

## Kyocera Corporation Investor Meeting (February 17, 2010)

**President and Representative Director, Tetsuo Kuba**

### **<P.1: Financial Results of First Nine Months of FY3/2010 – Comparison with first nine months FY3/2009>**

First, I will give an explanation of financial results for the nine months ended December 31, 2009 (the “nine months”).

Sales and profits for the nine months fell short of levels recorded in the nine months ended December 31, 2008 (the “previous nine months”) as the economy failed to fully recover from the sharp deterioration triggered in the second half of the previous fiscal year ended March 31, 2009 (“fiscal 2009”), coupled with appreciation of the yen.

### **<P.2: Financial Results for the Three Months ended December 31, 2009>**

This slide shows a comparison of results for the third quarter (October 1, 2009 to December 31, 2009) with the previous third quarter (October 1, 2008 to December 31, 2008) and with the previous quarter (July 1, 2009 to September 30, 2009), namely the second quarter of the fiscal year ending March 31, 2010 (“fiscal 2010”).

In comparison with the previous third quarter, as shown in the top table, both sales and profits for the third quarter increased due to cost reduction in each business, in addition to an improvement in the business environment. In particular, profit from operations was up approximately 5.8 times compared with the previous third quarter owing to efforts to strengthen foundations in each business.

In comparison with the second quarter, as shown in the bottom table, there was a double-digit increase in sales for the third quarter, while profit from operations increased by around 2 times, representing a rapid improvement in profit.

Pre-tax income decreased compared to the second quarter since Kyocera recognized an impairment loss of approximately ¥20.0 billion on its investment in WILLCOM, Inc.

**<P.3: Quarterly Trends in Sales, Profit from Operations and Profit from Operations Ratio>**

This graph shows trends in quarterly sales, profit from operations and profit from operations ratio from the third quarter of fiscal 2009 to the third quarter of fiscal 2010. Both sales and profit from operations continue to improve after bottoming out in the fourth quarter of fiscal 2009. Profit from operations and profit from operations ratio improved to ¥29.2 billion and 10.2%, respectively, due to various initiatives to strengthen management foundations, including efforts to reduce costs and enhance productivity throughout the Kyocera Group since the second half of fiscal 2009.

**<P.4: Quarterly Trends in Operating Profit Ratio>**

This graph shows the operating profit ratio by quarter in the Components Business and the Equipment Business. Both businesses improved its operating profit.

The operating profit ratio of the Components Business shown as the red line and the Equipment Business as the blue line has improved to 13.3% and 6.7%, respectively.

**<P.5: Initiatives and Results in First Nine Months of FY3/2010>**

The reasons Kyocera has been able to steadily enhance profitability are the positive effects of efforts to meet challenges for fiscal 2010 throughout the Kyocera Group.

In fiscal 2010, our priority challenges have been “swiftly enhance profitability and strengthen the management foundations in each business” in order to overcome the most adverse conditions we have encountered in our history. Kyocera conducted three concrete initiatives on a group-wide scale to achieve these goals: Promote comprehensive cost reductions; Expand profitability in Components Business; and Implement strategic measures to strengthen business.

First, in “promoting comprehensive cost reductions,” we worked to reduce all expenses, including suppressing capital expenditures. As a result, we surpassed our initial full-year target of a ¥56.0 billion reduction in costs year-on-year. We cut costs by ¥70.0 billion on a nine month base, compared with the previous nine months.

Second, in “expanding profitability in Components Business,” we significantly expanded profitability in the Components Business by reducing costs and improving productivity. We met customers’ volume requirements by increasing production with perfect timing as component demand for digital consumer equipment recovered quicker than expected. This led to enhanced profitability in the Components Business.

In the solar energy business, we have increased production capacity during fiscal 2010 based on a mid-term expansion plan. We also proceeded to increase the number of sales network both in Japan and overseas as planned.

Thirdly, in “implementing strategic measures to strengthen business,” in the Telecommunications Equipment Group, we have worked to bolster development capabilities and cost competitiveness by reorganizing the overseas sales system since the start of fiscal 2010, and by integrating development frameworks. Further, we aimed to optimize management resources, which included the sale of a software subsidiary in India. As a result of these efforts, the Telecommunications Equipment Group achieved profitability for the first time in six quarters in the third quarter.

Continuing from fiscal 2009, the Information Equipment Group expanded sales channel overseas, which includes acquisition of sales companies in Korea.

That concludes my summary of results for the nine months.

**<P.6: Financial Forecast –Year ending March 31, 2010—>**

Next, I will explain financial forecasts for the year ending March 31, 2010.

Kyocera revised its financial forecasts for fiscal 2010 that were announced in October 2009, as you can see in this table, in light of results for the nine months and the business environment outlook for the fourth quarter. Sales and profit from operations have been revised upwards from the previous forecasts.

Despite a one-off loss in the third quarter in the amount of ¥20.0 billion, we project that we will be able to achieve the forecast for pre-tax income announced in October 2009 due to an improvement in profitability in each business.

Please note that Kyocera's trade receivables from WILLCOM, Inc. amounted to approximately ¥15.5 billion at December 31, 2009. Depending on the progress of the business revitalization ADR\*, there may be a material effect on Kyocera's business results, which has not yet been reflected in the financial forecasts for fiscal 2010 as of the present moment.

\*ADR: Alternative Dispute Resolution process as prescribed in the Act on Special Measures for Industrial Revitalization with Japanese Association of Turnaround Professionals (JATP)

**<P.7: Sales Forecast by Reporting Segment –Year ending March 31, 2010—>**

On page 7 of the handout, you can see sales forecasts by reporting segment.

We have revised sales forecast upwards in all reporting segments, except for the Equipment Business.

In the Components Business, we expect a similar level of seasonal influence as in ordinary years in the fourth quarter, and do not believe there will be a significant decline in sales compared with the third quarter.

**<P.8: Operating Profit Forecast by Reporting Segment —Year ending March 31, 2010—>**

In Operating profit, we have revised upwards forecasts except for the Fine Ceramic Parts Group.

Operating profit for the Telecommunication Equipment Group and the Information Equipment Group revised upwards due to the positive effects of initiatives to improve profitability through structural reforms and cost reductions, although sales in both segments revised down and remained the same, respectively.

We continue to work on strengthening our business structures, and seek to maintain the current level of profit into the fourth quarter in order to achieve full-year forecasts for fiscal 2010.

That concludes my explanation of forecasts for fiscal 2010.

**<P.9: Opportunities for Growth / Initiatives in FY3/2011>**

Next, I will explain our major initiatives for the year ending March 31, 2011 (“fiscal 2011”).

This slide shows future growth opportunities and major initiatives for fiscal 2011.

Going forward, we expect further popularization of information and telecommunication technologies worldwide, and expansion of emerging country economies. At the same time, we anticipate greater demands for response to environmental issues and global warming.

Here you can see the four initiatives we will undertake in response to these trends that aim to drive ongoing growth.

The first point concerns efforts to expand the Telecommunications Equipment Group to take advantage of the continued popularization of information and telecommunication technologies.

The second point concerns efforts to increase components business for digital consumer equipment, a market forecast to grow along with the economies of emerging countries.

The third point concerns efforts to increase sales of environment and energy related products to meet with rising global awareness of environmental problems.

The fourth point concerns strengthening development of new products by pursuing synergies to drive ongoing growth.

I will now explain each initiative individually.

**<P.10: Expand Telecommunications Equipment Group>**

Firstly, I will discuss efforts to expand the Telecommunication Equipment Group.

In the Telecommunications Equipment Group, we have been strengthening business structure in a step-wise manner, and now forecast profitability for this reporting segment in the second half of fiscal 2010. The next step is to increase sales and further boost profitability to continue expanding business.

As a measure to increase sales, we will continue actively launching new mobile phone handsets in Japan and overseas. These photos show the handsets launched in the second half of fiscal 2010. We plan to introduce from low-end to high-end models in fiscal 2011 as well.

In particular, we are not only planning to release a smartphone with the open source Android operating system overseas early in fiscal 2011. We are also looking into expansion into emerging nations, where market growth is forecast. Further, we will cultivate sales to new carriers.

In addition, we will proceed with market introduction of products related to WiMAX in line with growth of the WiMAX market in Japan.

As a measure to improve profitability, we will continue to reduce development and production costs through component standardization and bulk procurement of components and materials to establish stable business foundations.

**<P.11: Expand Components Business for Digital Consumer Equipment (1)>**

Next, I will discuss efforts to expand components business for digital consumer equipment.

This slide shows forecasts for production volume of major digital consumer equipment.

We project double-digit increase is forecast for production volume of mobile phone handsets, PCs, flat-panel TVs and digital cameras in calendar year 2010 compared with 2009.

Rising demand for such digital consumer equipment in emerging countries has contributed significantly to increased production of these equipment. As a result, we expect the markets for such equipment to expand, especially in low-end models. In industrialized nations, demand for advanced mobile phone handsets such as smartphones, and for LED TVs that use LEDs in the backlights of their liquid crystal displays, is expected to increase. Component demand is projected to be robust in fiscal 2011 in line with the increase in demand for digital consumer equipment worldwide.

## **<P.12: Expand Components Business for Digital Consumer Equipment (2)>**

In order to expand component business for digital consumer equipment, where demand is expected to increase, Kyocera will proceed with the five initiatives shown on this slide.

First, we will expand production capacity. At present, we are producing ceramic packages for crystal and SAW devices, and for image sensors, almost at full capacity. We will therefore bolster production capacity for ceramic packages in fiscal 2011 in order to supply products in a timely manner to meet this strong demand and increase business.

Second, we will launch new products. Kyocera will introduce new products such as small, high-precision TCXOs and crystal units, and small, high-capacitance capacitors and secure orders in line with miniaturization and increased sophistication in equipment, led by the smartphone.

Third, we will expand sales of LED related products. Kyocera will strive to increase sales of ceramic capacitors with relatively high-voltage in addition to sapphire substrates and ceramic packages for equipment using LEDs, a high-growth-potential market.

Fourth, we will expand sales in China and India. Demand is expected to increase in these markets, particularly for low-end models, and as such, we will endeavor to cultivate both markets through our sales subsidiaries.

Fifth, we will promote further cost reductions. We will continue to comprehensively reduce costs and strengthen the competitiveness of our products.

Through these initiatives, we seek to secure orders above the growth in this market.

## **<P.13 Expand Sales of Environment and Energy related Products (1)**

### **—Developments in Solar Energy Business—>**

Next, I will explain efforts to increase sales of environment and energy related products.

Firstly, let me discuss developments in the solar energy business.

Solar cell market for fiscal 2010 is forecast to shrink relative to fiscal 2009.

However, we project growth of 70% in the global solar cell market to 8.7 gigawatts (GW) in fiscal 2011 relative to fiscal 2010 in case of government initiated subsidy programs in various countries. As a conservative estimate, we project healthy growth in fiscal 2011 of 25% to 6.4 GW.

When I turn to look at forecast by markets, in the world's largest European market, demand for large-scale projects are expected to recover from fiscal 2011, in addition to expansion for subsidies in Italy and France.

The Japanese market is projected to expand in fiscal 2011 as growth continues through proliferation of subsidies in the housing sector and a buy-back system for surplus power (feed-in tariff), which will contribute in full-year basis, coupled with projected commencement of the School New Deal, a governmental scheme intended to carry out school-related measures in an integrated manner, which includes action plans for promoting installation of solar panels for schools in Japan.

The U.S. market is forecast to grow from fiscal 2011. The market size is expected to expand approximately 3 times in fiscal 2011 relative to fiscal 2010, due to full-scale introduction of the Green New Deal.

## **<P.14 Expand Sales of Environment and Energy related Products (2)>**

### **—Development in Solar Energy Business—>**

In response to this market growth, we will strive to expand the business by producing 600 MW worth of solar cells in fiscal 2011, exceeding previous target of 550 MW.

To achieve the production expansion plan shown here, Kyocera is pushing ahead with the construction of a new plant in Yasu City, Shiga Prefecture, in addition to boosting capacity at the Yokaichi Plant in Shiga Prefecture. We plan to start production operations at the new plant around summer of 2010.

We will strive to secure orders for large-scale projects in Japan and overseas in addition to orders in the residential sector in Japan to further expand sales.

In Japan, leading electric power companies have decided to install Kyocera's photovoltaic modules. Overseas, we have a proven record with the delivery of our modules for large power generation systems exceeding 10MW, and will leverage this fact as well as the high reliability of our products to secure more large-scale projects as we endeavor to expand sales.

## **<P.15 Expand Sales of Environment and Energy related Products (3)>**

This slide shows the proportion of sales of environment and energy products to consolidated net sales.

In addition to ECOSYS printers that do not require cartridge replacement, and solar energy products, Kyocera supplies many other environment and energy related products, such as various components and devices, that contribute to energy and resource conservation as well as a reduction in harmful substances.

The proportion of environment and energy products to consolidated net sales has been gradually increasing and is forecasted to stand at around 36% in fiscal 2010. Going forward, we forecast efforts related to environment and energy issues to

increase in various countries. We will strive to grab this opportunities to further expand sales.

We also aim to swiftly commercialize new products that are currently under development, such as SOFC (Solid Oxide Fuel Cell) components in order to expand business in this market.

**<P.16: Strengthen New Product Development by Pursuing Synergies>**

Finally, I will explain initiatives to strengthen development of new products by pursuing synergies from the mid-term perspective.

Kyocera aims to strengthen the development of new products by integrating technologies among divisions. We will bolster ties between each business division, the R&D division and outside entities, and form project teams to develop a range of new products.

For example, in the development of LTE base stations and terminals, a next-generation communication protocol, we are promoting technological collaboration, in particular between the telecommunications equipment division and the R&D division for equipment and systems, but also between the electronic components division and the R&D division for components and devices, with the objective of realizing higher efficiency and miniaturization.

We are also conducting cross-organizational technological collaboration for development of new MFPs at Kyocera Mita and automotive cameras.

Kyocera will strengthen new product development by integrating these technologies within the Kyocera Group and pursuing synergies in order to launch distinctive products in a timely manner.

**<P.17: Kyocera Group Management Policy>**

Kyocera will execute the initiatives outlined today in fiscal 2011 in order to strengthen existing businesses, pursue synergies among businesses and create new businesses based on executing the Kyocera Philosophy and the Amoeba Management System, with the aim of becoming a high-growth, highly-profitable company.