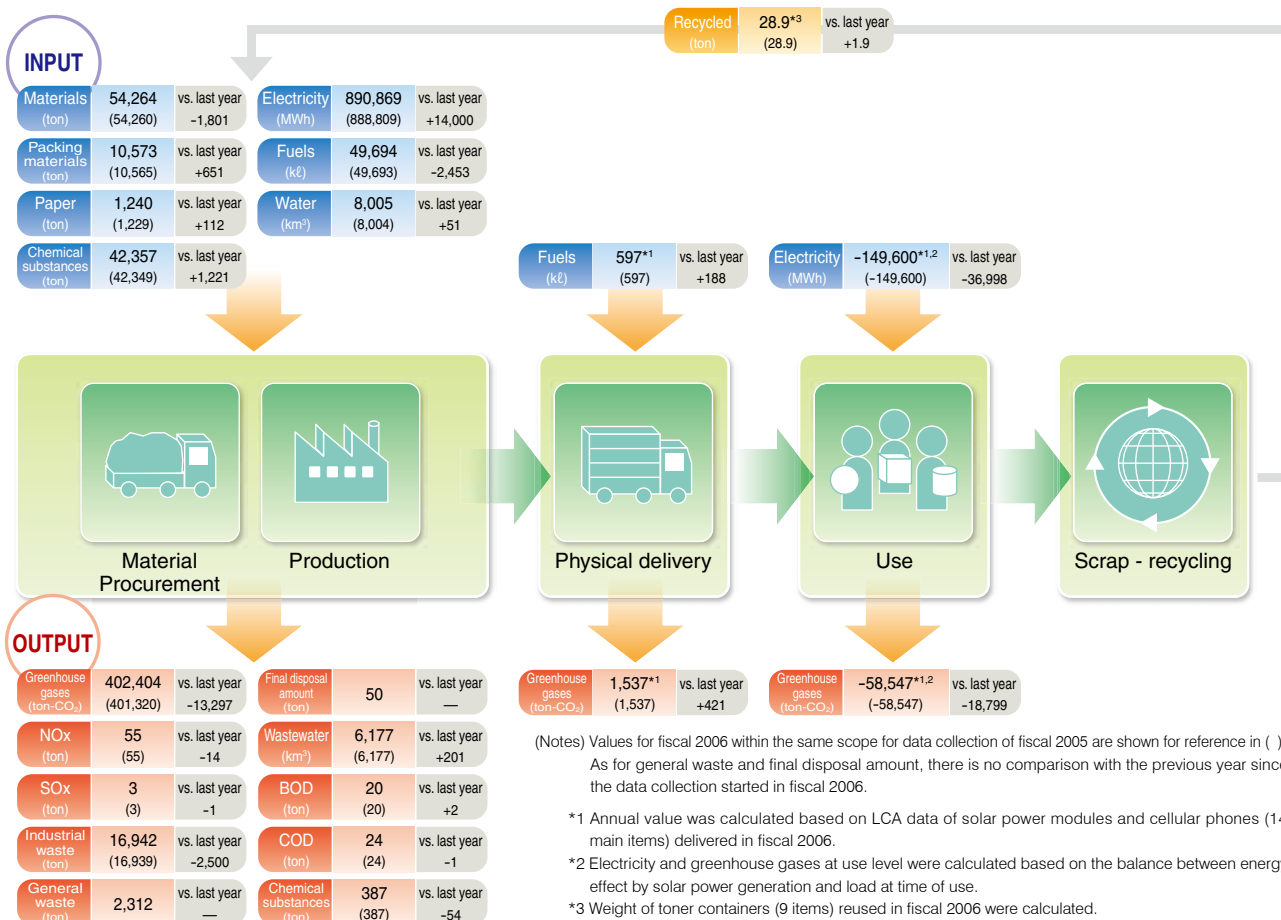


# Diagram Showing Environmental Impact

Here is the diagram showing environmental impact of the Kyocera Group that clarifies the relationship between our business activities and the environmental impact.

## Scope

ISO14001 certified sites with "Kyocera Group Integrated Environmental Management System" (Ref. Page 81)



### Input Items

Materials	Consumption amount of main raw materials and sub materials
Packing materials	Consumption amount of packing materials
Paper	Amount of paper such as copying paper and forms used in manufacturing process
Chemical substances	Consumption amount of chemical substances used in manufacturing process (specified by 12 ordinances such as Poisonous and Deleterious Substances Control Law, Fire Service Act (hazardous materials), Industrial Safety and Health Law, PRTR Law, Law Concerning the Examination and Regulation of Manufacture)
Electricity	Electricity purchased from electric power companies
Fuels	Amount of fuels used as energy, such as gases, light oil and heavy oil (converted to crude oil)
Water	Consumption amount of city water and groundwater

### OUTPUT Items

Greenhouse gases	Amount of discharged CO <sub>2</sub> and 5 gases such as PFCs related consumption of electricity, gases and fuels
NOx	Impact amount of nitrogen oxides happens when gases and fuels are burned
SOx	Impact amount of sulfur oxides happens when fuels are burned
Industrial waste	Amount of discharged industrial waste generated by business activities
General waste	Amount of discharged general waste generated by business activities
Final disposal amount	Amount of landfilled industrial and general wastes including residue arising from the intermediate treatment
Wastewater	Amount of discharged water into river and so on (except water discharged to sewage system)
BOD	Impact amount of biological oxygen demand
COD	Impact amount of chemical oxygen demand
Chemical substances	Release and transfer amount of chemical substances specified by the PRTR Law (Class 1 chemical substances)

# Environmental Protection Promotion Program and Its Result

Kyocera promotes the positive environmental protection activities with the plan established for 31 items in order to clarify the environmental policy, and define the action plans and middle/long term goals on its group's integrated environmental management system.

Item			5 <sup>th</sup> Environmental Protection Promotion Plan							Ref. page
			Reference	FY2006 Goal	FY2006 Result	FY2007 Goal	FY2008 Goal	FY2016 Goal		
Reduction of waste discharged	Industrial waste	Plant	FY2005 weight per net sales	6% reduction	12.2% reduced	12% reduction	18% reduction	50% reduction	65 to 68	
		Office	FY2005 weight per net sales		10.5% reduced			30% reduction		
	General waste	Plant	FY2006 1 <sup>st</sup> half weight per net sales	6% reduction	22.6% reduced	12% reduction	18% reduction	50% reduction		
		Office	FY2006 1 <sup>st</sup> half weight per net sales		1.6% reduced			30% reduction		
Zero emission	Waste	—	Promotion of zero emission	Zero emission achieved	Zero emission maintained					
Reduction of waste generated	Industrial waste and valuables	Plant	FY2005 weight per net sales	3% reduction	8.7% reduced	6% reduction	10% reduction	30% reduction		
		Office	FY2006 1 <sup>st</sup> half weight per net sales	3% reduction	21.3% reduced	6% reduction	10% reduction	30% reduction		
	General waste	FY2006 1 <sup>st</sup> half weight per net sales	3% reduction	21.1% reduced	6% reduction	10% reduction	30% reduction			
Specified class 1 designated chemical substances specified by PRTR Law (18 substances)	Amount handled	FY2005 consumption per net sales	6% reduction	24.4% reduced	12% reduction	15% reduction	25% reduction			
	Released amount	FY2005 release amount per net sales	16% reduction	10.9% reduced	27% reduction	30% reduction	50% reduction			
	Transfer amount	FY2005 net transfer amount per net sales	9% reduction	7.7% increase	13% reduction	20% reduction	30% reduction			
Reduction of volatile organic compound (VOC)	Emission into air	FY2006 1 <sup>st</sup> half emission (Absolute value)	6% reduction	7.7% reduced	18% reduction	30% reduction	50% reduction			
Control by gross amount in wastewater	Mercury, Cadmium, Lead and Hexavalent Chromium discharged	FY2005 discharge (Absolute value)	20% reduction achieved (10% reduction per year)	40.6% reduced per year	50% reduction achieved (20% reduction per year)	100% reduction achieved (50% reduction per year)	Maintained			
Reduction of energy consumption	Electricity	FY2005 consumption per net sales	2% reduction	0.4% increase	4% reduction	6% reduction	20% reduction	69 to 72		
	Fuel	FY2005 consumption per net sales	2% reduction	5.5% reduced	4% reduction	6% reduction	20% reduction			
Reduction of greenhouse gas emission		FY1991 emission (Absolute value)	±0%	10.7% increase	3% reduction	6% reduction	10% reduction maintained (FY2010: 10% reduction)			
Reduction of vehicle fuel consumption (Company cars and private cars used for business purpose)		FY2005 consumption per net sales	2.5% reduction	5.9% reduced	5% reduction	7.5% reduction	30% reduction	73 and 74		
Reduction of water consumption (City water and well water)	Plant	FY2005 consumption per net sales	5% reduction	1.3% increase	10% reduction	15% reduction	20% reduction			
	Office	FY2005 consumption per net sales	2.5% reduction	9.0% increase	5% reduction	7.5% reduction	10% reduction maintained			
Reduction of gas expenses (Nitrogen, Hydrogen and Argon)		FY2005 amount per net sales	7.5% reduction	3.4% reduced	15% reduction	17.5% reduction	30% reduction			
Reduction of travel expenses (Domestic and overseas travel expenses)		FY2005 amount per net sales	2% reduction	5.8% increase	4% reduction	6% reduction	10% reduction			
Reduction of office paper purchased		FY2005 weight per net sales	3% reduction	3.2% increase	6% reduction	9% reduction	20% reduction			
Reduction of production paper purchased		FY2005 weight per net sales	3% reduction	14.0% increase	6% reduction	9% reduction	20% reduction			
Reduction of paper discharged		FY2005 weight per net sales	3% reduction	8.0% increase	6% reduction	9% reduction	20% reduction			
Saving of packing materials expenses		FY2005 amount per net sales	3% reduction	4.9% reduced	6% reduction	9% reduction	30% reduction			
Reduction of using PVC (inner packing materials) (Outer packing materials, bags and cushioning materials: ) (already completely stopped using)		FY2005 amount per net sales	10% reduction	30.4% reduced	20% reduction	30% reduction	Totally stopped using			
Expanded certification of global environmental-friendly products		Number of developed and manufactured item in each year	50% certified	Certification system revised and trialed	60% certified	70% certified	100% certification (FY2011)	57 to 64		
Totally stopped using 6 substances specified by RoHS Directive		—	Totally stopped using in July	Totally stopped using in July	Continuation					
Sales expansion of global environmental-friendly products		FY2005 certified product net sales	10% improvement	100% improvement	20% improvement	35% improvement	100% improvement			
Reestablishment of LCA system		—	Establishment of rules per component and product	Establishment of rules	Promotion of LCA implementation					
Introduction of environmental efficiency factors		—	Establishment of general concept	Reviewed general concept	Trial and evaluation	Introduction and operation				

\* Scope: ISO14001 certified sites with "Kyocera Group Integrated Environmental Management System" (Ref. Page 81)

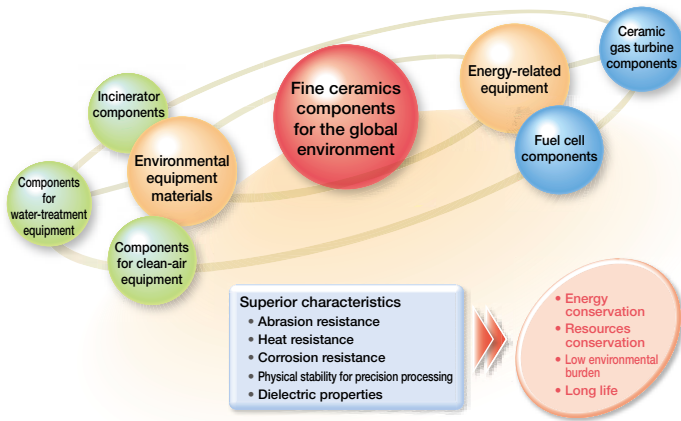
\* Values per net sales show the environmental impact amount per one million yen sales



# Green Products

## Development of Environmental-friendly Products with Core Technologies of Fine Ceramics

Fine ceramics - Kyocera's core technologies - are excellent example of ecological materials that contribute to environmental preservation. Taking advantage of its superior resistance to abrasion and heat, Kyocera provides a variety of environmental-friendly products contributing to the society.



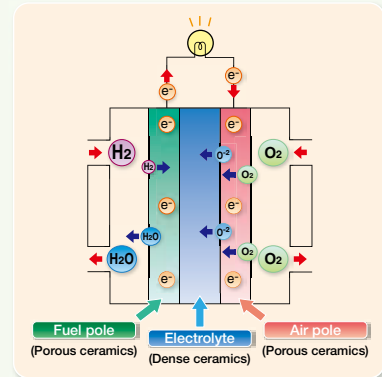
**Sliding Components for Fuel Injection**  
Higher fuel injection pressure is a proven way to improve fuel efficiency of engine. Fine ceramics sliding components contribute to the development with its extreme wear and anti-seizure characteristics.



**Honeycomb Filters**  
Ceramic honeycomb filter features include high thermal resistance and air permeability. This material is impregnated with catalysts; which functions as purification filter to reduce exhaust gases and ozone.

### Development of Fuel Cells

Fuel cells have good energy efficiency and lead to the reduction of CO<sub>2</sub> emissions that cause global warming. Furthermore, fuel cells are projected as clean energy with little generation of NO<sub>x</sub> and noise. In addition, in view of high power generation efficiency, fuel cells are expected to be used widely as decentralized power sources in the future. Fuel cells developed by Kyocera are solid oxide fuel cells (SOFC) that is considered the best for cogeneration (combined heat and power generation), since the overall energy efficiency with heat generated from power generation is about 70 to 80%. Ionic ceramic conductors are used for the electrolyte in the fuel cells developed by Kyocera. We are targeting the establishment of the SOFC system, making maximum use of the advantage of our integral production from cells to the system. Kyocera has conducted the first trial operation of 1kW class household SOFC cogeneration system at residential unit in Japan in cooperation with Osaka Gas Co., Ltd., during the period of November, 2005 to March, 2006.

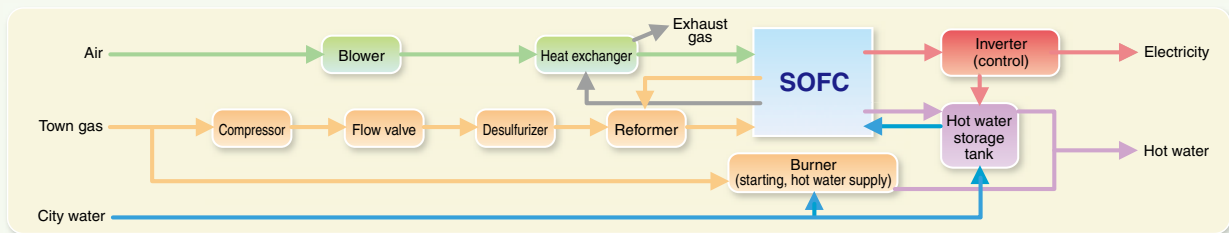


Structure of Fuel Cell



SOFC has been developed as distributed power generation technology to achieve the highest power generation efficiency in Japan and overseas. This is the first attempt where SOFC is operated in cogeneration systems to respond to the actual demand for power at home. The power generation efficiency and the primary energy reduction of CO<sub>2</sub> emission reduction were confirmed as high.

We will work on the development of technologies to improve the reliability and reduce cost, and aim to launch products in the market in fiscal 2009.



SOFC Cogeneration System (Total Flow)

Environmental-friendly Products Development

# Green Products

## Product Environmental Consciousness Evaluation System

Kyocera wishes all our products to be global environmental-friendly products. Thus, we have established and operate the internal system and certification program for supplying top-class environmental-friendly products in the market with environmental consciousness considered at the R&D stage.

### ■ Concept of Environmental Consciousness

We reviewed the environmental concepts that should be considered at the R&D stage on our environmental preserving products section of the Kyocera Green Committee in accordance with the 5<sup>th</sup> Environmental Protection Promotion Plan started in April, 2005. We have established three themes “Global warming prevention and energy saving,” “Resources recycling” and “Environmental preservation and safety” as the most important items. The concept of environmental consciousness has been set up along these themes at each stage of products life cycle.

The environmental consciousness concept is an indication of the attitude to work for global environmental problems from every aspect related Kyocera group’s products and services, including reduction of environmental impact at our customers or total society by using our products (contribution to environmental protection) in addition to reduction of environmental impact of our products (environmental impact reduction).

### Kyocera Environmental-Friendly Products



### ■ Product Evaluation Steps

#### Step 1: Target setting

The target is set with all applicable concepts selected before starting research, development and designing. We set the target based on the LCA\* result of existing product that can be compared with the new product.

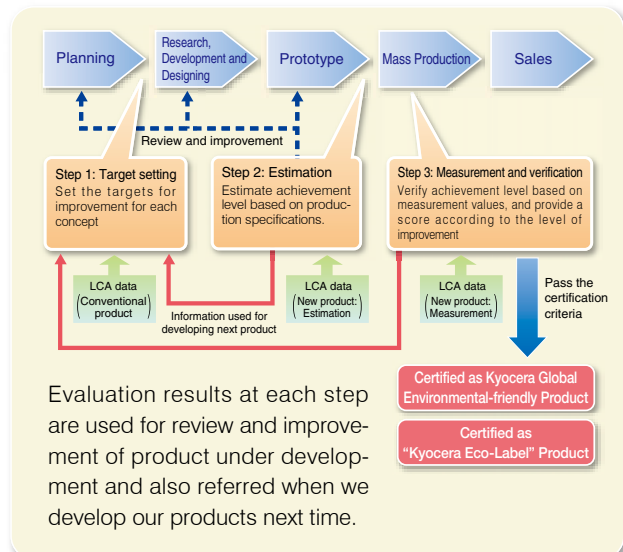
#### Step 2: Estimation

The achievement level is estimated based on LCA for energy consumption when the production specification is settled.

#### Step 3: Measurement and verification

Environmental consciousness is verified (scored) by conducting LCA based on the measurement data such as yield and energy consumption at the mass production stage.

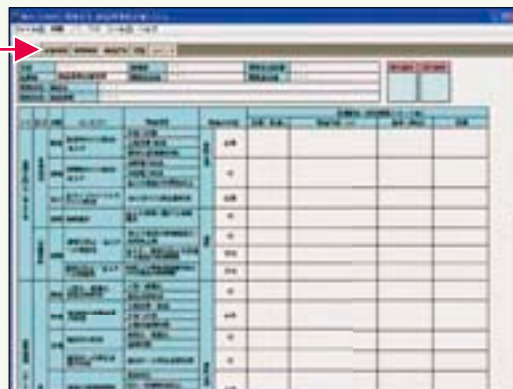
\*LCA: LCA stands for Life Cycle Assessment. This is a technique to quantitatively evaluate environmental impact through all stages such as material procurement, production, distribution, use and disposal.



### Operation Using the Work Flow System

All procedures, such as application, evaluation, certification and approval of our environmental consciousness evaluation system, are operated on our website using the internal intranet.

Persons concerned can check the status of evaluation at any time and it is easy to utilize such data when next products are developed.



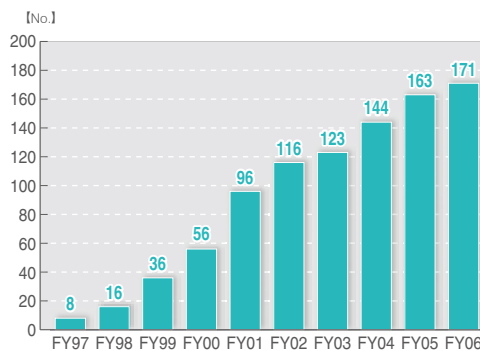
### ■ Certification System

Once mass production started, the products are verified and scored based on the points per concept and the improvement level (6 levels).

Products meeting the required level are certified as “Kyocera Global Environmental-friendly Product” and the “Kyocera Eco-Product Label” product.

In fiscal 2006, we certified total 8 products as “Kyocera Global Environmental-friendly Product.”

#### Accumulated No. of Kyocera Global Environmental-friendly Products



#### Kyocera Global Environmental-friendly Products Certified in Fiscal 2006



**Power Conditioner  
“ECONOLINE 403”**

With power conditioner to convert the DC power generated with solar modules to the AC power for home use, the top-class power conversion efficiency was achieved as well as saving resources owing to light weight.



**Bluetooth® HCI module**

Bluetooth® module with compact design and low power consumption based on our original multilayer ceramic substrate technologies and packaging technologies  
\* Bluetooth®  
Open technology of wireless communication technologies for portable information equipment

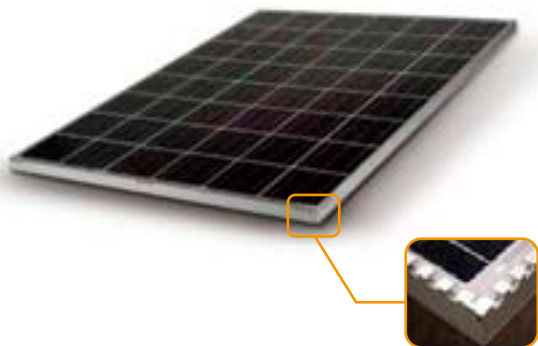


**Multilayer ceramic  
chip capacitor**

Multilayer ceramic chip capacitor with power consumption drastically reduced in production process as well as reduction of raw materials consumption through miniaturization

# Green Products

## Environmental Consciousness in Solar Power Generation System



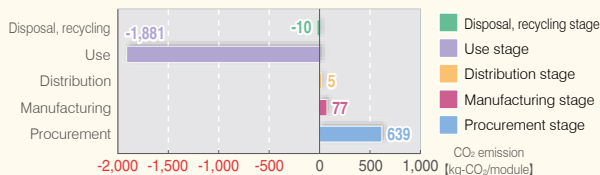
### ■ Solar Power Module (Dirt-free Type)

The hollow spaces provided on the aluminum frame that surrounds the solar power module enable dust and dirt that has accumulated on the glass surface of the module to be removed by rainwater. With these hollow spaces, the module is free from being soiled or dust accumulated on its surface.

The new module is especially suited to facilities with flat-surface roofs on which solar power modules are mounted at low angles of inclination, such as factories, warehouses and office buildings.

### LCA Results

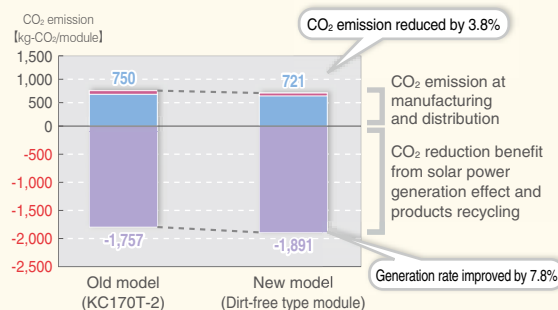
#### ● CO<sub>2</sub> Emission at Each Stage



\* Graph shows the impact on one module.

\* CO<sub>2</sub> emission (reduction) at use stage assumes a product life of 25 years.

#### ● Comparison between New and Old Models



#### CO<sub>2</sub> reduction benefit in total life cycle

**-1,007** (kg-CO<sub>2</sub>/module) 16.3% improvement **-1,170** (kg-CO<sub>2</sub>/module)

CO<sub>2</sub> emission could be reduced by 16.3% with reduction of procurement materials and improvement of power generation rate.

### Environmental Accounting in Solar Power Generation System

#### ● Principle

Once installed, the solar power generation systems continuously generate clean electric power. This means that all of generated electricity can be considered as the energy created. The "benefit of energy creation" was calculated, based on the cumulative electricity amount\*1 that was generated by solar power generation systems after installation. We took the amount of electricity consumed in life cycle of solar power generation systems\*2,3 from the above amount.

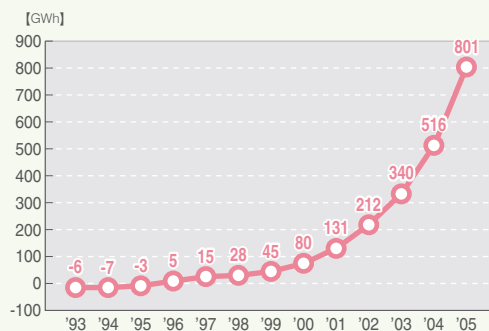
#### ● Benefit of Energy Creation

There was no benefit until 1995 since cumulative amount used for manufacturing was larger than cumulative amount generated by the systems. The benefit has turned positive since 1996 and the cumulative benefit as of 2005 exceeded 800GWh\*4.

800GWh creative energy benefit can be considered as 6.8 billion yen economic benefit when it is converted to monetary terms\*5 by using electric charge rate.

It is expected that the systems delivered by Kyocera before 2004 will continue power generation for another 20 years during their lifetime. The cumulative creative benefit is expected to reach 8,623GWh, and it is equivalent to 73.2 billion yen in monetary terms (converted using electric charge rate). It is also considered as 6,323 thousand ton CO<sub>2</sub> reduction\*6 when it is converted to CO<sub>2</sub> emissions.

### Energy Creation Amount



#### <Conditions for calculation>

\*1: Calculated from estimated average value of generated power that is simulated by Kyocera Corporation at 16 locations in Japan

\*2: Calculated estimated electricity consumption for manufacturing based on 2.2 years energy payback time when the production capacity of less than 100MW/year and 1.5 years when the production capacity is 100MW/year or larger (System size: 30MW/year, Roof installation type), Product life: 20 years (Source: "Solar power generation evaluation report" 1996 NEDO Contract Report (Photovoltaic Power Generation Technology Research Association) March 1997)

\*3: Estimated electricity amount used for manufacturing solar power generation systems we supplied from 1992 to 2004. The amount was counted the year when the systems started power generation. (Example: Electricity used for manufacturing in 1992 is counted in the value in 1993.)

\*4: 1 GWh = 1,000 MWh = 1,000,000 kWh

\*5: Calculated based on high voltage power supply rate BL (other seasons) 8.5 yen/kWh of Kansai Electric Power Co., Inc., assuming large user (as of 2006 March end)

\*6: 733g-CO<sub>2</sub> per 1 kWh

Environmental Consciousness in Cutting Tools

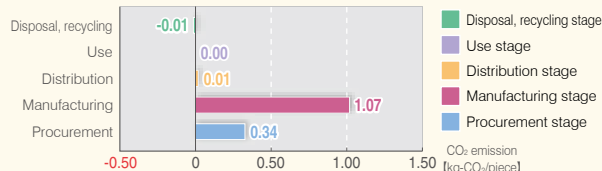


■ Cutting Tools (CERATIP)

Because of superior strength and durability, Kyocera's ceramic tools are widely used in high-precision machining operations required by the automotive and IT industries. The tools also have the advantage of better surface finishing and long product life.

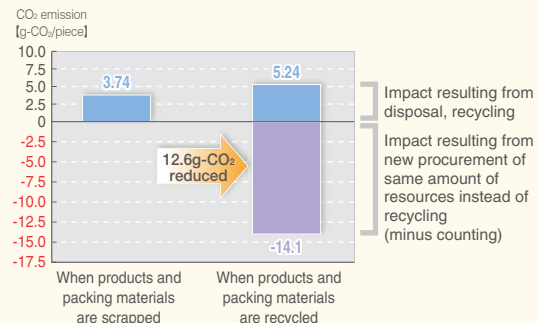
LCA Results

• CO<sub>2</sub> Emission at Each Stage



- \* Based on assumption that 25% of used products are collected.
- \* Collected used products are recycled into powder materials.
- \* Collected tip cases are recycled into RPF.
- \* Recycled materials are counted in minus value of impact at the procurement stage.

• Benefits of Recycling



It is possible to reduce CO<sub>2</sub> emission by 12.6g by appropriate recycling of used products and packing materials instead of scrapping them.

Recycling of Used Cutting Tools and Tip Cases

To establish a recycling-based society, it is very important for companies to manufacture and market products to take into considerations the effective use of products after products life completion.

Kyocera started a system to collect and recycle cutting tools used by customers and the tool holders in March, 2006.

Kyocera has been using resources effectively as well as contributing for waste reduction by collecting used tips and the tool holders at request of our customers, and recycle them properly as raw materials, RPF (solid fuel) or slag used for roadbed material.



# Green Products

## Environmental Consciousness in Copiers



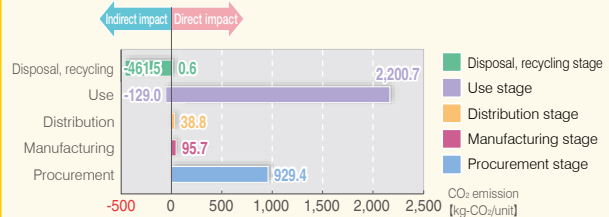
### ■ Copiers (KM-8030)

KYOCERA MITA has been working for development of copiers that have excellent features of resource and energy saving in addition to long product life.

- (1) Reduction of parts that must be changed periodically  
Long-life amorphous silicon drum adopted
- (2) Reduction of consumables  
Ecological copying function added to reduce toner consumption
- (3) Reduction of waste  
Recycling of collected equipment

### LCA Results

#### ● Greenhouse Gas Emission (CO<sub>2</sub> conversion) at Each Stage (kg)



\* Data do not include environmental impact of paper at use stage.  
\* Finisher and large capacity paper feed deck shown at right and left of main body are optional. Their data are not included in the scope of the calculation.

- (1) The amount of greenhouse gas emission is high at use stage and materials production stage.
- (2) 52% of greenhouse gas emission at use stage is generated due to power consumption, and 48% is related to consumables.
- (3) Greenhouse gas emission can be indirectly reduced through collection and recycling of main body and consumables (toner) after use.

#### ● Main Environmental Impacts throughout the Life Cycle

	All stage total
Global warming (CO <sub>2</sub> conversion)	3,266kg [2,674kg]
Acidification (SO <sub>2</sub> conversion)	4.3kg [3.5kg]
Energy consumption	73,468MJ [63,274MJ]

\* Values in [ ] are environmental impacts including recycling effect <sup>Note 1</sup>.  
Note 1: [Recycling effect] shows indirect effect of environmental impact on other products.  
\* Conditions: Used in 5 years, No. of printing: 2,880,000 sheets

### Certification of Environmental Labels (Fiscal 2006)

KYOCERA MITA Corp. obtained certification and registered the following labels in fiscal 2006.

#### 【Type I Labels】

Labels certified according to environmental standard established by a third party

<p>&lt;Japan&gt; Eco Mark</p>  <p>Copier: 2 models Printer: 1 model</p>	<p>&lt;Germany&gt; Blue Angel</p>  <p>Copier: 8 models Printer: 3 models</p>	<p>&lt;Taiwan&gt; Green Mark</p>  <p>Copier: 4 models Printer: 10 model</p>
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#### 【Type III Labels】

Labels disclosed according to certification by a third party of quantitative environmental impact information in product's life cycle calculated using LCA technique

<Japan>  
Eco Leaf



Eco Leaf product environmental information

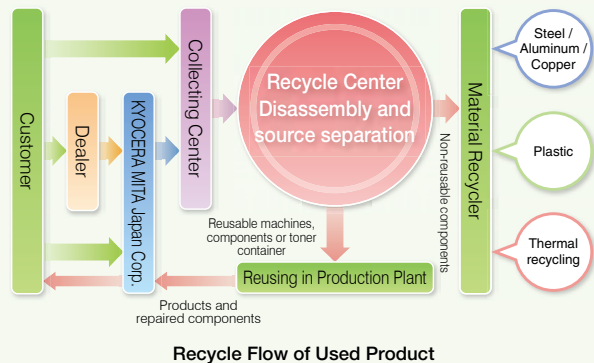
Copier: 2 models  
Printer: 1 model

### Recycling of Used Copiers

Reusable components are taken out of collected products and consumables, cleaned and inspected for reuse as products or components.

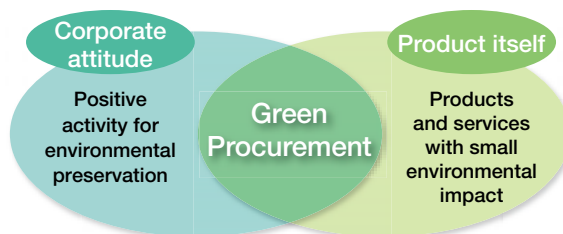
Non-reusable components are manually disassembled and separated by raw material and recycled as material.

Valuable know-how and data provided by disassembly are summarized as KYOCERA MITA Eco-friendly Design Standards and will be used for improvement of disassembling property and source separating property of components of next product.



**Green Procurement Activities**

To supply environmental-friendly products, it is necessary to take the appropriate actions including the supply chain management. Kyocera established the “Green Procurement Standard” in fiscal 1999 to address procurement of environmental preserving materials and has been asking our suppliers for cooperation based on our “Guideline on Green Procurement.”



Kyocera Green Procurement Concept

**Evaluation of Suppliers' Attitude**

**Supplier Environmental Management Survey and Audit**

Kyocera conducts a survey on environmental management status and environmental prevention actions of suppliers every year.

The surveys results from 1,998 companies in fiscal 2006 are shown at right. The number of Rank A suppliers has been increasing. It suggests to us that environmental management of our suppliers has been improved.

As to Rank C and D suppliers, Kyocera is providing those suppliers with the requirements relating to the environment for their improved understanding of our environmental policy, and is asking their cooperation with our environmental protection activities.

We also conduct the environmental audits to our suppliers every year.

In fiscal 2006, we conducted the audit for the management of chemicals contained in our procurement materials in addition to the audit of the legal compliance status and environmental management status of our suppliers. We conducted an audit for chemical management according to “Guidelines for the Management of Chemical Substances in Products” specified by JGPSSI at our 37 suppliers. Corrective actions were taken against what we observed at the audits.

\* JGPSSI (Japan Green Procurement Survey Standardization Initiative)  
 JGPSSI is the conference voluntarily established by companies in electricity and electronics industries. “Guidelines for the Management of Chemical Substances in Products” was established for the purpose of improvement of response accuracy after making the standards for substances to be managed and survey forms.

**Support to Establishment of Supplier's Environmental Management System**

Kyocera discloses the “KGEMS Manual,” the original system of Kyocera conforming to ISO14001, to support our suppliers for certification of environmental management systems.

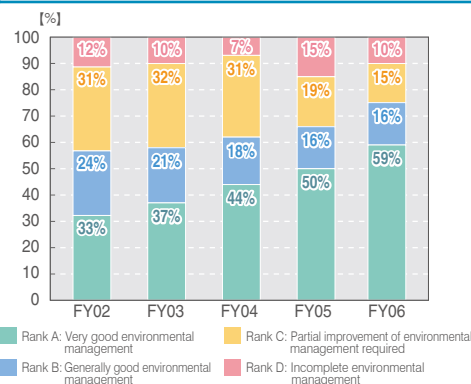
We support our suppliers who are going to establish their environmental management system positively by providing the manual and our advices.

**Evaluation of Procurement Materials**

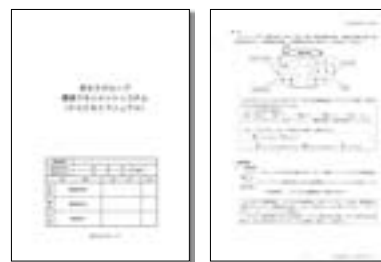
Kyocera request its suppliers to work positively to have their products meet the requirements shown at right according to the Kyocera Guideline on Green Procurement.

We work for “Non-containment and disuse of prohibited chemical substances” with our suppliers’ strong support and cooperation by asking them to provide “Pledge for Disuse” and report of constituent contents.

**Supplier Environmental Status Survey Results**



Supplier on-site audit



KGEMS Manual

**Procurement Goods Environmental Consideration Items**

1. Non-containment and disuse of prohibited chemical substances
2. Energy saving and resources conservations
3. Availability of easy recycling
4. Reduction of packing materials



Kyocera Guideline on Green Procurement

# Green Products

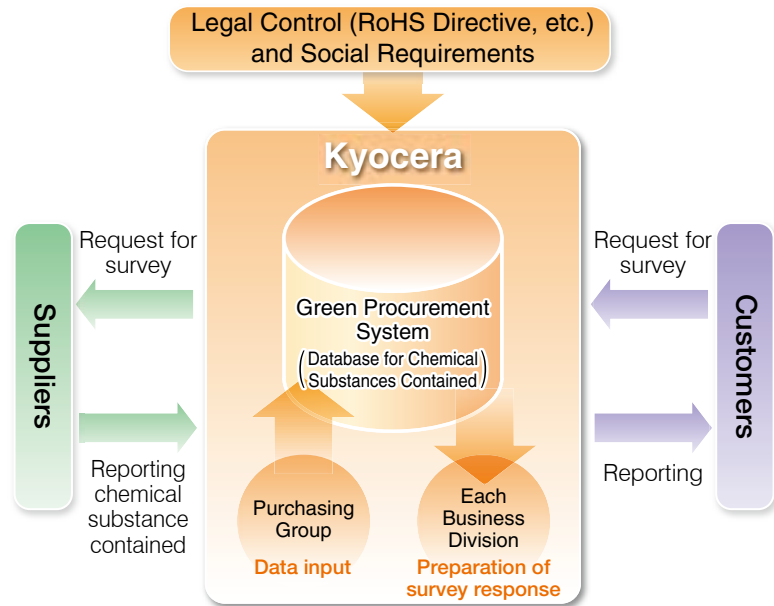
## Actions for Chemical Substances Contained in Products

Recently, environmental activities are executed more strictly in connection with chemical substances contained in products as dictated by legal controls or social requirements.

Kyocera has established the systems to promptly meet customers' requirements and survey requests considering such situation.

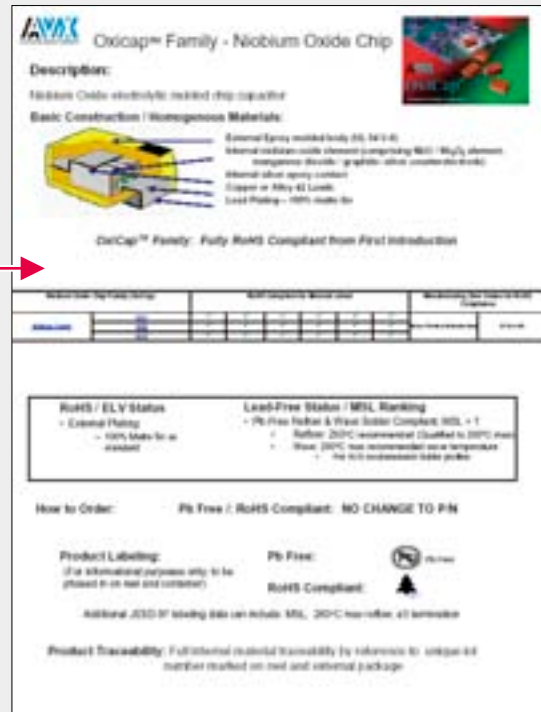
Furthermore, the Kyocera Group has established a global policy to comply with RoHS EU Directive that prohibits specified toxic chemical substances contained in electrical and electronic equipment after July, 2006.

It was the policy to meet the requirement on the components and materials we purchased by July, 2005 and also the products supplied by January, 2006, prior to the legally required date. It was aggressively promoted in all our business units.



Flow Chart of Survey / Reporting for Chemicals Contained in Products

### Example of Information about RoHS Directive Compliant Status (AVX Corp.)



We provide information about specified toxic materials contained in our products for our customers' convenience as the information of RoHS compliant status.



# Green Factory

## Waste Reduction and Recycling Activities

To comply with needs for establishing a recycling-based society, Kyocera started its activities for industrial waste reduction with the policy established in fiscal 1992. Since then, Kyocera has been working for waste reduction including general wastes by giving priority to minimization of waste generation.

### Basic Policy for Waste Reduction

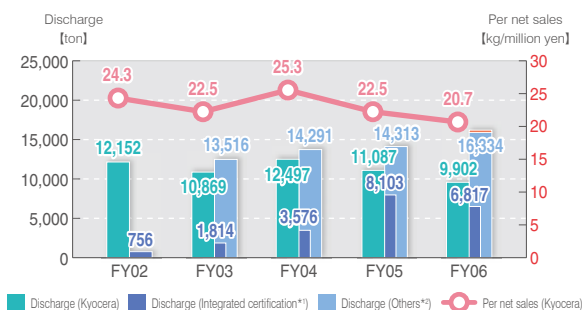
1. To minimize waste generation in business activities
2. To recycle waste once it is generated
3. To change non-recyclable waste into harmless materials

### Fiscal 2006 Results

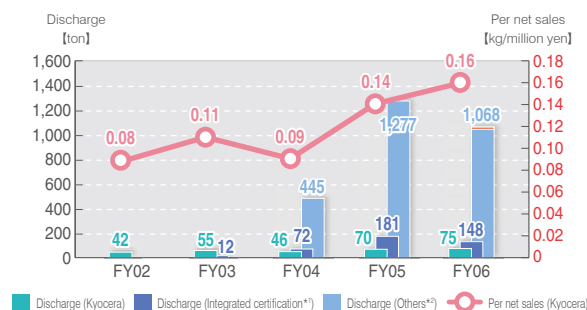
#### Reduction of Industrial Waste Discharge

Kyocera has been setting targets for waste reduction since fiscal 1993 in accordance with the basic policy for waste reduction. The plant activities resulted in reduction of 7.7% per net sales against the target of 6% reduction from the fiscal 2005 level. It was achieved with introduction of internal treating equipment for sludge cake and waste liquid. The office activities resulted in increase of 10.3% per net sales against the target of 6% reduction from the fiscal 2005 level because of disposal of furniture.

#### Industrial Waste Discharge (Plants)



#### Industrial Waste Discharge (Offices)



### Example of Industrial Waste Reduction Activities

#### <Introduction of Waste Dryer (Hokkaido Kitami Plant)>

A dryer was introduced to reduce discharge of sludge cake and grinding liquid generated in the plant. It allows us to reduce 68 tons of wastes annually.



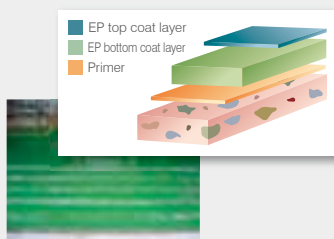
#### <Introduction of Decompression Waste Liquid Concentrator (Shiga Yohkaichi Plant)>

A decompression waste liquid concentrator was introduced to reduce concentrated waste liquid discharged from the plant. It allows us to reduce 414 tons of waste annually.



#### <Internal Reuse of Alumina Powder Waste (Shiga Gamo Plant)>

Alumina powder waste generated in the plant is internally reused as coated floor material at the intermediate treatment facility, waste storage facility, etc.



#### Notes

- \* : Amount of offices/plants newly included in the scope of data collection from fiscal 2006
- \*1 Integrated certification: Offices/plants certified under Kyocera Group Integrated Environmental Management System except KYOCERA Corporation (Ref. to Page 81.)
- \*2 Others: Except KYOCERA Corporation and integrated certified offices/plants

Office/plant information

Please refer to environmental impact data of individual office/plant on our web site. <http://www.kyocera.co.jp/ecology/>

# Green Factory

## Reduction of General Waste Discharge

Kyocera started reduction activities of general waste generated from our business activities as well from fiscal 2006. In fiscal 2006, the plant activities resulted in reduction of 22.7% per net sales, and the office activities resulted in reduction of 21.6% per net sales against the target of 6% reduction from the fiscal 2006 first half level.

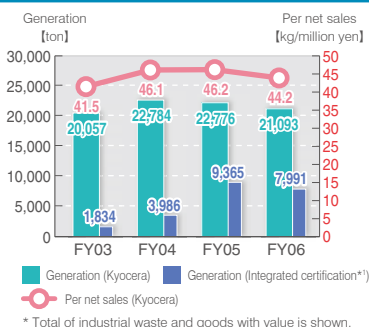
### General Waste Discharge

Item		FY2006 1 <sup>st</sup> half result	FY2006 2 <sup>nd</sup> half result
Discharge per net sales (kg/million yen)	Plant	4.18	3.23
	Office	0.13	0.10

## Reduction of Waste Generation

Kyocera not only undertakes activities to reduce discharge of industrial waste, general waste and goods with value but also their generation. Relating to generation of industrial waste and goods with value, the plant activities resulted in reduction of 4.3% per net sales against the target of 3% reduction from the fiscal 2005 level. The office activities resulted in reduction of 16% per net sales against the office target of 3% reduction from the fiscal 2005 first half level.

### Waste Generation (Plant)



\* Total of industrial waste and goods with value is shown.

## Zero Emission of Waste

Kyocera Group reviewed its definition of zero emission newly including residue discharged from intermediate processing companies in accordance with the "2002 Corporate Environmental Performance Index Guideline" (Ministry of Environment).

Our new definition of zero emission is "the amount of waste landfilled at final landfill sites (including residue discharged from intermediate waste processing companies) shall be 1% max. of waste amount except the waste that we cannot manage its disposal such as the waste disposed by local government with specified method.

We have achieved the zero emission in total of our group companies certified with Kyocera Group Integrated Environmental Management System. We intend to continuously expand the activities.

## Proper Disposal of Waste

In accordance with the waste disposal regulation established in 1994, Kyocera contacts with companies for waste disposal after thorough investigations such as financial condition check and on-site survey.

Kyocera has been conducting the survey of the disposal companies twice a year after entering into the contract in order to make sure that our wastes are treated appropriately and also exchange the information each other so as to keep good relationship with the companies.



### Waste Generation

Item		Reference value	Result
Generation per net sales (kg/million yen)	Plant	46.2	44.2
	Office	0.21	0.18

\* Total of industrial waste and goods with value is shown.

\* Plant value is result in fiscal 2006 as compared with the value in fiscal 2005. Office value is result in fiscal 2006 second half as compared with the value in fiscal 2006 first half.

### Example of Activities in Overseas Countries

#### <AVX ELCO Europe GmbH (Germany)>

100% recycling was achieved in January 2006 as a result of subdividing the separation of wastes.



#### <KYOCERA Wireless Corp. (U.S.A.)>

KYOCERA Wireless Corp. received the "State of CA WRAP Award" and "City of San Diego Recycler of the Year Award" for drastic reduction of waste in fiscal 2006.

#### <KYOCERA Mexicana, S.A. de C.V. (Mexico)>

KYOCERA Mexicana, S.A. de C.V. received the "Environmental Stewardship Award" for its excellent environmental performance, environmental campaign pledge and positive participation in events and others.



**Notes**

\*1 Integrated certification: Offices/plants certified under Kyocera Group Integrated Environmental Management System except KYOCERA Corporation (Ref. to Page 81.)

**Office/plant information**

Please refer to environmental impact data of individual office/plant on our web site. <http://www.kyocera.co.jp/ecology/>

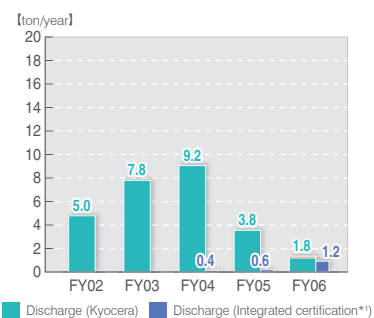
**Air Pollution and Water Pollution Prevention Activities**

Kyocera has been involved in activities to reduce pollutants since the discharge of pollutants into water, atmosphere and soils causes large impacts on the natural environment and ecosystem. Kyocera manage the pollutants strictly with tighter limits than the legal controls by establishing the company-wide common “Kyocera Environmental Management Standard” in fiscal 1993.

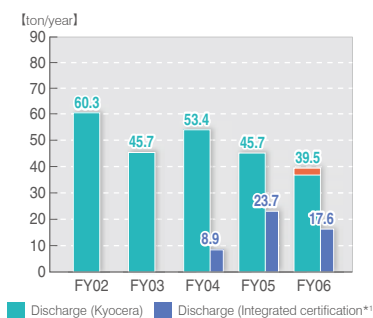
**Air Pollution Prevention Activities**

Under the Kyocera Group Integrated Environmental Management System, Kyocera has been working to reduce environmental impacts. With the “Kyocera Environmental Management Standard” and the original “Self Management Standard” at each plant/office established, Kyocera has managed to reduce concentrations of SOx and NOx with tighter limits than the legal controls. In fiscal 2006, we could reduce both SOx and NOx as the result of reviewing facility condition.

**Total Amount of SOx Discharged**



**Total Amount of NOx Discharged**

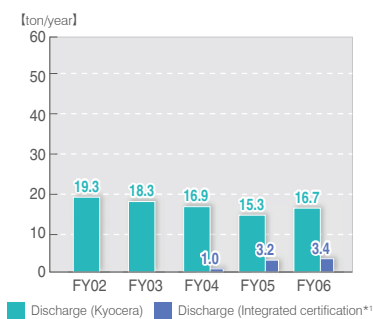


**Water Pollution Prevention Activities**

Under the Kyocera Group Integrated Environmental Management System, Kyocera started to control the total amount of 4 substances (mercury, cadmium, lead and chromium (VI)) specified as “the substances related to human health protection” by the Water Pollution Control Law among 6 toxic substances prohibited by the RoHS Directive after fiscal 2006. We are planning to introduce closed system for wastewater containing these substances. In fiscal 2006, the activities resulted in reduction of 40.6% against the target of 10% reduction from the fiscal 2005 level as a result of efforts to uniform wastewater concentrations, etc.

Kyocera is also taking actions to reduce the environmental impact on rivers with the tight control of wastewater discharged from the plants. In fiscal 2006, the BOD discharge amount increased according to the increased waste water volume as a result of expanded production by the group companies.

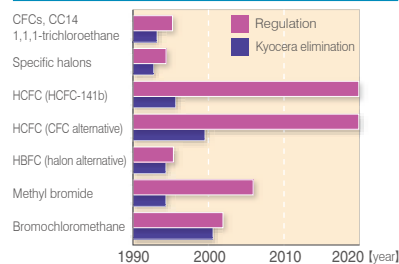
**Total amount of BOD Discharged**



**Ozone Layer Protection**

In addition to the materials regulated by the Montreal Protocol, Kyocera eliminated other chlorine solvents. As a result, “CFCs” and other Freons®, “carbon tetrachloride,” “1,1,1-trichloroethane” and “halons” were totally eliminated in 1992. The new specified control substances of “methyl bromide” and “bromochloromethane” were also totally eliminated. For chlorine solvents other than specified control substances such as “trichloroethylene,” “tetrachloroethylene” and “dichloromethane” were voluntarily eliminated by 2000.

**Total elimination of ozone layer depleting substances**



**Example of Activities in Overseas Countries**

Kyocera group companies in overseas are also working aggressively to reduce environmental impacts and risk.

Shanghai KYOCERA Electronics Co., Ltd. modified the sewage treatment equipment (sludge return and oil separator tank) and reviewed its management method to insure stabilization of water quality.



Oil separator

**Notes** \* : Amount of offices/plants newly included in the scope of data collection from fiscal 2006  
 \*1 Integrated certification: Offices/plants certificated under Kyocera Group Integrated Environmental Management System except KYOCERA Corporation (Ref. to Page 81.)  
**Office/plant information** Please refer to environmental impact data of individual office/plant on our web site. <http://www.kyocera.co.jp/ecology/>

## Green Factory

## Chemical Substances Management Activities

Chemical substances may cause environmental pollution and affect the human health and ecosystem as a result of accumulation extending over a long period. For their strict management, we have established a chemical substances control system to insure the amount of toxic chemical substances released into air and water and their transfer with waste.

## ■ Fiscal 2006 Activity Results

## Reduction of Specified Class 1 Designated Chemical Substances Specified by PRTR Law

Under the "KYOCERA Group Integrated Environmental Management System," Kyocera manages 18 chemical substances accounting for more than 90% of the specified Class 1 designated chemical substances specified by the PRTR Law used by Kyocera with reduction goal of handled amount, released amount and transferred amount per net sales.

In fiscal 2006, the activities resulted in reduction of the handled amount of 24.4% per net sales against the target of reduction of 6% from the fiscal 2005 level and in reduction of released amount of 10.9% against the target of reduction of 16% as the result of released amount reduction through substitute substance adoption and process improvement. However, the activities resulted in increase of the transferred amount of 7.7% against the target of reduction of 9% due to collection of chemicals that used to be released into air.

Item	FY2005 reference	FY2006 result
Handled amount per net sales (g/million yen)	2,529.3	1,912.8
Released amount per net sales (g/million yen)	192.4	171.3
Transferred amount per net sales (g/million yen)	149.7	161.3

## Activities for PRTR Law

Total amount of chemical substances which are subject to the PRTR reporting in the "Kyocera Group Integrated Environmental Management System" was as shown below. The handled amount could be drastically reduced as a result of development of products that used substitute instead of the chemicals specified by PRTR law. Furthermore, the released and transferred amounts were reduced as a result of our efforts for the reduction of air emission amount.

Item	FY2005 reference	FY2006 result
Handled amount (ton)	6,203.4	2,254.3
Released amount (ton)	198.5	163.2
Transferred amount (ton)	257.8	224.0

## Management and disposal plan of PCB Waste

PCB (polychlorinated biphenyl) waste has been strictly controlled and managed at specified places with control sheets prepared in accordance with the related law in the Kyocera Group Integrated Environmental Management System.

Kyocera made early registration for disposal of these wastes to Japan Environmental Safety Corporation in charge of PCB waste treatment program.



PCB waste storage condition

## Reduction of Volatile Organic Compound (VOC) Emission into Air

Emissions of volatile organic compounds (VOC) are now severely controlled with the law enacted in 2004. Furthermore, the Central Environment Council of the Ministry of Environment established the policy to reduce VOC emission into air by 30% (compared with 2000) in 2010.

Under the circumstances, Kyocera has the target of reducing 4 substances (toluene, IPA, acetone and methanol), accounting for more than 90% of VOC used by Kyocera, by 30% in fiscal 2008 and 50% in fiscal 2016 (compared with fiscal 2005) on its integrated environmental management system.

In fiscal 2006, the activities resulted in achievement of the target, i.e. reduction of 7.7% achieved against the fiscal 2006 first half emission reduction target of 6% as a result of improvement of solvent collection equipment, etc.

Item	F2006 1 <sup>st</sup> half reference	F2006 2 <sup>nd</sup> half result
Emission amount (ton)	318.3	293.8

## Preventing Generation of Dioxins

We decided on the policy to abolish small incinerators in April, 1999 for preventing generation of dioxins, resulting in all small incinerators abolished by December, 2000.

Currently, there are 3 units of complex intermediate waste processing facilities that have the integral functions of incineration, and drying sludge and waste liquid using the heat from incineration.

These facilities meet the "Kyocera Environmental Management Standard" that is even tighter than the tightest discharge standard of the Law Concerning Special Measures against Dioxins (1/10 of the legal control).



Activated carbon adsorption facility for prevention of dioxins

## Energy Saving Activities

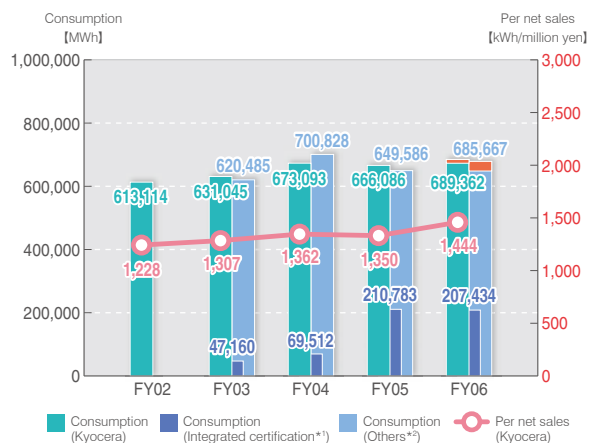
Increasing energy consumption has an influence on the environmental issues such as global warming. It is a common issue for people in the world to utilize limited energy effectively for industrial activities.

Kyocera started its company-wide energy saving promotion activities in fiscal 1993 with the target for reduction.

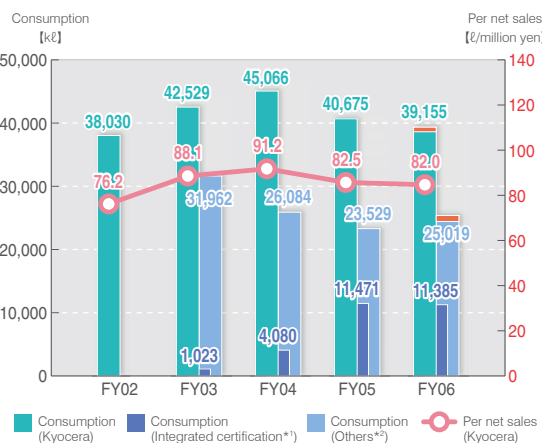
### Fiscal 2006 Activity Result

Kyocera's fiscal 2006 energy consumption results were 689,362MWh in electricity and 39,155kl (crude oil conversion) in fuels. The activities resulted in 6.9% increase per net sales of electricity from the fiscal 2005 level and 0.5% reduction per net sales of fuels. In the fiscal year, the Kagoshima Sendai Plant implemented the energy saving measures, the Kagoshima Kokubu Plant introduced a multi-energy operation system, and the Kagoshima Hayato Plant introduced inverter compressor. Although fuels showed reduction in both consumption amount and value per net sales, electricity consumption and value per net sales became worse because of construction of new plants, introduction of new facilities, conversion from absorption type refrigerator operated with gas to turbo refrigerator working on electricity, and decreasing of sales on the equipment group.

#### Electricity Consumption



#### Fuel Consumption



### Fiscal 2006 Main Activity Results

#### Energy Saving Activities in the Kagoshima Sendai Plant

A project team was established in the Kagoshima Sendai Plant to promote energy-saving activities. As a result of their study, 7 measurements as shown at right were conducted and completed in fiscal 2006.

Thermal energy collection from outside air is a method of energy saving for the air conditioners by using thermal energy from outside air effectively in both summer and winter. This energy saving method was introduced in KYOCERA SLC Components Corp. which was built as a model energy-saving plant as well.

Drastic reductions of electricity, fuel consumption and CO<sub>2</sub> discharge were achieved because of these improvement works.

#### Measurements

- (1) Thermal energy collection from outside air
- (2) Improvement on refrigerator system
- (3) Energy-saving on pumps
- (4) Energy-saving on dust collector
- (5) Energy-saving with electronic stabilizer for fluorescent light bulbs
- (6) Energy-saving on transformer
- (7) Demand control on air conditioner

Annual electricity reduction	2,150 MWh
Annual fuel (LPG) reduction	600 ton
Annual CO <sub>2</sub> reduction	2,474 ton-CO <sub>2</sub>

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# Green Factory

## Example of Energy Saving Activities

### <Introduction of Multi-energy Operation System>

At the Kagoshima Kokubu Plant, a multi-energy operation system was established with optimum operation designed in combination of an existing absorption type refrigerator with a cogeneration system and a high-efficiency turbo refrigerator newly introduced. Its operation started in June, 2005.

The "multi-energy operation system" supplies the plant power demands with electricity purchased from electric power companies and electricity generated by a cogeneration system and also supplies HVAC demands for air conditioning with an absorption type refrigerator and turbo refrigerator.

This system allows us to reduce CO<sub>2</sub> emission and minimize the energy cost by selecting operational mode - using or stopping co-generation, changing refrigerator operated and/or adjusting operation temperature of each type of refrigerator - depend on the operation status of the plant, season, time zone and energy cost required.

### Benefits of Multi-energy Operation System

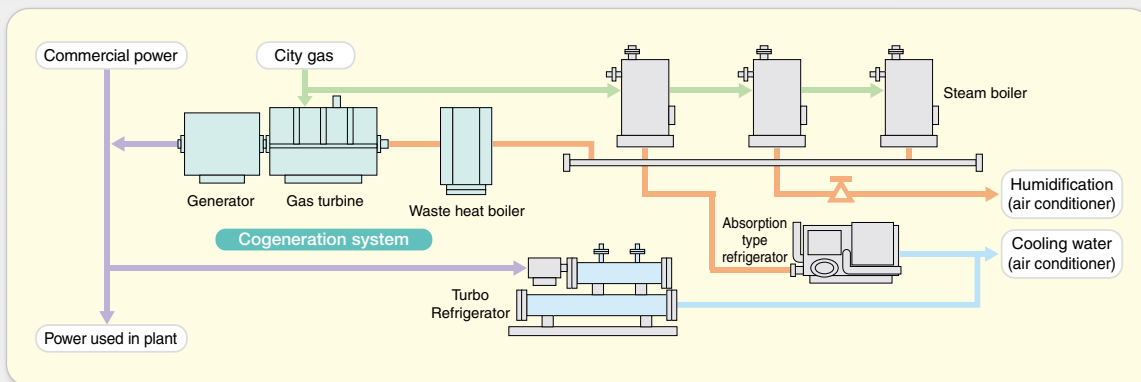
Annual purchasing electricity reduction	2,300 MWh
Annual fuel (town gas) reduction	900,000m <sup>3</sup>
Annual CO <sub>2</sub> reduction	2,851 ton-CO <sub>2</sub>



Gas turbine co-generation system



Turbo refrigerator



Multi-energy Operation System

## ■ Main Activities for Fiscal 2007

Kyocera intends to achieve 4% improvement per net sales in fiscal 2007 from the fiscal 2005 level.

As the Law Concerning the Rational Use of Energy was revised in April, 2006, Kyocera further intends to promote the thorough penetration of the heat (fuels) and electricity integral control including plants/offices that are other than the energy management-designated plants. With positive promotion of energy saving activities of production facilities such as improvement of the facilities and introduction of new technologies, Kyocera is working for many effective activities shown at right to insure achievement of the targets.

### ■ Energy saving on production facility

- Promotion of production facilities improvement and introduction of new technologies
- Establishment of database such as production facility energy consumption
- Enhancement of energy management through introducing additional metering systems

### ■ Energy saving promotion on utility facility

- Positive adoption of most effective equipment

### ■ Promotion of large-scale energy saving

## Global Warming Prevention Activities

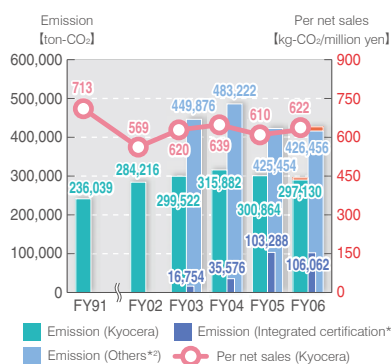
In February, 2005, the Kyoto Protocol entered into force so that the reduction of emission of greenhouses gases was required for advanced nations. Kyocera held the 1<sup>st</sup> Global Warming Prevention Subsection in fiscal 1999 and started the activities for greenhouse gases reduction in the following year. Kyocera intends to continuously expand the activities for prevention of global warming.

### Fiscal 2006 Activity Result

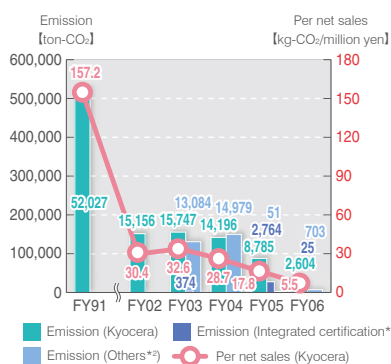
Kyocera's fiscal 2006 greenhouse gas emissions were 299,733 ton-CO<sub>2</sub>, reduction of 9,916 ton-CO<sub>2</sub> (3.2%) from the fiscal 2005 level. It was the drastic reduction of 27.9% per net sales from the fiscal 1991 level.

The reduction was achieved as a result of various energy-saving measures taken such as introduction of a solar power generation system to each plant, introduction of turbo refrigerator at the Kagoshima Hayato Plant, introduction of global warming prevention measures with total elimination of SF<sub>6</sub> used for production of ceramics for electronic components at the Kagoshima Kokubu Plant, and introduction of the multi-energy operation system at the Kagoshima Kokubu Plant.

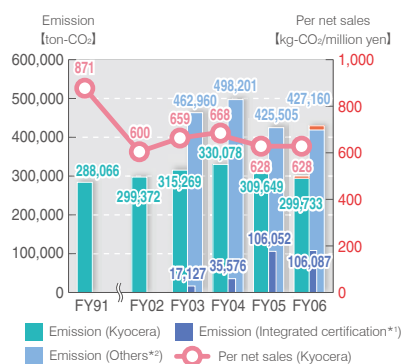
#### CO<sub>2</sub> Emission



#### PFC and Others Emission



#### Emission of Greenhouse Gases



### Fiscal 2006 Main Activities

#### Introduction of Solar Power Generation System

In addition to 43kW solar power system at the Chiba Sakura office, 214kW system at the Headquarters building and 80kW system at the Mie Ise plant, Kyocera installed the solar power generation system at the Shiga Yohkaichi, Kagoshima Kokubu, and Kagoshima Hayato plants in fiscal 2006.

Plant	Rated output (kW)	Annual generation amount (kWh)	Annual CO <sub>2</sub> reduction (ton-CO <sub>2</sub> )
Shiga Yohkaichi Plant	210	185,000	136
Kagoshima Kokubu Plant	112	111,000	82
Kagoshima Hayato Plant	40	41,000	30
Total	362	337,000	248



Shiga Yohkaichi Plant



Kagoshima Kokubu Plant



Kagoshima Hayato Plant

**Notes**  
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# Green Factory

## Example of Activities in Overseas Countries

<Solar Trees in Parking Lot: "Solar-Grove">



A 279kW solar power generation system was established at employee parking lot of Kyocera's North American headquarter; KYOCERA International, Inc. in June, 2005.

25 pieces of "solar trees" were installed with 64 power modules mounted per tree to form a flat plane and cover the nearly whole of the parking lot.

According to the calculation by the company, the annual power generation amount is expected to be 421,000kWh which is equivalent to electrical needs of 68 typical San Diego homes. The system also allows us to reduce 270 tons of CO<sub>2</sub> annually.

## Reduction of Environmental Impact during Transportation [Promotion of Modal Shift]

Environmental impacts from transportations have many influences such as global warming, air pollution, traffic jam and noises. Kyocera Group has been promoting activities for reduction of environmental impacts caused by transportation of our products. As an example of modal shift, transportation of semiconductor components produced at the Kagoshima Sendai Plant was changed from trucks to railways as shown below.

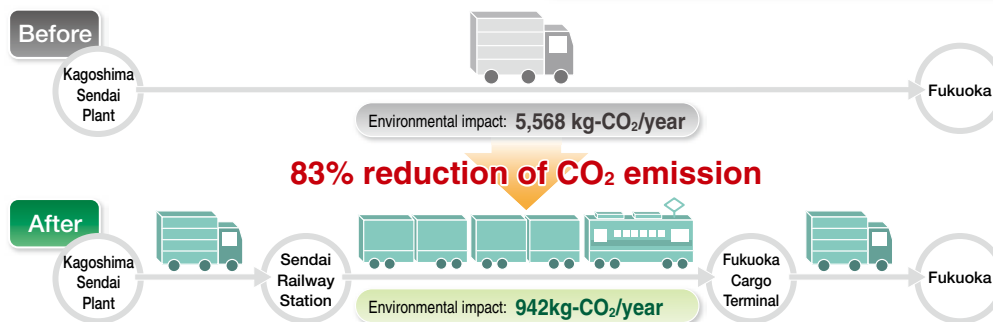
### Conditions

- Products: Semiconductor components
- Amount: 2.77 ton/time
- Frequency: 3 times/month

### CO<sub>2</sub> Emission per Transportation kilo-ton\*

- Railway: 21 (g-CO<sub>2</sub>/ton-km)
- Truck (Medium business use): 174 (g-CO<sub>2</sub>/ton-km)

\* Ministry of Economy, Trade and Industry, and Ministry of Land, Infrastructure and Transport "Guidelines for CO<sub>2</sub> Emission Calculation Method in Logistics Ver.1.0"



## Main Activities for Fiscal 2007

### Turbo Refrigerator Introduction Plan

As the "Law Concerning the Promotion of the Measures to Cope with Global Warming" was revised in April, 2006, the reduction of greenhouse gases is becoming more important. Kyocera positively promotes greenhouse gas prevention activities with many effective measures. Kyocera has already been introducing a high-efficiency turbo refrigerator when a new refrigerator is required. In addition, we decided to change the existing absorption type refrigerators with turbo type refrigerators in 4 plants - the Shiga Yohkaichi, Kagoshima Sendai, Kagoshima Kokubu and Kagoshima Hayato plants where we can expect the large benefits of greenhouse gas reduction. We expect the greenhouse gases reduction benefit from the introduction to be 17,410 ton-CO<sub>2</sub>.

Plant/Office	No. of units introduced (units)	Annual CO <sub>2</sub> reduction (ton-CO <sub>2</sub> )
Shiga Yohkaichi Plant	1	1,460
Kagoshima Sendai Plant	6	13,530
Kagoshima Kokubu Plant	2	900
Kagoshima Hayato Plant	1	890
R&D Center, Keihanna	1	630
<b>Total</b>	<b>11</b>	<b>17,410</b>

\* We are also planning to introduce 1 unit at each of the Kyocera Group companies; KYOCERA SLC Technologies Corp. Kokubu Office and International Golf Resort KYOCERA Co., Ltd. As a result, Kyocera Group can reduce 18,530 ton-CO<sub>2</sub> of greenhouse gases in total.



## Saving Resources Activities

For the effective utilization of limited resources as much as possible and contribution to global environmental protection, Kyocera has been promoting its activities for saving resources based on the specific reduction targets with vehicle fuel, water, travel expense, gases, paper and packing materials.

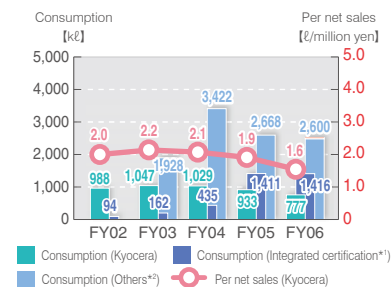
### ■ Fiscal 2006 Activity Results

#### Reduction of Vehicle Fuel Consumption

Kyocera has been promoting the reduction of vehicle fuel for effective use of fossil fuel, and preventing global warming and air pollution caused by gas emission. Concretely, low fuel consumption vehicles are used, occasions of business trip are restricted, public transportation is used, and energy-saving driving including idling stop are continuously promoted.

In fiscal 2006, the activities resulted in 13.9% reduction per net sales against the target of 2.5% reduction from the fiscal 2005 level.

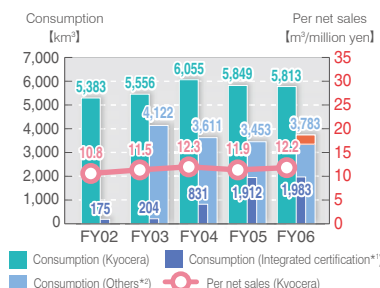
#### Vehicle Fuel Consumption



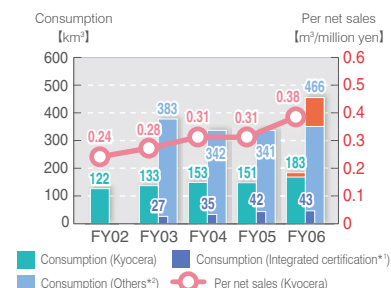
#### Reduction of Water Consumption

Reduction of water consumption greatly contributes to reduction of environmental impact since it protects water resources and allows reduction of wastewater. Accordingly, Kyocera has been working for reduction of both city water and groundwater consumption. In fiscal 2006, however, the consumption increased by 2.7% per net sales against the reduction target of 5% from the fiscal 2005 level at plants because of increased production of the fine ceramics application product group.

#### Water Consumption (Plant)



#### Water Consumption (Office)

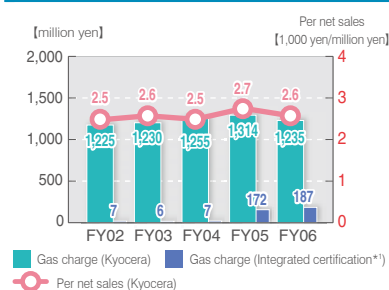


The office activities resulted in 25.2% increase per net sales against the target of 2.5% reduction from the fiscal 2005 level because a large office was newly established.

#### Reduction of Gas Expense

Since a reduction of gas consumption contributes to lower environmental impacts such as the reduction of chemical substances and energy required for producing gases, Kyocera has been continuing Activities for reduction of "Nitrogen," "Hydrogen" and "Argon" gas. In fiscal 2006, the expense was reduced by 2.8% per net sales against the target of 7.5% reduction from the fiscal 2005 level.

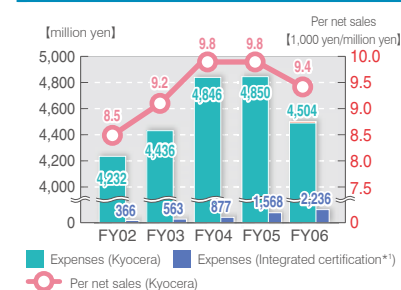
#### Gas Charge



#### Reduction of Travel Expense

Reducing the number of business trips contributes to saving the expenses as well as saving of many resources such as fuels used by public transportation, and electricity, water, detergents and towels used by accommodations. Under the circumstances, TV conference system has been introduced sequentially into all plants and main offices to reduce travel expense since fiscal 1992. Furthermore, the multi-media conference system is being introduced to enable for the conference with many places at once. In fiscal 2005, the activities resulted in 4.0% reduction per net sales against the reduction target of 2% from the fiscal 2005 level as a result of the occasions of business trips restricted.

#### Travel expenses



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**Office/plant information**

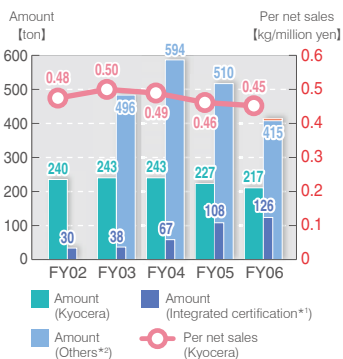
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# Green Factory

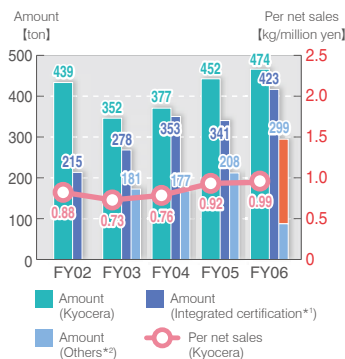
## Reduction of Paper Consumption

In addition to reduction for office paper, Kyocera has been working for reduction of paper used in the manufacturing process and also for reduction of paper discharged. Office paper reduction by electronic means, using paper already printed on one side for other side and reusing of production paper have been promoted. In fiscal 2006, the Kyocera activities resulted in 1.4% reduction per net sales against the target of 3% reduction from the fiscal 2005 level in terms of the amount of office paper purchased, as a result of minimizing conference materials and utilization of projector. The activities resulted in 8.3% increase (production paper purchased) and 26.4% increase (paper discharged) per net sales against the target of 3% reduction from the fiscal 2005 level as a result of our production increase and disposal of documents.

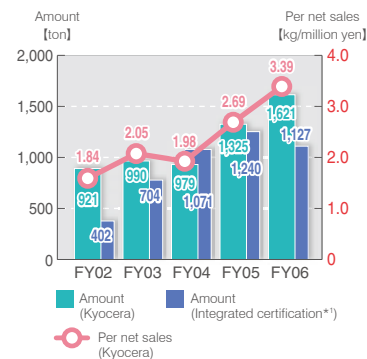
### Amount of Office Paper Purchased



### Amount of Production Paper Purchased



### Amount of Paper Discharged



## Packing Materials Improvement

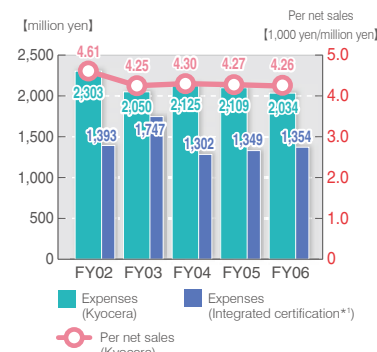
### Basic Policy for Packing Materials Improvement

1. Reduction of environmental impact related packing materials
2. Observance of purchased packing materials standard specified by the Green Procurement Standards
3. Reduction of use of specified items (vinyl chloride, styrene foam)

Kyocera created a basic policy for packing materials improvement and has been working toward improving the packing method, and adopting reusable packing container, etc positively.

In fiscal 2006, it was 0.3% reduction per net sales against the target of 3% reduction from the fiscal 2005 level, as a result of reviewing our packing method.

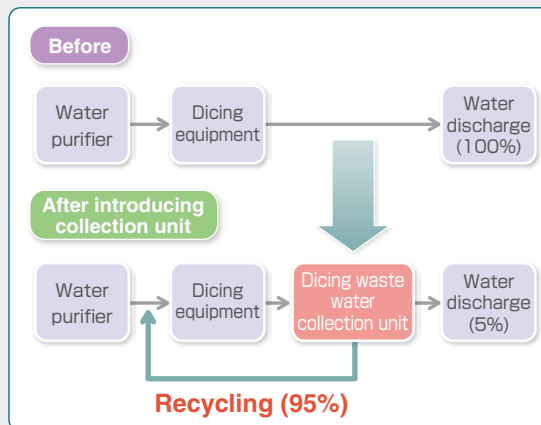
### Packing Material Cost



### Example of Saving Resources Activities

#### <Water Consumption Reduction Activity>

We use D.I. water for dicing operation at the Kagoshima Kokubu Plant. We have introduced water collecting unit for recycling. We could reduce our water consumption as the result.



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**Office Activities**

Kyocera Group is not only extending its efforts to insure environmental preservation at plants but also at offices, such as green purchasing for office appliances. In addition, the Kyocera Headquarters building itself is an ecologically sound building.

**Ecologically Sound Building**



Global environmental-friendly products exhibition corner

The construction concept of Kyocera Headquarters building completed in 1998 is to be "Environmentally Friendly and Coexistent with Local Community." The global environmental products exhibition corner is located at the second floor, where the solar power generation modules, ECOSYS printer, gas turbine ceramic components and others are displayed for the neighbors and other visitors.

**Green Purchasing**

Kyocera has been using the MRO\* internet purchasing system "@office" for purchasing office appliances. The top page of its website requests purchasers to cooperate for green purchasing.



"@office" top website

**Feature 1. Solar Power Generation System**

There are 504 solar panels on the roof and 1,392 solar panels on the southern wall face. It is the largest capacity solar power generation system installed on a vertical wall face of a tall building in the world. The total output is 214kW. The system allows us to reduce 96 ton CO<sup>2</sup>\* annually.

\* Calculated from fiscal 2006 result

**Feature 2. Natural Gas Cogeneration System**

Natural gas with low environmental impact is used as fuel for the system. Waste heat from the system is utilized very efficiently for the absorption refrigeration machine. About 50% of the currently used electricity is supplied by two units of 520kW power generators.

**Feature 3. Adoption of Ice Thermal Storage System**

Kyocera is using an ice thermal storage system for effective utilization of surplus power from electric power companies during the nighttime. With use of this system for air conditioners at the daytime peak, the difference in electric power consumption between daytime and nighttime is reduced.

**Various Environment Friendly Systems**

- 1. Peripheral ventilation system
- 2. Individual air conditioning systems
- 3. Adoption of inverters for air conditioner motors
- 4. Air volume adjustment system at air conditioner duct
- 5. Central air conditioning system
- 6. Reduction of wasteful lighting through subdivided system
- 7. High-efficiency inverter lighting
- 8. Measuring system of energy consumption level per floor
- 9. High-efficiency heat-reflective glass
- 10. Automatic operation of escalators
- 11. Utilization of groundwater and rainwater

The green purchasing ratios of notebooks, stationery, office appliances, personal computer and office equipment in fiscal 2006 were as follows. We added personal computer in the scope of our evaluation in fiscal 2006. We will continue executing green purchasing.

**Green purchasing results**

Item	FY2006	FY2005
Notebooks, stationery, office appliances	68%	68%
Office equipment	94%	61%

\* MRO: Maintenance, Repair and Operations  
Generic name of goods purchased by companies other than production materials such as office appliances, consumption articles parts and office furniture

# Kyocera Global Environment Contribution Award

We established the "Kyocera Global Environment Contribution Award" in 1996 for encouraging our environmental preservation activities. The award is to commend the activities which have made a great contribution to the global environment with original and epoch-making ideas during our environmental preservation activities every year.

## 10<sup>th</sup> Award in 2006

**Grand Award** "Resources Conservation" Category

### Reduction of Raw Materials on "KPR Series" Thermal Printheads for Digital Photo Printers

Kyocera has developed KPR series thermal printheads for the rapidly growing digital photo printer market. The new products largely contribute to environmental impact reduction at the manufacturing stage, especially raw material consumption, with following features.

#### Features

**1. Seventeen percent smaller than conventional models, backed by high-density patterning technology**

Improvement in the accuracy of photo-resist coating and light exposure with the use of Kyocera's exclusive high-density patterning has made it possible to create the thermal printhead substrates that are 17% smaller than those of conventional thermal printheads. An anisotropic conductive film (ACF) is then used to connect the ceramic substrate with the external circuit, thus contributing to size reduction of the thermal printheads footprint.

**2. Improved positioning accuracy of the heater elements to enhance printing quality and to reduce the time for the assembly process by printer manufacturers**

Kyocera, taking advantage of its vertical integration strength, uses in-house ceramic substrate to improve the positioning accuracy of heater elements by approximately 60% over that of conventional models. The result is enhanced printing quality and a substantial reduction in the time required for the assembly process by printer manufacturers.

**3. Improved productivity to respond to a rapid boost in production**

To satisfy the needs of digital photo printer manufacturers to rapidly increase their production, Kyocera has reduced its thin film processing time thus increasing productivity by 20%.



**Excellent Award** "Energy Saving" Category

### Energy Saving through Introduction of New RIE System

In the solar energy group, the system power consumption was reduced by 54% compared with the past as a result of introduction of new RIE\* system of electricity and space saving type.

\* RIE stands for Reactive Ion Etching.

**Excellent Award** "Chemical Substance Reduction" Category

### Chemical Substance Reduction through Introduction of New Equipment

The thermal components division succeeded to reduce chemical substances consumption drastically by improving their manufacturing method and effective use of the substances as a result of joint development of new equipment with the process technology center.

**Excellent Award** "Packing Materials Reduction" Category

### Cushioning Material Removed by Changing Packing Case Style

It becomes possible to stop using cushioning material and use the packing case repeatedly, as a result of changing the case materials and shape.

Packing condition: Styrene foam box

Packing condition: PP tray



Removed top cover  
(Black sponge sheet)

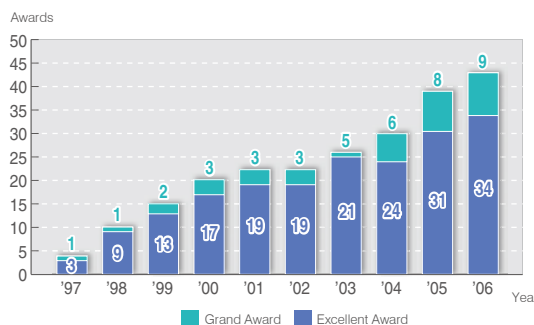


Size reduction



- Can be piled up and returned to Kyocera after products are used by customer.
- Can be used repetitively until the case is broken.

#### Accumulated No. of Kyocera Global Environment Contribution Awards



# Kyocera Perfect 5S Promotion Activities

Perfect “5S” (SEIRI - tidiness, SEITON - orderliness, SEISO - cleanliness, SEIKETSU - standards and SHITSUKE - discipline) are the fundamentals of production activities. A clean and comfortable working environment improvement forms the basis to improve product quality and also enhance the operating rate of manufacturing equipment resulting in improved production efficiency. Furthermore, the morale is raised, so that labor accidents and accidents such as fire and explosion can be prevented.

Kyocera started the “Kyocera Perfect 5S Promotion Activity” in October, 2005 and expanded it to the group companies in Japan in April, 2006. We have been promoting the activities positively since then.

## ■ About “Perfect 5S”

Kyocera has long been promoting the “5S” activities. Since May 1996, we have started “Promotion Activity for Establishing Comfortable Working Environment.” We made “5S Management Standard,” “Machinery Maintenance Standard” and “Facility Maintenance Standard” as well as establishing the organization for its promotion at each plant/office.



Model Workplace for Perfect 5S (Kagoshima Hayato Plant)

This time, Kyocera newly started the “Kyocera Perfect 5S Promotion Activity” aiming at perfect 5S by expanding our activities further more.

The objectives of “Kyocera Perfect 5S Promotion Activity” are to produce facilities adequate for “The Company,” reform the consciousness and raise the awareness of each employee, improve product quality, improve production efficiency, improve capacity utilization ratio of production facility, and establish clean and comfortable workplace.

## ■ Major Activities of “Perfect 5S”

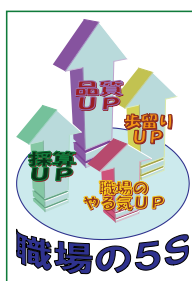
### Promotion Organization

The company-wide promotion organization is established. Under the organization, the president assumes the leadership, 5S planning group is newly established at the head office, and office/plant managers control the organization at each office/plant.

The Perfect 5S Committees are also established at the head office and each office/plant to implement the activity policies and action plans, conduct 5S audits, evaluate the audit results and provide guidance for improvement.

### Enlightenment Activities

In order to improve the awareness of the “Kyocera Perfect 5S Promotion Activities” posters were collected from the employees. Grand Award (1 poster) and Excellent Awards (5 posters) are selected from them and put up at each office/plant.



Grand Award poster

### 5S Audit

Plant/office internal audits are conducted by the Perfect 5S Committee members 4 times a year to evaluate the status of 5S activities and provide guidance for improvement.

President’s Prize is awarded to members of the excellent work place annually. Office/Plant Prize is also awarded to the excellent group at each office/plant annually and also at every audit.

### 5S Education

5S education is provided to all employees for better understanding of principle and definitions of “Perfect 5S,” and its relation with production activities. The education is provided about the bases of 5S, as well as the importance of acquiring high sensitivity.

#### 5S Education Participants (fiscal 2006)

Education	Total participants (persons)
Managers and supervisors I to III	7,079
General employees I to II	11,648
Part-time workers I to II	1,541
Total	20,268



5S education to part-time workers

### Production Facility Adequate for “The Company”

Kyocera Group intends to develop its production facilities from the 5S point of view based on the concept “Facilities shall continuously be kept in brand-new state” and realize production facility adequate for “The Company.”

# History

## 1959



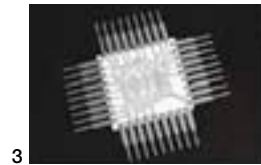
- Apr. 1959 ● With capital of 3 million yen and 28 staff members, Kyoto Ceramic Co., Ltd. is founded as a company specializing in fine ceramics. The company's facilities include a headquarters and a factory. (Photo 1)

## 1960's



- Apr. 1960 ● Kyocera Tokyo office is opened.
- May 1963 ● Shiga Plant (now Shiga Gamo Plant) is established. (Photo 2)
- Mar. 1968 ● Kyocera receives the first annual Medium and Small Business Research Institute Award.
- Aug. 1968 ● A representative office is opened in California, U.S.A.
- Jul. 1969 ● Kagoshima Plant (now Kagoshima Sendai Plant) is established.
- The representative office in California, U.S.A. is reorganized as the American sales company, KYOCERA International, Inc.

## 1970's



- Jan. 1971 ● Feldmühle KYOCERA Europa Elektronische Bauelemente GmbH (now KYOCERA Fineceramics GmbH) is established in cooperation with Feldmühle AG in Germany.
- Mar. 1971 ● KYOCERA International, Inc., begins production of fine ceramic parts in the United States.
- Oct. 1971 ● Kyocera stock is listed on the Osaka Stock Exchange's, Second Section, and on the Kyoto Securities Exchange.
- Mar. 1972 ● Kyocera receives the 18th Okochi Memorial Grand Production Prize for the development of multi-layered ceramic packages for large-scale integrated circuits. (Photo 3)
- Jul. 1972 ● Headquarters is relocated to Yamashina, Kyoto.
- Sep. 1972 ● Kyocera stock is listed on the Tokyo Stock Exchange's, Second Section.
- Oct. 1972 ● Kagoshima Kokubu Plant is established.
- Feb. 1974 ● Kyocera stock is listed on the First Sections of both the Tokyo and Osaka Stock Exchanges.
- Apr. 1974 ● Kyocera receives the 16<sup>th</sup> Commendation by the Minister of State for Science and Technology for the development of ceramic lamination technology for electronic circuits.
- Jul. 1975 ● KYOCERA International, Inc. relocates its headquarters and plant to San Diego, California, U.S.A.
- Feb. 1976 ● Kyocera's new shares of common stock, in the form of American Depository Receipts (ADRs), are issued for sale in the United States.
- Jul. 1976 ● The Children's Travel Program begins.
- Dec. 1977 ● KYOCERA (Hong Kong) Ltd. (now KYOCERA Asia Pacific Pte. Ltd.) begins business in Hong Kong.
- Jan. 1979 ● KYOCERA Feldmuehle, Inc. is established in North Carolina, U.S.A. as a joint venture with Feldmühle AG.
- Sep. 1979 ● Kyocera invests capital in Cybernet Electroics Corp.
- Oct. 1979 ● Central Research Laboratory is opened in Kokubu, Kagoshima.
- Dec. 1979 ● Kagoshima Electronics Co., Ltd., is established.

## 1980's



- May 1980 ● Kyocera stock is listed on the New York Stock Exchange. New shares of common stock in the form of ADRs are issued in the United States for the second time.
- Aug. 1980 ● Shiga Yohkaichi Plant is established.
- Mar. 1981 ● KYOCERA Business Machines Co., Ltd., is established.
- Oct. 1982 ● Four affiliates, including Cybernet Electronics Corporation, merge with Kyoto Ceramic Co., Ltd. to form KYOCERA Corporation.
- Apr. 1983 ● KYOCERA Business Machines Co., Ltd. merges with the Domestic Sales Division of Kyocera to become KYOCERA Electronics Co., Ltd. (It later merges with the present-day KYOCERA Communication Systems Co., Ltd.)
- Kagoshima Electronics Co., Ltd., merges with Kyocera to become Kagoshima Hayato Plant.
- Oct. 1983 ● Yashica Co., Ltd. merges with Kyocera.
- Apr. 1984 ● Inamori Foundation is established.
- Tokyo Central Research Laboratory (now Tokyo Yoga Office) is established.
- Jan. 1984 ● Kyocera establishes Daini-Denden Kikaku Co., Ltd. (later DDI Corp.) in cooperation with 24 companies, including Ushio Inc., SECOM Co., Ltd., Sony Corporation and Mitsubishi Corporation. (Photo 4)

- Aug. 1984 ● Solar Energy Center (now Chiba Sakura Office) is established in Sakura, Chiba.
- May 1986 ● KYOCERA Electronics Europe GmbH (now KYOCERA MITA Deutschland GmbH) is established in Germany.
- Jul. 1986 ● LSI Design Center is established inside Tokyo Yoga Office.
- Jan. 1987 ● KYOCERA America, Inc., and KYOCERA Electronics, Inc., are established in California and New Jersey, U.S.A., respectively.
- Jun. 1987 ● KYOCERA Finance Co., Ltd. (now KYOCERA Leasing Co., Ltd.) is established in cooperation with Sanwa Bank Ltd., Bank of Kyoto Ltd. and Daiwa Securities Co., Ltd.
- Sep. 1987 ● KYOCERA Mexicana, S.A. de C.V., is established in Mexico.
- Sep. 1988 ● KYOCERA Europe GmbH, is established in Germany as the European headquarters.
- Aug. 1989 ● Elco Group joins the Kyocera group.

## 1990's



- Jan. 1990 ● AVX Group becomes part of the Kyocera Group. (Photo 5)
- Apr. 1990 ● KYOCERA Industrial Ceramics Corporation is established in Washington, U.S.A.
- Apr. 1991 ● KYOCERA Feldmuehle, Inc. becomes a wholly owned subsidiary of Kyocera and is reorganized as KYOCERA Engineered Ceramics, Inc. (It later unites with KYOCERA Industrial Ceramics Corp.)
- Oct. 1991 ● Kyocera Environmental Charter is adopted.
- Sep. 1992 ● Kyocera's Advanced Ceramics Technology Center is established in Washington, U.S.A.
- Jan. 1994 ● Kyoto Purple Sanga Co., Ltd. is established in cooperation with 20 companies including Kyocera and Nintendo Co., Ltd.
- Mar. 1995 ● Kyocera R&D Center, Yokohama is established and the Tokyo Central Research Laboratory is relocated.
- Aug. 1995 ● Kyocera R&D Center, Keihanna is established in Kyoto.
- Sep. 1995 ● KYOCERA Communication Systems Co., Ltd., is established.
- Hotel Kyocera Opens in Kagoshima.
- Dec. 1995 ● Shanghai KYOCERA Electronics Co., Ltd., is established in China.
- Jul. 1996 ● Dongguan Shilong KYOCERA Optics Co., Ltd. is established in China.
- Sep. 1996 ● KYOCERA Solar Corporation is established.
- Aug. 1998 ● New headquarters building is completed in Fushimi, Kyoto with environmentally friendly features such as a solar power-generating system.
- Kyocera invests capital in Kinseki, Ltd. (now KYOCERA KINSEKI Corp.)
- Aug. 1999 ● KYOCERA Solar, Inc. is established in Arizona, U.S.A.

## 2000's



- Jan. 2000 ● Mita Corporation is reorganized to become KYOCERA MITA Corporation.
- Feb. 2000 ● KYOCERA Wireless Corp. is established in California, U.S.A.
- Oct. 2000 ● DDI Corporation, KDD Corporation and IDO Corporation merge to form DDI Corporation (now KDDI Corporation). (Photo 6)
- Jan. 2001 ● Tycom Corp. (now KYOCERA TYCOM Corp.) joins the Kyocera Group.
- May 2001 ● Kyocera Group sales for the team ending March 2001 break the one trillion yen mark.
- Dec. 2001 ● KYOCERA ZHENHUA Communication Equipment Co., Ltd. is established in China.
- Apr. 2002 ● Printer operations are merged with KYOCERA MITA Corp.
- Aug. 2002 ● Toshiba Chemical Corp. is reorganized to become KYOCERA Chemical Corp.
- Jan. 2003 ● KYOCERA (Tianjin) Sales & Trading Corp. is established in China.
- May 2003 ● KYOCERA (Tianjin) Solar Energy Co., Ltd. is established in China.
- Jun. 2003 ● Executive Officer system is implemented.
- Aug. 2003 ● Kinseki, Ltd. (now KYOCERA KINSEKI Corp.) becomes a wholly owned subsidiary of KYOCERA Corp.
- KYOCERA SLC Technologies Corp. is established.
- Dec. 2003 ● KYOCERA Display Institute Co., Ltd. is established.
- Jan. 2004 ● KYOCERA Telecommunications Research Corp. is established in California, U.S.A.
- KYOCERA Electronic Devices, LLC is established in the United States.
- Feb. 2004 ● Hotel Princess Kyoto joins the Kyocera Group.
- Apr. 2004 ● Kinseki, Ltd. is reorganized to become KYOCERA KINSEKI Corp.
- Kyocera's organic-material components businesses are merged with KYOCERA SLC Technologies Corp.
- KYOCERA Solar, Inc. launches a plant in Mexico.
- Aug. 2004 ● KYOCERA SLC Components Corp. is established.
- Sep. 2004 ● Japan Medical Materials Corp. is established.
- Oct. 2004 ● KYOCERA Maruzen Systems Integration Co., Ltd. is established.
- KYOCERA Solar Europe s.r.o. is established in the Czech Republic.
- Apr. 2005 ● Kyocera's domestic solar sales business is integrated into KYOCERA Solar Corp.
- KYOCERA Solar Europe s.r.o. opens a manufacturing plant in the Czech Republic.
- KYOCERA SLC Components Corp. opens a new plant in Ayabe, Japan.
- Kyocera acquires land, buildings and other property from IBM Japan, Ltd. for the Yasu office (Yasu, Shiga).
- Jun. 2005
- Oct. 2005 ● Kyocera acquires OHSAS18001 certification, an international standard for Occupational Health and Safety Management Systems.

# History of Environmental Activities

Major Domestic and Overseas Environmental Movements	Year	Kyocera Environmental Activities
	1984	43kW solar power generating system installed at Chiba Sakura Plant (Currently Chiba Sakura Office)
Vienna Convention for the Protection of the Ozone Layer adopted	1985	Environment Division established
Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal adopted	1989	CFC regulations started
	1990	Kyocera Green Committee (KGGC) established
Law Promoting the Use of Recycled Raw Materials (Recycling Law) enacted	1991	Kyocera Environmental Charter established, environmental officer assigned Papers recycling started Kyocera Group Green Committee (KGGC) established
United Nations Framework Convention on Climate Change (UNFCCC) adopted United Nations Conference on Environment and Development (The Earth Summit) held	1992	First environmental protection promotion plan started, "Kyocera Environmental Management Standard" established Specified CFC and others completely eliminated Kyocera Eco Product Label established World's first non-cartridge type LBP "FS-1500" ECOSYS released
The Basic Environment Law enacted	1993	ECOSYS printers authorized as the first Eco mark product in OA equipment
Effectuation of United Nations Framework Convention on Climate Change (UNFCCC)	1994	Methyl bromide and trichloroethylene completely eliminated
Containers and Package Recycling Law enacted	1995	Tetrachloroethylene and HCFC-141b completely eliminated
Environmental Management System, International Organization for Standardization ISO 14001 issued	1996	Second environmental protection promotion plan started, Kyocera Global Environment Contribution Award established First ISO 14001 certified at Mie Plant (Currently Mie Ise Plant, KYOCERA MITA Tamaki Plant)
3 <sup>rd</sup> Framework Convention on Climate Change (COP3) held	1997	ISO 14001 certified (9 plants)
Designated Household Appliance Recycling Law (The Household Appliances Recycling Law) enacted	1998	Green procurement started Ecologically sound Headquarters building completed (214kW solar power generating system installed)
Revised Energy Saving Law enforced PRTR Law enacted Law Concerning Special Measures against Dioxins enacted	1999	ISO 14001 integrated certification obtained at 6 non-manufacturing sites Third environmental protection promotion plan started ISO 14001 integrated certification obtained at company-wide 42 sites Global Environment Award (Fujisankei Group Prize) received Substitute CFCs completely eliminated
Basic Law for Establishing a Recycling-Based Society enacted Law on Promoting Green Purchasing enacted	2000	ISO 14001 integrated certification obtained including the Kyocera Group companies (Expansion of certification scope) Environmental Report released on the website
Law Concerning the Recovery and Destruction of Fluorocarbons enacted	2001	Manifested the support to e-mission55 which agrees on enactment of the Kyoto Protocol
Ratification of Kyoto Protocol by Japan Soil Pollution Prevention Law enacted	2002	Fourth environmental protection promotion plan started
Law of Environmental Preservation Activities and Promotion of Environmental Education enacted	2003	Kagoshima Kokubu Plant awarded with the first Japan Sustainable Management Award (Excellent Environmental Management Award) Sustainability Report released Introduction of KGEMS started
ISO14001: 2004 issued	2004	Kyocera Mita Tamaki Plant awarded with the second Japan Sustainable Management Award (Excellent Environmental Management Award) Energy Saving Promotion Office and Environmental-friendly Products Promotion Section established Sustainability Report released Sustainability Report Meeting held
Effectuation of the Kyoto Protocol	2005	5 <sup>th</sup> environmental protection promotion plan started Total 440kW of solar power generation systems installed at Mie Ise plant, Shiga Yohkaichi Plant, Kagoshima Kokubu Plant and Kagoshima Hayato Plant Sustainability Report reading meeting held

# ISO 9001 Certification Status

(As of July 2005)

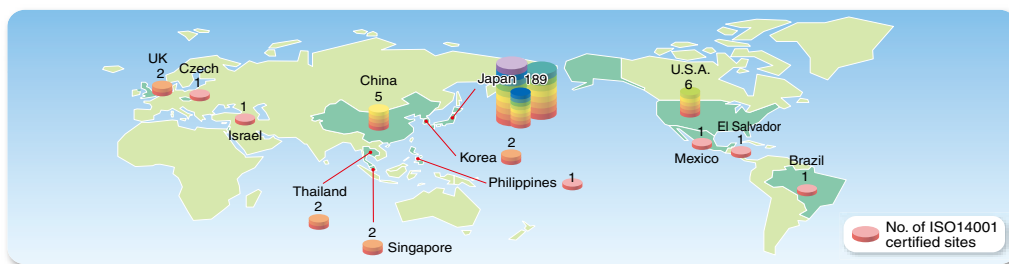
Standard	Certification method	Country	Company	Date of registration
ISO 9001	Integrated certification (Registration No.: JMI0036)	Japan	KYOCERA Corporation	Jul. '04
			KYOCERA OPTEC Co., Ltd.	
			KYOCERA MITA Corporation	
			KYOCERA Solar Corporation	
			KYOCERA SLC Technologies Corporation	
			KYOCERA KINSEKI Corporation Shiga Yohkaichi Office / Nagano Okaya Office / Kagoshima Kokubu Office / Quality Assurance Center	
	Individual certification	Japan	KYOCERA Communication Systems Co., Ltd. (2 divisions)	Sep. '04
			KYOCERA ELCO Corporation	Dec. '94
			KYOCERA Chemical Corporation	Dec. '02
			KYOCERA KINSEKI Hokkaido Corp.	Mar. '98
		China	Shanghai KYOCERA Electronics Co., Ltd.	Dec. '98
			Dongguan Shilong KYOCERA Optics Co., Ltd.	Feb. '03
			KYOCERA ZHENHUA Communication Equipment Co., Ltd.	May '03
			KYOCERA (Tianjin) Solar Energy Co., Ltd.	Jul. '04
		Hong Kong	KYOCERA ELCO Hong Kong Ltd.	Mar. '04
		Korea	KYOCERA Precision Tools Korea Co., Ltd.	Feb. '04
			KYOCERA ELCO Korea Co., Ltd.	Apr. '98
		Singapore	KYOCERA ELCO Singapore Pte. Ltd.	Oct. '04
			KYOCERA Chemical Singapore Pte. Ltd.	Mar. '03
		Thailand	KYOCERA Chemical (Thailand) Ltd.	Feb. '02
		Czech Republic	KYOCERA Solar Europe s.r.o.	Jul. '05
		Mexico	KYOCERA Mexicana, S.A. de C.V.	Jun. '05
		U.S.A.	KYOCERA America, Inc.	Apr. '94
			KYOCERA Wireless Corp.	Aug. '00
			KYOCERA TYCOM Corp.	Aug. '96
			KYOCERA Industrial Ceramics Corp.	Apr. '95
	KYOCERA Telecommunications Research Corp.		Aug. '00	
AVX Corporation	'92			
ISO/TS 16949 (Automotive components)	Individual certification	Japan	KYOCERA KINSEKI Yamagata Corporation	May '03
		Thailand	KYOCERA KINSEKI (Thailand) Co., Ltd.	Sep. '03
		Philippines	KYOCERA KINSEKI Philippines, Inc.	Mar. '04
ISO 13485 (Medical products)	Individual certification	Japan	Japan Medical Materials Corporation	May '05



# ISO 14001 Certification Status

## Kyocera Group Integrated Environmental Management System (189 Sites) (As of March 2006)

Region	Company	Office/Plant				
Japan	KYOCERA Corporation	Hokkaido Kitami Plant	Osaka Tamatsukuri Office	Tokyo Harajuku Office	Hiroshima Sales Office	
		Fukushima Tanakura Plant	Kagoshima Sendai Plant	Tokyo Harajuku Office Kawaguchi Distribution	Takamatsu Sales Office	
		Tokyo Yoga Office	Kagoshima Kokubu Plant	Komae Sales Office	Kyushu Sales Office	
		Yokohama Office	R&D Center, Kagoshima	Atsugi Sales Office	Okinawa Sales Office	
		Nagano Okaya Plant	Kagoshima Hayato Plant	Kanazawa Sales Office	Kyocera Contax Salon Tokyo	
		Mie Ise Plant	Sapporo Sales Office	Matsumoto Sales Office	CV Ginza Store	
		Shiga Gamo Plant	Tohoku Sales Office	Hamamatsu Sales Office	CV Kyoto Kawaramachi Store	
		Shiga Yohkaichi Plant	Takasaki Sales Office	Yamanashi Sales Office	CV Osaka Umeda Store	
		Kyoto Headquarters	Utsunomiya Sales Office	Nagoya Sales Office	CV Kobe Sannomiya Store	
		Kyocera Management Research Institute	Omiya Sales Office	Mikawa Sales Office	CV Hiroshima Store	
		Kyocera Keiaikan	Chiba Sakura Office	Osaka Sales Office	Lil Lili Ginza Store	
		Kyoto Fushimi Office	Tachikawa Sales Office	Nishi-akashi Sales Office		
		R&D Center, Keihanna	Tokyo Yaesu Office	Okayama Sales Office		
		KYOCERA ELCO Corporation	Head Office	Ikebe Warehouse	Ikebe No.2 Warehouse	Okaya Office
			Osaka Sales Office	Nagoya Sales Office	Omiya Sales Office	
		KYOCERA OPTEC Co., Ltd.	Head Office	Chigase Plant	Tokyo Sales Office	
		KYOCERA MITA Corporation	Head Office	Hirakata Plant	Tamaki Plant	Yoga Office
		DAIKEN Company Limited	Head Office			
		KYOCERA MITA Japan Corporation	Head Office	Sapporo Office	Sendai Office	Omiya Office
			Yokohama Office	Nagoya Office	Osaka Office	
	KYOCERA Chemical Corporation	Kobe Office	Hiroshima Office	Fukuoka Office	Branches: 80 sites	
		Head Office	Kansai Branch Office	Kyushu Branch Office	Kawaguchi Plant	
	KYOCERA KINSEKI Corporation	Kawasaki Plant	Koriyama Plant	Maoka Plant		
		Head Office	Nagano Okaya Office	Shiga Yohkaichi Office	Kagoshima Kokubu Office	
	KYOCERA KINSEKI Hokkaido Corporation	Head Office	Hokkaido Ebetsu Plant			
	KYOCERA KINSEKI Yamagata Corporation	Head Office				
	KYOCERA KINSEKI Chiba Corp.	Head Office				
	KYOCERA SLC Technologies Corporation	Head Office	Higashi-nihon Sales Office	Shiga Yasu Plant	Kagoshima Sendai Office	
		Kagoshima Kokubu Office				
	KYOCERA Display Institute Co., Ltd.	Head Office	Yamato Office			
	Japan Medical Materials Corporation	Head Office	Research Center	Kobe Plant	Sapporo Sales Office	
		Tohoku Sales Office	Omiya Sales Office	Tokyo Office	Nagoya Sales Office	
		Kyoto Sales Office	Okayama Sales Office	Hiroshima Sales Office	Kyushu Sales Office	



## Individual Certification (25 Sites) (as of March 2006)

Region	Country	Company	Office/plant	Date of registration
Asia	China	Shanghai KYOCERA Electronics Co., Ltd.	Shanghai	Jul. '00
		Dongguan Shilong KYOCERA Optics Co., Ltd.	Shilong	Dec. '00
		KYOCERA MITA Office Equipment (Dongguan) Co., Ltd.	Shilong	Oct. '01
		KYOCERA Chemical (Wuxi) Co., Ltd.	Wuxi	Apr. '01
		KYOCERA MITA Industrial Co., (H.K.) Ltd.	Hong Kong	Nov. '00
	Singapore	KYOCERA ELCO Singapore Pte. Ltd.	Singapore	Sep. '01
		KYOCERA Chemical Singapore Pte. Ltd.	Singapore	Jun. '99
	Korea	KYOCERA ELCO Korea Co., Ltd.	Seoul	Sep. '99
		KYOCERA Precision Tools Korea Co., Ltd.	Incheon	Feb. '04
	Thailand	KYOCERA Chemical (Thailand) Ltd.	Ayutthaya	May '05
KYOCERA KINSEKI (Thailand) Co., Ltd.		Lamphun	Dec. '99	
Philippines	KYOCERA KINSEKI Philippines, Inc.	Naga	Jun. '03	
North America	U.S.A.	KYOCERA America, Inc.	San Diego	Aug. '97
		KYOCERA Industrial Ceramics Corp.	Vancouver	Apr. '98
		KYOCERA Wireless Corp.	Mountain Home	Dec. '98
		KYOCERA TYCOM Corp.	San Diego	Nov. '00
		KYOCERA MITA South Carolina, Inc.	Irvine	Nov. '05
Central and South America	Mexico	KYOCERA Mexicana, S.A. de C.V.	South Carolina	Jun. '02
	El Salvador	AVX Industries Pte, Ltd.	Tijuana	Sep. '98
	Brazil	KYOCERA YASHICA do Brasil Indústria e Comércio Ltda.	San Salvador	Jun. '05
Europe	UK	AVX Ltd.	Sorocaba	Sep. '00
		AVX Czech Republic s.r.o.	Paignton	Jun. '00
	Czech Republic	AVX Czech Republic s.r.o.	Coleraine	Aug. '00
		AVX Israel Ltd.	Lanskrone	Sep. '04
Israel	AVX Israel Ltd.	Jerusalem	May '03	

ISO 14001 Certification Status

# Glossary

## Stakeholders

P.2

Stakeholders mean interested parties. This does not only cover customers and shareholders with monetary interest but also all persons concerned about the execution of corporate activities (regional residents, government and municipal offices, research institutions, banking facilities, suppliers and employees).

## CSR

(Corporate Social Responsibility) P.2

This is based on the concept that a company is a social existence which should not only act for profit of or seek after economic rationality of the own company but also take the total interest of the stakeholders into considerations. To describe furthermore, a company should also be responsible for social aspects such as legal compliance, environmental preservation, protection of human rights and consumer protection.

## Corporate Governance

P.14

This system is to insure sound management of a company. The main objectives are prevention of adverse effects arising from concentration of authorities to management, prevention of organization-wide illegal actions through monitoring of correct direction of business activities to materialize corporate rationale.

## Compliance

P.15

This was understood as "strict observance of laws," but the original meaning is "to strictly observe ... and comply with." In Japan, "Compliance" came to mean not only strict observance of laws and regulations but also social norms including rules, ethics and morality of own company.

## Work-to-Life Balance

P.30

This means a corporate system to support employees to cope with both worth while job and fulfilling life. The system does not only apply to working mothers but all employees.

## Risk Assessment

P.36

OHSAS 18001 defines risk assessment as "the overall process of estimating the magnitude of risk and deciding whether or not the risk is tolerable."

## Japanese Association of Assurance Organization for Environmental Information (J-AOEI)

P.44

This association was established to provide the guideline for assuring environmental report, insure impartiality, transparency, independency and reliability of the assurance and materialize the efficient and effective assurance. The report that meets the criteria as the result of verification conducted by the assurance body certified by the association is given the J-AOEI marking. For further details, refer to [www.j-aoei.org/](http://www.j-aoei.org/).

## Environmental Accounting

P.50

For company's efficient and effective promotion of activities for environmental preservation while keeping good relationships with the society to attain sustainable development, the environmental accounting is the system to recognize the cost spent for environmental preservation in business activities as well as the benefits from it, measure and report the cost and benefit quantitatively (indicated at the monetary unit or physical unit) as much as possible.

## Green Procurement

P.63

Out of green purchasing implemented by companies and others, green procurement means purchasing of raw materials, components and others materials used for products.

## VOC

P.68

VOC stands for "Volatile Organic Compounds" easily vaporize at normal temperature under normal pressure. It is heavier than that of water in the specific gravity, low in viscosity and often persistent. Accordingly, it permeates into stratum layer particles to contaminate soils and groundwater. When it is emitted into the atmosphere, it is considered to generate oxidants or SPM (suspended particulate matter) through photochemical reaction.

## Modal Shift

P.72

This means shift of major cargo distribution from trucks to a mass transportation with less environmental impacts such as railways or coastal shipping.

## Green Purchasing

P.75

This means to select products and services with lower environmental impact as much as possible when it is necessary to purchase anything after well consideration of necessity of purchasing itself.

Source: Environmental White Paper, Environmental Information and Communication Network, and CSR Board of Japan (CSR-BJ)

# Third Party Verification

Kyocera has asked ChuoAoyama Sustainability Certification Co., Ltd. to conduct independent assurance to ensure reliability of the Report.

## Independent Assurance Report

To: Mr. Makoto Kawamura, President  
KYOCERA Corporation



This is a translation of the independent assurance report of the Japanese version of the Kyocera Sustainability Report 2006.

June 29, 2006

### Objectives and Scope

We, ChuoAoyama Sustainability Certification Co., Ltd., were commissioned by KYOCERA Corporation (hereafter "the Company") to review the Kyocera Sustainability Report 2006 (hereafter "the Report"), and to express our opinion as to:

1. Whether the social and environmental information included in the Report was compiled and reported in accordance with the Company procedures and consistent with the supporting documents; and
2. Whether the Report is presented in conformity with the "Criteria for Environmental Information Certification and Registration" (hereafter "Criteria for Certification and Registration"), established in September 2005 by the Japanese Association of Assurance Organizations for Environmental Information (hereafter "the J-AOEI").

The Company is responsible for the preparation of the Report. Our responsibility is limited to expressing an independent opinion on the Report.

It should be noted that as this is our fourth year of performing such a review, our scope of assurance does not include data and information from before the fiscal year 2001. Also, with regard to quantitative information, our review provides assurance related only to the Company and domestic subsidiaries.

### Assurance Standards

We conducted our review based on the following standards:

- Assurance Standards for Environmental Reporting (Draft) (Established in March 2004 by the Ministry of the Environment of Japan)
- Practical Guidelines for Reviewing Environmental Information (Established in August 2005 by the J-AOEI)

We have also referred to emerging practices and the following guidance:

- Assurance Engagements other than Audits or Reviews of Historical Financial Information (Revised in December 2003 by the International Federation of Accountants)
- Environmental Report Assurance Engagements Guidelines (Interim Report) (Revised in December 2003 by the Japanese Institute of Certified Public Accountants)

### Summary of Procedures Performed

We conducted the following review procedures at two sites, including the headquarters:

#### I. At the headquarters

1. We obtained an understanding and assessed the organizational conditions, overall operations, and data items collected for corporate reporting to review the environmental management of the Company;
2. We obtained an understanding of the compilation methods used by the Company, and assessed when and how each data set was compiled and reported; and
3. We tested data sampled from the Report to assess the consistency with and among supporting documents.

Our review procedures included interviews with the corporate management and personnel in charge of preparing the Report, data analysis, inspection of relevant documents, and reconciliation of sampled data to supporting documents.

#### II. At the Shiga Gamo plant

1. We obtained an understanding and assessed the organizational conditions, overall operations, and data items collected for corporate reporting to review the environmental management of the site;
2. We obtained an understanding of the compilation methods used by the site, and assessed when and how each data set was compiled and reported; and
3. We compared performance data, sampled from the documents submitted from the site for the preparation of the Report, with the supporting documents, to assess the consistency with and among supporting documents.

Our review procedures included interviews with the site management and personnel in charge of environmental activities, data analysis, inspection of relevant documents, and reconciliation of sampled data to supporting documents.

### Our Opinion

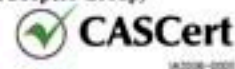
On the basis of the above work, we have reached the following opinion:

1. Nothing has come to our attention that causes us to believe the social and environmental information included in the Report was not compiled and reported in accordance with the Company procedures or inconsistent with the supporting documents, in all material respects; and
2. Nothing has come to our attention that causes us to believe the Report is not presented in conformity with the Criteria for Certification and Registration, in all material respects.

### Independence

We observe the Certified Public Accountants Law (Japan), the Ethical Guidelines of the Japanese Institute of Certified Public Accountants, and the Independent Policies of ChuoAoyama PricewaterhouseCoopers and PricewaterhouseCoopers. Furthermore, we have no interest in the Company which is required to be disclosed pursuant to the provisions of the J-AOEI.

**ChuoAoyama Sustainability Certification Co., Ltd.**  
(ChuoAoyama PricewaterhouseCoopers Group)



(Note) The Criteria for Certification and Registration requires a certain credibility of the environmental information included in environmental reports to mark the Environmental Information Certification and Registration symbol. The term "certain credibility of the environmental information" used here requires:

1. Material environmental information required by the Criteria for Certification and Registration is thoroughly covered in environmental reports; and
  2. Information on environmental burden derived from business activities is presented in conformity with the Criteria for Certification and Registration and has a certain level of accuracy.
- For details, please see the J-AOEI's website (<http://www.j-aoei.org/>).



KYOCERA Corporation



The brochure is printed in soy ink on recycled paper.  
All information in this brochure has been revised up to October, 2006