

# **Kyocera Corporation Financial Presentation**

## **(Year Ended March 31, 2008)**

**April 2008**

**Makoto Kawamura**

**President and Representative Director**

# Today's Presentation

## 1. Consolidated Financial Results (Year ended March 31, 2008)

## 2. Consolidated Financial Forecast and Measures (Year ending March 31, 2009)

**Makoto Kawamura**  
President and Representative Director

## 3. Measures in Telecommunication Equipment Business

**Yasuyuki Yamamoto**  
Deputy General Manager  
Corporate Communication Equipment Group

# Forward-Looking Statements

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

# Consolidated Financial Results

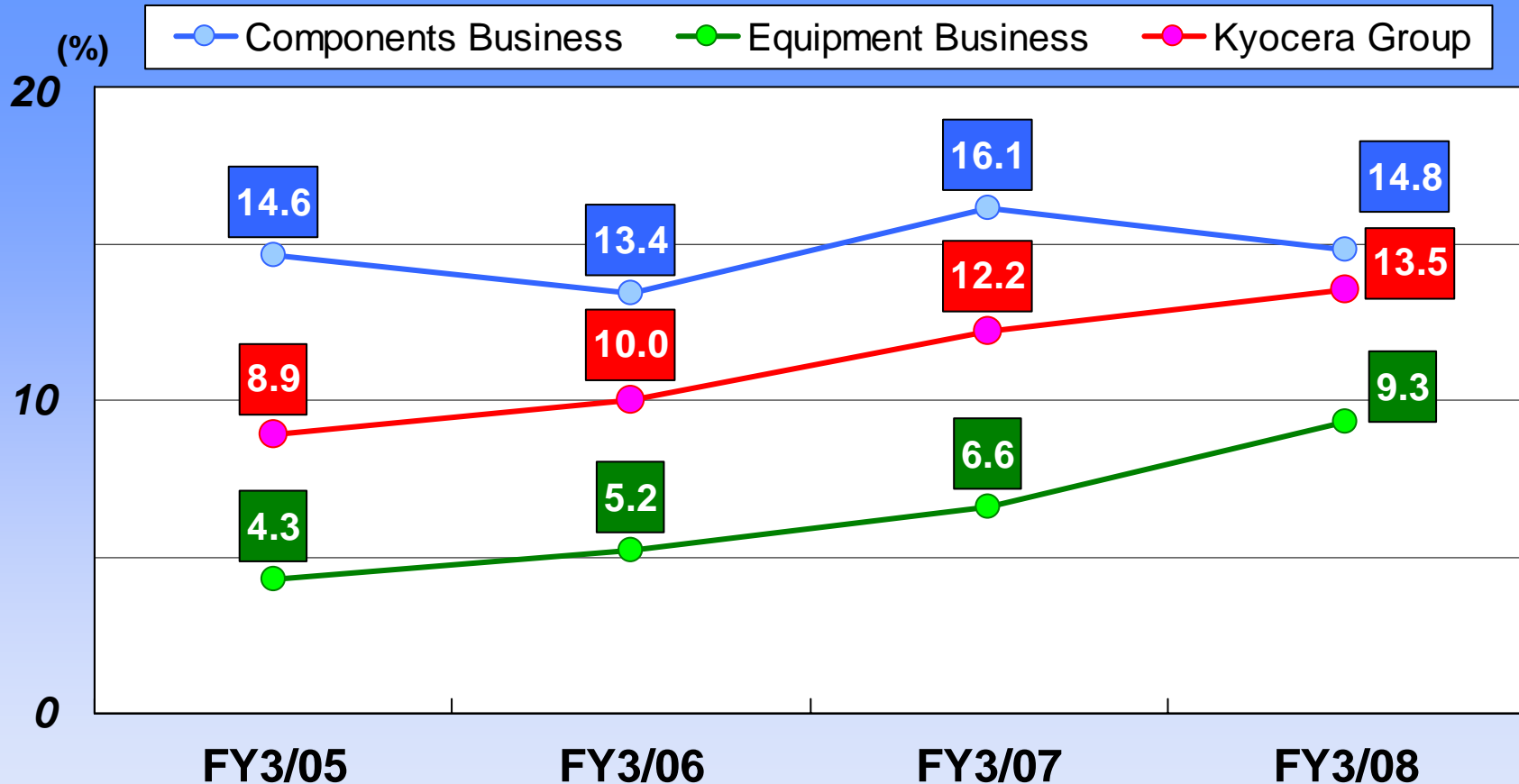
- Year ended March 31, 2008 -

(Unit: Yen in millions)

	Year ended March 31, 2007		Year ended March 31, 2008		% Change
	Amount	% to net sales	Amount	% to net sales	
Net sales	1,283,897	100.0	<b>1,290,436</b>	<b>100.0</b>	<b>0.5</b>
Profit from operations	135,102	10.5	<b>152,420</b>	<b>11.8</b>	<b>12.8</b>
Pre-tax income	156,540	12.2	<b>174,842</b>	<b>13.5</b>	<b>11.7</b>
Net income	106,504	8.3	<b>107,244</b>	<b>8.3</b>	<b>0.7</b>
EPS (diluted - yen)	564.79	—	<b>565.80</b>	—	<b>0.2</b>
Capital expenditures	69,896	5.4	<b>85,101</b>	<b>6.6</b>	<b>21.8</b>
Depreciation	70,155	5.5	<b>75,630</b>	<b>5.9</b>	<b>7.8</b>
R&D expenses	61,100	4.8	<b>61,605</b>	<b>4.8</b>	<b>0.8</b>
Average exchange rate (yen)	US\$: 117	Euro: 150	US\$: 114	Euro: 162	
Foreign currency fluctuation effect on:	net sales	¥39.6 billion		¥5.9 billion	
	pre-tax income	¥15.7 billion		¥7.5 billion	

# Consolidated Financial Results (Year ended March 31, 2008) (1)

## Pre-tax Income Ratio Trends - FY05 through FY08 -



**Pre-tax Income has grown for three consecutive fiscal years**  
**Kyocera Group Pre-tax income ratio: 13.5%**

Commencing in FY3/08, the "Optical Equipment Group," previously a separate reporting segment, has been reclassified into "Others."

Consolidated Financial Results (Year ended March 31, 2008) (2)

## Components Business and Equipment Business

(Unit: Yen in billions)	Net sales		Operating profit	
	Amount	Change from FY07	Amount	Change from FY07
Components Business	680.0	29.1	100.4	-4.3
Equipment Business	497.6	-22.4	46.3	12.1

- Impact of change in accounting method for depreciation: -9.9 billion yen

- Significant improvement in Telecommunications Equipment Group
- Increase in profit in Information Equipment Group

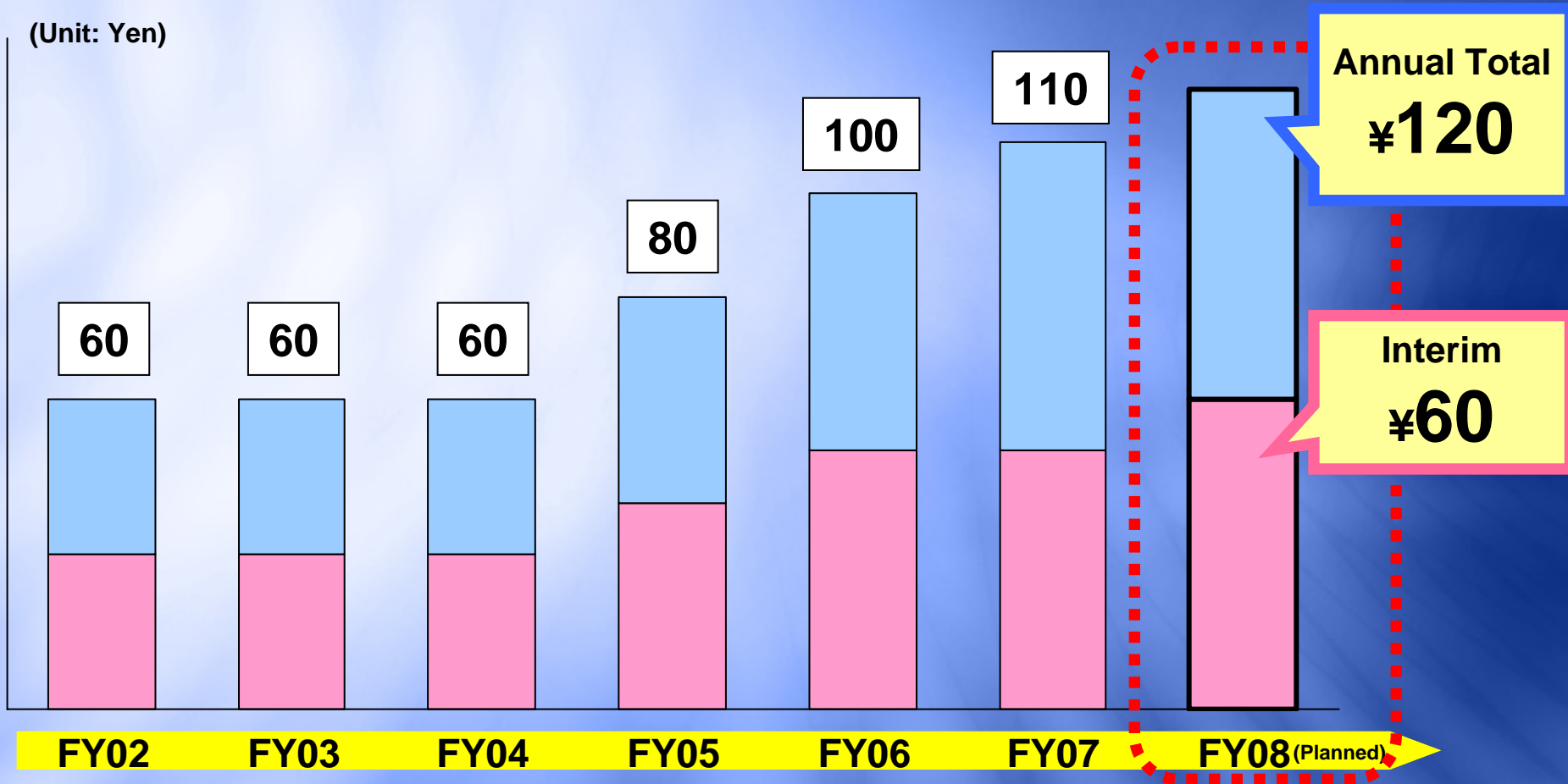
**Components Business: Sales increased, but profit decreased due to the impact of change in accounting method for depreciation**

**Equipment Business: Sales decreased, but operating profit increased significantly**

# Consolidated Financial Results (Year ended March 31, 2008) (3)

## Trends of Cash Dividend per Share

(Unit: Yen)



**Increase in cash dividend for four consecutive fiscal years  
/ pay-out ratio: 21.2%**

# Measures Taken in Year ended March 31, 2008

## 1. Expanded production of solar cells and modules

- Expanded production volume through increased procurement of silicon materials

## 2. Increased production capacity and market share for ceramic capacitors

- Reexamined plan for installation of new equipment in response to demand adjustment started in FY08 Q4

## 3. Cultivated new markets for Semiconductor Parts Group

- Increased sales of organic packages for game consoles and mobile phone handsets

## 4. Expanded revenue from Information Equipment Group

- Increased color product ratio
- Expanded sales of monochrome products with ECOSYS concept



# Business Outlook

- Year ending March 31, 2009 -

## Production Volume Forecast for Key Electronic Equipment

(Kyocera Forecast)

	<b>CY2007</b> (Millions of Units)	<b>CY2008</b> (Estimate) (% change from CY2007)	<b>Background</b>
<b>Mobile phone handsets</b>	<b>1,150</b>	<b>+10%</b>	<b>Steady demand in developing countries</b>
<b>PCs</b>	<b>260</b>	<b>+10%</b>	
<b>Digital TVs</b>	<b>95</b>	<b>+20~30%</b>	<b>Increase in demand for large flat panel TV sets</b>

## Components Price Trend in FY09

e.g.; Ceramic capacitors

**Expect decline of around 10~15% compared with FY08**

# Consolidated Financial Forecast

## - Year ending March 31, 2009 -

(Unit: Yen in millions)

	Year ended March 31, 2008		Year ending March 31, 2009		% Change
	Amount	% to net sales	Amount	% to net sales	
Net sales	1,290,436	100.0	<b>1,476,000</b>	<b>100.0</b>	<b>14.4</b>
Profit from operations	152,420	11.8	<b>145,000</b>	<b>9.8</b>	<b>-4.9</b>
Pre-tax income	174,842	13.5	<b>165,000</b>	<b>11.2</b>	<b>-5.6</b>
Net income	107,244	8.3	<b>102,000</b>	<b>6.9</b>	<b>-4.9</b>
EPS (diluted - yen)	565.80	—	<b>538.13</b>	—	<b>-4.9</b>
Capital expenditures	85,101	6.6	<b>84,000</b>	<b>5.7</b>	<b>-1.3</b>
Depreciation	75,630	5.9	<b>90,000</b>	<b>6.1</b>	<b>19.0</b>
R&D expenses	61,605	4.8	<b>72,000</b>	<b>4.9</b>	<b>16.9</b>
Average exchange rate (yen)	US\$: 114	Euro: 162	US\$: 100	Euro: 152	
Foreign currency fluctuation effect on:	net sales	¥5.9 billion		-¥100.0 billion	
	pre-tax income	¥7.5 billion		-¥22.0 billion	

# FY09 Measures in each Reporting Segment (1)

## Fine Ceramic Parts Group

### Environment and results in FY08 Q4

### Forecasts and measures for FY09

- ① **Decreasing trend continued in sales of components for semiconductor processing equipment**
- ② **Sales of single crystal sapphire substrates for LEDs increased**
- ③ **Sales of Power-Saving Saturation (PSS) glow plugs increased in European market**

(Unit: Yen in billions)	FY09 Forecast	% change from FY08
Net Sales	<b>81.5</b>	<b>0.2</b>
Operating Profit	<b>10.0</b>	<b>-10.5</b>



- **Timing for components demand recovery is uncertain**
- **Demand for white LEDs used in note PCs is expected to increase further**
- **Aim to increase sales of PSS glow plugs and piezoelectric-stack**
- **Aim to increase sales by cultivating new customers and new markets**

# FY09 Measures in each Reporting Segment (2)

## Semiconductor Parts Group

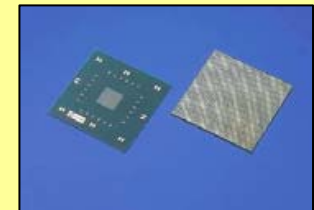
### Environment and results in FY08 Q4

- ① Sales of packages for CCD / CMOS sensors and surface mount device (SMD) for electronic components used in mobile phone handsets and digital cameras increased
- ② Sales of LTCC substrates used in mobile phone handsets increased
- ③ Sales of organic packages used in servers increased

### Forecasts and measures for FY09

(Unit: Yen in billions)	FY09 Forecast	% change from FY08
Net Sales	<b>155.0</b>	<b>0.3</b>
Operating Profit	<b>20.5</b>	<b>2.4</b>

- Expansion of demand will continue, but selling prices will decline
- Expansion of demand will continue, but selling prices will decline
- Demand will expand moderately



# FY09 Measures in each Reporting Segment (3)

## Applied Ceramic Products Group

### Environment and results in FY08 Q4

### Forecasts and measures for FY09

- ① **Solar energy business**
- Steady demand helped to stabilize selling prices



- ② **Cutting tool business**
- Sales increased in Asian markets

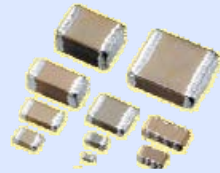
(Unit: Yen in billions)	FY09 Forecast	% change from FY08
Net Sales	<b>179.0</b>	<b>19.4</b>
Operating Profit	<b>33.0</b>	<b>1.1</b>

- Demand will remain steady, but selling prices will decline slightly
- Adverse effect of appreciation of yen against Euro
- Expand production capacity of solar cells and modules
- Aim to improve conversion efficiencies and to reduce production cost
- Expansion of markets in developing countries will lead to stable demand for cutting tools
- Materials costs will increase

# FY09 Measures in each Reporting Segment (4)

## Electronic Device Group

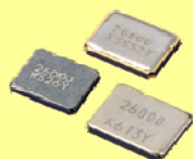
### Environment and results in FY08 Q4



- ① **Capacitors (sales decreased)**
  - Demand adjustment occurred in Asian markets
  - Selling prices declined
- ② **Crystal related components**
- ③ **Connectors**
  - Sales decreased
  - Selling prices declined

### Forecasts and measures for FY09

(Unit: Yen in billions)	FY09 Forecast	% change from FY08
Net Sales	<b>281.0</b>	<b>-4.5</b>
Operating Profit	<b>31.0</b>	<b>-15.1</b>

- Total shipping volume of digital consumer equipment will generally increase
  - Uncertainty business environment will continue until FY09 Q2
  - Downward pressure on prices will continue
- 
- Demand for small-sized crystal units and TCXO will increase
  - Demand for low profile connectors will increase

# FY09 Measures in each Reporting Segment (5)

## Information Equipment Group

### Environment and results in FY08 Q4

### Forecasts and measures for FY09

(Unit: Yen in billions)	FY09 Forecast	% change from FY08
Net Sales	<b>290.0</b>	<b>4.8</b>
Operating Profit	<b>35.0</b>	<b>-11.5</b>

- ① Sales of Printers / MFPs increased in overseas market



- Selling price will continue to decline
- Adverse effect of the US economic deceleration
- Aim to increase color ratio through strengthening product line-up with ECOSYS concept

# For Sustainable Business Growth

## 1. Expand business of Telecommunications Equipment Group

- Increase market share and build up business foundation towards expansion of sales and profit

## 2. Expand solar energy business

- Boost annual production capacity to 500MW by FY11

## 3. Expand business of Information Equipment Group

- Aim to achieve sales of ¥300 billion immediately

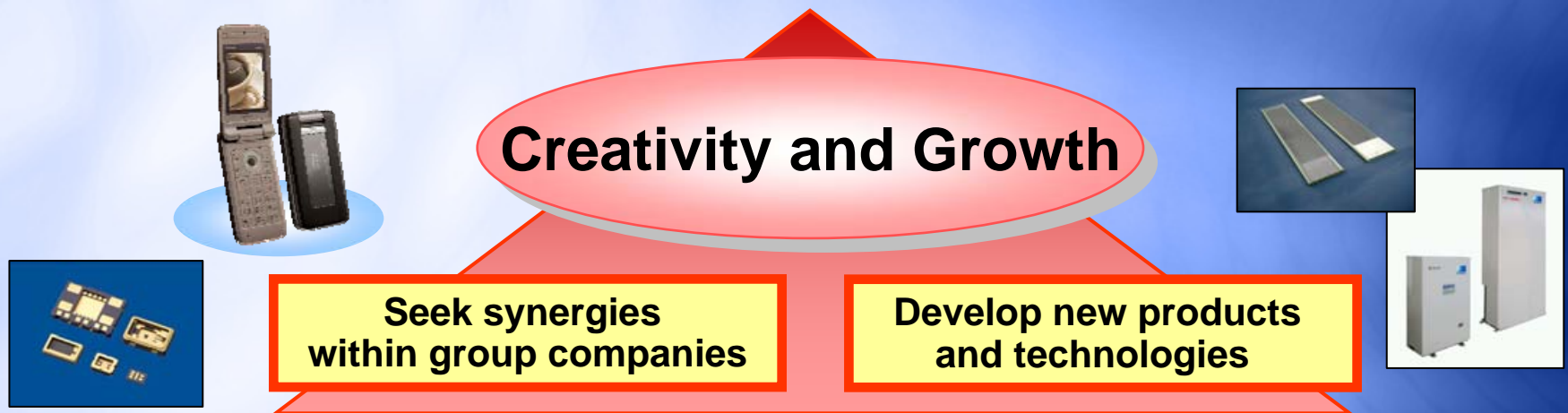
## 4. Expand business of Semiconductor Parts Group

- Cultivate new markets for ceramic packages
- Increase orders for organic packages (flip chip package)



# "Creativity and Growth": Aim at Sustainable Growth

**Achieve Continuous Sales Expansion and High Profit Ratio**



## Management Policy

Practice  
"Customer-first" Principle

Promote  
Global Management

Establish a highly  
Profitable Structure

**Reinstatement of the "Amoeba Management System"**

# Measures in Telecommunication Equipment Business

April 2008

**Yasuyuki Yamamoto**  
Deputy General Manager  
Corporate Communication Equipment Group

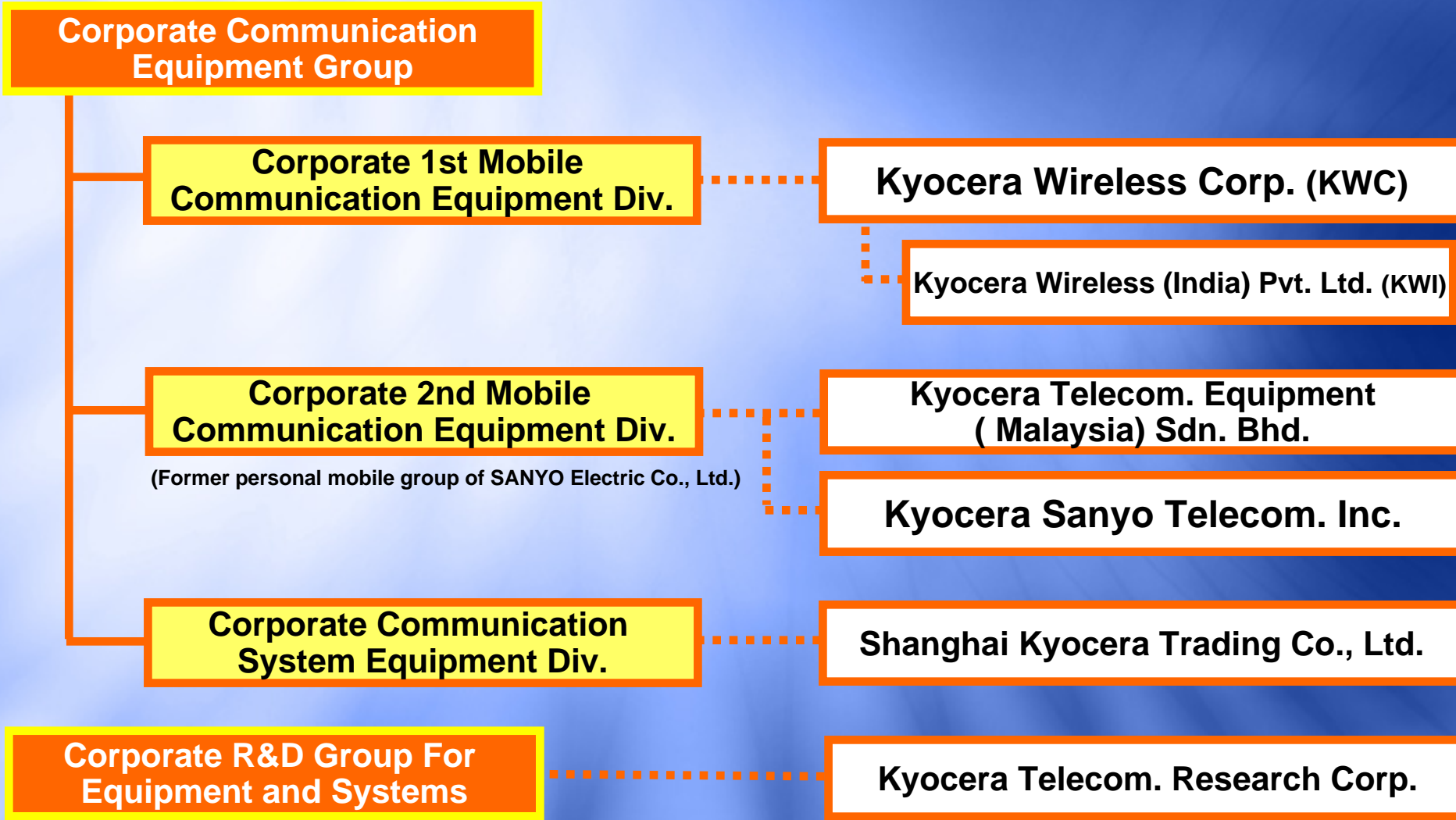
# Today's Presentation

**1. About New Structure Adopted in April 2008**

**2. FY09 Measures**

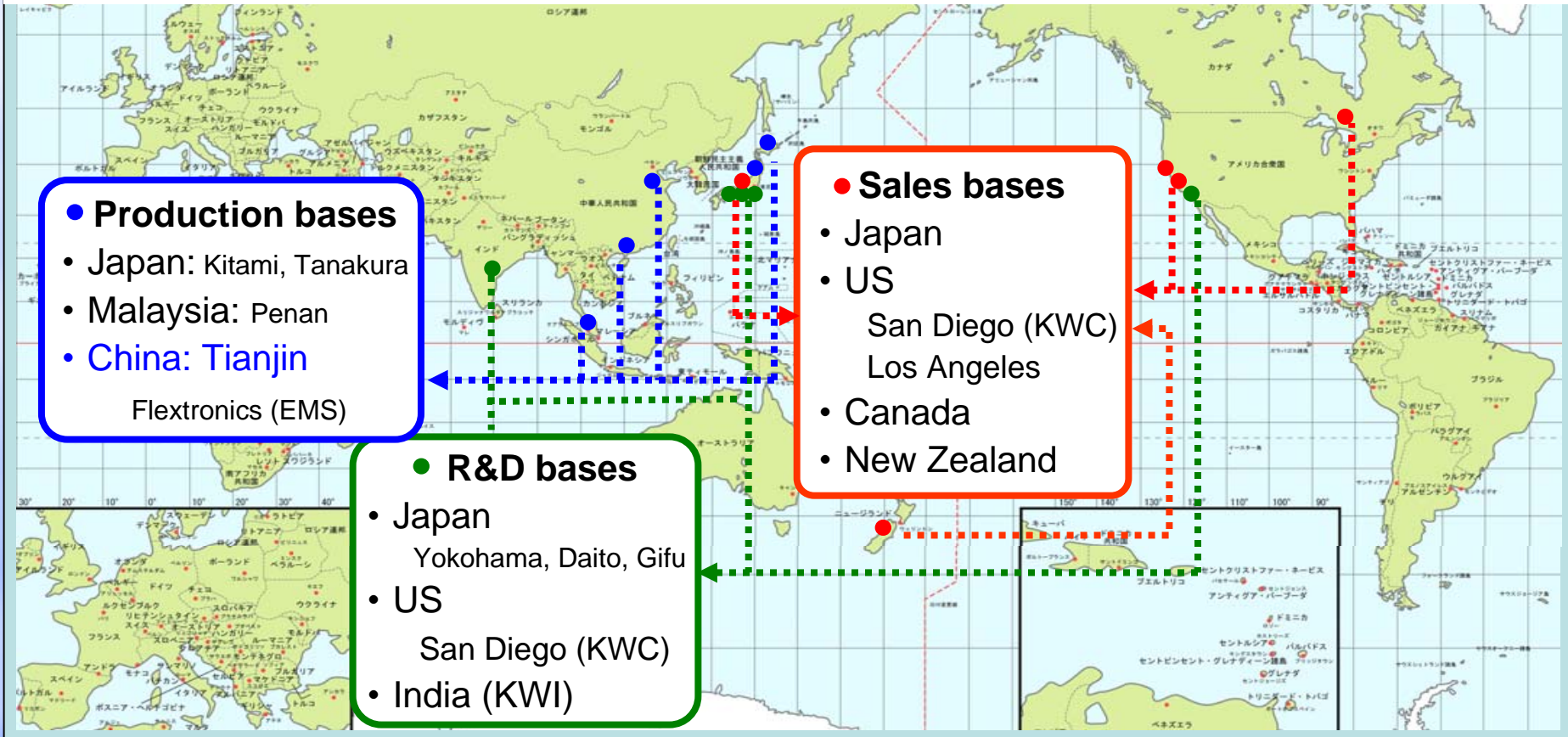
**3. Mid-term Goals**

# New Structure from April 2008 (1)



# New Structure from April 2008 (2)

1. 5 bases in Japan (Offices: Yokohama, Daito, Gifu, Plants: Kitami, Tanakura)
2. 7 overseas bases (3 bases in the US, 1 each in China, Malaysia, Canada, New Zealand)
3. Total number of employees in this business group: 4,250  
of which total number of transferred employees from SANYO Electric Co., Ltd.: 1,683 (includes overseas employees)



# Business Fields

Japanese mobile phone handset business

CDMA handsets

PHS handsets



Overseas mobile phone handset business

CDMA handsets



Base station business

PHS base stations



iBurst™ base stations



Measures in FY09 (1)  
**Gain Market Share in au by KDDI  
and WILLCOM, Inc.**

**1. au** - Aim to gain 30% market share -

- **Maintain a bi-brands structure, Kyocera and SANYO**
- **Strengthen product line-up through integration of technologies**

**2. Willcom** - Aim to gain 50% market share in voice handsets -

- **Line-up of handset models with advanced functions**
- **Strengthen functions of popular models**
- **Secure stable market share of handsets for business users**

## Measures in FY09 (2)

# Synergistic Effects through Integration

### 1. Reduce materials expense

- Benefit from economies of scale
- Use common main components

### 2. Reduce R&D expense

- Integration of processes / utilization of resources
- Sharing software assets / reorganizing software vendors

### 3. Reduce Royalty Expense

- Benefit from economies of scale

### 4. Improve productivity

- Cost reduction through optimization of production bases
- Improve product management quality



## Measures in FY09 (3) Integration of Overseas Business

### 1. Organize management structure

- Mutual cooperation among divisions: marketing, sales, production and R&D
- Integration of products road map

### 2. Establish global structure of products supply

- Reduce materials expense
- Shorten product lead time



**Market share in North America: Aim to be in top 3 (presently 5<sup>th</sup> place)**

Measures in FY09 (4)

## Basic Policies for Strategies Roadmap

Product strategies (Former personal mobile group of SANYO Electric Co., Ltd.)

**Focus on  
design and  
new materials**

**Differentiate  
thoroughly**

**Challenge in  
new  
categories**

**Respond to  
user trends**



1. Focus on design, adopt new materials **(theme: luxury and metallic)**
2. Adopt differentiated functions **(music and illumination)**
3. Challenge in new categories **(Q-Chat, messaging device)**
4. Respond to user trends **(touch panel, Qwerty keyboard)**

## Measures in FY09 (5) Basic Policies for Strategies Roadmap

### FY09 Product strategies (KWC)

**Expand sales  
of low-end  
1 X products**

**Introduction  
of AWS  
products as a  
leader**

**North  
American  
GSM  
bridge  
strategy**

- 
- 1. Maintain and expand market share among Tier#2 carriers**
  - 2. Gain market share in growing markets by introducing AWS products before other competitors**    AWS: system with 1.7GHz frequency
  - 3. Introduce GSM handsets in South American market through ODM, and bridge to WCDMA in the future**

## Measures in FY09 (6) Development of Base Stations

### 1. Next generation PHS business

- **Development of base stations and preparation for mass production**
  - **Start test service in April 2009, and supply equipment for commercial service in October 2009 -**

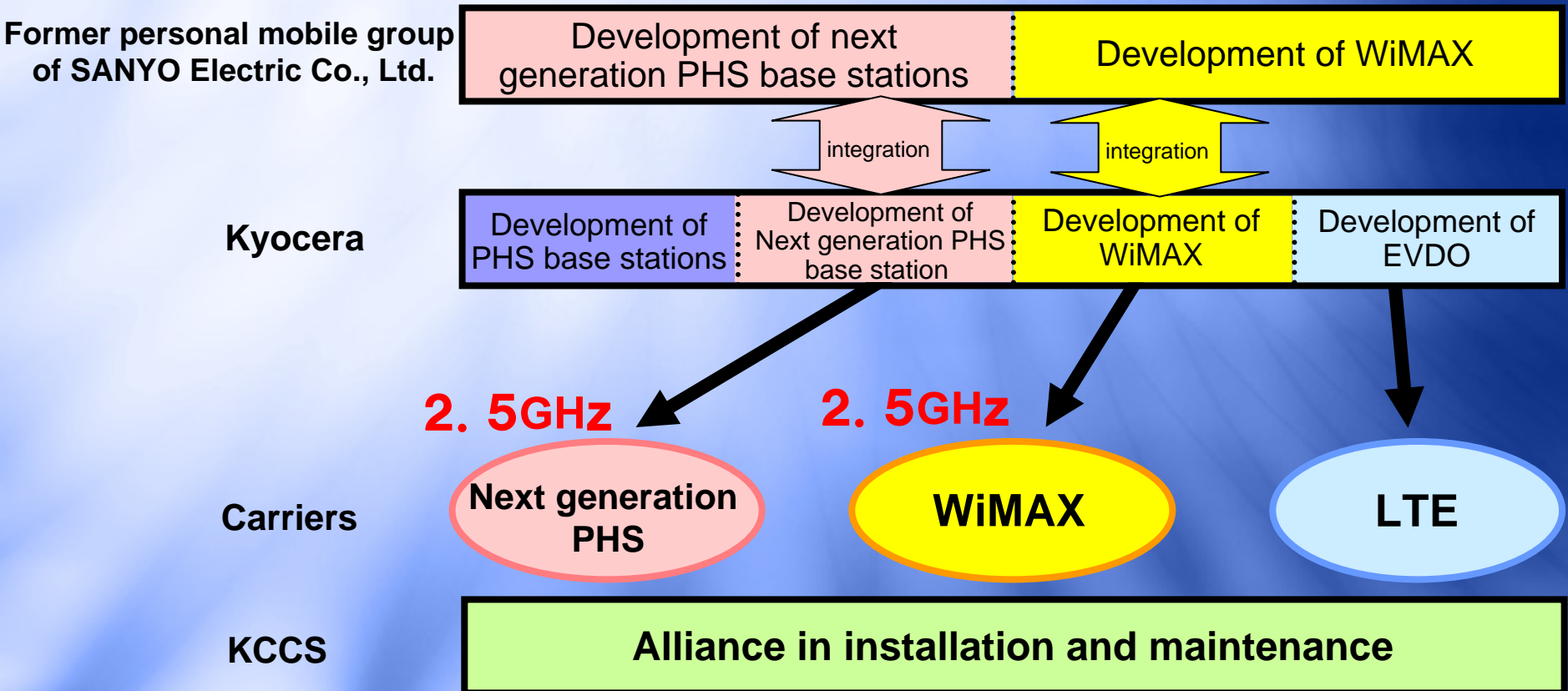
### 2. WiMAX business

- **Start full-scale development of base station in 2<sup>nd</sup> half of FY09**
  - **Introduce products for commercial service in 2009 -**

## Measures in FY09 (7)

# Expansion of Base Stations Business

1. Synergistic effects through integration of Telecommunication Equipment Business (technological know-how / resources)
2. Synergistic effects through strategic alliance with Kyocera Communication Systems Ltd. (KCCS)



## Mid-term Business Goals

- **Aim to grow year-on-year sales by double digit**

- **Secure double digit profit ratio in Japanese business**

- **Secure stable profit in overseas business**

# Strategies for Achieving Mid-term Goals

## 1. Japanese mobile phone handset business

- Aim to increase market share -

- Secure market share with present models in au by KDDI
- Introduce next generation PHS handsets
- Introduce WiMAX handsets

## 2. Base station business - Aim to be a higher ranked vendor -

- Start next generation PHS base station business
- Start mass production of WiMAX related equipment

## 3. Mobile phone handset business in North America

- Establish sales structure for 30 million handsets -

- Enter into businesses for other carriers by efficiently utilizing R&D asset in both companies
- Introduce smart-phone
- Introduce WCDMA handsets

## Notes for Consolidated Financial Results

**During fiscal year ended March 31, 2007, Kyocera sold its shares in Kyocera Leasing Co., Ltd., a subsidiary engaged in financing services. For this reason, business results of Kyocera Leasing Co., Ltd. and profit on sales of the shares in Kyocera Leasing Co., Ltd. have been recorded as income from discontinued operations in conformity with accounting principles generally accepted in the U.S. Consequently, some figures for the fiscal years from 2003 to 2006 have been retrospectively reclassified.**



THE NEW VALUE FRONTIER

