

KYOCERA CORP
Form 6-K
October 28, 2004
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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of October 2004

Commission File Number: 1-07952

KYOCERA CORPORATION

6 Takeda Tobadono-cho, Fushimi-ku,

Kyoto 612-8501, Japan

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Registration S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Registration S-T Rule 101(b)(7):

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Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b); 82-

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

KYOCERA CORPORATION

/s/ Hideki Ishida

Hideki Ishida

Managing Executive Officer

General Manager of

Corporate Finance Division

Date: October 28, 2004

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Information furnished on this form:

EXHIBITS

Exhibit

Number

1. Consolidated and Non-Consolidated Financial Results for the Six Months Ended September 30, 2004

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October 28, 2004

KYOCERA CORPORATION

Consolidated Financial Highlights**Results for the Six Months Ended September 30, 2004**

(Yen in millions, except per share amounts, exchange rates and number of employees)

| | Six months ended September 30, | | Increase |
|---|--------------------------------|-----------|-------------------|
| | 2004 | 2003 | (Decrease) (%) |
| Net sales | 600,562 | 518,378 | 15.9 |
| Profit from operations | 62,092 | 22,554 | 175.3 |
| Income before income taxes | 67,253 | 25,127 | 167.7 |
| Net income | 42,549 | 15,754 | 170.1 |
| Average exchange rates : | | | |
| US\$ | 110 | 118 | |
| Euro | 133 | 133 | |
| Earnings per share : | | | |
| Net income | | | |
| Basic | 226.94 | 84.79 | |
| Diluted | 226.85 | 84.79 | |
| Capital expenditures | 28,631 | 27,458 | 4.3 |
| Depreciation | 27,296 | 28,933 | (5.7) |
| R&D expenses | 27,432 | 23,804 | 15.2 |
| Total assets | 1,785,505 | 1,771,550 | |
| Stockholders' equity | 1,180,941 | 1,092,402 | |
| Sales of products manufactured outside Japan to net sales (%) | 33.4 | 33.1 | |
| Number of employees at the end of periods | 60,163 | 54,740 | |

Table of Contents**Consolidated Results of Kyocera Corporation and its Subsidiaries****for the Six Months Ended September 30, 2004**

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 28, 2004

1. Results for the six months ended September 30, 2004

(1) Consolidated results of operations :

| | Japanese yen | | |
|-----------------------------------|--------------------------------|-------------------|----------------------|
| | Six months ended September 30, | | Year ended March 31, |
| | 2004 | 2003 | 2004 |
| Net sales | ¥ 600,562 million | ¥ 518,378 million | ¥ 1,140,814 million |
| % change from the previous period | 15.9% | 0.3% | |
| Profit from operations | 62,092 million | 22,554 million | 108,962 million |
| % change from the previous period | 175.3% | (39.0)% | |
| Income before income taxes | 67,253 million | 25,127 million | 115,040 million |
| % change from the previous period | 167.7% | (25.2)% | |
| Net income | 42,549 million | 15,754 million | 68,086 million |
| % change from the previous period | 170.1% | (8.0)% | |
| Earnings per share : | | | |
| Basic | ¥ 226.94 | ¥ 84.79 | ¥ 364.79 |
| Diluted | 226.85 | 84.79 | 364.78 |

Notes :

1. Equity in earnings of affiliates and unconsolidated subsidiaries :

| | |
|-------------------------------------|-----------------|
| Six months ended September 30, 2004 | ¥ 582 million |
| Six months ended September 30, 2003 | ¥ 1,729 million |
| Year ended March 31, 2004 | ¥ 2,575 million |

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2. Average number of shares outstanding during the period :

| | |
|-------------------------------------|--------------------|
| Six months ended September 30, 2004 | 187,492,144 shares |
| Six months ended September 30, 2003 | 185,802,535 shares |
| Year ended March 31, 2004 | 186,642,680 shares |

3. Change in accounting policies : None

(2) Consolidated financial condition :

| | Japanese yen | | |
|--------------------------------------|---------------------|---------------------|---------------------|
| | September 30, | | March 31, |
| | 2004 | 2003 | 2004 |
| | 2004 | 2003 | 2004 |
| Total assets | ¥ 1,785,505 million | ¥ 1,771,550 million | ¥ 1,794,758 million |
| Stockholders' equity | 1,180,941 million | 1,092,402 million | 1,153,746 million |
| Stockholders' equity to total assets | 66.1% | 61.7% | 64.3% |
| Stockholders' equity per share | ¥ 6,298.63 | ¥ 5,826.70 | ¥ 6,153.83 |

Notes : Total number of shares outstanding as of :

| | |
|--------------------|--------------------|
| September 30, 2004 | 187,491,883 shares |
| September 30, 2003 | 187,482,238 shares |
| March 31, 2004 | 187,484,253 shares |

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(3) Consolidated cash flows :

| | Japanese yen | | |
|--|--------------------------------|------------------|----------------------|
| | Six months ended September 30, | | Year ended March 31, |
| | 2004 | 2003 | 2004 |
| | ¥ | ¥ | ¥ |
| Cash flows from operating activities | 88,891 million | 28,510 million | 62,575 million |
| Cash flows from investing activities | (144,177) million | (5,163) million | 29,581 million |
| Cash flows from financing activities | (53,582) million | (16,112) million | (20,422) million |
| Cash and cash equivalents at end of period | 256,965 million | 299,160 million | 361,132 million |

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

Number of consolidated subsidiaries : 162

Number of subsidiaries accounted for by the equity method : 2

Number of affiliates accounted for by the equity method : 13

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

| | Consolidation | Equity method |
|----------|---------------|---------------|
| Increase | 4 | 0 |
| Decrease | 1 | 1 |

2. Forecast for the year ending March 31, 2005 :

There is no revision of the initial forecast for the fiscal year ending March 31, 2005, which was described in Form 6-K submitted on April 27, 2004. (Please refer to the accompanying Forward Looking Statements on page 17 with regard to the forecasts.)

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KYOCERA GROUP

Kyocera group consists of Kyocera Corporation, 164 subsidiaries and 13 affiliates.

(Chart of the group companies)

Note : Others include affiliates that are accounted for by the equity method.

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Management Policies

1. Management Goal and Strategies

Kyocera Corporation and its subsidiaries (Kyocera) strive to be a creative company that continues to grow in 21 century. To achieve this goal, Kyocera promotes high-value-added diversification in three high growth potential areas telecommunications and information processing, environmental protection, and quality of life in accordance with the following criteria and management system.

1) Criteria

Value added business is defined as a business generating pre-tax profit ratio of 15% or more. Whether or not to remain in a field is based on a judgment of the existence of an evident need in the relevant markets and the possibility of serving that market need from the current or future attainable technologies.

2) Management System

Kyocera's unique management system allows it to make accurate and swift assessments of individual business conditions to facilitate timely decision-making and maximize synergies among businesses.

By promoting the development of business diversification, Kyocera aims to drive stable and continuous corporate growth in a rapidly changing business environment.

The most important management resource for successful business diversification is technological prowess. Based on this conviction, Kyocera strives to expand and diversify applications through advancement and specialization of its technical expertise, thereby promptly responding to the variety of market needs brought about by rapid changes in society. Kyocera also views sales competency and brand awareness as vital management resources for business expansion, and constantly works to strengthen these elements.

Kyocera will demarcate areas for either expansion or reorganization and aggressively invest management resources in valuable or promising businesses.

Kyocera will maintain a sound financial position to enable to pursue new business development and market creation.

2. Specific Policies

<Efficient Resource Management>

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Kyocera will select and concentrate management resources into value added fields and its candidates. With the objective of outstripping the competition and becoming leader in each business area, Kyocera will create new markets and technologies through the integration of Group resources, including technical and sales competencies, while utilizing external management resources when it is necessary.

Authorization of decision-making on planning, execution and control of the business will be delegated to each Corporate Business Division and Business Division to act as an independent company, in order to speed up management decision-making processes.

A prime emphasis is placed on cash flows, in particular, boosting returns on capital investment, improving inventory control and shortening lead-times.

<Emphasizing Consolidated Group Results>

Kyocera will increase its profitability of each operating segment on a consolidated basis by strengthening ties between each Corporate Business Division and Business Division and Kyocera Group subsidiaries and affiliates to maximize synergies.

Kyocera will employ a global strategy in each business and optimize R&D, production and sales structures.

<Focusing on Stockholder Value>

In order to increase stockholder value (market capitalization), Kyocera seeks to generate a higher return on investment to maximize future profits and cash flows.

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A stock option plan will be extended to senior managers within Kyocera to further increase value by ensuring their interests in agreement with stockholders and investors.

3. Basic Policy on Profit Distribution

Since its listing, Kyocera Corporation has endeavored to increase dividends per share in line with improvements in performance. Kyocera Corporation has also boosted share dividends by actively applying free-share distributions and stock splits. In the coming years, Kyocera Corporation will work to further improve earnings per share and cash flow, and on the basis of the results, will share its success by securing continued dividend payments in accordance with holistic judgments.

Kyocera's goal of constantly enhancing profitability will ensure greater returns for stockholders. In order to be a creative company that continues to grow in the 21st century, Kyocera will strive at the same time to be a market leader in the three strategic areas of telecommunications and information processing, environmental protection and quality of life. Accordingly, Kyocera aims to cultivate new businesses, markets and to develop technologies, acquiring external management resources when necessary to achieve this objective. Kyocera will also enhance technological prowess and marketing force in each of the businesses Kyocera is in, and select an optimal structure for each by leveraging Group resources, to build up a winning competitive structure, without limiting ourselves to any single formula. Kyocera will prioritize a healthy and stable financial position and retain a high level of internal reserves to facilitate the execution of this management strategy.

4. Corporate Governance Guidelines and Policy Implementation

Kyocera's corporate governance is designed to ensure extremely sound, transparent and effective management and thereby best protect the interests of stockholders. No discussion of corporate governance at Kyocera would be complete without first looking at the Kyocera Philosophy, which provides both the moral and intellectual backbone for Kyocera's management style.

The Kyocera Philosophy was created by Kyocera's founder, as he codified his views on the subject of business management. He was convinced that one of the most important points for the management of the company was that the Kyocera Philosophy should apply to the actions of all who work for the enterprise—directors, managers and employees alike. The Kyocera Philosophy embodies many principles, covering subjects ranging from the fundamentals of business management to the specifics of day-to-day operations. Its principles demand impartial, fair and totally transparent management, while emphasizing the importance of maximizing profits by eliminating waste, minimizing expenses and maximizing revenues. The Kyocera Philosophy demands particularly high standards of ethical behavior from all leaders within the company. Managers are never allowed to put their personal interests ahead of the company's interests. From the beginning, Kyocera has been guided by principles that have naturally worked toward achieving the corporate governance goals mentioned above.

Kyocera's management believes that the standards and criteria applied by all members of the enterprise hold the key to achieving the aims of corporate governance. At its core, the Kyocera Philosophy exhorts workers to use the criterion of what they judge the right thing to do as human beings as the basis for guiding all actions and decisions. Because of their universal nature, the principles of the Kyocera Philosophy are as applicable to Kyocera's worldwide operations as they are to any other business.

During the year ended March 31, 2004, Kyocera managers around the world attended an aggregated total of 19,440 training and education sessions designed to promote deeper understanding of the Kyocera Philosophy. The Kyocera Philosophy also formed an important part of our orientation efforts for new recruits and on-the-job training programs. In the year ending March 31, 2005, Kyocera plans to extend these programs to cover all employees in Japan. A total of 755 managers at Kyocera subsidiaries outside Japan received training along these lines in the year ended March 31, 2004.

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Kyocera emphasizes a so-called "amoeba" management system in which operations are managed at the level of small groups. This system is believed to reflect the "Kyocera Philosophy" best, and is regarded as the source of Kyocera's strength in creating highly motivated management by getting all employees involved in the daily operation of the company.

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Explicit delegation of responsibilities to small groups has the added advantage of promoting transparency in all details of management, while creating a system that promotes efficiency. In Kyocera's experience, these processes maintain sound business management practices, which in turn translate into greater benefits for all stakeholders.

To make these principles work in practice, a system of checks and balances is also crucial. Kyocera has adopted the corporate governance model outlined in the Commercial Code of Japan that is based on the use of corporate auditors. In this system, the board of corporate auditors oversees the management decisions of the board of directors and policy execution by executive officers.

Of four corporate auditors, two are appointed externally. Kyocera implemented an executive officer system, in which the functions of business execution and supervision of management have been separated to further raise management efficiency. The Board of Directors consists of 13 people, including eight members from Kyocera group management who are not responsible for business execution of Kyocera Corporation.

In addition, to ensure a systematic and sustained approach to compliance management throughout Kyocera, Kyocera established a Risk Management Department.

By respecting the Kyocera Philosophy as a corporate culture and completing internal management control system apart from management aspect, Kyocera aims to achieve solid corporate governance as our stockholders expect.

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1. Business Results for the Six Months Ended September 30, 2004

(1) Economic Situation and Business Environment

The Japanese economy showed moderate signs of recovery during the six months ended September 30, 2004 (the first half), spurred by revitalized production activities, especially in the manufacturing sector; increased exports; improved corporate earnings and expanded capital investment. The global economy expanded as a whole, as represented by continued steady growth in the U.S. economy and healthy growth in the Asian economy, particularly in China.

In the electronics industry, which is a key market for Kyocera, demand for mobile handsets increased due to the proliferation of models with built-in cameras. Additionally, the production of computer equipment grew steadily, while in digital consumer product markets, demand for flat-screen TVs and DVD recorders rose due to the broadcast of the Olympics.

(2) Consolidated Financial Results

(Yen in millions, except per share amounts and exchange rates)

| | Six months ended September 30, | | Increase (Decrease) |
|----------------------------|--------------------------------|---------|---------------------|
| | 2004 | 2003 | (%) |
| Net sales | 600,562 | 518,378 | 15.9 |
| Profit from operations | 62,092 | 22,554 | 175.3 |
| Income before income taxes | 67,253 | 25,127 | 167.7 |
| Net income | 42,549 | 15,754 | 170.1 |
| Diluted earnings per share | 226.85 | 84.79 | |
| US\$ average exchange rate | 110 | 118 | |
| Euro average exchange rate | 133 | 133 | |

1) Sales

Sales for the first half increased compared with those in the six months ended September 30, 2003 (the previous first half), due mainly to an increase in component business sales.

Demand for Kyocera's components, such as Fine Ceramics Group and Electronic Device Group, expanded strongly and was supported by the increased production activities of electronic equipment, notably mobile phones and digital consumer products. As a favorable market environment resulted in increased production volume and a moderate decline in components prices, sales of Kyocera's components have increased considerably in the first half compared with the previous first half.

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Sales of the Equipment Group have increased, due mainly to the introduction of new information equipment, as well as higher sales of mobile handsets in the U.S. and the new contribution of camera modules for mobile phones.

As a result, consolidated net sales for the first half amounted to ¥600.6 billion, an increase of 15.9% compared with the previous first half.

2) Profits

The effect of an increase in sales, especially in the components business, coupled with an increased capacity utilization rate through considerable growth in components production volume, and group-wide structural reforms implemented in the year ended March 31, 2004 that aimed to improve profitability, showed positive effects in the first half. Consequently, profit from operations for the first half increased by ¥39.5 billion compared with the previous first half. Both income before income taxes and net income also increased.

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3) Effect of Exchange Rate Fluctuations

The average yen rate appreciated 8 yen against the U.S. dollar and was unchanged against the Euro compared with those in the previous first half. Consequently, net sales and income before income taxes after translation into yen was negatively affected by approximately ¥19.3 billion and ¥2.9 billion yen, respectively, compared with the previous first half, due primarily to the yen's appreciation against the U.S. dollar.

(3) Operating Highlights

- 1) Kinseki, Ltd. (Kinseki), a wholly-owned subsidiary, and Kyocera Corporation re-organized the operations related to crystal components on April 1, 2004. Kinseki's marketing division was merged into the marketing division of the electronic component of Kyocera Corporation and the manufacturing division of crystal related components of Kyocera Corporation was transferred to Kinseki. At the same time, Kinseki changed its name to Kyocera Kinseki Corporation (Kyocera Kinseki).
- 2) On April 1, 2004, Kyocera integrated the organic material components business into Kyocera SLC Technologies Corporation (KST), a wholly owned subsidiary. Management resources relating to the organic material components business were concentrated in KST to enhance the synergistic effects within Kyocera and to expand the business base.
- 3) On June 21, 2004, the Carlyle Group (Carlyle), Kyocera, KDDI Corporation (KDDI) and DDI Pocket, Inc. (DDI Pocket) reached an agreement that a consortium of Kyocera and Carlyle would acquire the business of DDI Pocket, a subsidiary of KDDI. Under the agreement, the company that succeeds DDI Pocket's business (the NewCo) was invested 30% by Kyocera in October 2004. In cooperation with NewCo, Kyocera will endeavor to expand sales in its PHS related business by carving out new markets in Japan as well as overseas.
- 4) The construction of new factory of KST started in August 2004 in the City of Ayabe, Kyoto Prefecture. At the factory, KST plans to produce semiconductor organic packages and laminated high-density printed circuit boards used in micro processors and chipsets for digital consumer products. Operations are expected to commence in June 2005. Planned investment in the factory totals approximately ¥17.0 billion.
- 5) Kyocera and Kobe Steel, Ltd. established Japan Medical Materials Corporation (JMM) on September 1, 2004 by merging the medical materials businesses of both companies and commenced operation on the same day. JMM will benefit from the integration of the specialized expertise of both companies in material and processing technologies, while maximizing synergies by integrating development, production and marketing divisions. JMM will also seek to expand its business worldwide, as a dedicated manufacturer of medical materials.
- 6) Kyocera started to implement structural reforms in the first half in order to reorganize its optical instruments business a value added business. Major initiatives included (a) downsizing of the camera business and expansion of the optical module business, and (b) reorganizing of overseas sales operation. A total of approximately ¥1.9 billion was recorded as operating expenses in line with the execution of these reforms.

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(4) Consolidated Operating Segments

(Yen in millions)

| | Six months ended September 30, | | Increase (Decrease) (%) |
|--|--------------------------------|---------|----------------------------|
| | 2004 | 2003 | |
| Net sales | 600,562 | 518,378 | 15.9 |
| Fine Ceramics Group | 151,986 | 119,399 | 27.3 |
| Electronic Device Group | 139,790 | 119,787 | 16.7 |
| Equipment Group | 265,597 | 241,372 | 10.0 |
| Others | 56,193 | 45,735 | 22.9 |
| Adjustments and eliminations | (13,004) | (7,915) | |
| Operating profit | 59,936 | 19,959 | 200.3 |
| Fine Ceramics Group | 24,399 | 11,322 | 115.5 |
| Electronic Device Group | 22,241 | (6,392) | |
| Equipment Group | 7,136 | 10,274 | (30.5) |
| Others | 6,160 | 4,755 | 29.5 |
| Corporate | 6,683 | 3,010 | 122.0 |
| Equity in earnings of affiliates and unconsolidated subsidiaries | 582 | 1,729 | (66.3) |
| Adjustments and eliminations | 52 | 429 | (87.9) |
| Income before income taxes | 67,253 | 25,127 | 167.7 |

Commencing in the third quarter of fiscal 2004 (October to December 2003), net sales and operating profit of the Precision Machine Division of Kyocera Corporation, previously included within Others, have been charged to Corporate. Accordingly, we have restated previously published net sales and operating profit of this operating segment for the previous first half.

1) Fine Ceramics Group

Demand for fine ceramic parts was strong, particularly for semiconductor and LCD fabrication equipment and sapphire substrates for LEDs. In semiconductor parts, sales of ceramic packages increased appreciably, especially those applicable for mobile phones and digital consumer products, as well as ceramic packages for image sensors, such as CCD, CMOS image devices. Sales of consumer-related products such as solar modules and cutting tools also increased markedly. Operating profit in this segment rose considerably in the first half, increasing approximately 2.2 times compared with the previous first half, due mainly to the effect of increased sales and of improved productivity through cost reduction efforts in all divisions.

2) Electronic Device Group

Sales in this segment grew, due primarily to strong demand for ceramic capacitors and crystal-related components. In addition to the sales contribution from Kyocera Kinseki since the start of the fiscal year, sales at AVX CORPORATION (AVX), a U.S. subsidiary, increased remarkably. Strong sales, improved capacity utilization rate, improved production and the absence of restructuring charges at AVX that were

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recorded in the previous first half culminated in a significant increase of approximately ¥28.6 billion in operating profit compared with operating loss recorded in the previous first half.

3) Equipment Group

Sales of this segment expanded, due to healthy sales of new products in information equipment and sales at KYOCERA WIRELESS CORP., a U.S. subsidiary. Sales of optical instruments also increased due to new contributions from optical camera modules for mobile phones. Nevertheless, operating profit in this segment decreased compared with the previous first half, due predominantly to one-off charges associated with the start-up costs of the optical camera module business and restructuring of overseas sales operation, and price erosion in mobile phones in Japan and overseas.

4) Others

Sales and operating profit in this segment increased due to strong growth for Kyocera Chemical Corporation, especially in its business of flexible printed circuit board materials and semiconductor epoxy molding compounds, and favorable growth for Kyocera Communication Systems Co., Ltd. (KCCS), especially in its data center, network optimizing and telecommunications engineering businesses.

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(5) Orders and Production (Consolidated)

See (4) Consolidated Operating Segments for descriptions of orders and production by operating segments for the first half.

(Yen in millions)

| | Six months ended September 30, | | Increase (Decrease) |
|------------------------------|--------------------------------|---------|---------------------|
| | 2004 | 2003 | (%) |
| Orders | 614,813 | 570,843 | 7.7 |
| Fine Ceramics Group | 154,926 | 124,173 | 24.8 |
| Electronic Device Group | 143,490 | 123,328 | 16.3 |
| Equipment Group | 271,453 | 281,920 | (3.7) |
| Others | 58,267 | 49,024 | 18.9 |
| Adjustments and eliminations | (13,323) | (7,602) | |
| Production | 617,958 | 515,006 | 20.0 |
| Fine Ceramics Group | 155,719 | 119,979 | 29.8 |
| Electronic Device group | 146,503 | 118,454 | 23.7 |
| Equipment Group | 277,007 | 245,191 | 13.0 |
| Others | 38,729 | 31,382 | 23.4 |

(6) Geographic Segments (Consolidated)

(Yen in millions)

| | Six months ended September 30, | | Increase (Decrease) |
|--------|--------------------------------|---------|---------------------|
| | 2004 | 2003 | (%) |
| Sales | 600,562 | 518,378 | 15.9 |
| Japan | 227,772 | 211,276 | 7.8 |
| USA | 130,505 | 114,335 | 14.1 |
| Asia | 116,357 | 90,122 | 29.1 |
| Europe | 83,906 | 73,472 | 14.2 |
| Others | 42,022 | 29,173 | 44.0 |

1) Japan

Sales increased compared with the previous first half due to increased sales of parts for mobile phones and digital consumer products and that of solar energy products, in addition, due also to increased sales of optical camera modules and that in telecommunications engineering business of KCCS.

2) USA

Sales increased due mainly to increased sales of mobile handsets and also to that in components business in the environment of growing demand.

3) Asia

Sales grew considerably due mainly to increased sales of parts for mobile handsets, digital consumer production and computer related equipment and also to increased sales of telecommunications equipment and information equipment.

4) Europe

Sales increased due mainly to increased sales of information equipment and also to increased sales of electronic devices, solar modules etc.

5) Others

Sales increased due mainly to increased sales of mobile handsets in Central and South America.

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2. Cash Flow

Cash and cash equivalents at September 30, 2004 decreased by ¥104,167 million to ¥256,965 million compared with at March 31, 2004.

(Yen in millions)

| | Six months ended September 30, | |
|---|---------------------------------------|-------------|
| | 2004 | 2003 |
| Cash flow from operating activities | 88,891 | 28,510 |
| Cash flow from investing activities | (144,177) | (5,163) |
| Cash flow from financing activities | (53,582) | (16,112) |
| Effect of exchange rate changes on cash and cash equivalent | 4,701 | (6,385) |
| Net (decrease) increase in cash and cash equivalent | (104,167) | 850 |
| Cash and cash equivalent at beginning of period | 361,132 | 298,310 |
| Cash and cash equivalent at end of period | 256,965 | 299,160 |

<Cash flow from operating activities>

Net cash provided by operating activities for the first half increased by ¥60,381 million to ¥88,891 million from the previous first half of ¥28,510 million. This was due to an increase in net income by ¥26,795 million to ¥42,549 million compared with the previous first half and a significant decrease in receivables by collection, including the short-term finance receivables.

<Cash flow from investing activities>

Net cash used in investing activities in the first half increased by ¥139,014 million to ¥144,177 million from net cash provided in the previous first half of ¥5,163 million. This was due mainly to increases in purchases of the government bonds and negotiable certificate of deposits in consideration of current and future financial position according to our investment policy.

<Cash flow from financing activities>

Net cash used in financing activities for the first half increased by ¥37,470 million to ¥53,582 million from the previous first half of ¥16,112 million. This was due mainly to payments of long-term debt.

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3. Capital Expenditures and Depreciation (Consolidated)

(Yen in millions)

| | Six months ended September 30, | | Increase (Decrease) (%) |
|-----------------------|--------------------------------|--------|----------------------------|
| | 2004 | 2003 | |
| Capital expenditures | 28,631 | 27,458 | 4.3 |
| (% to net sales) | 4.8% | 5.3% | |
| Depreciation expenses | 27,296 | 28,933 | (5.7) |
| (% to net sales) | 4.5% | 5.6% | |

Fine Ceramics Group invested in facilities to increase production of solar cells and solar modules.

New facilities were constructed in line with the commencement of optical camera modules for mobile phones.

4. Non-Consolidated Results for the Six Months Ended September 30, 2004

(Yen in millions)

| | Six months ended September 30, | | Increase (Decrease) (%) |
|------------------------|--------------------------------|---------|----------------------------|
| | 2004 | 2003 | |
| Net sales | 250,463 | 237,808 | 5.3 |
| Profit from operations | 21,297 | 17,572 | 21.2 |
| Recurring profit | 34,937 | 26,176 | 33.5 |
| Net income | 20,512 | 16,159 | 26.9 |

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1. Forecasts for the Year Ending March 31, 2005 (Consolidated)

(Yen in millions, except per share amounts and exchange rates)

| | Year ending | Year ended | Increase (Decrease) (%) |
|----------------------------|------------------------------|----------------------------|----------------------------|
| | March 31, 2005 (Forecast) | March 31, 2004 (Result) | |
| Net sales | 1,260,000 | 1,140,814 | 10.4 |
| Profit from operations | 135,000 | 108,962 | 23.9 |
| Income before income taxes | 140,000 | 115,040 | 21.7 |
| Net income | 85,000 | 68,086 | 24.8 |
| Diluted earnings per share | 455.40 | 364.78 | |
| US\$ average exchange rate | 106 | 113 | |
| Euro average exchange rate | 129 | 133 | |

There are no changes in Forecasts for the Fiscal Year Ending March 31, 2005 (Consolidated) from the original forecasts as of April 27, 2004, except ones in average exchange rates and in outlook by operating segment.

(1) Economic Situation and Business Environment for the Year Ending March 31, 2005

The economic environment in the second half seems to become highly uncertain due to anxiety over the effect of persistently high oil prices on the world economy.

In the electronics industry, there are plans to introduce new digital consumer products and mobile handsets for the Christmas season, but it is uncertain whether this will create significant consumer demand. Prices in the general electronic components market are expected to continue dropping compared with the first half.

Kyocera expects the appreciation of the yen against the U.S. dollar and Euro to continue in the second half, and, therefore, assumes an average exchange rate of 100 yen to the U.S. dollar and 123 yen to the Euro during the second half, and 106 yen to the U.S. dollar and 129 yen to the Euro for the full year ending March 31, 2005. Accordingly, the appreciation of the yen against both currencies is projected to produce a negative impact on net sales and income before income taxes of approximately ¥42.0 billion and ¥8.0 billion yen, respectively.

(2) Challenges for the Second Half

Despite relative uncertainty in the economic environment in the second half, especially in the components business, Kyocera will push ahead with its strategy of high-value-added diversification in the components and equipment businesses, with concerted group-wide efforts aimed at achieving the forecasts for the year ending March 31, 2005 shown above. Specifically, energies will be devoted to the following key initiatives.

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Kyocera plans to conclude structural reform of its optical instruments business by March 2005, the objective of which is to swiftly raise profitability of the equipment business. The positive effects of this move are expected to emerge in the following fiscal year and beyond. Concretely, Kyocera will continue with its policy of business selection and concentration and management resources will be invested into high growth areas by pursuing group synergies. One example of this is expansion of the optical module business for mobile phones. In the telecommunications equipment business, Kyocera intends to aggressively launch new mobile handsets onto the market to increase sales in Japan and overseas. In PHS related products, efforts will be made to increase sales of browser terminals in Japan, introduce new models in China and cultivate new markets in Asia.

In the components business, which posted a remarkable growth in the first half, Kyocera will strive to maximize Group synergies in production and sales to further strengthen management foundations. Kyocera will also boost profitability by improving productivity at production bases in Japan and China. In the digital consumer equipment and automotive markets, which are projected to expand over the mid-to long-term, Kyocera will actively promote design-in activities and increase orders in the components business. In addition, Kyocera seeks to become the leader in the solar energy market, in which demand is growing rapidly around the world, by establishing a solid global production system for solar cells and modules including the expansion of production capacity.

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2. Outlook and Future Business Strategies by Operating Segment (Consolidated)

(Yen in millions)

| | Year ending March 31, 2005 (Forecast as of October 28, 2004) | Year ending March 31, 2005 (Forecast as of April 27, 2004) | Year ended March 31, 2004 (Result) | Increase (Decrease) (%) |
|------------------------------|---|---|--|-------------------------------|
| Net sales | 1,260,000 | 1,260,000 | 1,140,814 | 10.4 |
| Fine Ceramics Group | 302,500 | 288,000 | 255,805 | 18.3 |
| Electronic Device Group | 278,500 | 274,000 | 256,906 | 8.4 |
| Equipment Group | 585,000 | 610,000 | 545,811 | 7.2 |
| Others | 118,500 | 110,000 | 100,505 | 17.9 |
| Adjustments and eliminations | (24,500) | (22,000) | (18,213) | |
| Operating profit | 129,700 | 133,900 | 77,126 | 68.2 |
| Fine Ceramics Group | 47,300 | 39,500 | 31,139 | 51.9 |
| Electronic Device Group | 42,800 | 39,400 | 5,047 | 748.0 |
| Equipment Group | 25,700 | 42,000 | 31,257 | (17.8) |
| Others | 13,900 | 13,000 | 9,683 | 43.6 |
| Corporate and others | 10,300 | 6,100 | 37,914 | (72.8) |
| Income before income taxes | 140,000 | 140,000 | 115,040 | 21.7 |

(1) Fine Ceramics Group

Kyocera plans to further strengthen its competitiveness in the markets for fine ceramic parts for semiconductor fabrication equipment, sapphire substrates and ceramic packages for image sensors.

In line with rising demand for solar systems, Kyocera intends to create a global production system centered in Japan, China, Central America and Eastern Europe. Kyocera will commence its production of solar modules in Mexico in the second half, while preparations for a new production facility in the Czech Republic are progressing smoothly.

(2) Electronic Device Group

Kyocera will work to secure new orders by launching new ceramic capacitors and crystal-related components, with specific attention paid to attracting new customers in the digital consumer equipment and automotive markets.

Kyocera will introduce and promote the extensive use of production methods that will increase productivity. Kyocera also devotes to reduce production costs and improve profitability by fully utilizing factories in China.

(3) Equipment Group

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In the telecommunications equipment business, Kyocera intends to launch new models aggressively and timely, optimize its development resources and pursue group synergies in order to increase sales of CDMA handsets in Japan, the U.S. and Central and South America.

In the information equipment business, Kyocera seeks to increase sales through new introductions by expanding its line-up of digital multifunction products (MFPs) and color printers. Standardization of engines and key parts for the printers and digital MFPs will allow us to reduce production costs and improve price competitiveness.

In the optical instruments business, Kyocera plans to boost profitability by continuing efforts aimed at structural reforms. A total of approximately ¥7.6 billion is projected as operating expenses on a full-year basis for the purpose.

(4)Others

Kyocera Chemical plans to expand sales of flexible printed circuit boards and environmentally friendly sealants for electronic component materials, and to create Group synergies with our electronic components business.

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KCCS is focused on expanding its outsourcing business, such as system integration services, security systems services, and its network service business utilizing mobile equipment.

3. Forecasts for the Fiscal Year Ending March 31, 2005 (Non-Consolidated)

(Yen in millions)

| | Year ending March 31, 2005 (Forecast) | Increase (Decrease)(%) compared with Year ended March 31, 2004 |
|------------------------|---|--|
| Net sales | 562,000 | 13.8 |
| Profit from operations | 50,000 | 21.3 |
| Recurring profit | 76,000 | 23.0 |
| Net income | 48,000 | (20.9) |

There are no changes in Forecasts for the Fiscal Year Ending March 31, 2005 (Non-Consolidated) from the original forecasts as of April 27, 2004.

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, including in particular 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; the extent and pace of future growth or contraction in information technology-related markets around the world, including those for communications and personal computers; and events that may impact negatively on our markets or supply chain, including terrorist acts and outbreaks of diseases such as SARS. 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.

Table of Contents**CONSOLIDATED BALANCE SHEETS**

| | Yen in millions | | | | | |
|---|--------------------|--------------|--------------------|--------------|--------------------|--------------|
| | September 30, 2004 | | March 31, 2004 | | September 30, 2003 | |
| | Amount | % | Amount | % | Amount | % |
| Current assets : | | | | | | |
| Cash and cash equivalents | ¥ 256,965 | | ¥ 361,132 | | ¥ 299,160 | |
| Restricted cash | | | | | 54,121 | |
| Short-term investments | 74,262 | | 3,855 | | 10,321 | |
| Trade notes receivable | 33,549 | | 33,801 | | 30,753 | |
| Trade accounts receivable | 211,504 | | 207,583 | | 179,047 | |
| Short-term finance receivables | 42,820 | | 70,553 | | 71,195 | |
| Less allowances for doubtful accounts and sales returns | (7,569) | | (8,468) | | (7,399) | |
| Inventories | 239,612 | | 197,194 | | 192,600 | |
| Deferred income taxes | 39,408 | | 34,957 | | 52,469 | |
| Other current assets | 31,207 | | 33,089 | | 28,536 | |
| Total current assets | 921,758 | 51.6 | 933,696 | 52.0 | 910,803 | 51.4 |
| Non-current assets : | | | | | | |
| Investments in and advances to affiliates and unconsolidated subsidiaries | 24,240 | | 24,054 | | 21,387 | |
| Securities and other investments | 440,844 | | 430,096 | | 425,733 | |
| Total investments and advances | 465,084 | 26.0 | 454,150 | 25.3 | 447,120 | 25.2 |
| Long-term finance receivables | 73,477 | 4.1 | 88,512 | 5.0 | 90,034 | 5.1 |
| Property, plant and equipment, at cost : | | | | | | |
| Land | 55,021 | | 54,867 | | 55,625 | |
| Buildings | 223,956 | | 217,216 | | 214,532 | |
| Machinery and equipment | 642,657 | | 622,721 | | 616,865 | |
| Construction in progress | 9,815 | | 10,384 | | 6,723 | |
| Less accumulated depreciation | (675,190) | | (650,668) | | (636,732) | |
| | 256,259 | 14.4 | 254,520 | 14.2 | 257,013 | 14.5 |
| Goodwill | 28,589 | 1.6 | 25,254 | 1.4 | 24,587 | 1.4 |
| Intangible assets | 17,495 | 1.0 | 16,645 | 0.9 | 17,076 | 1.0 |
| Other assets | 22,843 | 1.3 | 21,981 | 1.2 | 24,917 | 1.4 |
| Total non-current assets | 863,747 | 48.4 | 861,062 | 48.0 | 860,747 | 48.6 |
| Total assets | ¥ 1,785,505 | 100.0 | ¥ 1,794,758 | 100.0 | ¥ 1,771,550 | 100.0 |

Note 1: Restricted cash represents the amount of the time deposit to a financial institution in order to reduce the cost for the issuance of letter of credit in connection with the litigation against LaPine. Kyocera Corporation withdrew all restricted cash because Kyocera Corporation reached agreement to settle all claims in pending litigation on December 22, 2003 (U.S. time).

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| | Yen in millions | | | | | |
|---|--------------------|--------------|--------------------|--------------|--------------------|--------------|
| | September 30, 2004 | | March 31, 2004 | | September 30, 2003 | |
| | Amount | % | Amount | % | Amount | % |
| Current liabilities : | | | | | | |
| Short-term borrowings | ¥ 78,044 | | ¥ 84,815 | | ¥ 115,408 | |
| Current portion of long-term debt | 4,406 | | 44,522 | | 55,258 | |
| Trade notes and accounts payable | 120,646 | | 110,759 | | 98,875 | |
| Other notes and accounts payable | 36,232 | | 38,115 | | 33,065 | |
| Accrued payroll and bonus | 35,725 | | 34,161 | | 33,633 | |
| Accrued income taxes | 23,641 | | 19,054 | | 19,753 | |
| Accrued litigation expenses | | | | | 39,495 | |
| Other accrued expenses | 30,029 | | 28,665 | | 25,058 | |
| Other current liabilities | 17,223 | | 16,548 | | 13,422 | |
| Total current liabilities | 345,946 | 19.4 | 376,639 | 21.0 | 433,967 | 24.5 |
| Non-current liabilities : | | | | | | |
| Long-term debt | 70,743 | | 70,608 | | 27,117 | |
| Accrued pension and severance costs | 36,929 | | 38,620 | | 78,685 | |
| Deferred income taxes | 86,387 | | 95,498 | | 77,267 | |
| Other non-current liabilities | 5,386 | | 6,409 | | 7,055 | |
| Total non-current liabilities | 199,445 | 11.2 | 211,135 | 11.7 | 190,124 | 10.7 |
| Total liabilities | 545,391 | 30.6 | 587,774 | 32.7 | 624,091 | 35.2 |
| Minority interests in subsidiaries | 59,173 | 3.3 | 53,238 | 3.0 | 55,057 | 3.1 |
| Stockholders' equity : | | | | | | |
| Common stock | 115,703 | | 115,703 | | 115,703 | |
| Additional paid-in capital | 162,087 | | 162,091 | | 162,068 | |
| Retained earnings | 922,187 | | 885,262 | | 838,555 | |
| Accumulated other comprehensive income | 12,262 | | 22,046 | | 7,443 | |
| Treasury stock, at cost | (31,298) | | (31,356) | | (31,367) | |
| Total stockholders' equity | 1,180,941 | 66.1 | 1,153,746 | 64.3 | 1,092,402 | 61.7 |
| Total liabilities, minority interests and stockholders' equity | ¥ 1,785,505 | 100.0 | ¥ 1,794,758 | 100.0 | ¥ 1,771,550 | 100.0 |

Note 2: Accumulated other comprehensive income is as follows:

| | Yen in millions | | |
|------------------------------------|--------------------|----------------|--------------------|
| | September 30, 2004 | March 31, 2004 | September 30, 2003 |
| | Amount | Amount | Amount |
| Net unrealized gains on securities | ¥ 39,996 | ¥ 59,241 | ¥ 48,024 |

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| | | | |
|---|------------|------------|------------|
| Net unrealized losses on derivative financial instruments | ¥ (22) | ¥ (48) | ¥ (203) |
| Minimum pension liability adjustments | ¥ (1,477) | ¥ (1,477) | ¥ (10,931) |
| Foreign currency translation adjustments | ¥ (26,235) | ¥ (35,670) | ¥ (29,447) |

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CONSOLIDATED STATEMENTS OF INCOME

Yen in millions, except per share amounts

| | Six months ended September 30, | | | | Increase (Decrease) | Year ended March 31, 2004 | |
|---|--------------------------------|-------|-----------|-------|------------------------|------------------------------|-------|
| | 2004 | | 2003 | | | Amount | % |
| | Amount | % | Amount | % | % | | |
| Net sales | ¥ 600,562 | 100.0 | ¥ 518,378 | 100.0 | 15.9 | ¥ 1,140,814 | 100.0 |
| Cost of sales | 429,643 | 71.5 | 397,654 | 76.7 | 8.0 | 860,224 | 75.4 |
| Gross profit | 170,919 | 28.5 | 120,724 | 23.3 | 41.6 | 280,590 | 24.6 |
| Selling, general and administrative expenses | 108,827 | 18.2 | 98,170 | 18.9 | 10.9 | 171,628 | 15.0 |
| Profit from operations | 62,092 | 10.3 | 22,554 | 4.4 | 175.3 | 108,962 | 9.6 |
| Other income or expenses : | | | | | | | |
| Interest and dividend income | 2,728 | 0.5 | 2,419 | 0.4 | 12.8 | 4,883 | 0.4 |
| Interest expense | (613) | (0.1) | (701) | (0.1) | | (1,286) | (0.1) |
| Foreign currency transaction gains (losses), net | 2,096 | 0.3 | (1,621) | (0.3) | | (1,546) | (0.1) |
| Equity in earnings of affiliates and unconsolidated subsidiaries | 582 | 0.1 | 1,729 | 0.3 | (66.3) | 2,575 | 0.2 |
| Loss on devaluation of investment in securities | (89) | 0.0 | (105) | 0.0 | | (1,030) | (0.1) |
| Other, net | 457 | 0.1 | 852 | 0.1 | (46.4) | 2,482 | 0.2 |
| Total other income or expenses | 5,161 | 0.9 | 2,573 | 0.4 | 100.6 | 6,078 | 0.5 |
| Income before income taxes and minority interests | 67,253 | 11.2 | 25,127 | 4.8 | 167.7 | 115,040 | 10.1 |
| Income taxes | 22,748 | 3.8 | 12,749 | 2.4 | 78.4 | 50,310 | 4.4 |
| Income before minority interests | 44,505 | 7.4 | 12,378 | 2.4 | 259.5 | 64,730 | 5.7 |
| Minority interests | (1,956) | (0.3) | 3,376 | 0.6 | | 3,356 | 0.3 |
| Net income | ¥ 42,549 | 7.1 | ¥ 15,754 | 3.0 | 170.1 | ¥ 68,086 | 6.0 |
| Earnings per share: | | | | | | | |
| Net income: | | | | | | | |
| Basic | ¥ 226.94 | | ¥ 84.79 | | | ¥ 364.79 | |
| Diluted | ¥ 226.85 | | ¥ 84.79 | | | ¥ 364.78 | |
| Weighted average number of shares of common stock outstanding (shares in thousands) : | | | | | | | |
| Basic | 187,492 | | 185,803 | | | 186,643 | |
| Diluted | 187,569 | | 185,803 | | | 186,649 | |

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Notes:

1. Kyocera applies the Statement of Financial Accounting Standards Board (SFAS) No.130, Financial Reporting of Comprehensive Income. Based on this standard, comprehensive income for the six months ended September 30, 2004 and 2003 was an increase of 32,765 million yen and an increase of 79,391 million yen, 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 exercised or converted into common stock or resulted in the issuance of common stock.
3. Profit from operation for the year ended March 31, 2004 included 18,917 million yen of net settlement gain for the substitutional portion of Employee Pension Funds, which was recorded at Kyocera Corporation and Kyocera Mita Corporation. Kyocera Corporation and Kyocera Mita Corporation adopted Emerging issues Task Force issue No. 03-02 Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities for the settlement process of the substitutional portion of Employee Pension Funds.

Table of Contents**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, at cost | Comprehensive income |
|---|-----------------|-------------------------------|----------------------|---|----------------------------|-------------------------|
| Balance, March 31, 2003 (184,964) | ¥ 115,703 | ¥ 167,675 | ¥ 828,350 | ¥ (56,194) | ¥ (52,034) | |
| Net income for the year | | | 68,086 | | | ¥ 68,086 |
| Other comprehensive income | | | | 78,240 | | 78,240 |
| Total comprehensive income for the year | | | | | | ¥ 146,326 |
| Cash dividends | | | (11,174) | | | |
| Purchase of treasury stock (14) | | | | | (105) | |
| Reissuance of treasury stock (5) | | 4 | | | 44 | |
| Allocation of treasury stock for share exchange (2,529) | | (5,607) | | | 20,739 | |
| Stock option plan of a subsidiary | | 19 | | | | |
| Balance, March 31, 2004 (187,484) | 115,703 | 162,091 | 885,262 | 22,046 | (31,356) | |
| Net income for the period | | | 42,549 | | | ¥ 42,549 |
| Other comprehensive income | | | | (9,784) | | (9,784) |
| Total comprehensive income for the period | | | | | | ¥ 32,765 |
| Cash dividends | | | (5,624) | | | |
| Purchase of treasury stock (8) | | | | | (74) | |
| Reissuance of treasury stock (16) | | (4) | | | 132 | |
| Balance, September 30, 2004 (187,492) | ¥ 115,703 | ¥ 162,087 | ¥ 922,187 | ¥ 12,262 | ¥ (31,298) | |

(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, at cost | Comprehensive income |
|------------------------------------|--------------|-------------------------------|----------------------|--|----------------------------|-------------------------|
| Balance, March 31, 2003 (184,964) | ¥ 115,703 | ¥ 167,675 | ¥ 828,350 | ¥ (56,194) | ¥ (52,034) | |
| Net income for the period | | | 15,754 | | | ¥ 15,754 |
| Other comprehensive income | | | | 63,637 | | 63,637 |

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| | | | | | |
|---|-----------|-----------|-----------|---------|------------|
| Total comprehensive income for the period | | | | | ¥ 79,391 |
| Cash dividends | | | (5,549) | | |
| Purchase of treasury stock (11) | | | | | (72) |
| Allocation of treasury stock for share exchange (2,529) | | (5,607) | | | 20,739 |
| Balance, September 30, 2003 (187,482) | ¥ 115,703 | ¥ 162,068 | ¥ 838,555 | ¥ 7,443 | ¥ (31,367) |

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CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Yen in millions | | |
|--|--------------------------------|-----------------|-------------------|
| | Six months ended September 30, | | Year ended |
| | 2004 | 2003 | March 31, 2004 |
| Cash flows from operating activities: | | | |
| Net income | ¥ 42,549 | ¥ 15,754 | ¥ 68,086 |
| Adjustments to reconcile net income to net cash provided by operating activities : | | | |
| Depreciation and amortization | 31,089 | 33,667 | 70,260 |
| Losses on inventories | 7,493 | 9,338 | 11,228 |
| Foreign currency adjustments | (1,849) | 1,308 | 1,294 |
| Decrease (increase) in receivables | 50,272 | 2,296 | (34,704) |
| Increase in inventories | (44,324) | (22,059) | (32,966) |
| Increase in other current assets | (389) | (4,815) | (4,402) |
| Increase in notes and accounts payable | 3,222 | 5,626 | 20,701 |
| Settlement regarding LaPine Case | | | (35,454) |
| Other, net | 828 | (12,605) | (1,468) |
| Net cash provided by operating activities | 88,891 | 28,510 | 62,575 |
| Cash flows from investing activities : | | | |
| Payments for purchases of securities | (60,340) | (22,632) | (37,981) |
| Payments for purchases of investments and advances | (452) | (606) | (7,917) |
| Sales and maturities of securities | 19,929 | 42,358 | 77,487 |
| Proceeds from sales of investment in an affiliate | | | 5,004 |
| Payments for purchases of property, plant and equipment, and intangible assets | (30,574) | (29,128) | (58,869) |
| Proceeds from sales of property, plant and equipment, and intangible assets | 1,982 | 1,123 | 2,720 |
| Acquisitions of businesses, net of cash acquired | (2,794) | 5,135 | (2,271) |
| Negotiable certificate of deposits | (68,100) | | |
| Deposit of restricted cash | | (1,994) | (1,994) |
| Withdrawal of restricted cash | | | 52,983 |
| Other, net | (3,828) | 581 | 419 |
| Net cash (used in) provided by investing activities | (144,177) | (5,163) | 29,581 |
| Cash flows from financing activities : | | | |
| (Decrease) increase in short-term debt | (7,047) | 6,701 | (23,823) |
| Proceeds from issuance of long-term debt | 8,662 | 1,168 | 48,975 |
| Payments of long-term debt | (48,847) | (18,361) | (33,152) |
| Dividends paid | (6,409) | (6,114) | (12,372) |
| Net purchases of treasury stock | 55 | (49) | (33) |
| Other, net | 4 | 543 | (17) |
| Net cash used in financing activities | (53,582) | (16,112) | (20,422) |
| Effect of exchange rate changes on cash and cash equivalents | 4,701 | (6,385) | (8,912) |
| Net (decrease) increase in cash and cash equivalents | (104,167) | 850 | 62,822 |

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| | | | |
|--|------------------|------------------|------------------|
| Cash and cash equivalents at beginning of period | <u>361,132</u> | <u>298,310</u> | <u>298,310</u> |
| Cash and cash equivalents at end of period | <u>¥ 256,965</u> | <u>¥ 299,160</u> | <u>¥ 361,132</u> |

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SUPPLEMENTAL CASH FLOW INFORMATION

| | Yen in millions | | |
|--|------------------|------------------|----------------|
| | Six months ended | | Year ended |
| | September 30, | | March 31, |
| | 2004 | 2003 | 2004 |
| Cash paid during the period for : | | | |
| Interest | ¥ 1,277 | ¥ 1,632 | ¥ 3,043 |
| Income taxes | 18,165 | 26,699 | 38,774 |
| Acquisitions of businesses : | | | |
| Fair value of assets acquired | ¥ 8,471 | ¥ 47,510 | ¥ 56,506 |
| Fair value of liabilities assumed | (2,672) | (19,086) | (19,804) |
| Minority interests | (2,444) | | |
| Investments accounted for by the equity method | | (4,600) | (4,600) |
| Stock issuance for acquisition | | (15,132) | (15,132) |
| Cash acquired | (561) | (13,827) | (14,699) |
| | <u>¥ 2,794</u> | <u>¥ (5,135)</u> | <u>¥ 2,271</u> |

Table of Contents**SEGMENT INFORMATION**

1. Operating segments :

| | Yen in millions | | | |
|--|--------------------------------|------------------|------------------------|-------------------------|
| | Six months ended September 30, | | Increase (Decrease) | Year ended March 31, |
| | 2004 | 2003 | | 2004 |
| | Amount | Amount | % | Amount |
| Net sales : | | | | |
| Fine Ceramics Group | ¥ 151,986 | ¥ 119,399 | 27.3 | ¥ 255,805 |
| Electronic Device Group | 139,790 | 119,787 | 16.7 | 256,906 |
| Equipment Group | 265,597 | 241,372 | 10.0 | 545,811 |
| Others | 56,193 | 45,735 | 22.9 | 100,505 |
| Adjustments and eliminations | (13,004) | (7,915) | | (18,213) |
| | ¥ 600,562 | ¥ 518,378 | 15.9 | ¥ 1,140,814 |
| Operating profit : | | | | |
| Fine Ceramics Group | ¥ 24,399 | ¥ 11,322 | 115.5 | ¥ 31,139 |
| Electronic Device Group | 22,241 | (6,392) | | 5,047 |
| Equipment Group | 7,136 | 10,274 | (30.5) | 31,257 |
| Others | 6,160 | 4,755 | 29.5 | 9,683 |
| | 59,936 | 19,959 | 200.3 | 77,126 |
| Corporate | 6,683 | 3,010 | 122.0 | 34,871 |
| Equity in earnings of affiliates and unconsolidated subsidiaries | 582 | 1,729 | (66.3) | 2,575 |
| Adjustments and eliminations | 52 | 429 | (87.9) | 468 |
| Income before income taxes | ¥ 67,253 | ¥ 25,127 | 167.7 | ¥ 115,040 |
| Depreciation and amortization : | | | | |
| Fine Ceramics Group | ¥ 7,883 | ¥ 7,775 | 1.4 | ¥ 16,729 |
| Electronic Device Group | 10,134 | 11,293 | (10.3) | 23,323 |
| Equipment Group | 9,460 | 10,979 | (13.8) | 22,814 |
| Others | 2,363 | 2,276 | 3.8 | 4,838 |
| Corporate | 1,249 | 1,344 | (7.1) | 2,556 |
| | ¥ 31,089 | ¥ 33,667 | (7.7) | ¥ 70,260 |
| Capital expenditures : | | | | |
| Fine Ceramics Group | ¥ 7,329 | ¥ 5,827 | 25.8 | ¥ 13,307 |
| Electronic Device Group | 10,320 | 9,111 | 13.3 | 18,612 |
| Equipment Group | 8,958 | 9,004 | (0.5) | 18,303 |
| Others | 914 | 521 | 75.4 | 1,099 |
| Corporate | 1,110 | 2,995 | (62.9) | 3,616 |

| | | | |
|-----------------|-----------------|------------|-----------------|
| <u>¥ 28,631</u> | <u>¥ 27,458</u> | <u>4.3</u> | <u>¥ 54,937</u> |
|-----------------|-----------------|------------|-----------------|

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

| | Yen in millions | | | |
|---|--------------------------------|-----------|------------------------|----------------------|
| | Six months ended September 30, | | Increase (Decrease) | Year ended March 31, |
| | 2004 | 2003 | | 2004 |
| | Amount | Amount | % | Amount |
| Net sales: | | | | |
| Japan | ¥ 259,600 | ¥ 240,051 | 8.1 | ¥ 519,532 |
| Intra-group sales and transfer between geographic areas | 164,220 | 134,338 | 22.2 | 284,346 |
| | 423,820 | 374,389 | 13.2 | 803,878 |
| United States of America | 166,827 | 135,540 | 23.1 | 313,007 |
| Intra-group sales and transfer between geographic areas | 13,711 | 11,590 | 18.3 | 20,815 |
| | 180,538 | 147,130 | 22.7 | 333,822 |
| Asia | 78,674 | 58,985 | 33.4 | 128,629 |
| Intra-group sales and transfer between geographic areas | 59,642 | 46,484 | 28.3 | 100,527 |
| | 138,316 | 105,469 | 31.1 | 229,156 |
| Europe | 86,288 | 74,962 | 15.1 | 161,364 |
| Intra-group sales and transfer between geographic areas | 15,313 | 15,868 | (3.5) | 32,918 |
| | 101,601 | 90,830 | 11.9 | 194,282 |
| Others | 9,173 | 8,840 | 3.8 | 18,282 |
| Intra-group sales and transfer between geographic areas | 3,921 | 3,494 | 12.2 | 7,686 |
| | 13,094 | 12,334 | 6.2 | 25,968 |
| Adjustments and eliminations | (256,807) | (211,774) | | (446,292) |
| | ¥ 600,562 | ¥ 518,378 | 15.9 | ¥ 1,140,814 |
| Operating Profits : | | | | |
| Japan | ¥ 54,484 | ¥ 39,374 | 38.4 | ¥ 89,193 |
| United States of America | 5,793 | (4,694) | | 2,560 |
| Asia | 8,636 | 3,094 | 179.1 | 9,829 |
| Europe | (698) | (14,296) | | (17,601) |
| Others | 740 | 416 | 77.9 | 1,042 |
| | 68,955 | 23,894 | 188.6 | 85,023 |
| Adjustments and eliminations | (8,967) | (3,506) | | (7,429) |

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| | | | | |
|--|-----------------|-----------------|--------------|------------------|
| | <u>59,988</u> | <u>20,388</u> | <u>194.2</u> | <u>77,594</u> |
| Corporate | 6,683 | 3,010 | 122.0 | 34,871 |
| Equity in earnings of affiliates and unconsolidated subsidiaries | 582 | 1,729 | (66.3) | 2,575 |
| | <u>¥ 67,253</u> | <u>¥ 25,127</u> | <u>167.7</u> | <u>¥ 115,040</u> |

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3. Geographic segments (Sales by region) :

Yen in millions

| | Six months ended September 30, | | | | Increase | | Year ended March 31, | |
|----------------------------------|--------------------------------|--------------|------------------|--------------|-----------------|-------------|----------------------|--------------|
| | 2004 | | 2003 | | (Decrease) | | 2004 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Japan | ¥ 227,772 | 37.9 | ¥ 211,276 | 40.8 | ¥ 16,496 | 7.8 | ¥ 456,807 | 40.0 |
| United States of America | 130,505 | 21.7 | 114,335 | 22.0 | 16,170 | 14.1 | 251,326 | 22.0 |
| Asia | 116,357 | 19.4 | 90,122 | 17.4 | 26,235 | 29.1 | 194,302 | 17.0 |
| Europe | 83,906 | 14.0 | 73,472 | 14.2 | 10,434 | 14.2 | 156,929 | 13.8 |
| Others | 42,022 | 7.0 | 29,173 | 5.6 | 12,849 | 44.0 | 81,450 | 7.2 |
| Net sales | ¥ 600,562 | 100.0 | ¥ 518,378 | 100.0 | ¥ 82,184 | 15.9 | ¥ 1,140,814 | 100.0 |
| Sales outside Japan | ¥ 372,790 | | ¥ 307,102 | | ¥ 65,688 | 21.4 | ¥ 684,007 | |
| Sales outside Japan to net sales | 62.1% | | 59.2% | | | | 60.0% | |

Table of Contents**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, 2004, March 31, 2004 and September 30, 2003, 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, 2004 | | | | March 31, 2004 | | | | |
| 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 | ¥ 1,728 | ¥ 1,723 | ¥ 6 | ¥ 11 | ¥ 14,961 | ¥ 14,891 | ¥ 26 | ¥ 96 |
| Other debt securities | 71,134 | 70,999 | 84 | 219 | 12,994 | 12,839 | 1 | 156 |
| Investment trust | 20,099 | 16,835 | 16 | 3,280 | 20,106 | 16,954 | 11 | 3,163 |
| Equity securities | 261,461 | 330,836 | 69,540 | 165 | 261,037 | 363,548 | 102,568 | 57 |
| Total available-for-sale securities | 354,422 | 420,393 | 69,646 | 3,675 | 309,098 | 408,232 | 102,606 | 3,472 |
| Held-to-maturity securities : | | | | | | | | |
| Corporate debt securities | | | | | | | | |
| Other debt securities | 17,650 | 17,598 | | 52 | 21,093 | 21,165 | 72 | |
| Total held-to-maturity securities | 17,650 | 17,598 | | 52 | 21,093 | 21,165 | 72 | |
| Total investments in debt and equity securities | ¥ 372,072 | ¥ 437,991 | ¥ 69,646 | ¥ 3,727 | ¥ 330,191 | ¥ 429,397 | ¥ 102,678 | ¥ 3,472 |
| September 30, 2003 | | | | | | | | |
| Cost | Aggregate fair values | Gross unrealized gains | Gross unrealized losses | | | | | |
| Available-for-sale securities : | | | | | | | | |
| Corporate debt securities | ¥ 28,622 | ¥ 28,541 | ¥ 22 | ¥ 103 | | | | |
| Other debt securities | 14,062 | 13,968 | 33 | 127 | | | | |
| Investment trust | 20,106 | 16,780 | 3 | 3,329 | | | | |
| Equity securities | 261,639 | 345,915 | 84,560 | 284 | | | | |
| Total available-for-sale securities | 324,429 | 405,204 | 84,618 | 3,843 | | | | |

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| | | | | |
|---|-----------|-----------|----------|---------|
| Held-to-maturity securities : | | | | |
| Corporate debt securities | 4,660 | 4,655 | | 5 |
| Other debt securities | 22,389 | 22,448 | 59 | |
| Total held-to-maturity securities | 27,049 | 27,103 | 59 | 5 |
| Total investments in debt and equity securities | ¥ 351,478 | ¥ 432,307 | ¥ 84,677 | ¥ 3,848 |

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.

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BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

Major consolidated subsidiaries :

AVX CORPORATION

KYOCERA WIRELESS CORP.

KYOCERA MITA CORPORATION

KYOCERA ELCO CORPORATION

Major affiliates accounted for by the equity method :

TAITO CORPORATION

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

Consolidation

| | |
|----------------------------|--|
| (Increase) Established : 3 | JAPAN MEDICAL MATERIALS CORPORATION and others |
| Acquired : 1 | KYOCERA MARUZEN SYSTEM INTEGRATION CO., LTD. |
| (Decrease) Liquidated : 1 | KYOCERA CHEMICAL REINFORCED PLASTIC CO., LTD. |

Equity method

| | |
|---------------------|-------------------------------------|
| (Increase) None | |
| (Decrease) Sold : 1 | MILLENNIUM BUSINESS SYSTEMS, L.L.C. |

Table of Contents**Non-Consolidated Results of Kyocera Corporation (parent company)****for the Six Months Ended September 30, 2004**

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 28, 2004

Payment date of interim dividends : December 6, 2004

1. Results for the six months ended September 30, 2004 :

(1) Results of operations :

| | Japanese yen | | |
|-----------------------------------|--------------------------------|-------------------|----------------------|
| | Six months ended September 30, | | Year ended March 31, |
| | 2004 | 2003 | 2004 |
| Net sales | ¥ 250,463 million | ¥ 237,808 million | ¥ 494,035 million |
| % change from the previous period | 5.3% | 4.4% | |
| Profit from operations | 21,297 million | 17,572 million | 41,222 million |
| % change from the previous period | 21.2% | 17.6% | |
| Recurring profit | 34,937 million | 26,176 million | 61,788 million |
| % change from the previous period | 33.5% | 75.0% | |
| Net income | 20,512 million | 16,159 million | 60,663 million |
| % change from the previous period | 26.9% | 73.9% | |
| Earnings per share | ¥ 109.40 | ¥ 86.97 | ¥ 324.70 |

Notes :

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

| | |
|-------------------------------------|--------------------|
| Six months ended September 30, 2004 | 187,492,144 shares |
| Six months ended September 30, 2003 | 185,804,001 shares |
| Year ended March 31, 2004 | 186,644,145 shares |

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2. Change in accounting policies : None

(2) Dividend information :

| | Japanese yen | | |
|-----------------------------|--------------------------------|-------------|----------------------|
| | Six months ended September 30, | | Year ended March 31, |
| | 2004 | 2003 | 2004 |
| | <u>2004</u> | <u>2003</u> | <u>2004</u> |
| Interim dividends per share | ¥ 30.00 | ¥ 30.00 | |
| Annual dividends per share | | | ¥ 60.00 |

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(3) Financial Condition :

| | Japanese yen | | |
|--------------------------------------|---------------------|---------------------|---------------------|
| | September 30, | | March 31, |
| | 2004 | 2003 | 2003 |
| Total assets | ¥ 1,233,908 million | ¥ 1,251,420 million | ¥ 1,241,012 million |
| Stockholders' equity | 1,025,776 million | 980,458 million | 1,029,738 million |
| Stockholders' equity to total assets | 83.1% | 78.3% | 83.0% |
| Stockholders' equity per share | ¥ 5,471.05 | ¥ 5,229.48 | ¥ 5,492.08 |

Notes : Total number of shares outstanding as of :

| | |
|--------------------|--------------------|
| September 30, 2004 | 187,491,883 shares |
| September 30, 2003 | 187,486,635 shares |
| March 31, 2004 | 187,484,253 shares |

Total number of treasury stock as of :

| | |
|--------------------|------------------|
| September 30, 2004 | 3,817,407 shares |
| September 30, 2003 | 3,822,655 shares |
| March 31, 2004 | 3,825,037 shares |

2. Forecast for the year ending March 31, 2005 :

There is no revision of the initial forecast for the fiscal year ending March 31, 2005, which was described in Form 6-K submitted on April 27, 2004. (Please refer to the accompanying "Forward Looking Statements" on page 17 with regard to the forecasts.)

Table of Contents**BALANCE SHEETS**

| | Yen in millions | | | | | |
|---|-----------------|-------------|----------------|-------------|----------------|-------------|
| | September 30, | | March 31, | | September 30, | |
| | 2004 | | 2004 | | 2003 | |
| | Amount | % | Amount | % | Amount | % |
| Current assets : | | | | | | |
| Cash and bank deposits | ¥ 158,313 | | ¥ 192,928 | | ¥ 203,935 | |
| Trade notes receivable | 45,630 | | 50,414 | | 47,230 | |
| Trade accounts receivable | 88,650 | | 85,441 | | 81,105 | |
| Marketable securities | 1,517 | | | | 3,660 | |
| Finished goods and merchandise | 23,840 | | 20,010 | | 20,234 | |
| Raw materials | 24,128 | | 20,058 | | 22,370 | |
| Work in process | 19,676 | | 21,904 | | 19,839 | |
| Supplies | 532 | | 742 | | 579 | |
| Deferred income taxes | 10,879 | | 10,806 | | 27,535 | |
| Short-term loans to subsidiaries | 3,343 | | 3,178 | | 5,136 | |
| Other accounts receivable | 5,884 | | 5,772 | | 3,306 | |
| Refundable income taxes | | | 2,645 | | | |
| Other current assets | 831 | | 1,349 | | 1,591 | |
| Allowances for doubtful accounts | (140) | | (144) | | (137) | |
| Total current assets | 383,083 | 31.0 | 415,103 | 33.4 | 436,383 | 34.9 |
| Fixed assets : | | | | | | |
| Tangible fixed assets : | | | | | | |
| Buildings | 34,569 | | 36,499 | | 38,291 | |
| Structures | 2,185 | | 2,275 | | 2,358 | |
| Machinery and equipment | 35,250 | | 37,163 | | 37,570 | |
| Vehicles | 31 | | 30 | | 28 | |
| Tools, furniture and fixtures | 8,677 | | 9,232 | | 9,832 | |
| Land | 31,972 | | 31,972 | | 31,979 | |
| Construction in progress | 985 | | 1,634 | | 629 | |
| Total tangible fixed assets | 113,669 | 9.2 | 118,805 | 9.6 | 120,687 | 9.6 |
| Intangible assets : | | | | | | |
| Patent rights and others | 2,651 | | 3,178 | | 3,264 | |
| Total intangible assets | 2,651 | 0.2 | 3,178 | 0.3 | 3,264 | 0.3 |
| Investments and other assets : | | | | | | |
| Investments in securities | 424,972 | | 413,960 | | 412,115 | |
| Investments in subsidiaries and affiliates | 263,362 | | 249,591 | | 242,219 | |
| Investments in subsidiaries and affiliates other than equity securities | 23,063 | | 25,664 | | 25,686 | |
| Long-term loans | 19,797 | | 10,540 | | 7,898 | |
| Long-term prepaid expenses | 5,882 | | 6,791 | | 5,726 | |
| Security deposits | 2,236 | | 2,279 | | 2,270 | |
| Other investments | 5,733 | | 1,292 | | 2,156 | |

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| | | | | | | |
|--|--------------------|--------------|-------------|-------|-------------|-------|
| Allowances for doubtful accounts | (4,590) | | (241) | | (1,034) | |
| Allowances for impairment loss on securities | (5,950) | | (5,950) | | (5,950) | |
| Total investments and other assets | 734,505 | 59.6 | 703,926 | 56.7 | 691,086 | 55.2 |
| Total fixed assets | 850,825 | 69.0 | 825,909 | 66.6 | 815,037 | 65.1 |
| Total assets | ¥ 1,233,908 | 100.0 | ¥ 1,241,012 | 100.0 | ¥ 1,251,420 | 100.0 |

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| | Yen in millions | | | | | |
|---|--------------------|--------------|--------------------|--------------|--------------------|--------------|
| | September 30, | | March 31, | | September 30, | |
| | 2004 | | 2004 | | 2003 | |
| | Amount | % | Amount | % | Amount | % |
| Current liabilities : | | | | | | |
| Trade accounts payable | ¥ 59,572 | | ¥ 51,684 | | 50,747 | |
| Current portion of long-term debt | 0 | | 0 | | 1 | |
| Other payables | 12,645 | | 14,012 | | 54,313 | |
| Accrued expenses | 6,399 | | 6,355 | | 6,947 | |
| Income taxes payables | 8,401 | | 45 | | 7,300 | |
| Deposits received | 2,378 | | 2,176 | | 2,247 | |
| Accrued bonuses | 10,035 | | 10,658 | | 10,520 | |
| Provision for warranties | 411 | | 650 | | 673 | |
| Provision for sales returns | 189 | | 184 | | 169 | |
| Other current liabilities | 494 | | 52 | | 75 | |
| Total current liabilities | 100,524 | 8.2 | 85,816 | 6.9 | 132,992 | 10.7 |
| Non-current liabilities : | | | | | | |
| Long-term debt | 0 | | 1 | | 2 | |
| Deferred income taxes | 79,215 | | 90,977 | | 69,757 | |
| Accrued pension and severance costs | 26,989 | | 33,148 | | 66,945 | |
| Directors' retirement allowance | 1,024 | | 985 | | 921 | |
| Other non-current liabilities | 380 | | 347 | | 345 | |
| Total non-current liabilities | 107,608 | 8.7 | 125,458 | 10.1 | 137,970 | 11.0 |
| Total liabilities | 208,132 | 16.9 | 211,274 | 17.0 | 270,962 | 21.7 |
| Stockholders' equity | | | | | | |
| Common stock | 115,703 | 9.3 | 115,703 | 9.3 | 115,703 | 9.2 |
| Additional paid-in capital | 192,555 | 15.6 | 192,555 | 15.5 | 192,555 | 15.4 |
| Retained earnings: | | | | | | |
| Legal reserves | 17,207 | | 17,207 | | 17,207 | |
| General reserve | 541,140 | | 493,521 | | 493,520 | |
| Unappropriated retained earnings | 28,800 | | 61,588 | | 22,712 | |
| Total retained earnings | 587,147 | 47.6 | 572,316 | 46.2 | 533,439 | 42.6 |
| Net unrealized gain on other securities | 161,669 | 13.1 | 180,520 | 14.5 | 170,104 | 13.6 |
| Treasury stock, at cost | (31,298) | (2.5) | (31,356) | (2.5) | (31,343) | (2.5) |
| Total stockholders' equity | 1,025,776 | 83.1 | 1,029,738 | 83.0 | 980,458 | 78.3 |
| Total liabilities and stockholders' equity | ¥ 1,233,908 | 100.0 | ¥ 1,241,012 | 100.0 | ¥ 1,251,420 | 100.0 |

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STATEMENTS OF INCOME

| | Yen in millions | | | | | | |
|---|--------------------------------|-------|-----------|-------|------------------------|----------------------|--------|
| | Six months ended September 30, | | | | | Year ended March 31, | |
| | 2004 | | 2003 | | Increase (Decrease) | 2004 | |
| | Amount | % | Amount | % | | % | Amount |
| Net sales | ¥ 250,463 | 100.0 | ¥ 237,808 | 100.0 | 5.3 | ¥ 494,035 | 100.0 |
| Cost of sales | 194,313 | 77.6 | 187,351 | 78.8 | 3.7 | 385,752 | 78.1 |
| Gross profit | 56,150 | 22.4 | 50,457 | 21.2 | 11.3 | 108,283 | 21.9 |
| Selling, general and administrative expenses | 34,853 | 13.9 | 32,885 | 13.8 | 6.0 | 67,061 | 13.6 |
| Profit from operations | 21,297 | 8.5 | 17,572 | 7.4 | 21.2 | 41,222 | 8.3 |
| Non-operating income : | | | | | | | |
| Interest and dividend income | 12,512 | 5.0 | 8,031 | 3.4 | 55.8 | 17,757 | 3.6 |
| Foreign currency transaction gains, net | 497 | 0.2 | | | | 1,267 | 0.3 |
| Other non-operating income | 3,513 | 1.4 | 2,356 | 1.0 | 49.1 | 4,666 | 0.9 |
| Total non-operating income | 16,522 | 6.6 | 10,387 | 4.4 | 59.1 | 23,690 | 4.8 |
| Non-operating expenses : | | | | | | | |
| Interest expense | 2 | 0.0 | 2 | 0.0 | 82.7 | 16 | 0.0 |
| Foreign currency transaction losses, net | | | 273 | 0.1 | | | |
| Other non-operating expenses | 2,880 | 1.2 | 1,508 | 0.7 | 90.9 | 3,108 | 0.6 |
| Total non-operating expenses | 2,882 | 1.2 | 1,783 | 0.8 | 61.7 | 3,124 | 0.6 |
| Recurring profit | 34,937 | 13.9 | 26,176 | 11.0 | 33.5 | 61,788 | 12.5 |
| Non-recurring gain | 67 | 0.0 | 204 | 0.1 | (66.8) | 36,701 | 7.4 |
| Non-recurring loss | 9,277 | 3.6 | 506 | 0.2 | | 1,414 | 0.3 |
| Income before income taxes | 25,727 | 10.3 | 25,874 | 10.9 | (0.6) | 97,075 | 19.6 |
| Income taxes current | 6,255 | 2.5 | 7,820 | 3.3 | (20.0) | 3,807 | 0.7 |
| Income taxes deferred | (1,040) | (0.4) | 1,895 | 0.8 | | 32,605 | 6.6 |
| Net income | 20,512 | 8.2 | 16,159 | 6.8 | 26.9 | 60,663 | 12.3 |
| Unappropriated retained earnings brought forward from the previous year | 8,293 | | 6,553 | | | 6,553 | |
| Net realized loss on treasury stock, at cost | 5 | | | | | 3 | |
| Interim dividends | | | | | | 5,625 | |
| Unappropriated retained earnings at the end of the period | ¥ 28,800 | | ¥ 22,712 | | | ¥ 61,588 | |

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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 the stockholders

equity 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 good, 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 the lower of cost or market, the cost being determined by the last purchase method.

Raw materials for telecommunications equipment are valued at the lower of cost or market, 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 :

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

3. Accounting for allowance and accruals :

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.

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.

Accrued bonuses :

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

Warranty reserves

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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 equipment and optical instruments.

Allowances for sales return

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

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.

Retirement allowance for Directors and Corporate Auditors

Retirement allowances for Directors and Corporate Auditors are provided at an estimated amount in accordance with Kyocera Corporation's internal regulation.

4. Translation of assets and liabilities denominated in foreign currencies into Japanese yen :

Assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the respective balance sheet dates, and resulting transaction gains or losses are included in the determination of net income.

5. 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.

6. 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.

7. Consumption tax :

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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.

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Table of Contents**Notes to the balance sheets :**

| | Yen in millions | | |
|---|--------------------|----------------|--------------------|
| | September 30, 2004 | March 31, 2004 | September 30, 2003 |
| (1) Accumulated depreciation of tangible fixed assets | ¥ 299,555 | ¥ 318,482 | ¥ 309,323 |
| (2) Time deposit pledged as collateral | | | ¥ 54,121 |
| (3) Guarantees : | | | |
| Guarantee in the form of commitment | ¥ 1,545 | ¥ 25,503 | ¥ 66,937 |
| Guarantee in the form of letters of awareness | ¥ 7,086 | ¥ 8,546 | ¥ 8,616 |

(4) Temporary paid consumption tax and temporary received consumption tax are offset and included in other accounts receivables on the balance sheets.

Notes to the statements of income :

(1) Major items in non-recurring gain and loss :

| | Yen in millions | | |
|---|--------------------------------|-------|----------------------|
| | Six months ended September 30, | | Year ended March 31, |
| | 2004 | 2003 | 2004 |
| 1) Non-recurring gain : | | | |
| Gain on disposal of tangible fixed assets | ¥ 63 | ¥ 204 | ¥ 309 |
| Reversal of allowance for doubtful accounts | ¥ 4 | ¥ 0 | ¥ 0 |
| Settlement gain for a substitutional portion of employee benefit obligation | | | ¥ 32,721 |
| Gain on sale of investment in an affiliate | | | ¥ 3,670 |
| 2) Non-recurring loss : | | | |
| Allowance for doubtful accounts for a subsidiary | ¥ 4,272 | | |
| Loss on devaluation of investment in a subsidiary | ¥ 4,141 | | |
| Loss on disposal of tangible fixed assets | ¥ 784 | ¥ 472 | ¥ 791 |
| Loss on devaluation of investment in securities | ¥ 78 | ¥ 27 | ¥ 615 |

(2) Depreciation and amortization :

| | Yen in millions | |
|--|--------------------------------|----------------------|
| | Six months ended September 30, | Year ended March 31, |

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| | <u>2004</u> | <u>2003</u> | <u>2004</u> |
|-----------------------|-----------------|-------------|-------------|
| Tangible fixed assets | ¥ 10,841 | ¥ 11,911 | ¥ 26,323 |
| Intangible assets | ¥ 814 | ¥ 834 | ¥ 1,673 |

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Table of Contents**Note for marketable securities:**

Market value for investment in subsidiaries and affiliates:

| | Yen in millions | | |
|----------------------------|--------------------|--------------|------------|
| | September 30, 2004 | | |
| | Carrying Amount | Market value | Difference |
| Investment in subsidiaries | ¥ 65,904 | ¥ 158,839 | ¥ 92,935 |
| Investment in affiliates | ¥ 6,541 | ¥ 21,055 | ¥ 14,514 |
| | ¥ 72,445 | ¥ 179,894 | ¥ 107,449 |

| | Yen in millions | | |
|----------------------------|-----------------|--------------|------------|
| | March 31, 2004 | | |
| | Carrying Amount | Market value | Difference |
| Investment in subsidiaries | ¥ 65,904 | ¥ 210,167 | ¥ 144,263 |
| Investment in affiliates | ¥ 6,541 | ¥ 20,789 | ¥ 14,248 |
| | ¥ 72,445 | ¥ 230,956 | ¥ 158,511 |

| | Yen in millions | | |
|----------------------------|--------------------|--------------|------------|
| | September 30, 2003 | | |
| | Carrying Amount | Market value | Difference |
| Investment in subsidiaries | ¥ 57,174 | ¥ 176,929 | ¥ 119,755 |
| Investment in affiliates | ¥ 6,541 | ¥ 21,322 | ¥ 14,781 |
| | ¥ 63,715 | ¥ 198,251 | ¥ 134,536 |