

Consolidated Results of Kyocera Corporation and its Subsidiaries
for the Six Months Ended September 30, 2006

The consolidated financial statements are in conformity with accounting principles generally accepted in the United States of America.

Date of the board of directors' meeting for the interim consolidated results: October 30, 2006

1. Results for the six months ended September 30, 2006

(1) Consolidated results of operations:

| | Japanese yen | | |
|---|--------------------------------|------------------|----------------------|
| | Six months ended September 30, | | Year ended March 31, |
| | 2006 | 2005 | 2006 |
| Net sales | ¥615,390 million | ¥542,238 million | ¥1,173,544 million |
| % change from the previous period | 13.5% | (9.2)% | |
| Profit from operations | 63,128 million | 33,764 million | 99,695 million |
| % change from the previous period | 87.0% | (44.0)% | |
| Income from continuing operations before income taxes | 72,385 million | 44,329 million | 117,237 million |
| % change from the previous period | 63.3% | (32.2)% | |
| Net income | 53,493 million | 24,214 million | 69,696 million |
| % change from the previous period | 120.9% | (43.1)% | |
| Earnings per share: | | | |
| Basic | ¥ 284.64 | ¥ 129.16 | ¥ 371.68 |
| Diluted | 284.14 | 129.15 | 371.43 |

Notes:

1. Equity in earnings (losses) of affiliates and unconsolidated subsidiaries:

| | |
|-------------------------------------|------------------|
| Six months ended September 30, 2006 | ¥ 259 million |
| Six months ended September 30, 2005 | ¥ (236) million |
| Year ended March 31, 2006 | ¥(1,216) million |

2. Average number of shares outstanding during the period:

| | |
|-------------------------------------|--------------------|
| Six months ended September 30, 2006 | 187,932,385 shares |
| Six months ended September 30, 2005 | 187,478,104 shares |
| Year ended March 31, 2006 | 187,513,918 shares |

3. Change in accounting policies: None

4. In accordance with Statement of Financial Accounting Standards No.144, "Accounting for the Impairment of Disposal of Long-Lived Assets," the consolidated financial statements for the six months ended September 30, 2005 and for the year ended March 31, 2006 have been retrospectively reclassified as for the discontinued operations.

(2) Consolidated financial position:

| | Japanese yen | | |
|--------------------------------------|---------------------------|--------------------|--------------------|
| | September 30, | | March 31, |
| | 2006 | 2005 | 2006 |
| Total assets | ¥1,951,702 million | ¥1,862,928 million | ¥1,931,522 million |
| Stockholders' equity | 1,373,567 million | 1,241,695 million | 1,289,077 million |
| Stockholders' equity to total assets | 70.4% | 66.6% | 66.7% |
| Stockholders' equity per share | ¥7,306.02 | ¥6,623.25 | ¥6,865.75 |

Notes: Total number of shares outstanding as of:

| | |
|--------------------|--------------------|
| September 30, 2006 | 188,004,780 shares |
| September 30, 2005 | 187,475,323 shares |
| March 31, 2006 | 187,754,750 shares |

(3) Consolidated cash flows:

| | Japanese yen | | |
|--|--------------------------------|-------------------|----------------------|
| | Six months ended September 30, | | Year ended March 31, |
| | 2006 | 2005 | 2006 |
| Cash flows from operating activities | ¥ 47,923 million | ¥ 71,772 million | ¥ 171,077 million |
| Cash flows from investing activities | (74,084) million | (123,091) million | (165,467) million |
| Cash flows from financing activities | (13,079) million | (9,657) million | (23,289) million |
| Cash and cash equivalents at end of period | 263,751 million | 253,885 million | 300,809 million |

(4) Scope of consolidation and application of the equity method:

Number of consolidated subsidiaries: 168

Number of subsidiaries accounted for by the equity method: 2

Number of affiliates accounted for by the equity method: 12

(5) Changes in scope of consolidation and application of the equity method:

| | Consolidation | Equity method |
|----------|---------------|---------------|
| Increase | 6 | 0 |
| Decrease | 6 | 0 |

2. Consolidated financial forecast for the year ending March 31, 2007 :

| | Year ending March 31, 2007 |
|---|----------------------------|
| Net sales | ¥1,250,000 million |
| Income from continuing operations before income taxes | ¥148,000 million |
| Net income | ¥96,000 million |

Note:

Forecast of earnings per share: **¥509.92**

Earnings per share amounts is computed based on Statement of Financial Accounting Standards No.128.

Forecast of earnings per share is computed based on the diluted average number of shares outstanding during the six months ended September 30, 2006.

With regard to forecasts set forth above, please refer to the accompanying "Forward Looking Statements" on page 19.



October 30, 2006
KYOCERA CORPORATION

Consolidated Financial Highlights
Results for the Six Months Ended September 30, 2006

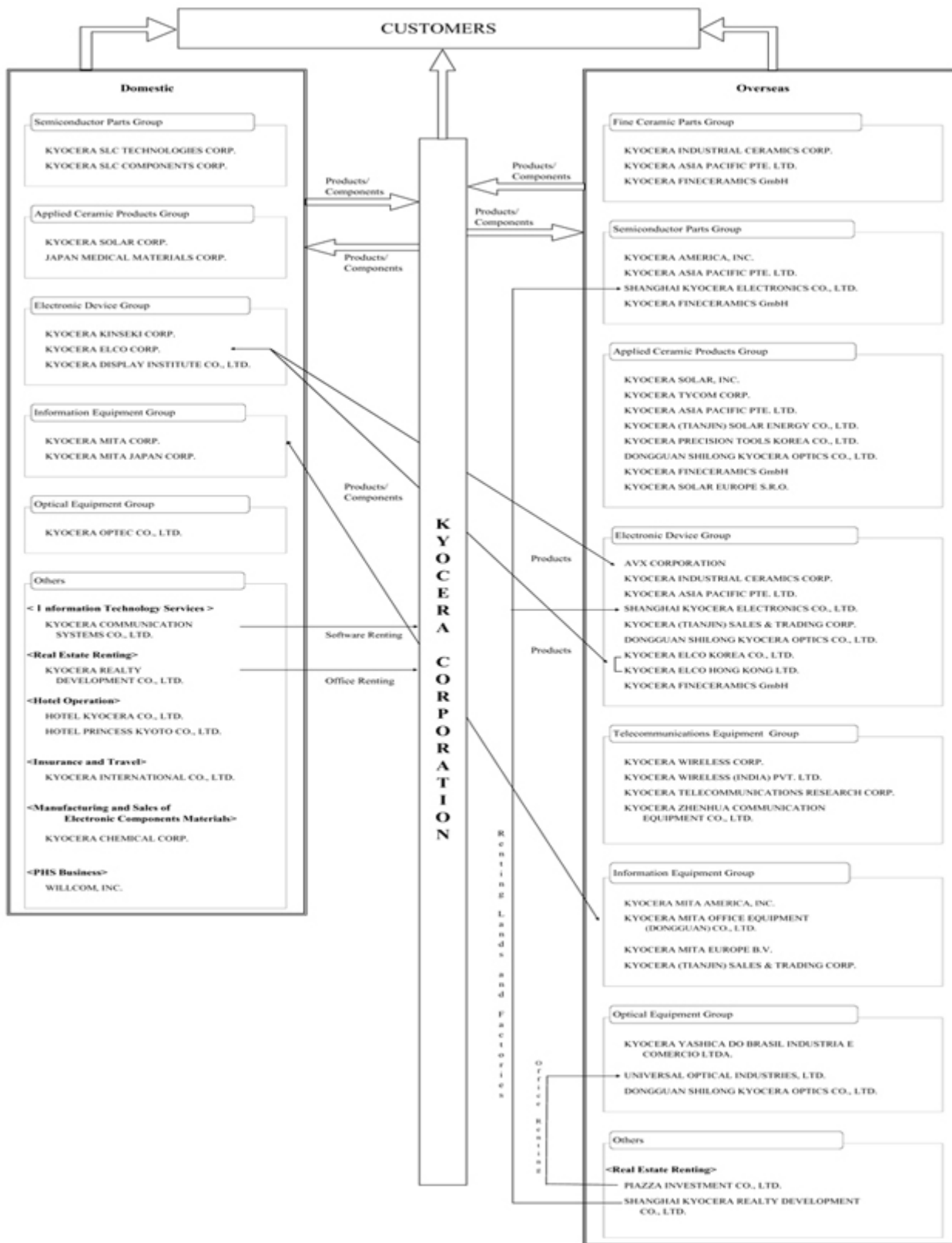
| | (Yen in millions, except per share amounts, exchange rates and the number of employees) | | |
|---|--|------------------|-------------------------------|
| | Six Months Ended September 30, | | Increase (Decrease) (%) |
| | 2005 | 2006 | |
| Net sales | 542,238 | 615,390 | 13.5 |
| Profit from operations | 33,764 | 63,128 | 87.0 |
| Income from continuing operations before income taxes | 44,329 | 72,385 | 63.3 |
| Net income | 24,214 | 53,493 | 120.9 |
| Average exchange rates : | | | |
| US\$ | 109 | 115 | — |
| Euro | 136 | 146 | — |
| Earnings per share : | | | |
| Net income | | | |
| Basic | 129.16 | 284.64 | 120.4 |
| Diluted | 129.15 | 284.14 | 120.0 |
| Capital expenditures | 50,637 | 37,239 | (26.5) |
| Depreciation | 28,034 | 33,682 | 20.1 |
| R&D expenses | 29,328 | 30,257 | 3.2 |
| Total assets | 1,862,928 | 1,951,702 | 4.8 |
| Stockholders' equity | 1,241,695 | 1,373,567 | 10.6 |
| Sales of products manufactured outside Japan to net sales (%) | 29.7 | 34.9 | — |
| The number of employees | 59,347 | 63,235 | — |

Note: Kyocera sold Kyocera Leasing Co., Ltd., a subsidiary engaged in financing, and as a result, operating results and gain on sales of Kyocera Leasing Co., Ltd. for the six months ended September 30, 2006 have been recorded as income from discontinued operations in accordance with accounting principles generally accepted in the U.S. Figures for the six months ended September 30, 2005 have been retrospectively reclassified and consolidated statement of income for all prior periods have been adjusted to reflect this presentation. As a result, reclassified consolidated net sales for the six months ended September 30, 2005 decreased by ¥3,020 million compared with the result previously announced, reclassified profit from operations decreased by ¥1,585 million and income from continuing operations before income taxes decreased by ¥1,806 million, respectively.

KYOCERA GROUP

Kyocera group consists of Kyocera Corporation, 170 subsidiaries and 12 affiliates.

(Chart of the group companies)



Management Policies

1. Basic Policy

Kyocera Corporation and its consolidated subsidiaries (collectively, “Kyocera Group”, the “Group” or “Kyocera”) aim to be “The Company” respected by society from the perspective of corporate ethics, while maintaining continuous sales growth and high profitability. To realize this management vision, Kyocera’s management policy is “to be a creative company that continues to grow” and “going back to the origin of the ‘Amoeba Management’ system.” Under such policy, Kyocera seeks to raise corporate value through improvement in business performance by putting emphasis on the efficient use of management resources and continuously enhancing consolidated management. In addition, the Kyocera Philosophy, which establishes “doing what is right as a human being” as the principle criterion for all business decisions, is shared and put into practice by all employees.

2. Medium Term Management Strategy

Kyocera promotes “high-value-added diversification” as its management strategy to realize such management policy. This involves ensuring that each business is highly profitable and pursuing synergies within Kyocera with the objective of driving sustainable growth even in an ever-changing business environment.

Specifically, Kyocera aims to: (1) exploit competitive advantages; (2) strengthen existing businesses; and (3) create new businesses.

1) Exploit competitive advantages

The “Kyocera Philosophy,” which places people’s hearts at its core, the “Amoeba Management” system, which is unique to Kyocera and has been a driving force for growth since Kyocera Corporation’s earliest days, and a strong financial structure, are sources of competitive advantage for Kyocera over other companies in implementing its diversification strategy. With these foundations firmly in place, Kyocera endeavors to strengthen competitiveness in technological development, sales and marketing in the high-growth-potential markets for telecommunications and information processing and for environmental protection, and to translate its diversification strategy into improved business performance.

2) Strengthen existing businesses

Kyocera strives to continuously improve profitability in all existing business within Kyocera Group. Elsewhere, by strengthening ties and maximizing synergies between headquarters and Kyocera Group companies, Kyocera seeks to improve profitability in each business segment on a consolidated basis. In promoting a global strategy in each business, Kyocera has created development, manufacturing and sales systems in optimal locations, while the integration of Group-wide resources helps boost the competitiveness of existing businesses. Kyocera regularly reviews those businesses that have lost market competitiveness and that show little promise of expansion going forward.

3) Create new businesses

Kyocera endeavors to create businesses that will become its core going forward in order to improve consolidated performance over the medium term. To achieve this goal, Kyocera integrates Group-wide management resources to develop new technologies and products and create new markets. The focus of Kyocera’s business creation strategy lies in the markets for telecommunications and information processing and for environmental protection.

3. Challenges

Kyocera aims to maintain ongoing sales expansion and high profitability in its components and equipment businesses in order to be “a creative company that continues to grow.” In this regard, Kyocera has implemented several initiatives outlined below to quickly achieve its target of a pre-tax profit ratio of 15% or higher.

1) Reinforce the “Amoeba Management” system Kyocera is strengthening its “Amoeba Management” system, which is unique management resource of Kyocera and remains a source of competitive advantage over other companies. It has been a major driving force for growth since its foundation. Kyocera plans to reinforce this system to revitalize operations across development, manufacturing, sales and back office divisions. The aim is to boost ability to achieve targets.

2) Boost profitability in the equipment business

Kyocera has been conducting fundamental structural reforms in the Telecommunications Equipment Group over the past two years as a means of raising profitability. The positive effects of the reform have been reflected in steadily improving business performance in the first half of the year ending March 2007. In the second half of the year ending March 2007 and onward, Kyocera will strive to expand profits by maximizing group-wide synergies to promote business development.

Kyocera also seeks to further improve business performance in the Information Equipment Group. To achieve this, it will expand sales of multifunctional products and printers that are distinctive from the competition through effective utilization of component and device technology within Kyocera. Kyocera will also continue to release new high-value-added products such as color and network-compatible models.

Through the continuous implementation of the aforementioned initiatives, Kyocera pursues further corporate growth.

4. Basic Profit Distribution Policy

Kyocera believes that enhancing its performance into the future will lead to greater corporate value and to meeting shareholders' expectations. In considering profit distribution, Kyocera aims to establish a strong link between dividend amounts and its performance. In particular, Kyocera will determine dividend amounts based on an overall assessment that will take into consideration capital expenditures necessary for the further development of Kyocera from a medium to long-term perspective, while also aiming for a payout ratio of approximately 20 to 25% on a consolidated basis.

In order to drive ongoing corporate growth, Kyocera will aggressively strive to cultivate new businesses and markets, to develop new technologies and to acquire external management resources, when necessary, to strengthen existing businesses. For such purpose, Kyocera will maintain a sound and stable financial position and increase internal reserves to enable timely investments.

5. Parent Company

Kyocera does not have a parent company.

Business Results and Financial Condition

1. Business Results for the Six Months Ended September 30, 2006

(1) Economic Business Environment

The Japanese economy expanded steadily in the six months ended September 30, 2006 (the first half) on the back of growth in private-sector demand, spurred primarily by increasing private capital investment and personal spending supported by rising corporate earnings. The Chinese economy remained buoyant due to persistent expansion in capital investment activities. Similar to the Japanese economy, the U.S. economy continued to grow amid rising corporate earnings and personal spending. The European economy grew steadily due to increasing exports.

In the electronics industry, which is the principal market for Kyocera, a year-on-year increase in production of mobile phone handsets and digital TVs led to a considerable increase in demand for electronic components for these products.

(2) Consolidated Financial Results

Kyocera achieved an increase in sales and profits in the first half compared with the six months ended September 30, 2005 (the previous first half) in both the components and equipment businesses thanks to active efforts to launch new products in the favorable market environment and to improved productivity. Consolidated net sales for the first half amounted to ¥615,390 million, a 13.5% increase compared with the previous first half. Profit from operations increased by 87.0% to ¥63,128 million and income from continuing operations before income taxes and minority interest increased by 63.3% to ¥72,385 million. Net income increased by 120.9% to ¥53,493 million as tax refunds in the amount of ¥4,356 million accompanying the voidance of a portion of the correction disposition related to transfer pricing adjustment (see (3) Implemented management measures and significant decision 4) below for details).

| | (Yen in millions, except per share amounts and exchange rates) | | | | |
|---|--|--------|----------------|--------------|----------------------------|
| | Six months ended September 30, | | | | Increase (Decrease) (%) |
| | 2005 | | 2006 | | |
| Amount | % to net sales | Amount | % to net sales | | |
| Net sales | 542,238 | 100.0 | 615,390 | 100.0 | 13.5 |
| Profit from operations | 33,764 | 6.2 | 63,128 | 10.3 | 87.0 |
| Income from continuing operations before income taxes | 44,329 | 8.2 | 72,385 | 11.8 | 63.3 |
| Net income | 24,214 | 4.5 | 53,493 | 8.7 | 120.9 |
| Diluted earnings per share | 129.15 | — | 284.14 | — | — |
| Average US\$ exchange rate | 109 | — | 115 | — | — |
| Average Euro exchange rate | 136 | — | 146 | — | — |

Note 1. Kyocera has sold its share in Kyocera Leasing Co., Ltd., a subsidiary engaged in financing, and as a result, business results and profit on sales for Kyocera Leasing for the first half have been recorded as income from discontinued operations in conformity with accounting principles generally accepted in the U.S. Figures for the first half have been retrospectively reclassified. As a result, reclassified consolidated net sales for the previous first half decreased by ¥3,020 million compared with the result previously announced, reclassified profit from operations decreased by ¥1,585 million and income from continuing operations before income taxes decreased by ¥1,806 million, respectively.

(3) Implemented management measures and significant decision

1) Effective April 1, 2006, Kyocera shifted to a new management system to speed up its decision making. The executive officer system undertaken by the officers with the titles of Chief Executive Officer, Chief Financial Officer and Chief Operating Officer was abandoned, and a new system was introduced in which the President, Representative Director and Executive Officer undertakes total responsibility for formulation and execution of the Group's management strategies.

2) In July 2006, Kyocera Kinseki Corporation acquired Hertz Technology Inc. as a wholly-owned subsidiary in order to further enhance its crystal devices business. Through this acquisition, Kyocera will gain new technology for tuning-fork crystal units, demand for which is expected to grow for mobile phone handsets and mobile music players, in particular, and thus expand its business as a total crystal device manufacturer. A wide range of products will be developed in the crystal devices business going forward. Hertz Technology Inc. was renamed Kyocera Kinseki Hertz Corporation on October 1, 2006.

3) As part of its policy of business selection and concentration, Kyocera transferred its shares of Kyocera Leasing Co., Ltd., a subsidiary engaged in financing services, to Diamond Lease Company Limited in August 2006. In line with this, ¥5,175 million was recorded as income from discontinued operations.

4) In the fiscal year ended March 31, 2005, Kyocera recorded ¥12,748 million as additional taxes accompanying the receipt of a tax assessment notice for transfer pricing adjustments from the Osaka Regional Taxation Bureau. On May 24, 2005, Kyocera filed a notice of opposition to such assessment with the Bureau. On September 25, 2006, Kyocera received an opposition decision letter from the Bureau that voided a portion of the original disposition. In accordance with this opposition decision, ¥4,356 million of tax refunds, including local taxes, is recognized as income tax benefits in the first half. Kyocera remains in disagreement with the decision concerning the portion of the original disposition that was not voided, and therefore on October 23, 2006, Kyocera submitted a written claim for examination with the Osaka Board of Tax Appeals. Concurrently, Kyocera is undertaking comprehensive deliberations that include consideration of a motion for mutual agreement procedures with the aim of avoiding double taxation within Kyocera.

(4) Consolidated Sales and Operating Profits by Reporting Segment

(Yen in millions)

| | Six months ended September 30, | | | | |
|--|--------------------------------|---|-----------------|---|----------------------------|
| | 2005 | | 2006 | | Increase (Decrease) (%) |
| | Amount | % to net sales (segment's sales) | Amount | % to net sales (segment's sales) | |
| Fine Ceramic Parts Group | 33,258 | 6.1 | 38,564 | 6.3 | 16.0 |
| Semiconductor Parts Group | 63,544 | 11.7 | 75,843 | 12.3 | 19.4 |
| Applied Ceramic Products Group | 55,752 | 10.3 | 64,132 | 10.4 | 15.0 |
| Electronic Device Group | 125,383 | 23.1 | 139,984 | 22.7 | 11.6 |
| Total components business | 277,937 | 51.2 | 318,523 | 51.7 | 14.6 |
| Telecommunications Equipment Group | 91,084 | 16.8 | 117,181 | 19.0 | 28.7 |
| Information Equipment Group | 118,433 | 21.8 | 124,619 | 20.3 | 5.2 |
| Optical Equipment Group | 8,256 | 1.5 | 5,890 | 1.0 | (28.7) |
| Total equipment business | 217,773 | 40.1 | 247,690 | 40.3 | 13.7 |
| Others | 56,049 | 10.3 | 60,850 | 9.9 | 8.6 |
| Adjustments and eliminations | (9,521) | (1.6) | (11,673) | (1.9) | — |
| Net sales | 542,238 | 100.0 | 615,390 | 100.0 | 13.5 |
| Fine Ceramic Parts Group | 4,805 | 14.4 | 7,373 | 19.1 | 53.4 |
| Semiconductor Parts Group | 7,251 | 11.4 | 11,887 | 15.7 | 63.9 |
| Applied Ceramic Products Group | 9,337 | 16.7 | 8,966 | 14.0 | (4.0) |
| Electronic Device Group | 11,171 | 8.9 | 21,573 | 15.4 | 93.1 |
| Total components business | 32,564 | 11.7 | 49,799 | 15.6 | 52.9 |
| Telecommunications Equipment Group | (9,355) | — | (1,016) | — | — |
| Information Equipment Group | 13,244 | 11.2 | 15,491 | 12.4 | 17.0 |
| Optical Equipment Group | (4,049) | — | (899) | — | — |
| Total equipment business | (160) | — | 13,576 | 5.5 | — |
| Others | 3,186 | 5.7 | 3,748 | 6.2 | 17.6 |
| Operating profit | 35,590 | 6.6 | 67,123 | 10.9 | 88.6 |
| Corporate | 8,882 | — | 5,152 | — | (42.0) |
| Equity in earnings of affiliates and unconsolidated subsidiaries | (236) | — | 259 | — | — |
| Adjustments and eliminations | 93 | — | (149) | — | — |
| Income from continuing operations before income taxes | 44,329 | 8.2 | 72,385 | 11.8 | 63.3 |

Notes:

2. Commencing in the first half, net sales of the Precision Machine Division of Kyocera Corporation, previously included within "Corporate," has been reclassified into "Others." Accordingly, previously reported net sales of these reporting segments for the previous first half have been retrospectively reclassified.

3. By the reasons in notes 1 and 2, net sales of "Others" in the previous first half decreased by ¥2,985 million and "Adjustments and Eliminations" increased by ¥(35) million, compared with those previously announced.

4. Commencing in the first half, operating profit of the Precision Machine Division of Kyocera Corporation, previously included within "Corporate," have been reclassified into "Others." Accordingly, previously reported operating profits of these reporting segments for the previous first half have been retrospectively reclassified.

5. By the reasons in notes 1 and 4, operating profit of "Others" in the previous first half decreased by ¥1,518 million and "Corporate" decreased by ¥288 million, compared with those previously announced.

Both sales and operating profit increased in the components business in the first half as compared with the previous first half due to growth in sales volume as components demand for digital consumer equipment expanded and to efforts to raise productivity. As a result, the operating profit ratio in the components business improved markedly from 11.7% in the previous first half to 15.6%.

The consolidated results by reporting segment in the components business are as follows.

1) Fine Ceramic Parts Group

Sales and operating profit in this reporting segment increased significantly compared with the previous first half. This was mainly because a recovery in the semiconductor industry led to a considerable increase in demand for ceramic parts for semiconductor fabrication equipment.

2) Semiconductor Parts Group

Sales and operating profit in this reporting segment increased compared with the previous first half due to active demand for ceramic packages used in digital consumer equipment such as mobile phone handsets.

3) Applied Ceramic Products Group

Sales in this reporting segment increased in the fiscal half compared with the previous fiscal half due to the favorable performance of the solar energy business, amid an expanding global market spurred by rising environmental awareness, and also to increased sales of cutting tools for the automotive industry.

Operating profit from cutting tools and medical materials increased in the first half as compared with the previous first half, while operating profit from solar energy business decreased due to costs for repair of defects in a portion of the products sold overseas up to the year ended March 31, 2004. Kyocera provides long-term warranties for such products, and accordingly set aside a reservation in the amount of ¥3.9 billion in the first half for warranty costs. As a result, operating profit from this reporting segment as a whole decreased as compared with the previous first half.

4) Electronic Device Group

Both sales and operating profit increased substantially in this reporting segment compared with the previous first half. Along with a particularly significant increase of sales at AVX Corporation, a U.S. subsidiary, compared with the previous first half, demand for capacitors, crystal-related components and connectors, etc., expanded due to strong production activity for digital consumer equipment.

Sales and operating profit in the equipment business increased compared with the previous first half due primarily to improved profitability in the Telecommunications Equipment Group and the Information Equipment Group resulting from higher sales, and to a reduction in loss in the Optical Equipment Group. The operating profit ratio in the equipment business stood at 5.5%, marking a significant improvement from the loss recorded in the previous first half.

The consolidated results by reporting segment in the equipment business are as follows

5) Telecommunications Equipment Group

Sales in this reporting segment increased compared with the previous first half due mainly to favorable sales of new models of mobile phone handsets in the domestic market. Operating profit also improved significantly compared with the previous first half, due to the positive effect of increased sales in the domestic mobile phone handset business and to decreased loss at Kyocera Wireless Corp., a U.S. subsidiary.

6) Information Equipment Group

Both sales and operating profit in this reporting segment increased compared with the previous first half due to sales growth of digital multifunctional products and printers overseas and to the positive effect of the yen's depreciation against the Euro and the U.S. dollar.

7) Optical Equipment Group

Sales in this reporting segment decreased compared with the previous first half due mainly to the downsizing of the camera equipment business, while operating loss was reduced by effects of a decrease in expenses for structural reforms.

Sales in "Others" increased compared with the previous first half due to sales growth in the telecommunications engineering business at Kyocera Communication Systems Co., Ltd. Operating profit also increased due primarily to an increase in profits in the electronic device materials business at Kyocera Chemical Corporation.

(5) Consolidated Orders and Production by Reporting Segment

(Yen in millions)

| | Six months ended September 30, | | | | Increase (Decrease) (%) |
|------------------------------------|--------------------------------|-------------------|-----------------|-------------------|----------------------------|
| | 2005 | | 2006 | | |
| | Amount | % to the total | Amount | % to the total | |
| Fine Ceramic Parts Group | 33,566 | 5.9 | 39,785 | 6.2 | 18.5 |
| Semiconductor Parts Group | 68,971 | 12.0 | 76,861 | 12.0 | 11.4 |
| Applied Ceramic Products Group | 58,241 | 10.1 | 66,757 | 10.4 | 14.6 |
| Electronic Device Group | 130,768 | 22.7 | 147,734 | 23.1 | 13.0 |
| Total components business | 291,546 | 50.7 | 331,137 | 51.7 | 13.6 |
| Telecommunications Equipment Group | 110,467 | 19.2 | 129,231 | 20.2 | 17.0 |
| Information Equipment Group | 118,275 | 20.5 | 124,136 | 19.4 | 5.0 |
| Optical Equipment Group | 7,962 | 1.4 | 5,958 | 0.9 | (25.2) |
| Total equipment business | 236,704 | 41.1 | 259,325 | 40.5 | 9.6 |
| Others | 57,622 | 10.0 | 61,745 | 9.6 | 7.2 |
| Adjustments and eliminations | (10,487) | (1.8) | (12,025) | (1.8) | — |
| Orders | <u>575,385</u> | <u>100.0</u> | <u>640,182</u> | <u>100.0</u> | 11.3 |

(Yen in millions)

| | Six months ended September 30, | | | | Increase (Decrease) (%) |
|------------------------------------|--------------------------------|-------------------|----------------|-------------------|----------------------------|
| | 2005 | | 2006 | | |
| | Amount | % to the total | Amount | % to the total | |
| Fine Ceramic Parts Group | 32,963 | 6.1 | 38,959 | 6.1 | 18.2 |
| Semiconductor Parts Group | 64,055 | 11.9 | 77,929 | 12.2 | 21.7 |
| Applied Ceramic Products Group | 55,164 | 10.3 | 65,436 | 10.2 | 18.6 |
| Electronic Device Group | 124,363 | 23.2 | 144,236 | 22.5 | 16.0 |
| Total components business | 276,545 | 51.5 | 326,560 | 51.0 | 18.1 |
| Telecommunications Equipment Group | 93,910 | 17.5 | 126,414 | 19.8 | 34.6 |
| Information Equipment Group | 116,617 | 21.8 | 137,311 | 21.5 | 17.7 |
| Optical Equipment Group | 7,616 | 1.4 | 5,923 | 0.9 | (22.2) |
| Total equipment business | 218,143 | 40.7 | 269,648 | 42.2 | 23.6 |
| Others | 41,778 | 7.8 | 43,724 | 6.8 | 4.7 |
| Production | <u>536,466</u> | <u>100.0</u> | <u>639,932</u> | <u>100.0</u> | 19.3 |

Notes:

6. Commencing in the first half, orders of the Precision Machine Division of Kyocera Corporation, previously included within "Corporate," have been reclassified into "Others." Accordingly, previously reported orders and production of these reporting segments in the previous first half have been retrospectively reclassified.

7. By the reasons in notes 1 and 6, order of "Others" in the previous first half decreased by ¥4,308 million and "Adjustments and Eliminations" increased by ¥(133) million, compared with those previously announced.

(6) Consolidated Sales by Geographic Area

(Yen in millions)

| | Six months ended September 30, | | | | Increase (Decrease) (%) |
|-----------|--------------------------------|-------------------|-----------------------|---------------------|-------------------------------|
| | 2005 | | 2006 | | |
| | Amount | % to net sales | Amount | % to net sales | |
| Japan | 217,171 | 40.0 | 236,735 | 38.5 | 9.0 |
| USA | 112,642 | 20.8 | 130,265 | 21.2 | 15.6 |
| Asia | 91,643 | 16.9 | 107,111 | 17.4 | 16.9 |
| Europe | 87,848 | 16.2 | 97,464 | 15.8 | 10.9 |
| Others | 32,934 | 6.1 | 43,815 | 7.1 | 33.0 |
| Net sales | <u>542,238</u> | <u>100.0</u> | <u>615,390</u> | <u>100.0</u> | <u>13.5</u> |

Note 8. By the reasons in note 1, consolidated sales in Japan in the previous first half decreased by ¥3,020 million compared with that previously announced.

1) Japan

Sales increased compared with the previous first half due to burgeoning demand for products in the Fine Ceramic Parts Group and the Semiconductor Parts Group.

2) United States of America

Sales of the Semiconductor Parts Group and the Electronic Device Group increased due to expanded demand for components for digital consumer products. Sales of the Information Equipment Group also increased.

3) Asia

Sales increased compared with the previous first half due to expanded component demand, particularly in the Electronic Device Group.

4) Europe

Increased demand for solar energy products and products in the Electronic Device Group, coupled with sales growth in the Information Equipment Group, resulted in an increase in sales compared with the previous first half.

5) Others

Sales increased due to sales growth in the Telecommunications Equipment Group and the Information Equipment Group.

2. Cash Flow

Cash and cash equivalent at September 30, 2006 decreased by ¥37,058 million to ¥263,751 million compared with at March 31, 2006.

| | (Yen in millions) | |
|---|--------------------------------|-----------------|
| | Six Months Ended September 30, | |
| | 2005 | 2006 |
| Cash flow from operating activities | 71,772 | 47,923 |
| Cash flow from investing activities | (123,091) | (74,084) |
| Cash flow from financing activities | (9,657) | (13,079) |
| Effect of exchange rate changes on cash and cash equivalent | 4,269 | 2,182 |
| Net decrease in cash and cash equivalent | (56,707) | (37,058) |
| Cash and cash equivalent at beginning of period | 310,592 | 300,809 |
| Cash and cash equivalent at end of period | 253,885 | 263,751 |

(1) Cash flow from operating activities

Net cash provided by operating activities for the first half decreased by ¥ 23,849 million to ¥ 47,923 million from the previous first half of ¥71,772 million. Although net income increased by ¥29,279 million, cash and cash equivalent in connection with receivables and inventories decreased compared with the previous first half.

(2) Cash flow from investing activities

Net cash used in investing activities in the first half decreased by ¥49,007 million to ¥74,084 million from the previous first half of ¥123,091 million. This was due to decreases in cash and cash equivalent used in payment for purchases of securities and property, plant, equipment and intangible assets, which exceeded decreases in cash and cash equivalent provided by sales and maturities of securities.

(3) Cash flow from financing activities

Net cash used in financing activities for the first half increased by ¥3,422 million to ¥13,079 million from the previous first half of ¥9,657 million. This was due to a decrease in proceeds from issuance of long-term debt and an increase in payments of long-term debt, which exceeded an increase in short-term debt.

3. Capital Expenditures and Depreciation

| | Six months ended September 30, | | | | (Yen in millions) |
|----------------------|--------------------------------|-------------------|---------------|-------------------|----------------------------|
| | 2005 | | 2006 | | Increase (Decrease) (%) |
| | Amount | % to net sales | Amount | % to net sales | |
| Capital expenditures | 50,637 | 9.3 | 37,239 | 6.1 | (26.5) |
| Depreciation | 28,034 | 5.2 | 33,682 | 5.5 | 20.1 |

Note 9. By the reasons in note 1, capital expenditures in the previous first half decreased by ¥1,384 million and the depreciation decreased by ¥48 million, compared with those previously announced.

In the first half, Kyocera made capital expenditures particularly to increase production capacity in the Electronic Device Group. However, capital expenditures in the first half decreased compared with the previous first half, which included large-scale expenditures such as the establishment of new production bases in the organic package business and the solar energy business. Depreciation increased compared with the previous first half.

4. Non-Consolidated Financial Results

| | Six months ended September 30, | | | | (Yen in millions) |
|------------------------|--------------------------------|-------------------|----------------|-------------------|----------------------------|
| | 2005 | | 2006 | | Increase (Decrease) (%) |
| | Amount | % to net sales | Amount | % to net sales | |
| Net sales | 220,901 | 100.0 | 259,738 | 100.0 | 17.6 |
| Profit from operations | 12,383 | 5.6 | 21,284 | 8.2 | 71.9 |
| Recurring profit | 26,903 | 12.2 | 32,844 | 12.6 | 22.1 |
| Net income | 31,865 | 14.4 | 33,655 | 13.0 | 5.6 |

5. Business Risk

Please see “Forward-Looking Statements” on page 19 for details of business risk.

Business Outlook

1. Consolidated Forecasts for the Year Ending March 31, 2007 (Announced on October 30, 2006)

Business performance in the first half was solid, especially in the components business, while Kyocera projects continuing favorable business environment in the second half. Accordingly, the following revisions have been made to forecasts for the year ending March 31, 2007 (fiscal 2007), which were announced on April 27, 2006.

| | (Yen in millions, except per share amounts and exchange rates) | | | | | | |
|---|--|--------|----------------------------------|--------|-------------------|--------------|--|
| | Result for FY2006 | | Forecast for FY2007 announced on | | | | Increase (Decrease) to the result for FY2006 (%) |
| | | | April 27, 2006 | | October 30, 2006 | | |
| Amount | % to net sales | Amount | % to net sales | Amount | % to net sales | | |
| Net sales | 1,173,544 | 100.0 | 1,230,000 | 100.0 | 1,250,000 | 100.0 | 6.5 |
| Profit from operations | 99,695 | 8.5 | 123,000 | 10.0 | 133,000 | 10.6 | 33.4 |
| Income from continuing operations before income taxes | 117,237 | 10.0 | 138,000 | 11.2 | 148,000 | 11.8 | 26.2 |
| Net income | 69,696 | 5.9 | 83,000 | 6.7 | 96,000 | 7.7 | 37.7 |
| Diluted earnings per share | 371.43 | — | 440.83 | — | 509.92 | — | — |
| Average US\$ exchange rate | 113 | — | 109 | — | 114 | — | — |
| Average Euro exchange rate | 138 | — | 140 | — | 145 | — | — |

Notes:

10. By the reasons in note 1, net sales of the year ended March 31, 2006 (fiscal 2006) decreased by ¥7,945 million, the operating profit decreased by ¥3,512 million and the income from continuing operations before income taxes decreased by ¥4,151 million, compared with those previously announced.

11. The forecast of diluted earnings per share announced previously was revised on July 27, 2006 based on the diluted average number of shares outstanding during the three months ended June 30, 2006.

12. Although Kyocera changed its previously announced forecast of average exchange rates for fiscal 2007 based on the actual exchange rates for the first quarter, it has not changed its forecast of sales and profits for fiscal 2007 released on July 27, 2006 because the impact of this change in the forecast of average exchange rates is not considered material.

< Consolidated Forecasts by Reporting Segments >

Consolidated forecasts by reporting segments are revised, accordingly, as follows.

(Yen in millions)

| | Result for FY2006 | | Forecast for FY2007 announced on | | | | Increase (Decrease) to the result for FY2006 (%) |
|---------------------------------------|-------------------|-------------------|----------------------------------|-------------------|-------------------------|---------------------|--|
| | Amount | % to net sales | April 27, 2006 | | October 30, 2006 | | |
| | | | Amount | % to net sales | Amount | % to net sales | |
| Fine Ceramic Parts Group | 69,373 | 5.9 | 71,000 | 5.8 | 78,000 | 6.2 | 12.4 |
| Semiconductor Parts Group | 135,299 | 11.6 | 145,000 | 11.8 | 150,000 | 12.0 | 10.9 |
| Applied Ceramic Products Group | 117,555 | 10.0 | 122,000 | 9.9 | 129,000 | 10.3 | 9.7 |
| Electronic Device Group | 259,592 | 22.1 | 263,000 | 21.4 | 276,000 | 22.1 | 6.3 |
| Total components business | 581,819 | 49.6 | 601,000 | 48.9 | 633,000 | 50.6 | 8.8 |
| Telecommunications Equipment Group | 229,035 | 19.5 | 245,000 | 19.9 | 245,000 | 19.6 | 7.0 |
| Information Equipment Group | 249,381 | 21.2 | 260,000 | 21.1 | 260,000 | 20.8 | 4.3 |
| Optical Equipment Group | 14,947 | 1.3 | 11,000 | 0.9 | 11,000 | 0.9 | (26.4) |
| Total equipment business | 493,363 | 42.0 | 516,000 | 41.9 | 516,000 | 41.3 | 4.6 |
| Others | 117,409 | 10.0 | 133,000 | 10.8 | 125,000 | 10.0 | 6.5 |
| Adjustments and eliminations | (19,047) | (1.6) | (20,000) | (1.6) | (24,000) | (1.9) | — |
| Net sales | <u>1,173,544</u> | <u>100.0</u> | <u>1,230,000</u> | <u>100.0</u> | <u>1,250,000</u> | <u>100.0</u> | <u>6.5</u> |

Notes:
13. Commencing in the first half, net sales of the Precision Machine Division of Kyocera Corporation, previously included within “Corporate,” have been reclassified into “Others.” Accordingly, previously reported net sales of these reporting segments for fiscal 2006 have been retrospectively reclassified.

14. By the reasons in notes 1 and 13, net sales of “Others” in fiscal 2006 decreased by ¥7,565 million and “Adjustments and Eliminations” increased by ¥(380) million, compared with those previously announced.

(Yen in millions)

| | Result for FY2006 | | Forecast for FY2007 announced on | | | | Increase (Decrease) to the result for FY2006 (%) |
|--|-------------------|----------------------------|----------------------------------|----------------------------|-----------------------|----------------------------|--|
| | | | April 27, 2006 | | October 30, 2006 | | |
| | Amount | % to segment's sales | Amount | % to segment's sales | Amount | % to segment's sales | |
| Fine Ceramic Parts Group | 11,014 | 15.9 | 11,500 | 16.2 | 14,500 | 18.6 | 31.7 |
| Semiconductor Parts Group | 17,742 | 13.1 | 21,000 | 14.5 | 23,500 | 15.7 | 32.5 |
| Applied Ceramic Products Group | 21,876 | 18.6 | 21,500 | 17.6 | 20,000 | 15.5 | (8.6) |
| Electronic Device Group | 27,170 | 10.5 | 28,500 | 10.8 | 42,000 | 15.2 | 54.6 |
| Total components business | 77,802 | 13.4 | 82,500 | 13.7 | 100,000 | 15.8 | 28.5 |
| Telecommunications Equipment Group | (1,706) | — | 9,000 | 3.7 | 4,000 | 1.6 | — |
| Information Equipment Group | 26,412 | 10.6 | 28,500 | 11.0 | 30,000 | 11.5 | 13.6 |
| Optical Equipment Group | (5,774) | — | 0 | — | (1,000) | — | — |
| Total equipment business | 18,932 | 3.8 | 37,500 | 7.3 | 33,000 | 6.4 | 74.3 |
| Others | 8,983 | 7.7 | 14,000 | 10.5 | 9,000 | 7.2 | 0.2 |
| Operating profit | 105,717 | 9.0 | 134,000 | 10.9 | 142,000 | 11.4 | 34.3 |
| Corporate and others | 11,520 | — | 4,000 | — | 6,000 | — | (47.9) |
| Income from continuing operations before income taxes | <u>117,237</u> | <u>10.0</u> | <u>138,000</u> | <u>11.2</u> | <u>148,000</u> | <u>11.8</u> | <u>26.2</u> |

- Notes:
15. Commencing in the first half, operating profits of the Precision Machine Division of Kyocera Corporation, previously included within "Corporate," have been reclassified into "Others." Accordingly, previously reported operating profits of these reporting segments for fiscal 2006 have been retrospectively reclassified.
16. By the reasons in notes 1 and 15, operating profit of "Others" in fiscal 2006 decreased by ¥3,577 million compared with that previously announced.

The business environment in the second half remains uncertain on account of rising material prices, particularly crude oil and precious metals, coupled with concerns over a slowdown in the U.S. economy. Nonetheless, in the electronics industry, demand for components for digital consumer equipment is projected to remain high. In addition to the sale of next-generation game consoles and new digital consumer products for the Christmas selling season, the introduction of Mobile Number Portability in Japan in October this year is expected to be another positive factor.

To make the most of such business opportunities, Kyocera intends to improve performance in the components business by boosting market share through the introduction of new high-value-added products and by cultivating new markets. In the equipment business, Kyocera will improve profitability through the timely launch of new products to assure capture of business opportunities. Specifically, Kyocera aims to increase profitability by releasing highly sophisticated mobile phone handsets in the Telecommunications Equipment Group and by expanding sales of new high-value-added multifunctional products and printers including color models in the Information Equipment Group.

2. Non-Consolidated Forecasts for the Year Ending March 31, 2007 (Announced on October 30, 2006)

(Yen in millions)

| | Result for FY2006 | | Forecast for FY2007 announced on | | | | Increase (Decrease) to the result for FY2006 (%) |
|------------------------|-------------------|-------------------|----------------------------------|-------------------|------------------|-------------------|--|
| | | | April 27, 2006 | | October 30, 2006 | | |
| | Amount | % to net sales | Amount | % to net sales | Amount | % to net sales | |
| Net sales | 477,379 | 100.0 | 510,000 | 100.0 | 520,000 | 100.0 | 8.9 |
| Profit from operations | 39,937 | 8.4 | 44,000 | 8.6 | 45,000 | 8.7 | 12.7 |
| Recurring profit | 68,182 | 14.3 | 74,000 | 14.5 | 75,000 | 14.4 | 10.0 |
| Net income | 68,712 | 14.4 | 53,000 | 10.4 | 61,000 | 11.7 | (11.2) |

Note: 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; changes in exchange rates, particularly between the yen and the U.S. dollar and euro, respectively, in which we make significant sales; our ability to launch innovative products and otherwise meet the advancing technical requirements of our customers, particularly in the highly competitive markets for ceramics, semiconductor parts and electronic components; and the extent and pace of future growth or contraction in information technology-related markets around the world, including those for communications and personal computers; fluctuations in the value of securities and other assets held by us and changes in accounting principles; business performance of other companies with which we maintain business alliances; laws and regulations relating to the taxation, and to manufacturing and trade; events that may impact negatively on our markets or supply chain, including terrorist acts and outbreaks of diseases; and the occurrence of natural disasters, such as earthquakes, in locations where our manufacturing and other key business facilities are located. 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 BALANCE SHEETS

| | Yen in millions | | | | | |
|---|--------------------|--------------|-------------------|--------------|--------------------|--------------|
| | September 30, 2006 | | March 31, 2006 | | September 30, 2005 | |
| | Amount | % | Amount | % | Amount | % |
| Current assets : | | | | | | |
| Cash and cash equivalents | ¥ 263,751 | | ¥ 300,809 | | ¥ 253,885 | |
| Short-term investments | 128,747 | | 87,942 | | 94,526 | |
| Trade notes receivable | 25,181 | | 24,597 | | 25,439 | |
| Trade accounts receivable | 228,198 | | 210,393 | | 196,743 | |
| Short-term finance receivables | — | | 39,505 | | 42,194 | |
| Less allowances for doubtful accounts and sales returns | (7,384) | | (7,425) | | (7,919) | |
| Inventories | 220,879 | | 190,564 | | 200,607 | |
| Deferred income taxes | 45,609 | | 40,411 | | 38,985 | |
| Other current assets | 46,151 | | 33,872 | | 29,136 | |
| Total current assets | <u>951,132</u> | <u>48.7</u> | <u>920,668</u> | <u>47.7</u> | <u>873,596</u> | <u>46.9</u> |
| Non-current assets : | | | | | | |
| Investments in and advances to affiliates and unconsolidated subsidiaries | 7,499 | | 7,355 | | 12,037 | |
| Securities and other investments | 622,344 | | 553,377 | | 539,423 | |
| Total investments and advances | <u>629,843</u> | <u>32.3</u> | <u>560,732</u> | <u>29.0</u> | <u>551,460</u> | <u>29.6</u> |
| Long-term finance receivables | — | | 80,970 | | 74,247 | |
| Property, plant and equipment, at cost : | | | | | | |
| Land | 56,969 | | 58,286 | | 58,553 | |
| Buildings | 253,643 | | 249,506 | | 241,692 | |
| Machinery and equipment | 717,718 | | 697,383 | | 680,879 | |
| Construction in progress | 11,817 | | 13,473 | | 13,679 | |
| Less accumulated depreciation | (752,878) | | (733,302) | | (713,078) | |
| | <u>287,269</u> | <u>14.7</u> | <u>285,346</u> | <u>14.8</u> | <u>281,725</u> | <u>15.1</u> |
| Goodwill | 31,615 | 1.6 | 31,351 | 1.6 | 30,727 | 1.7 |
| Intangible assets | 29,516 | 1.5 | 31,227 | 1.6 | 30,124 | 1.6 |
| Other assets | 22,327 | 1.2 | 21,228 | 1.1 | 21,049 | 1.1 |
| Total non-current assets | <u>1,000,570</u> | <u>51.3</u> | <u>1,010,854</u> | <u>52.3</u> | <u>989,332</u> | <u>53.1</u> |
| Total assets | <u>¥1,951,702</u> | <u>100.0</u> | <u>¥1,931,522</u> | <u>100.0</u> | <u>¥1,862,928</u> | <u>100.0</u> |

| | Yen in millions | | | | | |
|--|--------------------|--------------|-------------------|--------------|--------------------|--------------|
| | September 30, 2006 | | March 31, 2006 | | September 30, 2005 | |
| | Amount | % | Amount | % | Amount | % |
| Current liabilities : | | | | | | |
| Short-term borrowings | ¥ 12,929 | | ¥ 90,865 | | ¥ 67,422 | |
| Current portion of long-term debt | 6,643 | | 16,347 | | 53,123 | |
| Trade notes and accounts payable | 111,059 | | 103,503 | | 90,713 | |
| Other notes and accounts payable | 52,365 | | 51,997 | | 50,208 | |
| Accrued payroll and bonus | 39,417 | | 37,998 | | 36,769 | |
| Accrued income taxes | 31,343 | | 27,658 | | 25,137 | |
| Other accrued liabilities | 36,230 | | 31,414 | | 31,143 | |
| Other current liabilities | 24,217 | | 18,841 | | 17,595 | |
| Total current liabilities | <u>314,203</u> | <u>16.1</u> | <u>378,623</u> | <u>19.6</u> | <u>372,110</u> | <u>20.0</u> |
| Non-current liabilities : | | | | | | |
| Long-term debt | 9,243 | | 33,360 | | 25,920 | |
| Accrued pension and severance liabilities | 23,541 | | 27,092 | | 27,397 | |
| Deferred income taxes | 149,097 | | 125,686 | | 123,151 | |
| Other non-current liabilities | 12,992 | | 12,742 | | 11,595 | |
| Total non-current liabilities | <u>194,873</u> | <u>10.0</u> | <u>198,880</u> | <u>10.3</u> | <u>188,063</u> | <u>10.1</u> |
| Total liabilities | <u>509,076</u> | <u>26.1</u> | <u>577,503</u> | <u>29.9</u> | <u>560,173</u> | <u>30.1</u> |
| Minority interests in subsidiaries | 69,059 | 3.5 | 64,942 | 3.4 | 61,060 | 3.3 |
| Stockholders' equity : | | | | | | |
| Common stock | 115,703 | | 115,703 | | 115,703 | |
| Additional paid-in capital | 162,080 | | 161,994 | | 162,060 | |
| Retained earnings | 1,011,682 | | 967,576 | | 931,468 | |
| Accumulated other comprehensive income | 111,211 | | 72,947 | | 63,890 | |
| Treasury stock, at cost | (27,109) | | (29,143) | | (31,426) | |
| Total stockholders' equity | <u>1,373,567</u> | <u>70.4</u> | <u>1,289,077</u> | <u>66.7</u> | <u>1,241,695</u> | <u>66.6</u> |
| Total liabilities, minority interests and stockholders' equity | <u>¥1,951,702</u> | <u>100.0</u> | <u>¥1,931,522</u> | <u>100.0</u> | <u>¥1,862,928</u> | <u>100.0</u> |

Note: Accumulated other comprehensive income is as follows:

| | Yen in millions | | |
|---|--------------------|----------------|--------------------|
| | September 30, 2006 | March 31, 2006 | September 30, 2005 |
| Net unrealized gains on securities | ¥ 114,808 | ¥ 82,649 | ¥ 84,536 |
| Net unrealized losses on derivative financial instruments | ¥ (58) | ¥ (75) | ¥ (13) |
| Minimum pension liability adjustments | ¥ (2,057) | ¥ (2,057) | ¥ (1,629) |
| Foreign currency translation adjustments | ¥ (1,482) | ¥ (7,570) | ¥ (19,004) |

CONSOLIDATED STATEMENTS OF INCOME

| | Yen in millions, except per share amounts | | | | | | | |
|--|---|-------|----------|-------|------------------------|----------------------|-------|--|
| | Six months ended September 30, | | | | Increase (Decrease) | Year ended March 31, | | |
| | 2006 | | 2005 | | | 2006 | | |
| | Amount | % | Amount | % | % | Amount | % | |
| Net sales | ¥615,390 | 100.0 | ¥542,238 | 100.0 | 13.5 | ¥1,173,544 | 100.0 | |
| Cost of sales | 429,681 | 69.8 | 390,902 | 72.1 | 9.9 | 835,042 | 71.2 | |
| Gross profit | 185,709 | 30.2 | 151,336 | 27.9 | 22.7 | 338,502 | 28.8 | |
| Selling, general and administrative expenses | 122,581 | 19.9 | 117,572 | 21.7 | 4.3 | 238,807 | 20.3 | |
| Profit from operations | 63,128 | 10.3 | 33,764 | 6.2 | 87.0 | 99,695 | 8.5 | |
| Other income or expenses : | | | | | | | | |
| Interest and dividend income | 6,790 | 1.1 | 3,896 | 0.7 | 74.3 | 8,990 | 0.8 | |
| Interest expense | (782) | (0.1) | (633) | (0.1) | — | (1,301) | (0.1) | |
| Foreign currency transaction gains (losses), net | 273 | 0.1 | (91) | (0.0) | — | (316) | (0.0) | |
| Equity in earnings (losses) of affiliates and unconsolidated subsidiaries | 259 | 0.0 | (236) | (0.0) | — | (1,216) | (0.1) | |
| Gains on sale of securities, net of losses | 3,252 | 0.5 | 478 | 0.1 | 580.3 | 1,472 | 0.1 | |
| Gains on exchange for the shares | 24 | 0.0 | 13 | 0.0 | 84.6 | 5,294 | 0.4 | |
| Gain on sale of investment in an affiliate | — | — | 6,931 | 1.3 | — | 6,931 | 0.6 | |
| Loss on impairment of investment in an affiliate | — | — | — | — | — | (3,492) | (0.3) | |
| Other, net | (559) | (0.1) | 207 | 0.0 | — | 1,180 | 0.1 | |
| Total other income | 9,257 | 1.5 | 10,565 | 2.0 | (12.4) | 17,542 | 1.5 | |
| Income from continuing operations before income taxes and minority interests | 72,385 | 11.8 | 44,329 | 8.2 | 63.3 | 117,237 | 10.0 | |
| Income taxes | 20,954 | 3.4 | 19,924 | 3.7 | 5.2 | 46,760 | 4.0 | |
| Income from continuing operations before minority interests | 51,431 | 8.4 | 24,405 | 4.5 | 110.7 | 70,477 | 6.0 | |
| Minority interests | (3,113) | (0.5) | (1,472) | (0.3) | — | (4,389) | (0.4) | |
| Income from continuing operations | 48,318 | 7.9 | 22,933 | 4.2 | 110.7 | 66,088 | 5.6 | |
| Income from discontinued operations | 5,175 | 0.8 | 1,281 | 0.3 | 304.0 | 3,608 | 0.3 | |
| Net income | ¥ 53,493 | 8.7 | ¥ 24,214 | 4.5 | 120.9 | ¥ 69,696 | 5.9 | |
| Earnings per share: | | | | | | | | |
| Income from continuing operations | | | | | | | | |
| Basic | ¥ 257.10 | | ¥ 122.32 | | | ¥ 352.44 | | |
| Diluted | ¥ 256.65 | | ¥ 122.31 | | | ¥ 352.21 | | |
| Income from discontinued operations | | | | | | | | |
| Basic | ¥ 27.54 | | ¥ 6.84 | | | ¥ 19.24 | | |
| Diluted | ¥ 27.49 | | ¥ 6.84 | | | ¥ 19.22 | | |
| Net income | | | | | | | | |
| Basic | ¥ 284.64 | | ¥ 129.16 | | | ¥ 371.68 | | |
| Diluted | ¥ 284.14 | | ¥ 129.15 | | | ¥ 371.43 | | |
| Weighted average number of shares of common stock outstanding (shares in thousands): | | | | | | | | |
| Basic | 187,932 | | 187,478 | | | 187,514 | | |
| Diluted | 188,266 | | 187,497 | | | 187,640 | | |

Notes:

1. Kyocera applies the Statement of Financial Accounting Standards Board (SFAS) No.130, "Reporting Comprehensive Income" Based on this standard, comprehensive income for the six months ended September 30, 2006 and 2005 were an increase of ¥91,757 million and an increase of ¥76,265 million, respectively.
2. Earnings per share amounts were computed based on SFAS No.128, "Earnings per Share." Under SFAS No.128, basic earnings per share was computed based on the average number of shares of common stock outstanding during each period and diluted earnings per share assumed the dilution that could occur if securities or other contracts to issue common stock were converted into common stock, exercised or resulted in the issuance of common stock.
3. Against the Correction Disposition with regard to transfer pricing taxation, which was rendered by the Osaka Regional Taxation Bureau in March 2005, Kyocera filed the Request for Reinvestigation in May 2005. Kyocera then received the Decision on the Request for Reinvestigation in September 2006. Based on the Decision, ¥(4,356) million is included in income taxes shown above, as refunds for the previous years.
4. In accordance with the SFAS No.144, "Accounting for the Impairment of Disposal of Long-Lived Assets," the consolidated financial statements for the six months ended September 30, 2005 and for the year ended March 31, 2006 have been retrospectively reclassified as for the discontinued operations.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Yen in millions and shares in thousands)

| (Number of shares of common stock) | Common stock | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income | Treasury stock | Comprehensive income |
|--|-----------------|-------------------------------|----------------------|---|-------------------|-------------------------|
| Balance, March 31, 2005 (187,481) | ¥115,703 | ¥ 162,061 | ¥ 916,628 | ¥ 11,839 | ¥(31,380) | |
| Net income for the year | | | 69,696 | | | ¥ 69,696 |
| Other comprehensive income | | | | 61,108 | | 61,108 |
| Total comprehensive income for the year | | | | | | ¥ 130,804 |
| Cash dividends | | | (18,748) | | | |
| Purchase of treasury stock (20) | | | | | (170) | |
| Reissuance of treasury stock (294) | | (67) | | | 2,407 | |
| Balance, March 31, 2006 (187,755) | 115,703 | 161,994 | 967,576 | 72,947 | (29,143) | |
| Net income for the period | | | 53,493 | | | ¥ 53,493 |
| Other comprehensive income | | | | 38,264 | | 38,264 |
| Total comprehensive income for the period | | | | | | ¥ 91,757 |
| Cash dividends | | | (9,387) | | | |
| Purchase of treasury stock (11) | | | | | (104) | |
| Reissuance of treasury stock (261) | | (23) | | | 2,138 | |
| Stock option plan of a subsidiary | | 109 | | | | |
| Balance, September 30, 2006 (188,005) | ¥115,703 | ¥ 162,080 | ¥1,011,682 | ¥ 111,211 | ¥(27,109) | |

(Yen in millions and shares in thousands)

| (Number of shares of common stock) | Common stock | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income | Treasury stock | Comprehensive income |
|--|-----------------|-------------------------------|----------------------|---|-------------------|-------------------------|
| Balance, March 31, 2005 (187,481) | ¥115,703 | ¥ 162,061 | ¥ 916,628 | ¥ 11,839 | ¥(31,380) | |
| Net income for the period | | | 24,214 | | | ¥ 24,214 |
| Other comprehensive income | | | | 52,051 | | 52,051 |
| Total comprehensive income for the period | | | | | | ¥ 76,265 |
| Cash dividends | | | (9,374) | | | |
| Purchase of treasury stock (10) | | | | | (77) | |
| Reissuance of treasury stock (4) | | (1) | | | 31 | |
| Balance, September 30, 2005 (187,475) | ¥115,703 | ¥ 162,060 | ¥ 931,468 | ¥ 63,890 | ¥(31,426) | |

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Yen in millions | | |
|--|-----------------------------------|------------------|-------------------------|
| | Six months ended September 30, | | Year ended March 31, |
| | 2006 | 2005 | 2006 |
| Cash flows from operating activities : | | | |
| Net income | ¥ 53,493 | ¥ 24,214 | ¥ 69,696 |
| Adjustments to reconcile net income to net cash provided by operating activities : | | | |
| Depreciation and amortization | 38,836 | 31,763 | 73,186 |
| Write-down of inventories | 3,829 | 4,303 | 8,446 |
| Minority interests | 3,113 | 1,472 | 4,389 |
| Gains on sales of securities, net of losses | (3,252) | (478) | (1,652) |
| Gain on sale of investment in an affiliate | — | (6,931) | (6,931) |
| Loss on impairment of investment in an affiliate | — | — | 3,492 |
| Gain on sale of investment in a subsidiary | (8,228) | — | — |
| Gains on exchange for the shares | (24) | (13) | (5,294) |
| (Increase) decrease in receivables | (31,595) | 7,771 | (9,237) |
| (Increase) decrease in inventories | (31,174) | 10,417 | 21,263 |
| Increase in notes and accounts payable | 18,915 | 5,317 | 14,390 |
| Other, net | 4,010 | (6,063) | (671) |
| Net cash provided by operating activities | <u>47,923</u> | <u>71,772</u> | <u>171,077</u> |
| Cash flows from investing activities : | | | |
| Payments for purchases of securities | (31,521) | (76,743) | (109,289) |
| Payments for purchases of investments and advances | (87) | (127) | (224) |
| Sales and maturities of securities | 30,712 | 38,539 | 52,430 |
| Proceeds from sale of investment in an affiliate | — | 24,133 | 24,133 |
| Proceeds from sale of investment in a subsidiary | 24,553 | — | — |
| Payments for purchases of property, plant and equipment, and intangible assets | (35,509) | (49,655) | (102,025) |
| Proceeds from sales of property, plant and equipment, and intangible assets | 785 | 1,933 | 3,350 |
| Acquisition of business, net of cash acquired | (756) | — | 3 |
| Acquisitions of minority interests | (8) | (3,575) | (3,575) |
| Deposit of negotiable certificate of deposits and time deposits | (147,457) | (77,056) | (132,286) |
| Withdrawal of negotiable certificate of deposits and time deposits | 85,081 | 18,121 | 100,923 |
| Other, net | 123 | 1,339 | 1,093 |
| Net cash used in investing activities | <u>(74,084)</u> | <u>(123,091)</u> | <u>(165,467)</u> |
| Cash flows from financing activities : | | | |
| Increase in short-term debt | 7,316 | 367 | 23,363 |
| Proceeds from issuance of long-term debt | 1,928 | 4,783 | 19,876 |
| Payments of long-term debt | (10,713) | (3,756) | (48,458) |
| Dividends paid | (10,385) | (10,447) | (20,473) |
| Net sales (purchases) of treasury stock | 2,011 | (47) | 2,169 |
| Other, net | (3,236) | (557) | 234 |
| Net cash used in financing activities | <u>(13,079)</u> | <u>(9,657)</u> | <u>(23,289)</u> |
| Effect of exchange rate changes on cash and cash equivalents | 2,182 | 4,269 | 7,896 |
| Net decrease in cash and cash equivalents | (37,058) | (56,707) | (9,783) |
| Cash and cash equivalents at beginning of period | 300,809 | 310,592 | 310,592 |
| Cash and cash equivalents at end of period | <u>¥ 263,751</u> | <u>¥ 253,885</u> | <u>¥ 300,809</u> |

SUPPLEMENTAL CASH FLOW INFORMATION

| | Yen in millions | | |
|--|------------------|----------|--------------|
| | Six months ended | | Year ended |
| | September 30, | | March 31, |
| | 2006 | 2005 | 2006 |
| Cash paid during the period for : | | | |
| Interest | ¥ 979 | ¥ 917 | ¥ 1,933 |
| Income taxes | 30,045 | 31,586 | 53,037 |
| Acquisition of business : | | | |
| Fair value of assets acquired | ¥ 1,151 | — | ¥ 65 |
| Fair value of liabilities assumed | (333) | — | (45) |
| Minority interests | — | — | (8) |
| Cash acquired | (62) | — | (15) |
| | <u>¥ 756</u> | <u>—</u> | <u>¥ (3)</u> |

SEGMENT INFORMATION

1. Reporting segments :

| | Yen in millions | | | |
|---|--------------------------------|------------------|---------------|----------------------|
| | Six months ended September 30, | | Increase | Year ended March 31, |
| | 2006 | 2005 | (Decrease) | 2006 |
| | Amount | Amount | % | Amount |
| Net sales : | | | | |
| Fine Ceramic Parts Group | ¥ 38,564 | ¥ 33,258 | 16.0 | ¥ 69,373 |
| Semiconductor Parts Group | 75,843 | 63,544 | 19.4 | 135,299 |
| Applied Ceramic Products Group | 64,132 | 55,752 | 15.0 | 117,555 |
| Electronic Device Group | 139,984 | 125,383 | 11.6 | 259,592 |
| Telecommunications Equipment Group | 117,181 | 91,084 | 28.7 | 229,035 |
| Information Equipment Group | 124,619 | 118,433 | 5.2 | 249,381 |
| Optical Equipment Group | 5,890 | 8,256 | (28.7) | 14,947 |
| Others | 60,850 | 56,049 | 8.6 | 117,409 |
| Adjustments and eliminations | (11,673) | (9,521) | — | (19,047) |
| | <u>¥ 615,390</u> | <u>¥ 542,238</u> | <u>13.5</u> | <u>¥ 1,173,544</u> |
| Operating profit : | | | | |
| Fine Ceramic Parts Group | ¥ 7,373 | ¥ 4,805 | 53.4 | ¥ 11,014 |
| Semiconductor Parts Group | 11,887 | 7,251 | 63.9 | 17,742 |
| Applied Ceramic Products Group | 8,966 | 9,337 | (4.0) | 21,876 |
| Electronic Device Group | 21,573 | 11,171 | 93.1 | 27,170 |
| Telecommunications Equipment Group | (1,016) | (9,355) | — | (1,706) |
| Information Equipment Group | 15,491 | 13,244 | 17.0 | 26,412 |
| Optical Equipment Group | (899) | (4,049) | — | (5,774) |
| Others | 3,748 | 3,186 | 17.6 | 8,983 |
| | <u>67,123</u> | <u>35,590</u> | <u>88.6</u> | <u>105,717</u> |
| Corporate | 5,152 | 8,882 | (42.0) | 12,785 |
| Equity in earnings (losses) of affiliates and unconsolidated subsidiaries | 259 | (236) | — | (1,216) |
| Adjustments and eliminations | (149) | 93 | — | (49) |
| Income from continuing operations before income taxes | <u>¥ 72,385</u> | <u>¥ 44,329</u> | <u>63.3</u> | <u>¥ 117,237</u> |
| Depreciation and amortization : | | | | |
| Fine Ceramic Parts Group | ¥ 1,943 | ¥ 1,937 | 0.3 | ¥ 4,126 |
| Semiconductor Parts Group | 5,853 | 4,349 | 34.6 | 10,623 |
| Applied Ceramic Products Group | 3,791 | 2,830 | 34.0 | 7,167 |
| Electronic Device Group | 9,598 | 10,144 | (5.4) | 21,202 |
| Telecommunications Equipment Group | 3,201 | 3,049 | 5.0 | 8,692 |
| Information Equipment Group | 8,239 | 5,245 | 57.1 | 12,641 |
| Optical Equipment Group | 343 | 944 | (63.7) | 1,635 |
| Others | 4,241 | 1,856 | 128.5 | 3,989 |
| Corporate | 1,507 | 1,353 | 11.4 | 2,996 |
| Total | <u>¥ 38,716</u> | <u>¥ 31,707</u> | <u>22.1</u> | <u>¥ 73,071</u> |
| Capital expenditures : | | | | |
| Fine Ceramic Parts Group | ¥ 2,900 | ¥ 2,442 | 18.8 | ¥ 4,182 |
| Semiconductor Parts Group | 5,721 | 15,484 | (63.1) | 24,136 |
| Applied Ceramic Products Group | 2,510 | 9,698 | (74.1) | 14,545 |
| Electronic Device Group | 10,893 | 8,884 | 22.6 | 21,562 |
| Telecommunications Equipment Group | 1,745 | 1,015 | 71.9 | 2,639 |
| Information Equipment Group | 8,061 | 6,633 | 21.5 | 12,389 |
| Optical Equipment Group | 134 | 111 | 20.7 | 199 |
| Others | 4,195 | 4,375 | (4.1) | 5,654 |
| Corporate | 1,080 | 1,995 | (45.9) | 3,554 |
| Total | <u>¥ 37,239</u> | <u>¥ 50,637</u> | <u>(26.5)</u> | <u>¥ 88,860</u> |

2. Geographic segments (Sales and Operating profits by geographic area) :

| | Yen in millions | | | |
|---|--------------------------------|------------------|-----------------------------|----------------------|
| | Six months ended September 30, | | Increase (Decrease) % | Year ended March 31, |
| | 2006 | 2005 | | 2006 |
| | Amount | Amount | % | Amount |
| Net sales: | | | | |
| Japan | ¥ 250,962 | ¥ 231,633 | 8.3 | ¥ 497,758 |
| Intra-group sales and transfer between geographic areas | 199,385 | 153,233 | 30.1 | 327,786 |
| | <u>450,347</u> | <u>384,866</u> | 17.0 | <u>825,544</u> |
| United States of America | 155,355 | 127,527 | 21.8 | 288,746 |
| Intra-group sales and transfer between geographic areas | 17,783 | 11,007 | 61.6 | 26,246 |
| | <u>173,138</u> | <u>138,534</u> | 25.0 | <u>314,992</u> |
| Asia | 95,265 | 81,144 | 17.4 | 171,015 |
| Intra-group sales and transfer between geographic areas | 78,505 | 55,529 | 41.4 | 125,586 |
| | <u>173,770</u> | <u>136,673</u> | 27.1 | <u>296,601</u> |
| Europe | 101,494 | 89,666 | 13.2 | 189,750 |
| Intra-group sales and transfer between geographic areas | 19,784 | 16,593 | 19.2 | 33,764 |
| | <u>121,278</u> | <u>106,259</u> | 14.1 | <u>223,514</u> |
| Others | 12,314 | 12,268 | 0.4 | 26,275 |
| Intra-group sales and transfer between geographic areas | 5,534 | 3,783 | 46.3 | 8,274 |
| | <u>17,848</u> | <u>16,051</u> | 11.2 | <u>34,549</u> |
| Adjustments and eliminations | <u>(320,991)</u> | <u>(240,145)</u> | — | <u>(521,656)</u> |
| Net sales | <u>¥ 615,390</u> | <u>¥ 542,238</u> | 13.5 | <u>¥ 1,173,544</u> |
| Operating Profits : | | | | |
| Japan | ¥ 49,773 | ¥ 28,805 | 72.8 | ¥ 79,278 |
| United States of America | 9,947 | (3,054) | — | 3,317 |
| Asia | 11,068 | 5,864 | 88.7 | 14,880 |
| Europe | 3,825 | 533 | 617.6 | 4,748 |
| Others | 852 | 69 | 1,134.8 | 757 |
| | <u>75,465</u> | <u>32,217</u> | 134.2 | 102,980 |
| Adjustments and eliminations | <u>(8,491)</u> | <u>3,466</u> | — | <u>2,688</u> |
| | <u>66,974</u> | <u>35,683</u> | 87.7 | 105,668 |
| Corporate | 5,152 | 8,882 | (42.0) | 12,785 |
| Equity in earnings (losses) of affiliates and unconsolidated subsidiaries | 259 | (236) | — | (1,216) |
| Income from continuing operations before income taxes | <u>¥ 72,385</u> | <u>¥ 44,329</u> | 63.3 | <u>¥ 117,237</u> |

3. Geographic segments (Sales by region) :

| | Yen in millions | | | | | | | |
|----------------------------------|--------------------------------|-------|----------|-------|------------|------|---------------------------|-------|
| | Six months ended September 30, | | | | Increase | | Year ended March 31, 2006 | |
| | 2006 | | 2005 | | (Decrease) | | | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Japan | ¥236,735 | 38.5 | ¥217,171 | 40.0 | ¥19,564 | 9.0 | ¥ 467,035 | 39.8 |
| United States of America | 130,265 | 21.2 | 112,642 | 20.8 | 17,623 | 15.6 | 253,696 | 21.6 |
| Asia | 107,111 | 17.4 | 91,643 | 16.9 | 15,468 | 16.9 | 198,731 | 16.9 |
| Europe | 97,464 | 15.8 | 87,848 | 16.2 | 9,616 | 10.9 | 184,351 | 15.7 |
| Others | 43,815 | 7.1 | 32,934 | 6.1 | 10,881 | 33.0 | 69,731 | 6.0 |
| Net sales | ¥615,390 | 100.0 | ¥542,238 | 100.0 | ¥73,152 | 13.5 | ¥ 1,173,544 | 100.0 |
| Sales outside Japan | ¥378,655 | | ¥325,067 | | ¥53,588 | 16.5 | ¥ 706,509 | |
| Sales outside Japan to net sales | 61.5% | | 60.0% | | | | 60.2% | |

INVESTMENTS IN DEBT AND EQUITY SECURITIES

Available-for-sale securities are recorded at fair value, with unrealized gains and losses excluded from income and reported in other comprehensive income, net of tax. Held-to-maturity securities are recorded at amortized cost. Investments in debt and equity securities as of September 30, 2006, March 31, 2006 and September 30, 2005, included in short-term investments (current assets) and in securities and other investments (non-current assets) are summarized as follows :

| Yen in millions | | | | | | | | |
|--|--|--------------------------|------------------------------|-------------------------------|-----------------|--------------------------|------------------------------|-------------------------------|
| | September 30, 2006 | | | | March 31, 2006 | | | |
| | Cost | Aggregate fair values | Gross unrealized gains | Gross unrealized losses | Cost | Aggregate fair values | Gross unrealized gains | Gross unrealized losses |
| | Available-for-sale securities : | | | | | | | |
| Corporate debt securities | ¥ 3,008 | ¥ 3,143 | ¥ 150 | ¥ 15 | ¥ 3,745 | ¥ 3,908 | ¥ 184 | ¥ 21 |
| Other debt securities | 137,668 | 137,960 | 316 | 24 | 133,758 | 132,660 | 29 | 1,127 |
| Equity securities | 272,054 | 466,156 | 194,335 | 233 | 274,985 | 415,950 | 141,059 | 94 |
| Total available-for-sale securities | 412,730 | 607,259 | 194,801 | 272 | 412,488 | 552,518 | 141,272 | 1,242 |
| Held-to-maturity securities : | | | | | | | | |
| Other debt securities | 27,726 | 27,574 | — | 152 | 34,398 | 34,015 | — | 383 |
| Total held-to-maturity securities | 27,726 | 27,574 | — | 152 | 34,398 | 34,015 | — | 383 |
| Total investments in debt and equity securities | ¥440,456 | ¥634,833 | ¥194,801 | ¥ 424 | ¥446,886 | ¥586,533 | ¥141,272 | ¥ 1,625 |

| | September 30, 2005 | | | |
|--|--|--------------------------|------------------------------|-------------------------------|
| | Cost | Aggregate fair values | Gross unrealized gains | Gross unrealized losses |
| | Available-for-sale securities : | | | |
| Corporate debt securities | ¥ 2,724 | ¥ 2,769 | ¥ 55 | ¥ 10 |
| Other debt securities | 101,653 | 101,490 | 87 | 250 |
| Equity securities | <u>272,147</u> | <u>414,354</u> | <u>142,264</u> | <u>57</u> |
| Total available-for-sale securities | 376,524 | 518,613 | 142,406 | 317 |
| Held-to-maturity securities : | | | | |
| Other debt securities | <u>33,224</u> | <u>32,834</u> | — | <u>390</u> |
| Total held-to-maturity securities | 33,224 | 32,834 | — | 390 |
| Total investments in debt and equity securities | ¥409,748 | ¥551,447 | ¥142,406 | ¥ 707 |

Note: Cost represents amortized cost for debt securities and acquisition cost for equity securities. The cost basis of the individual securities is written down to fair value as a new cost basis when other-than-temporary impairment is recognized.

BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

1. Scope of consolidation and application of the equity method :

Major consolidated subsidiaries :

AVX CORPORATION
KYOCERA WIRELESS CORPORATION
KYOCERA MITA CORPORATION
KYOCERA ELCO CORPORATION

Major affiliates accounted for by the equity method :

WILLCOM, INC.

2. Changes in scope of consolidation and application of the equity method :

| | | |
|---------------|------|--------------------------------------|
| Consolidation | | |
| (Increase) | 6 | HERTZ TECHNOLOGY INC. and others |
| (Decrease) | 6 | KYOCERA LEASING CO., LTD. and others |
| Equity method | | |
| (Increase) | None | |
| (Decrease) | None | |

3. Summary of significant accounting policies

Kyocera's consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America.

(1) Valuation of inventories

Finished goods and work in process are mainly stated at the lower or cost of market, the cost being determined by the average method. All other inventories are mainly stated at the lower or cost of market, the cost being determined by the first-in, first-out method.

(2) Valuation of securities

Kyocera adopts Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

Held-to-maturity securities are recorded at amortized cost.

Available-for-sales securities are recorded at fair value, with unrealized gains and losses excluded from income and recorded in other comprehensive income, net of tax.

(3) Depreciation method of Property, Plant and Equipment

Depreciation is computed at rates based on the estimated useful lives of assets mainly using the declining balance method.

(4) Goodwill and other intangible assets

Kyocera adopts Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

Goodwill and intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually.

Intangible assets with definite useful lives are amortized over their respective estimate useful lives.

(5) Accounting for allowance and accruals

Allowance for doubtful accounts :

Kyocera provides the allowance for doubtful accounts based on the past actual ratio of losses on bad debt in addition to the estimation of uncollectible amount based on the analysis of certain individual receivables.

Accrued pension and severance cost :

Kyocera adopts Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions", pension and severance cost is accrued based on the projected benefit obligations and the fair value of plan assets at the balance sheet date. If the accumulated benefit obligation (i.e., obligations deducting an effect of future compensation levels from projected benefit obligations) exceeds the fair value of plan assets, a minimum pension liability equal to this difference is reflected in the consolidated balance sheets by recognizing an additional minimum pension liability. Unrecognized prior service cost is amortized by the straight-line method over the average remaining service period of employees.

Unrecognized actuarial loss is recognized by amortizing a portion in excess of 10% of the greater of the projected benefit obligations or the market-related value of plan assets by the straight-line method over the average remaining service period of employees.

Non-Consolidated Results of Kyocera Corporation (parent company)
for the Six Months Ended September 30, 2006

The interim non-consolidated financial statements are in conformity with accounting principles generally accepted in Japan.

Date of the board of directors' meeting for the interim results : October 30, 2006

Payment date of interim dividends : December 5, 2006

1. Results for the six months ended September 30, 2006 :

(1) Results of operations :

| | Japanese yen | | |
|-----------------------------------|--------------------------------|------------------|----------------------|
| | Six months ended September 30, | | Year ended March 31, |
| | 2006 | 2005 | 2006 |
| Net sales | ¥259,738 million | ¥220,901 million | ¥ 477,379 million |
| % change from the previous period | 17.6% | (11.8)% | |
| Profit from operations | 21,284 million | 12,383 million | 39,937 million |
| % change from the previous period | 71.9% | (41.9)% | |
| Recurring profit | 32,844 million | 26,903 million | 68,182 million |
| % change from the previous period | 22.1% | (23.0)% | |
| Net income | 33,655 million | 31,865 million | 68,712 million |
| % change from the previous period | 5.6% | 55.3% | |
| Earnings per share | ¥ 179.08 | ¥ 169.97 | ¥ 366.07 |

Notes :

1. Average number of common stock outstanding during the period :

| | |
|-------------------------------------|--------------------|
| Six months ended September 30, 2006 | 187,932,385 shares |
| Six months ended September 30, 2005 | 187,478,104 shares |
| Year ended March 31, 2006 | 187,513,918 shares |

2. Change in accounting policies : None

(2) Financial position :

| | Japanese yen | | |
|----------------------------|---------------------------|--------------------|--------------------|
| | September 30, | | March 31, |
| | 2006 | 2005 | 2006 |
| Total assets | ¥1,471,385 million | ¥1,343,060 million | ¥1,389,396 million |
| Net assets | 1,191,940 million | 1,100,768 million | 1,132,261 million |
| Net assets to total assets | 81.0% | 82.0% | 81.5% |
| Net assets per share | ¥ 6,339.95 | ¥ 5,871.53 | ¥ 6,030.17 |

Notes : Total number of shares outstanding as of:

| | |
|--------------------|--------------------|
| September 30, 2006 | 188,004,780 shares |
| September 30, 2005 | 187,475,323 shares |
| March 31, 2006 | 187,754,750 shares |

Total number of treasury stock as of :

| | |
|--------------------|------------------|
| September 30, 2006 | 3,304,510 shares |
| September 30, 2005 | 3,833,967 shares |
| March 31, 2006 | 3,554,540 shares |

2. Forecast for the year ending March 31, 2007 :

| | Japanese yen | |
|--------------------|----------------------------|------------------------|
| | Year ending March 31, 2007 | |
| Net sales | ¥ | 520,000 million |
| Recurring profit | | 75,000 million |
| Net income | | 61,000 million |
| Earnings per share | ¥ | 324.46 |

3. Dividends:

Cash dividends per share

| | Japanese yen | | |
|--------------------------------------|-------------------|--------------------|--------|
| | Interim dividends | Year-end dividends | Total |
| Year ended March 31, 2006 | 50.00 | 50.00 | 100.00 |
| Year ended March 31, 2007 (result) | 50.00 | — | 100.00 |
| Year ended March 31, 2007 (forecast) | — | 50.00 | 100.00 |

Note : With regard to forecasts set forth above, please refer to the accompanying "Forward Looking Statements" on page 19.

BALANCE SHEETS

| | Yen in millions | | | | | |
|---|-----------------------|--------------|-------------------|--------------|-----------------------|--------------|
| | September 30, 2006 | | March 31, 2006 | | September 30, 2005 | |
| | Amount | % | Amount | % | Amount | % |
| Current assets : | | | | | | |
| Cash and bank deposits | ¥ 119,336 | | ¥ 136,870 | | ¥ 142,633 | |
| Trade notes receivable | 46,376 | | 43,325 | | 39,963 | |
| Trade accounts receivable | 96,306 | | 90,073 | | 84,134 | |
| Marketable securities | 37,997 | | 19,331 | | 208 | |
| Finished goods and merchandise | 17,818 | | 17,588 | | 17,450 | |
| Raw materials | 16,546 | | 14,152 | | 18,353 | |
| Work in process | 20,416 | | 17,104 | | 18,710 | |
| Supplies | 745 | | 751 | | 553 | |
| Deferred income taxes | 16,590 | | 15,375 | | 15,144 | |
| Short-term loans to subsidiaries | 14,372 | | 1,316 | | 2,191 | |
| Other accounts receivable | 8,048 | | 9,012 | | 7,302 | |
| Other current assets | 6,904 | | 3,401 | | 1,913 | |
| Allowances for doubtful accounts | (164) | | (142) | | (133) | |
| Total current assets | <u>401,290</u> | <u>27.3</u> | <u>368,156</u> | <u>26.5</u> | <u>348,421</u> | <u>25.9</u> |
| Non-current assets : | | | | | | |
| Tangible fixed assets : | | | | | | |
| Buildings | 35,770 | | 36,978 | | 36,411 | |
| Structures | 2,197 | | 2,268 | | 2,165 | |
| Machinery and equipment | 47,358 | | 44,113 | | 40,804 | |
| Vehicles | 26 | | 25 | | 30 | |
| Tools, furniture and fixtures | 7,679 | | 7,477 | | 7,578 | |
| Land | 33,381 | | 33,323 | | 33,323 | |
| Construction in progress | 947 | | 4,533 | | 5,783 | |
| Total tangible fixed assets | <u>127,358</u> | <u>8.6</u> | <u>128,717</u> | <u>9.3</u> | <u>126,094</u> | <u>9.4</u> |
| Intangible assets : | | | | | | |
| Patent rights and others | 13,365 | | 14,298 | | 11,234 | |
| Total intangible assets | <u>13,365</u> | <u>0.9</u> | <u>14,298</u> | <u>1.0</u> | <u>11,234</u> | <u>0.8</u> |
| Investments and other assets : | | | | | | |
| Investments in securities | 577,884 | | 536,019 | | 519,536 | |
| Investments in subsidiaries and affiliates | 262,627 | | 278,817 | | 278,675 | |
| Investments in subsidiaries and affiliates other than equity securities | 27,054 | | 27,033 | | 27,033 | |
| Long-term loans | 22,659 | | 30,428 | | 31,581 | |
| Long-term prepaid expenses | 3,051 | | 3,785 | | 4,296 | |
| Long-term deposits | 34,000 | | — | | — | |
| Security deposits | 1,880 | | 1,918 | | 1,922 | |
| Other investments | 571 | | 592 | | 569 | |
| Allowances for doubtful accounts | (354) | | (367) | | (351) | |
| Allowances for impairment loss on investments | — | | — | | (5,950) | |
| Total investments and other assets | <u>929,372</u> | <u>63.2</u> | <u>878,225</u> | <u>63.2</u> | <u>857,311</u> | <u>63.9</u> |
| Total non-current assets | <u>1,070,095</u> | <u>72.7</u> | <u>1,021,240</u> | <u>73.5</u> | <u>994,639</u> | <u>74.1</u> |
| Total assets | <u>¥1,471,385</u> | <u>100.0</u> | <u>¥1,389,396</u> | <u>100.0</u> | <u>¥1,343,060</u> | <u>100.0</u> |

| | Yen in millions | | | | | |
|--|-----------------------|-------------|-------------------|--------------|-----------------------|--------------|
| | September 30, 2006 | | March 31, 2006 | | September 30, 2005 | |
| | Amount | % | Amount | % | Amount | % |
| Current liabilities : | | | | | | |
| Trade accounts payable | ¥ 56,667 | | ¥ 49,570 | | ¥ 45,926 | |
| Other payables | 20,763 | | 29,659 | | 25,250 | |
| Accrued expenses | 8,014 | | 7,610 | | 5,799 | |
| Income taxes payables | 13,052 | | 14,200 | | 10,700 | |
| Deposits received | 2,738 | | 2,315 | | 2,519 | |
| Accrued bonuses | 10,447 | | 10,109 | | 9,849 | |
| Accrued bonuses for directors | 34 | | — | | — | |
| Warranty reserves | 4,596 | | 521 | | 332 | |
| Allowances for sales returns | 143 | | 163 | | 208 | |
| Other current liabilities | 1,066 | | 713 | | 669 | |
| Total current liabilities | <u>117,520</u> | <u>8.0</u> | <u>114,860</u> | <u>8.3</u> | <u>101,252</u> | <u>7.5</u> |
| Non-current liabilities : | | | | | | |
| Long-term accounts payable | 3,425 | | 5,309 | | 5,026 | |
| Deferred income taxes | 142,667 | | 118,557 | | 115,828 | |
| Accrued pension and severance costs | 14,585 | | 17,236 | | 19,046 | |
| Retirement allowances for directors and executive officers | 968 | | 889 | | 820 | |
| Other non-current liabilities | 280 | | 284 | | 320 | |
| Total non-current liabilities | <u>161,925</u> | <u>11.0</u> | <u>142,275</u> | <u>10.2</u> | <u>141,040</u> | <u>10.5</u> |
| Total liabilities | <u>279,445</u> | <u>19.0</u> | <u>257,135</u> | <u>18.5</u> | <u>242,292</u> | <u>18.0</u> |
| Stockholders' equity | | | | | | |
| Common stock | — | — | 115,703 | 8.3 | 115,703 | 8.6 |
| Capital surplus: | | | | | | |
| Additional paid-in capital | — | | 192,555 | | 192,555 | |
| Total capital surplus | — | — | 192,555 | 13.9 | 192,555 | 14.3 |
| Retained earnings: | | | | | | |
| Legal reserves | — | | 17,207 | | 17,207 | |
| General reserve | — | | 558,721 | | 558,721 | |
| Unappropriated retained earnings | — | | 69,245 | | 41,838 | |
| Total retained earnings | — | — | 645,173 | 46.4 | 617,766 | 46.0 |
| Net unrealized gain on other securities | — | — | 207,973 | 15.0 | 206,169 | 15.4 |
| Treasury stock, at cost | — | — | (29,143) | (2.1) | (31,425) | (2.3) |
| Total stockholders' equity | — | — | 1,132,261 | 81.5 | 1,100,768 | 82.0 |
| Total liabilities and stockholders' equity | — | — | <u>¥1,389,396</u> | <u>100.0</u> | <u>¥1,343,060</u> | <u>100.0</u> |
| Net assets | | | | | | |
| Stockholders' equity: | | | | | | |
| Common stock | 115,703 | 7.8 | — | — | — | — |
| Capital surplus: | | | | | | |
| Additional paid-in capital | 192,555 | | — | | — | |
| Total capital surplus | 192,555 | 13.1 | — | — | — | — |
| Retained earnings: | | | | | | |
| Legal reserves | 17,207 | | — | | — | |
| Other retained earnings: | | | | | | |
| Reserve for special depreciation | 1,612 | | — | | — | |
| Reserve for research and development | 1,000 | | — | | — | |
| Reserve for dividends | 1,000 | | — | | — | |
| Reserve for retirement benefits | 300 | | — | | — | |
| Reserve for overseas investments | 1,000 | | — | | — | |
| General reserve | 603,837 | | — | | — | |
| Unappropriated retained earnings | 43,394 | | — | | — | |
| Total retained earnings | 669,350 | 45.5 | — | — | — | — |
| Treasury stock, at cost | (27,109) | (1.8) | — | — | — | — |

| | | | | | | |
|--|-------------------|--------------|---|---|---|---|
| Total stockholders' equity | 950,499 | 64.6 | — | — | — | — |
| Difference of appreciation and conversion: | | | | | | |
| Net unrealized gains on other securities | <u>241,441</u> | <u>16.4</u> | — | — | — | — |
| Total net assets | <u>1,191,940</u> | <u>81.0</u> | — | — | — | — |
| Total liabilities and net assets | <u>¥1,471,385</u> | <u>100.0</u> | — | — | — | — |

STATEMENTS OF INCOME

| | Yen in millions | | | | | | |
|---|--------------------------------|-------|----------|-------|------------------------|----------------------|-------|
| | Six months ended September 30, | | | | Increase (Decrease) | Year ended March 31, | |
| | 2006 | | 2005 | | | 2006 | |
| | Amount | % | Amount | % | % | Amount | % |
| Net sales | ¥259,738 | 100.0 | ¥220,901 | 100.0 | 17.6 | ¥ 477,379 | 100.0 |
| Cost of sales | 201,260 | 77.5 | 174,053 | 78.8 | 15.6 | 367,835 | 77.1 |
| Gross profit | 58,478 | 22.5 | 46,848 | 21.2 | 24.8 | 109,544 | 22.9 |
| Selling, general and administrative expenses | 37,194 | 14.3 | 34,465 | 15.6 | 7.9 | 69,607 | 14.5 |
| Profit from operations | 21,284 | 8.2 | 12,383 | 5.6 | 71.9 | 39,937 | 8.4 |
| Non-operating income : | | | | | | | |
| Interest and dividend income | 9,955 | 3.8 | 13,557 | 6.1 | (26.6) | 26,441 | 5.5 |
| Foreign currency transaction gains, net | 622 | 0.2 | 306 | 0.2 | 103.2 | 437 | 0.1 |
| Other non-operating income | 3,003 | 1.2 | 3,078 | 1.4 | (2.4) | 6,652 | 1.4 |
| Total non-operating income | 13,580 | 5.2 | 16,941 | 7.7 | (19.8) | 33,530 | 7.0 |
| Non-operating expenses : | | | | | | | |
| Interest expense | 2 | 0.0 | 2 | 0.0 | (21.2) | 14 | 0.0 |
| Other non-operating expenses | 2,018 | 0.8 | 2,419 | 1.1 | (16.5) | 5,271 | 1.1 |
| Total non-operating expenses | 2,020 | 0.8 | 2,421 | 1.1 | (16.5) | 5,285 | 1.1 |
| Recurring profit | 32,844 | 12.6 | 26,903 | 12.2 | 22.1 | 68,182 | 14.3 |
| Non-recurring gain | 10,753 | 4.2 | 22,252 | 10.1 | (51.7) | 28,889 | 6.1 |
| Non-recurring loss | 484 | 0.2 | 5,153 | 2.4 | (90.6) | 5,992 | 1.3 |
| Income before income taxes | 43,113 | 16.6 | 44,002 | 19.9 | (2.0) | 91,079 | 19.1 |
| Income taxes – current | 14,176 | 5.4 | 11,248 | 5.1 | 26.0 | 20,233 | 4.2 |
| Refund of income taxes – previous years | (4,356) | (1.7) | — | — | — | — | — |
| Income taxes – deferred | (362) | (0.1) | 889 | 0.4 | — | 2,134 | 0.5 |
| Net income | 33,655 | 13.0 | 31,865 | 14.4 | 5.6 | 68,712 | 14.4 |
| Unappropriated retained earnings brought forward from the previous year | — | | 9,974 | | | 9,974 | |
| Net realized loss on treasury stock, at cost | — | | 1 | | | 67 | |
| Interim dividends | — | | — | | | 9,374 | |
| Unappropriated retained earnings at the end of the period | — | | ¥ 41,838 | | | ¥ 69,245 | |

STATEMENT OF CHANGES IN NET ASSETS

Yen in millions

Six months ended September 30, 2006

| | Stockholders' equity | | | | | | | | | | | | | | Difference of appreciation and conversion | | Total net assets | |
|---|----------------------|----------------------------|-----------------------|---------------|----------------------------------|--------------------------------------|-----------------------|---------------------------------|----------------------------------|-----------------|-------------------------------|-------------------------|----------------|----------------------------|---|---|------------------|-----------|
| | Capital surplus | | | | Retained earnings | | | | | | | | | | Net unrealized gains on other securities | Total difference of appreciation and conversion | | |
| | Common stock | Additional paid-in capital | Total Capital surplus | Legal reserve | Other retained earnings | | | | | | Total other retained earnings | Total retained earnings | Treasury stock | Total stockholders' equity | | | | |
| | | | | | Reserve for special depreciation | Reserve for research and development | Reserve for dividends | Reserve for retirement benefits | Reserve for overseas investments | General reserve | | | | | Unappropriated retained earnings | | | |
| Balance, March 31, 2006 | ¥ 115,703 | 192,555 | 192,555 | 17,207 | 1,584 | 1,000 | 1,000 | 300 | 1,000 | 553,837 | 69,245 | 627,966 | 645,173 | (29,143) | 924,288 | 207,973 | 207,973 | 1,132,261 |
| Changes in net assets | | | | | | | | | | | | | | | | | | |
| Appropriation to reserve for special depreciation | — | — | — | — | 623 | — | — | — | — | — | (623) | — | — | — | — | — | — | — |
| Reversal of reserve for special depreciation | — | — | — | — | (595) | — | — | — | — | — | 595 | — | — | — | — | — | — | — |
| Appropriation to general reserve | — | — | — | — | — | — | — | — | — | 50,000 | (50,000) | — | — | — | — | — | — | — |
| Dividends | — | — | — | — | — | — | — | — | — | — | (9,387) | (9,387) | (9,387) | — | (9,387) | — | — | (9,387) |
| Directors' bonuses | — | — | — | — | — | — | — | — | — | — | (68) | (68) | (68) | — | (68) | — | — | (68) |
| Net income | — | — | — | — | — | — | — | — | — | — | 33,655 | 33,655 | 33,655 | — | 33,655 | — | — | 33,655 |
| Purchase of treasury stock | — | — | — | — | — | — | — | — | — | — | — | — | — | (104) | (104) | — | — | (104) |
| Reinsurance of treasury stock | — | — | — | — | — | — | — | — | — | — | (23) | (23) | (23) | 2,138 | 2,115 | — | — | 2,115 |
| Net change in items other than stockholders' equity | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 33,468 | 33,468 | 33,468 |
| Total changes in net assets | — | — | — | — | 28 | — | — | — | — | 50,000 | (25,851) | 24,177 | 24,177 | 2,034 | 26,211 | 33,468 | 33,468 | 59,679 |
| Balance, September 30, 2006 | 115,703 | 192,555 | 192,555 | 17,207 | 1,612 | 1,000 | 1,000 | 300 | 1,000 | 603,837 | 43,394 | 652,143 | 669,350 | (27,109) | 950,499 | 241,441 | 241,441 | 1,191,940 |

Summary of significant accounting policies:

1. Valuation of assets:

(1) Securities:

| | |
|---|--|
| Held-to-maturity securities: | Amortized cost method |
| Investments in subsidiaries and affiliates: | Cost determined by the moving average method |
| Other securities | |

Marketable: Based on market price of the closing date of the interim financial period (Unrealized gains and losses on those securities are reported in net assets and cost is determined by the moving average method.)

Non-marketable: Cost determined by the moving average method

(2) Derivatives instruments : Mark-to-market method

(3) Inventories:

Finished goods, merchandise and work in process:

Finished goods and work in process are stated at the lower of cost or market, the cost being determined by the average method. Merchandise are stated at the lower of cost or market, the cost being determined by the last purchase method.

Raw materials and supplies:

Raw materials and supplies, except those for telecommunications equipment, are valued at cost , the cost being determined by the last purchase method.

Raw materials for telecommunications equipment are valued at cost, the cost being determined by the first-in, first-out method.

2. Depreciation of fixed assets:

Tangible fixed assets:

Depreciation is computed at rates based on the estimated useful lives of assets using the declining balance method.

The principal estimated useful lives are as follows:

| | |
|--|---------------|
| Building and structures | 2 to 25 years |
| Machinery and equipment, and tools, furniture and fixtures | 2 to 10 years |

Intangible fixed assets and long-term prepaid expenses:

Amortization is computed at rates based on the estimated useful lives of assets using the straight-line method.

3. Accounting for allowances and accruals:

(1) Allowances for doubtful accounts:

Allowances for doubtful accounts are provided at an estimated amount of the past actual ratio of losses on bad debts.

Certain allowances are provided for estimated uncollectible receivables.

(2) Allowances for impairment losses on investments:

Allowances for impairment losses on investments are provided at an estimated uncollectible amount of investments in subsidiaries or affiliates.

(3) Accrued bonuses:

Accrued bonuses are provided based upon the amounts expected to be paid which is determined by actual payment of previous year.

(4) Accrued bonuses for Directors:

Allowances for Directors are provided based upon the amounts expected to be paid to Directors.

(5) Warranty reserves

Warranty reserves are provided based upon the estimated after-service costs to be paid during warranty periods, which is determined by actual payment of past years, for communication equipments and applied ceramic products.

(6) Allowances for sales returns

Allowances for sales return are provided based upon the estimated loss on returned products, which is determined by the historical experience of sales returns.

(7) Accrued pension and severance costs:

Pension and severance costs are recognized based on projected benefit obligation and plan assets at the year end.

Past service liability is amortized over estimated average remaining service period of employees by using the straight-line method.

Actuarial gains or losses are amortized over estimated average remaining service period of employees by using the straight-line method following the year incurred.

(8) Retirement allowances for Directors and Executive officers

Retirement allowances for Directors are provided at an estimated amount in accordance with Kyocera Corporation's

internal regulation.

4. Lease transactions:

Finance lease other than those which are deemed to transfer the ownership of leased assets to lessees are accounted for by the method similar to that applicable to an ordinary operating lease.

5. Income taxes for the interim periods:

Calculation of deferred income taxes and income tax payables for the interim periods included estimated amounts of addition and reversal of reserve for special depreciation which will be made within appropriation of retained earnings for the year-end.

6. Consumption tax:

The consumption tax withheld upon sale and the consumption tax paid for purchases of goods and services are not included in the amounts of respective revenue and cost or expense items in the accompanying statements of income.

Changes in presentations of financial statements

Accounting Standards for Presentation of Net Assets in the Balance Sheet

New Accounting Standards for Presentation of Net Assets in the Balance Sheet and the Guideline on Accounting Standards for Presentation of Net Assets in the Balance Sheet was effective from the six months ended September 30, 2006.

The amount which is equal to the former stockholders' equity is ¥1,191,940 million.

Net assets shown in the balance sheet at September 30, 2006 was presented in accordance with the revised accounting standard.

Accounting Standard for Allowances for Directors

New Accounting Standard for Director's Bonus was effective from the six months ended September 30, 2006.

As a result, profit from operations, recurring profit and income before income taxes decreased by ¥34 million, respectively, compared to the previous method.

Notes to the balance sheets:

1. As the financial institutions were not operated on September 30, 2006 that was the regular weekend day off, ¥1,235 million of matured notes receivable were not settled and included in notes receivables on the balance sheet.

| | Yen in millions | | |
|---|-----------------------|-------------------|-----------------------|
| | September 30, 2006 | March 31, 2006 | September 30, 2005 |
| 2. Accumulated depreciation of tangible fixed assets | ¥ 316,136 | ¥311,516 | ¥ 310,429 |
| 3. Equity security pledged as collateral | | | |
| Investments in WILLCOM, INC. | — | ¥ 17,812 | ¥ 17,812 |
| Corresponding liability | | | |
| WILLCOM, INC.'s long-term debt from financial institutions * | — | ¥113,752 | ¥ 121,615 |
| * All capital investors of WILLCOM INC. pledge their investment in equity security as collateral for this long-term debt. | | | |
| 4. Guarantees: | | | |
| Guarantee in the form of commitment | ¥ 27 | ¥ 1,198 | ¥ 1,293 |
| Guarantee in the form of letters of awareness | ¥ 2,948 | ¥ 6,407 | ¥ 6,517 |

5. Temporary paid consumption tax and the temporary received consumption tax are offset and included in other accounts receivables in the balance sheets.

Notes to the statements of income:

| | Yen in millions | | |
|---|--|----------|------------------------------|
| | Six months ended September 30, 2006 | 2005 | Year ended March 31, 2006 |
| 1. Major items in non-recurring gain: | | | |
| Gain on sale of investments in a subsidiary and an affiliate | ¥ 9,084 | ¥ 17,593 | ¥ 17,593 |
| Reversal of accrued pension and severance costs | ¥ 850 | — | — |
| Gain on sale of investment securities | ¥ 613 | ¥ 30 | ¥ 30 |
| Gain on disposal of tangible fixed assets | ¥ 202 | ¥ 115 | ¥ 779 |
| Reversal of allowances for doubtful accounts for a subsidiary | — | ¥ 4,505 | ¥ 4,505 |
| Reversal of allowances for impairment losses on investments | — | — | ¥ 5,950 |
| 2. Major items in non-recurring loss: | | | |
| Loss on disposal of tangible fixed assets | ¥ 365 | ¥ 367 | ¥ 1,189 |
| Loss on devaluation of investment in securities | ¥ 117 | ¥ 281 | ¥ 282 |
| Loss on devaluation of investment in a subsidiary | — | ¥ 4,437 | ¥ 4,437 |
| Loss on transfer of investment in securities | — | ¥ 67 | ¥ 67 |
| 3. Depreciation and amortization: | | | |
| Tangible fixed assets | ¥ 12,177 | ¥ 10,600 | ¥ 24,328 |
| Intangible assets | ¥ 1,200 | ¥ 986 | ¥ 2,080 |

Notes to the statement of changes in net assets:

Types and numbers of treasury stock

| | Shares in thousands | | | |
|--------------|---------------------|---|----------|-----------------------|
| | March 31, 2006 | Six months ended September 30, 2006 | | September 30, 2006 |
| | | Increase | Decrease | |
| Common stock | 3,555 | 11 | 261 | 3,305 |
| Total | 3,555 | 11 | 261 | 3,305 |

Reason for the increase

Purchase of shares constituting less than one unit 11 thousand shares

Reason for the decrease

Exercise of stock acquisition rights 260 thousand shares

Sale of shares constituting less than one unit 1 thousand shares

Notes to marketable securities:

Market value for investment in a subsidiary:

| Yen in millions | | |
|---------------------------|---------------------|-------------------|
| September 30, 2006 | | |
| Carrying Amount | Market value | Difference |
| ¥ 65,904 | ¥ 251,878 | ¥185,974 |

| Yen in millions | | |
|------------------------|---------------------|-------------------|
| March 31, 2006 | | |
| Carrying Amount | Market value | Difference |
| ¥ 65,904 | ¥ 251,093 | ¥185,189 |

| Yen in millions | | |
|---------------------------|---------------------|-------------------|
| September 30, 2005 | | |
| Carrying Amount | Market value | Difference |
| ¥ 65,904 | ¥ 174,135 | ¥108,231 |