

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission file number: 1-7952

Kyocera Kabushiki Kaisha

(Exact name of Registrant as specified in its charter)

Kyocera Corporation

(Translation of Registrant's name into English)

Japan
(Jurisdiction of incorporation or organization)

6, Takeda Tobadono-cho, Fushimi-ku,
Kyoto 612-8501, Japan
(Address of principal executive offices)

Shoichi Aoki, +81-75-604-3556, kyocera-ir@kyocera.jp, +81-75-604-3557,
6, Takeda Tobadono-cho, Fushimi-ku, Kyoto 612-8501, Japan

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class

Name of each exchange on which registered

Common Stock (Shares)*

New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of March 31, 2018, 367,707,758 shares of common stock were outstanding, comprised of 362,637,512 Shares and 5,070,246 American Depositary Shares (equivalent to 5,070,246 Shares).

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.
Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

* Not for trading, but only in connection with the registration of the American Depositary Shares, each representing one share of Common Stock.

TABLE OF CONTENTS

	<u>Page</u>
Cautionary Statement Regarding Forward-Looking Statements	4
PART I	
Item 1. Identity of Directors, Senior Management and Advisers	6
Item 2. Offer Statistics and Expected Timetable	6
Item 3. Key Information	6
A. Selected Financial Data	6
B. Capitalization and Indebtedness	7
C. Reasons for the Offer and Use of Proceeds	7
D. Risk Factors	7
Item 4. Information on Kyocera Corporation and its Consolidated Subsidiaries	16
A. History and Development of Kyocera Corporation and its Consolidated Subsidiaries	16
B. Business Overview	18
C. Organizational Structure	25
D. Property, Plants and Equipment	28
Item 4A. Unresolved Staff Comments	30
Item 5. Operating and Financial Review and Prospects	30
A. Operating Results	30
B. Liquidity and Capital Resources	49
C. Research and Development, Patents and Licenses, etc..	53
D. Trend Information	57
E. Off-Balance Sheet Arrangements	58
F. Tabular Disclosure of Contractual Obligations	58
Item 6. Directors, Senior Management and Employees	59
A. Directors and Senior Management	59
B. Compensation	63
C. Board Practices	65
D. Employees	66
E. Share Ownership	67
Item 7. Major Shareholders and Related Party Transactions	67
A. Major Shareholders	67
B. Related Party Transactions	69
C. Interests of Experts and Counsel	69
Item 8. Financial Information	70
A. Consolidated Statements and Other Financial Information	70
B. Significant Changes	70
Item 9. The Offer and Listing	70
A. Offer and Listing Details	70
B. Plan of Distribution	72
C. Markets	72
D. Selling Shareholders	72
E. Dilution	72
F. Expenses of the Issue	72
Item 10. Additional Information	73
A. Share Capital	73
B. Memorandum and Articles of Association	73
C. Material Contracts	82
D. Exchange Controls	83
E. Taxation	83

	<u>Page</u>
F. Dividends and Paying Agents	89
G. Statement by Experts	89
H. Documents on Display	89
I. Subsidiary Information	89
Item 11. Quantitative and Qualitative Disclosures about Market Risk	89
Item 12. Description of Securities Other than Equity Securities	90
A. Debt Securities	90
B. Warrants and Rights	91
C. Other Securities	91
D. American Depositary Shares	91
PART II	
Item 13. Defaults, Dividend Arrearages and Delinquencies	93
Item 14. Material Modification to the Rights of Security Holders and Use of Proceeds	93
Item 15. Controls and Procedures	93
Item 16. [Reserved]	93
Item 16A. Audit Committee Financial Expert	93
Item 16B. Code of Ethics	94
Item 16C. Principal Accountant Fees and Services	94
Item 16D. Exemptions from the Listing Standards for Audit Committees	95
Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers	96
Item 16F. Change in Registrant’s Certifying Accountant	96
Item 16G. Corporate Governance	96
Item 16H. Mine Safety Disclosure	99
PART III	
Item 17. Financial Statements	100
Item 18. Financial Statements	100
Item 19. Exhibits	100

Cautionary Statement Regarding Forward-Looking Statements

This annual report on Form 20-F contains “forward-looking statements” within the meaning of Section 21E of the U.S. Securities and Exchange Act of 1934. To the extent that statements in this annual report on Form 20-F do not relate strictly to historical or current facts, they may constitute forward-looking statements. These forward-looking statements are based upon our current assumptions and beliefs in the light of the information currently available to us, but involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause our actual actions or results to differ materially from those discussed in or implied by the forward-looking statements. We undertake no obligation to publicly update any forward-looking statements after the date of this annual report on Form 20-F, but investors are advised to consult any further disclosures by us in our subsequent filings pursuant to the U.S. Securities Exchange Act of 1934.

Important risks, uncertainties and other factors that may cause our actual results to differ materially from our expectations are generally set forth in Item 3.D. “Risk Factors” of this annual report on Form 20-F and include, without limitation:

- (1) general conditions in the Japanese or global economy;
- (2) unexpected changes in economic, political and legal conditions in countries where we operate;
- (3) various export risks which may affect the significant percentage of our revenues derived from overseas sales;
- (4) the effect of foreign exchange fluctuations on our results of operations;
- (5) intense competitive pressures to which our products are subject;
- (6) fluctuations in the price and ability of suppliers to provide the required quantity of raw materials for use in our production activities;
- (7) manufacturing delays or defects resulting from outsourcing or internal manufacturing processes;
- (8) shortages and rising costs of electricity affecting our production and sales activities;
- (9) the possibility that future initiatives and in-process research and development may not produce the desired results;
- (10) companies or assets acquired by us not produce the returns or benefits, or bring in business opportunities;
- (11) inability to secure skilled employees, particularly engineering and technical personnel;
- (12) insufficient protection of our trade secrets and intellectual property rights including patents;
- (13) expenses associated with licenses we require to continue to manufacture and sell products;
- (14) environmental liability and compliance obligations by tightening of environmental laws and regulations;
- (15) unintentional conflict with laws and regulations or newly enacted laws and regulations;
- (16) our market or supply chains being affected by terrorism, plague, wars or similar events;
- (17) earthquakes and other natural disasters affecting our headquarters and major facilities as well as our suppliers and customers;
- (18) credit risk on trade receivables;
- (19) fluctuations in the value of, and impairment losses on, securities and other assets held by us;
- (20) impairment losses on long-lived assets, goodwill and intangible assets;
- (21) unrealized deferred tax assets and additional liabilities for unrecognized tax benefits;

(22) changes in accounting principles;

and other risks discussed under Item 3.D. “Risk Factors” and elsewhere in this annual report on Form 20-F.

Voluntary Delisting of American Depositary Shares from the New York Stock Exchange

On February 26, 2018, our Board of Directors resolved to apply for the voluntary delisting of our ADSs from the New York Stock Exchange. In connection with the delisting, we filed a Form 25 on June 15, 2018 with the Securities and Exchange Commission for such voluntary delisting and the related deregistration with the Securities and Exchange Commission, which delisting became effective on June 26, 2018. In addition, on June 26, 2018, we filed a Form 15F with the Securities and Exchange Commission to terminate our ongoing reporting obligations under the U.S. Securities Exchange Act of 1934.

While we are thus no longer subject to ongoing reporting obligations under the U.S. Securities Exchange Act of 1934, we have been making and will continue to make periodic filings thereunder on a voluntary basis, including this annual report. We plan to discontinue such voluntary filings after September 24, 2018, which is 90 days from the time of our filing of Form 15F.

Although our ADSs have been delisted from the New York Stock Exchange, we intend to maintain our ADR program in the United States and therefore anticipate that our ADSs will continue to be traded in the United States on the over-the-counter market.

Presentation of Certain Information

As used in this annual report on Form 20-F, references to “Kyocera,” “we,” “our” and “us” are to Kyocera Corporation and, except as the context otherwise requires, its consolidated subsidiaries.

Also, as used in this annual report on Form 20-F:

- “U.S. dollar” or “\$” means the lawful currency of the United States of America, “yen” or “¥” means the lawful currency of Japan and “Euro” means the lawful currency of the European Union.
- “U.S. GAAP” means generally accepted accounting principles in the United States of America, and “Japanese GAAP” means generally accepted accounting principles in Japan.
- “ADS” means an America Depositary Share, each representing one share of Kyocera’s common stock, and “ADR” means an American Depositary Receipt evidencing ADSs.
- “fiscal 2018” refers to Kyocera’s fiscal year ended March 31, 2018, and other fiscal years are referred to in a corresponding manner.
- “IFRS” means International Financial Reporting Standards.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

A. Selected Financial Data

The selected consolidated financial data set forth below for each of the five fiscal years ended March 31 have been derived from Kyocera's consolidated financial statements that are prepared in accordance with U.S. GAAP.

You should read the U.S. GAAP selected consolidated financial data set forth below together with Item 5. "Operating and Financial Review and Prospects" and Kyocera's consolidated financial statements included in this annual report on Form 20-F.

	2014	2015	2016	2017	2018
	(Yen in millions and shares in thousands, except per share amounts)				
For the years ended March 31:					
Net sales	¥1,447,369	¥1,526,536	¥1,479,627	¥1,422,754	¥1,577,039
Profit from operations	120,582	93,428	92,656	104,542	95,575
Net income attributable to Kyocera Corporation's shareholders	88,756	115,875	109,047	103,843	81,789
Earnings per share:					
Net income attributable to Kyocera Corporation's shareholders:					
Basic	¥ 241.93	¥ 315.85	¥ 297.24	¥ 282.62	¥ 222.43
Diluted	241.93	315.85	297.24	282.62	222.43
Weighted average number of shares outstanding:					
Basic	366,872	366,864	366,859	367,428	367,709
Diluted	366,872	366,864	366,859	367,428	367,709
Cash dividends declared per share:					
Per share of common stock	¥ 80	¥ 100	¥ 100	¥ 110	¥ 120
Per share of common stock*	\$ 0.78	\$ 0.81	\$ 0.88	\$ 0.97	\$ 1.07
At March 31:					
Total assets	¥2,636,704	¥3,021,184	¥3,095,049	¥3,110,470	¥3,157,077
Long-term debt	19,466	17,881	18,115	16,409	20,237
Common stock	115,703	115,703	115,703	115,703	115,703
Kyocera Corporation's shareholders' equity	1,910,083	2,215,319	2,284,264	2,334,219	2,336,246
Total equity	1,987,226	2,303,623	2,373,762	2,418,909	2,424,506
Depreciation	¥ 65,760	¥ 62,413	¥ 65,853	¥ 66,019	¥ 70,137
Capital expenditures	¥ 56,611	¥ 56,670	¥ 68,933	¥ 67,781	¥ 86,519

* Translated into the U.S. dollars based on the exchange rates at each payment date in Japan.

"Earnings per share" and "Cash dividends declared per share" are calculated under the assumption that the stock split undertaken by Kyocera Corporation on October 1, 2013 had been undertaken at the beginning of fiscal

2014. For details of the stock split, please refer to “Capital Stock” in Item 10.B. “Memorandum and Articles of Association” of this annual report on Form 20-F on page 75.

The following table shows the exchange rates for Japanese yen per \$1.00 based upon the noon buying rate in New York City for cash transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York:

For the years ended March 31,	High	Low	Average	Period-end
2014	105.25	92.96	100.15	102.98
2015	121.50	101.26	109.75	119.96
2016	125.58	111.30	120.04	112.42
2017	118.32	100.07	108.25	111.41
2018	114.25	104.83	110.80	106.20
For most recent six months				
December 2017	113.62	111.88	112.94	112.69
January 2018	113.18	108.38	110.87	109.31
February 2018	110.40	106.10	107.97	106.62
March 2018	106.91	104.83	106.05	106.20
April 2018	109.33	105.99	107.66	109.28
May 2018	111.08	108.62	109.69	108.73

The noon buying rate for Japanese yen on June 15, 2018 was \$1.00 =110.58

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

You should carefully read the risks described below before making an investment decision.

Risks Related to Kyocera’s Business

(1) Changes in the Japanese and global economy may significantly reduce demand for Kyocera’s products

Kyocera conducts business not only in Japan but also around the world and provides products and services for a variety of markets such as the digital consumer equipment, industrial machinery, automotive and environmental and energy-related markets. In fiscal 2019, the Japanese economy is expected to maintain moderate growth. For overseas, the U.S. economy is expected to continue expanding firmly, and European economy is projected to continue recovering. The Chinese economy is likely to broadly follow a stable growth path, although its growth rate is expected to decelerate. In the event that the economies of respective countries around the world deteriorate beyond expectations, a reduction in private capital investment and a decline in personal consumption may affect production activities in Kyocera’s key markets. This may in turn lead to a decline in Kyocera’s business environment, consolidated results of operations, financial condition and cash flows.

(2) A substantial portion of Kyocera’s business activity is conducted outside Japan, exposing Kyocera to the risks of international operations

A substantial amount of Kyocera’s investment has been targeted towards expanding manufacturing and sales channels located outside Japan, such as in the United States, Europe and Asia, which includes China and

Vietnam. Kyocera faces a variety of potential risks in international activities. Kyocera may encounter unexpected legal or regulatory changes due to unfavorable political or economic factors such as control on trade, restriction on investment, restriction on repatriation and transfer pricing issue. Kyocera may also have difficulties in human resources and managing operations at its international locations. As developing and emerging markets such as Brazil, Russia, India and China, become considerably more important, Kyocera may become even more susceptible to these risks.

(3) Since a significant percentage of Kyocera's revenues have been derived from foreign sales in recent years, various export risks may disproportionately affect its revenues

Kyocera's sales to customers located outside Japan accounted for approximately 60% of its total revenues in fiscal 2018. Kyocera believes that overseas sales will continue to account for a significant percentage of its revenues. Therefore, the following export risks may disproportionately affect Kyocera's revenues:

- a strong yen may make Kyocera's products less attractive to foreign purchasers;
- political and economic instability, significant economic downturns or economic sanctions may inhibit exports of Kyocera's products;
- tariffs and other barriers may make Kyocera's products less cost competitive; and
- the laws of certain foreign countries may not adequately protect Kyocera's trade secrets and intellectual property.

(4) Currency exchange rate fluctuations could adversely affect Kyocera's financial results

Kyocera conducts business in countries outside Japan, which exposes it to fluctuations in foreign currency exchange rates. Kyocera may enter into mainly short-term forward contract transaction to hedge this risk. Nevertheless, fluctuations in foreign currency exchange rates could have an adverse effect on its business. Fluctuations in foreign currency exchange rates may affect Kyocera's consolidated results of operations, financial condition, cash flows, the value of its foreign assets and production costs, which in turn may adversely affect reported earnings and the comparability of period-to-period results of operations. Changes in currency exchange rates may affect the relative prices at which Kyocera and foreign competitors sell products in the same market. In addition, changes in the value of the relevant currencies may affect the cost of imported items required in its operations.

(5) Kyocera sells a diverse variety of products, and in each of its businesses Kyocera is subject to intense competitive pressures, including in terms of price, technological change, product development, quality and speed of delivery, and these pressures are likely to increase in the near term

Kyocera sells a wide variety of products and, therefore, faces a broad range of competitors from large international companies to relatively small, rapidly growing and highly specialized companies. Kyocera's competitive landscape is subject to continuous change, and new and significant competitors may emerge, including competitors based in emerging markets such as China that may have competitive advantages in terms of cost structure or other factors. Kyocera has a variety of businesses in different industries while many of its competitors specialize in one or a few of these business areas. As a result, Kyocera may not fund or invest in certain of its businesses to the same degree as its competitors, or these competitors may have greater financial, technical, and marketing resources available to them than the portion of its business against which they compete. While some of the factors that drive competition vary by product area, price and speed of delivery are primary factors that impact in all areas of Kyocera's business. Price pressure has been intense, and thus Kyocera predicts that its selling prices will continue to be lower than in fiscal 2018 depending partly on the demand and competition situation. In businesses in which Kyocera develops, produces and distributes specialized parts for its customers' products, its competitive position depends significantly on being involved early in the process of creating a new product that fits its customers' needs for each business. To maintain these competitive advantages,

it is critical to maintain close ties with customers so that Kyocera can ensure that it is able to meet required specifications and be the first supplier to create and deliver the product. Kyocera's gross margins may be reduced if the business environment changes in a way that Kyocera cannot maintain these important relationships with customers or its market share or if it is forced in the future to further reduce prices in response to the actions of its competitors.

(6) Fluctuations in the price and ability of suppliers to provide the required quantity of raw materials for use in Kyocera's production activities

Raw materials used in the production activities of Kyocera's respective businesses are constantly subject to price fluctuations, and as such, rising raw material prices may lead to an increase in production costs. Kyocera cannot guarantee that it will be able to maintain an appropriate differential between customer prices and Kyocera's raw material and production costs at all times, which could lead to reduced profitability. Based on an approach that evaluates the lower of cost and net realizable value (the estimated selling price in the ordinary course of business less any estimated costs of completion and estimated variable selling expenses), Kyocera recognizes a write-down when the net realizable value of the raw material is estimated to be less than its carrying amount, and further loss may be required in the future.

Kyocera is dependent on specific suppliers for procuring certain raw materials used in Kyocera's production cycle and any excess demand on those suppliers may cause delays and disruptions in the production cycle. If a substantial interruption should occur in the supply of such raw materials, Kyocera may not be able to obtain other sources of supply in a timely fashion or at a reasonable price. An increase in the price or an interruption in the supply of such raw materials may cause reduced demand for Kyocera's products.

In order to attempt to ensure stable procurement and prices for certain raw materials, Kyocera on occasion enters into long-term purchase agreements with the aim of reducing the risk associated with the procurement of such raw materials. However, considerable changes in the business environment and other factors may cause the contract price under a purchase agreement to significantly exceed the market price, or may cause the amount of such raw materials that Kyocera consumes to significantly fall short of the amount based on the sales demand projections made at the time Kyocera entered into, which are thus underlying, the agreement. Such developments may adversely affect Kyocera's production costs and profitability. In addition, Kyocera evaluates the future material purchase commitments under long-term purchase agreements at the lower of cost and net realizable value, and when the net realizable value of the material is less than the purchase prices under the agreements, Kyocera recognizes a write-down in an amount equivalent to the difference between net realizable value and purchase price.

For fiscal 2018, Kyocera recognized a write-down relating to long-term purchase agreements for procurement of polysilicon material used in its solar energy business. For detailed information regarding to this write-down, please refer to Note 5 to Kyocera's consolidated financial statements included in this annual report on Form 20-F.

(7) Manufacturing delays or defects resulting from outsourcing or internal manufacturing processes can adversely affect Kyocera's production yields and operating results

Kyocera ordinarily outsources the fabrication of certain components and sub-assemblies of its products, often to sole source suppliers or a limited number of suppliers. Several suppliers have manufacturing processes, which are very complex and require a long lead-time. Kyocera may be affected by occasional delays in obtaining components and sub-assemblies. Kyocera's production of certain products will also be materially and adversely affected if Kyocera is unable to obtain high quality, reliable and timely supply of these components and sub-assemblies. In addition, any reduction in the precision of these components will cause delays and interruptions in Kyocera's production cycle.

Within Kyocera's manufacturing facilities, minute impurities, difficulties in the production process or other factors can cause a substantial percentage of its products to be rejected or be non-functional. These factors can result in lower than expected production yields, which delay product shipments and may materially and adversely affect Kyocera's operating results. Moreover, in certain operations of which fixed cost ratio is high, decreases in production volume or capacity utilization may adversely affect Kyocera's results of operation, financial condition and cash flows.

(8) Shortages and rising costs of electricity may adversely affect Kyocera's production and sales activities

As many nuclear power plant operations in Japan currently has ceased and remains at rest due to the damage and equipment failure of the nuclear power plant caused by the Great East Japan Earthquake in March 2011, Japan may have shortages and rising costs of electricity. Kyocera secures electric power supplies for emergency for equipment and centers, however, Kyocera's production activity may become diminished if massive blackouts occur and electricity shortages continue in the areas in which Kyocera has facilities. Shortages of electricity in the areas in which Kyocera's suppliers and customers have main operations may also interrupt Kyocera's procurement and sales activities. In addition, significant rising costs of electricity may adversely affect Kyocera's results of operations, financial condition and cash flows.

(9) Future initiatives and in-process research and development may not produce the desired results

Kyocera intends to expand its product lines and development capacity to satisfy increasing demand and customer requirement in its target markets. Unexpected technical delays in completing these initiatives or changes to Kyocera's customers' policies could lengthen development schedules and result in lower revenues based on the products or technologies developed from these initiatives. There can be no assurance that the products derived from Kyocera's in-process research and development activities will achieve desired results and market acceptance.

(10) Companies or assets acquired by Kyocera and collaborations, partnerships and alliances etc., with outside organizations may require more costs than expected for integration, and may not produce returns or benefits, or bring in anticipated business opportunities

In the course of developing its business, from time to time Kyocera considers opportunities to acquire, and undertakes the acquisition of companies or assets through mergers and acquisitions. There can be no assurance that Kyocera will be able to integrate the operations, products and personnel of the acquired companies with its own in an efficient manner. Nor can there be any assurance that Kyocera will be able to achieve operational and financial returns or benefits, or bring in new business opportunities, which it expects from the acquisition. An acquired company may not be able to manufacture products or offer services in the amounts or at the efficiency levels that Kyocera plans, and the demand for such products or services may not be at the levels that Kyocera anticipates. Failure to make the most of acquisitions and meet Kyocera's expectations could have a material adverse effect on Kyocera's business. In addition, Kyocera faces similar risks in connection with its collaborations, partnerships and alliances etc., with outside organizations such as firms, academic institutions and governmental organizations.

(11) Industry demand for skilled employees, particularly engineering and technical personnel, exceeds the number of personnel available and we may not be able to attract and retain key personnel

Kyocera's future success depends, in part, on its ability to attract and retain certain key personnel, including engineering, operational and management personnel. Kyocera anticipates that it will need to hire additional skilled personnel in all areas of its business. Because of recent intense competition for these skilled employees, Kyocera may be unable to retain its existing personnel or attract additional qualified employees in the future.

(12) Risk related to information security

Kyocera holds important information in the ordinary course of business including personal and confidential information obtained from our customers. However, security measures we implement for our networks, IT assets and other information technology systems are susceptible to damage, disruptions, or shutdowns due to failures during the process of upgrading or replacing software, databases or components thereof, power outages, hardware failures, data corruption, computer viruses, cyberattacks by computer hackers, network security breaches, telecommunication failures, user errors, or catastrophic events. If our information technology systems suffer severe damage, disruption, shutdown or other issues, there is a risk of information leakage. If such situation occurs, Kyocera could incur additional costs in connection with remediating such issues and with compensating adversely affected parties as well as reputational damages, each of which in turn may adversely affect Kyocera's results of operations, financial condition and cash flows. Furthermore, we may incur additional costs in connection with maintaining adequate information security to prevent unauthorized access to our systems in light of continuous technological advances, and such costs could also adversely affect our financial condition and operations.

Risks Related to Legal Restrictions and Litigations

(13) Insufficient protection of Kyocera's trade secrets and patents could have a significant adverse impact on its competitive position

Kyocera's success and competitive position depend on protecting its trade secrets and other intellectual property. Kyocera's strategy is to rely both on trade secrets and patents to protect its manufacturing and sales processes and products, but reliance on trade secrets is only an effective business practice insofar as trade secrets remain undisclosed and a proprietary product or process is not reverse engineered or independently developed. Kyocera takes certain measures to protect its trade secrets, including executing nondisclosure agreements with certain of its employees, joint venture partners, customers and suppliers. If parties breach these agreements or the measures Kyocera takes are not properly implemented, Kyocera may not have an adequate remedy. Disclosure of its trade secrets or reverse engineering of its proprietary products, processes or devices could materially affect Kyocera's business, consolidated results of operations, financial condition and cash flows.

Kyocera is actively pursuing patents on some of its inventions, but these patents may not be issued. Even if these patents are issued, they may be challenged, invalidated or circumvented. In addition, the laws of certain other countries may not protect Kyocera's intellectual property to the same extent as Japanese laws.

(14) Kyocera may require licenses to continue to manufacture and sell certain of its products, the expense of which may adversely affect its results of operations

From time to time Kyocera has received, and may receive in the future, notice of claims of infringement of other parties' proprietary rights and licensing offers to commercialize third party's patent rights. Accordingly, Kyocera cannot assure that:

- infringement claims (or claims for indemnification resulting from infringement claims) will not be asserted against Kyocera,
- future assertions against Kyocera will not result in an injunction against the sale of infringing or allegedly infringing products or otherwise significantly impair its business and results of operations; or
- Kyocera will not be required to obtain licenses, the expense of which may adversely affect its results of operations.

(15) Changes in our environmental liability and compliance obligations may adversely impact our operations

Kyocera is subject to various environmental laws and regulations in Japan and the other countries, which are related to greenhouse gas mitigation, air emissions, soil contamination, wastewater discharges, the handling,

disposal and remediation of hazardous substances, wastes and certain chemicals, product recycling, health, safety and property preservations of employees and community residents, labeling or other notifications with respect to the content or other aspects of our processes, products or packaging, restrictions on the use of certain materials in or on design aspects of our products or product packaging, and responsibility for disposal of products or product packaging. As well as our current operations, these laws and regulations can be applied to our past operations and may be applicable to the past operations of businesses acquired from other companies even if such operations occurred before our acquisitions. In addition, these laws and regulations, which are applied to Kyocera can be more stringent or the scope of the laws and regulations can be broadened in the future due to factors including global climate change. With respect to greenhouse gas mitigation in particular, international emissions trading regime may be created based on the result of the intergovernmental dialogue on global climate change. Kyocera establishes reserves for specifically identified potential environmental liabilities when such liabilities are probable and can be reasonably estimated. In case we fail to comply with such laws and regulations, we could be required by the relevant governmental organizations to pay penalty costs or remediation compensation. Furthermore, we may make voluntary payments to compensate for environmental problems if we deem such compensation to be necessary. The cost obligations noted above may adversely affect Kyocera's results of operations, financial condition and cash flows.

(16) Kyocera is subject to various other laws and regulations

Kyocera may unintentionally come into conflict with laws and regulations and face legal proceedings, including litigation and regulatory actions, although Kyocera believes that it is substantially in compliance with applicable laws and regulations in the countries and areas in which Kyocera operates. If laws and regulations are unexpectedly changed or introduced, Kyocera's business operations may be limited and continuance may become difficult. If Kyocera faces enormous legal costs related to litigation and regulatory actions, Kyocera's business operations may become significantly limited and Kyocera's results of operations, financial condition and cash flows may be negatively affected.

Risks Related to Disasters or Unpredictable Events

(17) Kyocera's markets or supply chains may be adversely affected by terrorism, outbreaks of disease, wars or similar events

Kyocera, as a global company, has been expanding its business worldwide. At the same time, we are increasingly exposed to risks from terrorism, outbreaks of disease, war and other similar events. In the case that those events occur, Kyocera's operating activities would be suspended. Furthermore, there would be delay, disorder or suspension in Kyocera's R&D, manufacturing, sales and services. If such delay or disruption occurs and continues for a long period of time, Kyocera's business, consolidated results of operations, financial condition and cash flows may be adversely affected.

(18) Kyocera's headquarters and major facilities as well as its suppliers and customers may suffer the devastating effects of earthquakes and other disasters

Kyocera's headquarters and major facilities including plants, sales offices and R&D centers are located not only in Japan but also all over the world. It might be inevitable that Kyocera would suffer from natural disasters such as earthquakes, typhoons, tsunamis, heavy rains, floods, heavy snow or other disasters, as well as manmade disasters such as a major industrial accident affecting one of our facilities. For instance, if a strong earthquake devastated Kyocera's employees, R&D or manufacturing facilities, Kyocera's operating activities would be suspended and manufacturing and shipment would be delayed. Kyocera may also incur a great amount of expenses, such as repair expenses for the damaged machines or facilities. In addition, if the social and economic infrastructure suffers from adverse damages, traffic disturbance and electric power outages could occur and they may affect Kyocera's supply chains or manufacturing operations. Furthermore, Kyocera may be unable to obtain raw materials if our suppliers sustain damage and Kyocera may also face difficulties shipping its products if its

customers sustain damage. Those damages set forth above, as well as any resulting general economic slowdown and lower consumption levels, may have a material adverse effect on Kyocera's consolidated results of operations, financial condition and cash flows.

Risks Related to Financial and Accounting

(19) Kyocera may be exposed to credit risk on trade receivables due to its customers' worsening financial condition

Kyocera maintains allowances for doubtful accounts related to trade receivables for estimated losses resulting from customers' inability to make timely payments. However, trade receivables in the ordinary operating activity are not covered by collateral or credit insurance. Therefore, if customers with whom Kyocera has substantial accounts receivable face difficulty in making payments due to economic downturn and if Kyocera is forced to write off those receivables, Kyocera's consolidated results of operations, financial condition and cash flows may be adversely affected.

(20) Kyocera may have to incur impairment losses on its investments in equity securities

Kyocera holds investments in equity securities of companies not affiliated with us, which we generally hold on a long-term position for business relationship purposes. If there are certain declines in the fair value, that is, the market price, of the shares of these companies, and we determine that such declines are other-than-temporary, Kyocera will need to record an impairment loss. A substantial portion of Kyocera's investments in equity securities consists of an investment in shares of KDDI Corporation, a Japanese telecommunication service provider. Kyocera Corporation's equity interest in KDDI Corporation was 12.95% as of March 31, 2018. Kyocera Corporation's investment in shares of KDDI Corporation accounts for approximately 30% of Kyocera's total assets. Accordingly, fluctuations in the market value of the shares of KDDI Corporation may materially affect Kyocera's financial condition. From the perspective of enhancing the corporate value of Kyocera on a mid- to long-term basis, Kyocera intends to keep its ownership of some of the equity securities as strategic investments including KDDI shares in light of attaining growth of business through strengthening, maintaining and developing trade relationship and securing profits from shareholding and consideration for the social significance of Kyocera. For equity securities including strategic investments in its portfolio, with periodical checks for the economic rationality, Kyocera may dispose of some securities, which lack merit for Kyocera, although market conditions may not permit us to do so at the time, speed or price we may wish.

(21) Kyocera may have to incur impairment losses on long-lived assets, goodwill and intangible assets

Kyocera has many long-lived assets, goodwill and intangible assets. Long-lived assets and intangible assets with definite useful lives are tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Goodwill and intangible assets with indefinite useful lives, rather than being amortized, are tested for impairment at least annually, and also following any events and changes in circumstances that might lead to impairment.

In case the above assets are considered to be impaired, a loss on impairment is recognized based on the amount by which the carrying value exceeds the fair value of these assets. Such losses on impairment may materially affect Kyocera's consolidated results of operations and financial condition.

(22) Deferred tax assets may not be realized or additional liabilities for unrecognized tax benefits may be required.

Kyocera records valuation allowances against deferred tax assets based on the estimated future taxable income and feasible tax planning strategies to adjust their carrying amounts when we believe it is more likely than not that the assets will not be realized. If future taxable income is lower than expected due to future market conditions or poor operating results, significant adjustments to deferred tax assets may be required.

Kyocera records liabilities for unrecognized tax benefits based on the premise of being subject to income tax examination by tax authorities, when it is more likely than not that tax benefits associated with tax positions will not be sustained. Actual results, such as settlements with tax authorities, may differ from Kyocera's recognition.

(23) Changes in accounting standards may adversely impact our results of operations and financial condition.

Adoptions of new accounting standards, or changes in accounting standards may have an effect on Kyocera's consolidated results of operations and financial condition. In addition, if Kyocera modifies its accounting software or information systems to introduce changes in accounting standards, certain investments or expenses may be required.

Other Risks

(24) As a holder of ADSs, you will have fewer rights than a shareholder has and you will have to act through the depositary to exercise those rights

The rights of shareholders under Japanese law to take various actions, including voting their shares, receiving dividends and distributions, bringing derivative actions, examining a company's accounting books and records and exercising appraisal rights, are available only to holders of record. Because the depositary, through its custodian agents, is the record holder of the shares underlying the ADSs, only the depositary can exercise those rights in connection with the deposited shares. The depositary will make efforts to vote the shares underlying your ADSs as instructed by you and will pay to you the dividends and distributions collected from us. However, in your capacity as an ADS holder, you will not be able to bring a derivative action, examine our accounting books and records or exercise appraisal rights through the depositary.

(25) Rights of shareholders under Japanese law may be more limited than under the law of other jurisdictions

Our Articles of Incorporation, Regulations of the Board of Directors, Regulations of the Audit & Supervisory Board and the Companies Act of Japan govern our corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, directors' and officers' fiduciary duties and shareholders' rights may be different from those that would apply if we were a U.S. company. Shareholders' rights under Japanese law may not be as extensive as shareholders' rights under the laws of the United States. You may have more difficulty in asserting your rights as a shareholder than you would as a shareholder of a U.S. corporation. In addition, Japanese courts may not be willing to enforce liabilities against us in actions brought in Japan, which are based upon the securities laws of the United States or any U.S. state.

(26) We have voluntarily delisted our ADSs from the New York Stock Exchange and have filed for deregistration and termination of our ongoing reporting obligations under the U.S. Securities Exchange Act of 1934

On February 26, 2018, we announced that our Board of Directors had resolved to apply for voluntary delisting of our ADSs from the New York Stock Exchange. In connection with the delisting, we filed a Form 25 on June 15, 2018 with the Securities and Exchange Commission for such voluntary delisting and the related deregistration with the Securities and Exchange Commission. In addition, on June 26, 2018, we filed a Form 15F with the Securities and Exchange Commission to terminate our ongoing reporting obligations under the U.S. Securities Exchange Act of 1934.

While we are thus no longer subject to ongoing reporting obligations under the U.S. Securities Exchange Act of 1934, we have been making and will continue to make periodic filings thereunder on a voluntary basis, including this annual report. We plan to discontinue such voluntary filings after September 24, 2018, which is 90 days from the time of our filing of Form 15F.

Although our ADSs have been delisted from the New York Stock Exchange, we intend to maintain our ADR program in the United States and therefore anticipate that our ADSs will continue to be traded in the United States on the over-the-counter market. The market for our ADSs may be significantly less liquid as a result of our delisting of our ADSs from the New York Stock Exchange.

Furthermore, while we currently prepare and disclose our financial statements in accordance with U.S. GAAP, we have resolved to prepare and disclose our financial statements in accordance with IFRS beginning with the three months ending June 30, 2018. As a result, there may be significant differences in the presentation of financial data in our income statements and balance sheets as well as in the notes to our financial statements prepared under IFRS as compared to those prepared under U.S. GAAP.

(27) Because of daily price range limitations under Japanese stock exchange rules, you may not be able to sell your shares of our Common Stock at a particular price on any particular trading day, or at all

Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, these exchanges set daily upward and downward price fluctuation limits for each stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell his or her shares at such price on a particular trading day, or at all.

(28) Our shareholders of record on a record date may not receive the dividend they anticipate

The customary dividend payout practice of publicly listed companies in Japan may significantly differ from the practice widely followed in foreign markets. Our dividend payout practice is no exception. The declaration and payment of year-end dividends requires the approval of shareholders of our common stock at the annual general meeting of shareholders held in June of each year. Our board of directors decides and submits a proposal for a year-end dividend declaration a few weeks before the annual general meeting. If the shareholders' approval is given, the year-end dividend payment is made to shareholders of record as of the record date for such payment, which is March 31, whether or not the shareholders are still holding shares after such record date. The declaration and payment of interim dividends is decided by our board of directors and does not require the approval of shareholders. The interim dividend payment is made to shareholders of record as of the record date for such payment, which is September 30, whether or not the shareholders are still holding shares after such record date. Shareholders of record as of the applicable record date may sell shares in the market after the record date with the anticipation of receiving a certain dividend payment. However, the date of declaration of interim dividends is decided by our board, and the declaration of year-end dividends is approved by our shareholders only in June, based upon a proposal submitted by our board. As such, we may have announced a dividend forecast before the applicable record date; but, in making a decision on the dividend declaration, neither our shareholders nor our board of directors are legally bound by such forecast. Therefore, our shareholders of record on the record dates for interim or year-end dividends may not receive the dividend they anticipate.

(29) Foreign exchange fluctuations may affect the dollar value of our ADSs and dividends payable to holders of our ADSs

Market prices for our ADSs may fall if the value of the yen declines against the U.S. dollar. In addition, the U.S. dollar amount of cash dividends and other cash payments made to holders of our ADSs would be reduced if the value of the yen declines against the U.S. dollar.

(30) We believe that we were a passive foreign investment company (PFIC) for United States federal income tax purposes for the 2016, 2017 and 2018 fiscal years and that we may be treated as a PFIC in the current or future taxable years.

Because of the passive nature of our assets and income, we believe that we were a PFIC for United States federal income tax purposes for the 2016, 2017 and 2018 fiscal years and that we may be treated as a PFIC in the current or future taxable years. Assuming that we are a PFIC, U.S. holders of our shares and ADSs may be subject to special adverse United States federal income tax consequences. See Item 10 “Additional Information—Taxation—United States Taxation” of this annual report on Form 20-F. We do not intend to provide investors with any information to assist them in determining whether we are a PFIC. In addition, the information we are required to disclose by applicable securities laws may not be sufficient to determine whether we are a PFIC. We also do not intend to provide United States holders of our shares and ADRs with the information that is required to make an election to have us treated as a “qualified electing fund” for United States federal income tax purposes. For a more comprehensive discussion of the United States federal income tax consequences of owning shares and ADSs and the application of the PFIC rules to you, see Item 10 “Additional Information—Taxation—United States Taxation.”

Item 4. Information on Kyocera Corporation and its Consolidated Subsidiaries

A. History and Development of Kyocera Corporation and its Consolidated Subsidiaries

Kyocera Corporation is a joint stock corporation incorporated under the laws of Japan in 1959 with the name Kyoto Ceramic Kabushiki Kaisha. Its name was changed to Kyocera Kabushiki Kaisha (or Kyocera Corporation) in 1982. Our corporate headquarters is at 6 Takeda Tobadono-cho, Fushimi-ku, Kyoto 612-8501, Japan. Our telephone number is +81-75-604-3500.

Our business originally consisted of the manufacture of ceramic parts for electronic equipment. In the 1960s, we expanded our business and technology horizontally into the design and production of fine ceramic parts, ceramic integrated circuit (IC) packages and electronic components. In the 1970s, we began to produce applied ceramic products, including cutting tools, ceramic parts for medical and dental uses, jewelry and solar energy products.

In the 1980s, we diversified into new strategic fields. In 1982, we merged with Cybernet Electronics Corporation, a telecommunications equipment manufacturer in which we had made an equity investment three years earlier. We also played a leading role in the establishment of DDI Corporation (currently KDDI Corporation), which has become one of Japan’s leading providers of telecommunications services. In 1989, we gained a presence in the electronic connector market through our acquisition of Elco International Corporation (later, the company changed its name to Kyocera Connector Products Corporation, which was subsequently merged with Kyocera through an absorption-type merger in April 2017).

In the 1990s, we strengthened our position as a globally integrated electronic components manufacturer through our acquisition of AVX Corporation, a maker of capacitors and other passive electronic components. In the middle of the 1990s, Kyocera developed two main business categories, the “Components Business,” in which Kyocera provides parts and devices such as fine ceramic parts, semiconductor parts and electronic components and devices to mainly electronic equipment manufacturers in information and communications fields, and the “Equipment & Systems Business,” in which Kyocera manufactures and sells telecommunications equipment such as mobile phones to telecommunication carriers, information equipment such as printers and multifunctional products and products for the life and environment market, such as solar energy related products, to distributors or directly to customers.

Since 2000, we have further enhanced our position in telecommunications and information equipment market. In February 2000, we acquired the code division multiple access (CDMA) mobile phone handset business from Qualcomm Inc. In April 2000, we invested in Kyocera Mita Corporation (currently Kyocera Document Solutions Inc.), a manufacturer of copier machines and other document solutions equipment, and made it a wholly-owned

subsidiary. In April 2002, we transferred Kyocera Corporation's printer business to Kyocera Document Solutions Inc. to further enhance our information equipment business by pursuing group synergies.

With the aim of becoming a more global enterprise and enhancing our profitability, we have been expanding our production in China located in Shanghai and Dongguan since the middle of the 1990s. Kyocera also established a sales company, Kyocera (Tianjin) Sales & Trading Corporation (currently Kyocera (China) Sales and Trading Corporation), in January 2003 to cultivate the Chinese market through enhancing our marketing ability for both our products manufactured in China as well as our products imported into China. In addition, we established a subsidiary, Kyocera (Tianjin) Solar Energy Co., Ltd., to assemble solar modules, production of which commenced in May 2003, and to reduce manufacturing costs.

In August 2003, we made Kinseki, Limited (later, the company changed its name to Kyocera Crystal Device Corporation, which was subsequently merged with Kyocera through an absorption-type merger in April 2017), a major producer of artificial crystal related products, a wholly-owned subsidiary through a share exchange to strengthen our Electronic Devices Group. We also established Kyocera SLC Technologies Corporation, a manufacturing and sales company of surface laminar circuitry, in order to expand organic material components business (later, the company changed its name to Kyocera Circuit Solutions, Inc., which was subsequently merged with Kyocera through an absorption-type merger in April 2016).

In September 2004, Kyocera Corporation and Kobe Steel, Ltd. established Japan Medical Materials Corporation (later, the company changed its name to Kyocera Medical Corporation, which was subsequently merged with Kyocera through an absorption-type merger in April 2017) and Kyocera Corporation transferred its medical materials business to Japan Medical Materials Corporation through corporate splits.

In April 2008, Kyocera acquired the mobile phone related business of SANYO Electric Co., Ltd. (currently Panasonic Corporation) to strengthen the Telecommunications Equipment Group.

For further enhancement of the Information Equipment Group, Kyocera made TA Triumph-Adler AG (currently TA Triumph-Adler GmbH, TA), a leading specialist in the information technology business and a distributor of printers and multifunctional products in Germany, a subsidiary through a voluntary public takeover offer in January 2009. In October 2010, Kyocera acquired all of the remaining shares of TA. As a result, TA became a wholly-owned subsidiary of Kyocera. In July 2011, we established a subsidiary, Kyocera Document Technology Vietnam Company Limited, to produce information equipment for expanding our production capacity and reducing manufacturing cost.

In July 2011, Kyocera acquired Unimerco Group A/S (currently Kyocera Unimerco A/S), a Danish-based industrial cutting tool manufacturing and sales company to broaden our product lines and markets.

In August 2011, Kyocera established Kyocera Vietnam Management Company Limited (currently Kyocera Vietnam Company Limited), a manufacturing subsidiary, in order to further reduce costs and to meet with growing component demand.

In February 2012, in order to expand its liquid crystal display business, Kyocera acquired Optrex Corporation (currently Kyocera Display Corporation), a specialized manufacturer of liquid crystal displays and related products.

In October 2013, Kyocera acquired NEC Toppan Circuit Solutions, Inc., a printed wiring board manufacturing company, and changed its name to Kyocera Circuit Solutions, Inc. in order to strengthen and expand its organic substrate business. In October 2014, Kyocera integrated Kyocera SLC Technologies Corporation and Kyocera Circuit Solutions, Inc., both of which engaged in organic substrate business, into Kyocera Circuit Solutions, Inc. In April 2016, we implemented an absorption-type merger of Kyocera Circuit Solutions, Inc. into Kyocera Corporation in order to enhance the development of new products and to expand its business further.

In September 2015, Kyocera acquired Nihon Inter Electronics Corporation (NIEC), a manufacturer of power semiconductors, in order to expand into a new business area with a combination of their respective products and made it a consolidated subsidiary. In order to further expand our power semiconductor business, we implemented an absorption-type merger of NIEC into Kyocera Corporation in August 2016.

In April 2017, we implemented separate absorption-type mergers with each of Kyocera Crystal Device Corporation, Kyocera Connector Products Corporation and Kyocera Medical Corporation, through which each company was merged into Kyocera Corporation, in order to expand the electronic devices business and the business in medical and health care through sharing each company's respective management resources and maximizing synergy.

We acquired Senco Holdings, Inc., a U.S.-based pneumatic tools manufacturing company (currently Kyocera Senco Industrial Tools, Inc.), in August 2017 and we acquired 80% of shares in Kyocera Industrial Tools Corporation, which was established from the company split of Ryobi Limited's power tool business under a share transfer agreement in January 2018, in order to promote diversification and expand our industrial tool business.

For a discussion of recent and current capital expenditures, please see Item 5. "Operating and Financial Review and Prospects" of this annual report on Form 20-F. We have had no recent significant divestitures nor are any significant divestitures currently being made.

In addition, for a discussion of our voluntary delisting of our ADSs from the New York Stock Exchange, which became effective on June 26, 2018, please see Item 9.A. "Offer and Listing Details—Price Range of Shares" of this annual report on Form 20-F.

B. Business Overview

Overview

Kyocera is engaged in numerous high-tech fields, from fine ceramic components to electronic devices, equipment, services and networks. Our manufacturing and distribution operations are conducted worldwide. As of March 31, 2018, we had 230 subsidiaries, 4 affiliates outside Japan, 23 subsidiaries and 7 affiliates in Japan. Our customers include individuals, corporations, governments and governmental agencies. For information on our sales by category of activity and information on our sales by geographic area and product segment, please see Item 5.A. "Operating Results" of this annual report on Form 20-F.

Operations

Starting from fiscal 2018, Kyocera has changed the classification of its reporting segments. The new six reporting segments are (1) Industrial & Automotive Components Group, (2) Semiconductor Components Group, (3) Electronic Devices Group, (4) Communications Group, (5) Document Solutions Group, and (6) Life & Environment Group.

Our principal products and services offered in each reporting segment are shown below.

(1) Industrial & Automotive Components Group

Fine Ceramic Components
Automotive Components
Liquid Crystal Displays
Industrial Tools

In this reporting segment, Kyocera provides fine ceramic parts made from a variety of ceramic materials such as alumina and zirconia, utilizing the characteristics of heat, wear and corrosion resistance as well as camera

modules infused with optical lens and sensing technology, and liquid crystal displays, primarily in the small- to mid-size range. These products are supplied mainly to the industrial machinery and automotive markets. We also provide industrial tools such as cutting tools for metallic processing and pneumatic and power tools to the automotive, general industrial and construction markets.

(2) Semiconductor Components Group

Ceramic Packages
Organic Multilayer Substrates and Boards

This reporting segment develops, manufactures and sells both inorganic (ceramic) and organic packages and multilayer printed wiring boards for various electronic components and devices such as crystal components, SAW devices and CMOS/CCD sensors for communication infrastructures and for the automotive-related markets.

(3) Electronic Devices Group

Electronic Components (Capacitors, Crystal Devices, Connectors, Power Semiconductor Devices, etc.)
Printing Devices

This reporting segment develops, manufactures and sells a wide variety of electronic components and devices for diverse fields that include information and communications equipment, industrial equipment and automotive-related markets.

(4) Communications Group

Mobile Phones
M2M Modules
Information Systems and Telecommunication Services

This reporting segment develops, manufactures and sells smartphones and mobile phones embedded with our unique functions as well as develops communication modules with expectations of growing demand in the IoT (Internet of Things) society as well as information systems and telecommunication services such as ICT (Information and Communication Technology) solutions, engineering services businesses and so on.

(5) Document Solutions Group

Printers
Multifunctional Products
Document Solutions
Supplies

This reporting segment supplies printers and multifunctional products (MFPs) that realize long life cycle and low running costs thanks to the use of our amorphous silicon photoreceptor drums. We are also rolling out document solutions worldwide that support the optimization of a customer's document environment through the provision of application software enabling connection between a customer's document management system and mobile terminals or cloud environments. We are also strengthening our ECM (Enterprise Contents Management) business that computerizes a company's data so that it can be controlled and managed in a more comprehensive and efficient manner as well as Document BPO that provides outsourcing services for document-related business.

(6) Life & Environment Group

Solar Power Generating System related Products

Medical Devices

Jewelry and Ceramic Knives

This reporting segment develops, manufactures and sells products related life and environment such as solar modules for commercial and residential uses, solar energy related products including storage batteries and energy management systems, medical devices including prosthetic joints and dental prosthetics, jewelry, and kitchen accessories including ceramic knives.

Sales and Distributions

Kyocera's products and services are supplied worldwide through our sales personnel as well as by sales companies within our group and by third-party distributors.

We have regional sales and design application personnel in strategic locations to provide technical and sales support for customers and distributors. We believe that this combination of distribution channels leads to a high level of market penetration and efficient coverage of services for our customers.

A wide range of component, device and equipment products in the Industrial & Automotive Components Group are sold to various industrial equipment and automotive-related industries worldwide that include the semiconductor industry through our distributors in addition to direct sales.

Most sales in the Semiconductor Components Group are made directly to device, component and equipment manufacturers in Japan and overseas.

Sales in the Electronic Devices Group are made directly to device and equipment manufacturers in Japan and overseas as well as through active use of distributors.

In the Communications Group, we supply smartphones and mobile phones to telecommunications carriers in Japan and North America in the mobile handset business. In the communication modules (M2M modules) business, we supply products mainly through telecommunications carriers to automobile manufacturers and power companies. In the information and communication services business, we provide ICT and management consulting businesses primarily to general companies and public institutions centered on Japan, as well as engineering business to telecommunications carriers, wireless equipment vendors and solar power generation operators.

In the Document Solutions Group, we provide document solutions that resolve customers' management issues, including Kyocera brand printers and MFPs that boast long life and produce minimal waste, mainly via 35 sales companies in over 140 countries. We primarily deal with major customers around the world by way of direct sales.

In the solar energy business in the Life & Environment Group, solar modules and solar power generating systems are sold to global users via direct sales, sales subsidiaries and other methods, including through distributors. In addition, we sell power storage systems and energy management systems through distributors, franchises and home builders in Japan.

In the medical and dental implant business, prosthetic joints, artificial bones and dental implants are sold to hospitals and dental clinics through distributors.

Jewelry and applied ceramic products such as ceramic knives are sold through direct retail shops and general retailers as well as the internet.

Domestic sales are made predominantly in the Japanese yen, while overseas sales are made in a variety of currencies, but predominantly in the U.S. dollar and the Euro.

Sources and Availability of Raw Materials and Supplies

We purchase a variety of raw materials and other materials for our business activities.

The principal raw materials include alumina, zirconia, silicon nitride, polycrystalline silicon, nickel powder and epoxy resins. These raw materials are used mainly in the manufacturing of products for the Components Business. The main materials supplied for use as key components are chip sets and liquid crystal displays in the Equipment & Systems Business. The Kyocera Group procures some of the materials and components that it uses in its respective businesses from within the Group since it develops a wide range of products spanning from materials to systems and services. The internally manufactured components also include core components that contribute to the differentiation of parts and equipment.

Our basic policy is to procure raw materials and other materials from several companies to ensure stable procurement at a fair price. We may limit the number of suppliers as an exception (1) if the final customer selects the material supplier or (2) to maintain the quality of a final product.

The purchase price of these raw materials and other materials fluctuates depending on the supply-demand situation, the impact of such things as the rising cost of raw materials and fuel, and foreign currency exchange rates in the case purchases are made in foreign currencies from suppliers overseas. Kyocera's businesses are many and varied, and we are working to enhance our price negotiating power when procuring raw materials and other materials through the ties we have inside the Group. We are also striving to absorb the rising cost of raw materials and other materials in each business by making internal improvements that include cost reductions.

In addition, we may also conclude long-term agreements with suppliers for certain raw materials in consideration of the future supply-demand balance.

In fiscal 2018, we were able to procure raw materials and other materials in line with our production plans.

Kyocera has entered into long-term purchase agreements with a specific supplier for purchasing polysilicon material used in its solar energy business. For detailed information regarding these purchase agreements, please refer to "Long-term purchase agreements for the supply of raw materials" in Item 5.F. "Tabular Disclosure of Contractual Obligations."

For details on Kyocera's supply chain management and dealing with conflict minerals, please refer to the following websites, respectively.

"Kyocera Supply-Chain CSR Deployment Guideline"
https://global.kyocera.com/ecology/social/images/csr_guide.pdf

"Conflict Minerals Report"
<https://global.kyocera.com/ir/financial/cmr.html>

Patents and Licenses

Our success and competitive position depend on a number of significant patents, licenses and trade secrets relating to our manufacturing and sales processes and products. All of Kyocera's intellectual properties are considered to be important. However, Kyocera believes that neither its expiration nor termination of any specific intellectual properties would have significant impact on Kyocera's entire operation. The following table sets forth information, as of March 31, 2018, with respect to our significant patents and license agreements.

(a) License permitted to produce products

<u>Counterparty</u>	<u>Country</u>	<u>Contents</u>	<u>Period</u>
Qualcomm Incorporated	United States	License under patents regarding mobile phone	From August 31, 1996 to patent expiration

(b) License—cross agreements

<u>Counterparty</u>	<u>Country</u>	<u>Contents</u>	<u>Period</u>
Canon Inc.	Japan	License under patents regarding electric photo printer	From April 1, 2012 to patent expiration

Competitive Position

(1) Industrial & Automotive Components Group

Kyocera has continued to cultivate new markets since our founding through the development of fine ceramic materials and products. At present, we supply fine ceramic parts to a wide array of markets such as the information and communications market and the industrial machinery market, which includes semiconductors. We boast production technology and production capacity for these products that enable us to meet customer requirements, which include ceramic materials technology and design expertise accumulated in the process of cultivating new markets. This is one of the key reasons that we have been able to differentiate our products from those of our rivals, and through this, we have established a position as a global leading manufacturer.

In automotive components, we have products that boast the top market share in powertrain parts that utilize fine ceramic technology. In addition, we are striving to increase our share of automotive cameras, an area on the rise to boost automotive safety, by developing new products and technologies.

In liquid crystal displays, we are focusing on the development of small- and medium-sized products and are seeking to expand business mainly for automotive and industrial applications. In particular, we are working to further strengthen our competitiveness by concentrating on the development of new liquid crystal displays for automotive use.

In the industrial tool business, Kyocera's products are used primarily for metallic processing in automotive-related markets. Although we have many competitors globally, we provide a diverse array of cutting tools for processing machinery based on advanced materials technology that contribute to enhanced productivity for our customers. We are also developing products for a wide range of markets in addition to the automotive industry, including the aviation and energy markets, and are expanding our lineup of pneumatic tools and power tools, for example, through aggressive merger and acquisition activity, in an effort to expand business as a comprehensive tool manufacturer.

(2) Semiconductor Components Group

In this reporting segment, we are working to strengthen global competitiveness by developing business for ceramic material components such as ceramic packages, and business for organic multilayer packages, multilayer printed wiring boards (PWBs) and organic packaging materials.

In the ceramic material components business, Kyocera has established its position as a leader in the global market through sophisticated development, production technology and supply capabilities. We will maximize use of these outstanding management resources and work to broadly expand the application of ceramic material components for the digital consumer equipment market as well as the automotive-related markets, optical communications market, medical market, IoT-related markets and other areas. We are also working to maintain and improve our high market position by actively expanding production capacity in response to growing market needs. Our main competitors in this domain are Japanese manufacturers.

In the organic multilayer package and multilayer PWB business, our main competitors are Japanese and Asian manufacturers. Kyocera has become a leading supplier of high-end flip-chip packages and advanced multilayer PWBs used in communications infrastructure such as servers and routers demanding exceptional electrical properties and reliability. In addition, we are working to develop new products that leverage our capabilities in thin substrate technology amassed over the years, for smartphones and other mobile terminals requiring smaller, thinner packages, to bolster our business competitiveness.

(3) Electronic Devices Group

Kyocera develops and manufactures a wide variety of capacitors, crystal components, connectors, thermal printheads, inkjet printheads, power semiconductors, sensors, and wireless communications antennas. We develop our business with our extensive product lineup for diverse applications worldwide.

Kyocera is a leading supplier of parts for high-end smartphones by focusing on the development of products in cutting-edge fields that meet needs such as for miniaturization and high performance in capacitors, crystal components and connectors. In particular, we are striving to expand our market share in multilayer ceramic capacitors (MLCCs), where demand is growing, by actively introducing new products and increasing production capacity. AVX Corporation (AVX), our subsidiary, is a world-class supplier in the tantalum capacitor market that develops products for a broad array of fields, including general industry, automotive-related and communications infrastructure. AVX is seeking to expand its product lineup and market share through aggressive merger and acquisition activity.

In addition, we boast high market share in thermal printheads used for barcode printing and in inkjet printheads used in industries such as the textile printing market. We are striving to further boost our market share by actively releasing new products and expanding applications.

(4) Communications Group

Kyocera supplies smartphones and feature phones in Japan and overseas. Our main competitors are mobile phone manufacturers in the United States, Asia and Japan. Kyocera is focusing on developing products that provide a level of differentiation such as by adding waterproof and robustness features. In particular, we are developing an array of products, from simple mobile phones to sophisticated smartphones, for the Japanese market, and by doing so, we are meeting diverse user needs. Additionally, we are developing communication modules (M2M modules), an area of growing demand, for automobiles and the IoT and thus striving to expand business fields by developing applications for communications technology. In the communication module field, we have been able to release products ahead of the competition by utilizing relationships with major carriers in Japan that we have built up in our mobile phone business and this has become a strength in terms of enabling response to the increasing sophistication of technology.

In the information and communications services business, Kyocera develops business mainly in Japan. In the ICT business, which primarily involves the development of application-related software and security-related software, we are developing and supplying products that meet user needs in line with the proliferation of the IoT. We have also become a leading company in the LPWA (Low Power Wide Area) communications services field in Japan by securing license as the only operator in Japan that can deploy Sigfox, an LPWA network where there are growing needs.

(5) Document Solutions Group

In this reporting segment, Kyocera manufactures and sells printers and MFPs, and provides solution services in the global market. Our competitors are mainly leading Japanese and U.S. manufacturers of document equipment.

Kyocera develops environmentally friendly products through unique, long-life photoreceptor drums, including amorphous silicon drums and a positive single layer photoconductor (PLSP) drums, and low-power-consumption systems. Our products have been differentiated from the competition by realizing lower running costs. Kyocera is also increasing efficiency in development through the use of platforms and module-based design for equipment, which has heightened cost competitiveness. In addition, we have expanded our product lineup through broad-reaching product development, from high-end to low-end products, and are meeting customer needs.

In addition to expanding equipment development, Kyocera is working to further enhance competitiveness by bolstering our document solutions business. We are building up our MDS (Managed Document Services) business to provide the optimal document environment for each customer through unique HyPAS (Hybrid Platform for Advanced Solutions), which enables users to embed various applications and software that meet user needs in document equipment to connect with a cloud computing environment or mobile terminals. Aside from this, we are further heightening the value we provide to customers in our document solutions business by adding companies that handle ECM (Enterprise Contents Management) and document BPO (Business Process Outsourcing) via merger and acquisition activity.

(6) Life & Environment Group

In this reporting segment, Kyocera mainly provides solar modules and power generating systems. The solar energy industry has a high number of competitors and competition is becoming increasingly severe from the perspectives of price and technology. Despite this, Kyocera is working to expand business by leveraging competitive advantages in products that realize high conversion efficiency and long-term reliability based on technology backed up by experience accumulated over more than 40 years as one of the pioneering companies in the industry.

Kyocera manufactures crystalline silicon solar cells and, in particular, we have an integrated production system for the entire manufacturing process from silicon ingots to solar modules for multicrystalline silicon solar cells, thus allowing thorough quality control and cost reductions in each process. As a result, we can realize exceptional reliability and enhance cost competitiveness. In addition, Kyocera has generated top-class results in installing solar power generating systems for public and commercial use in Japan by providing system design, construction and maintenance. Kyocera is actively seeking to expand its energy solutions business by strengthening development, particularly for power storage batteries and an Energy Management System (EMS), by utilizing the Group's management resources and knowhow with the aim of capturing demand for home electricity self-consumption, an area that continues to grow. Further, a strong financial base enabling the provision of after-sales service and maintenance over a long period serves as a competitive advantage for us.

In the medical device business, our main products are prosthetic joints and dental implants, and we deal primarily with the Japanese market. Kyocera commands top-class competitiveness as a manufacturer in Japan. In prosthetic joints, we are working to further strengthen competitiveness by leveraging the properties of fine ceramics, which feature high biocompatibility, and developing products with longer life and enhanced antibacterial characteristics. We are also striving to expand business scale as we eye foray into overseas markets.

Apart from the aforementioned strengths in each business, Kyocera also pursues greater synergies within the Group to further strengthen business. In particular, we are promoting the use of artificial intelligence (AI) and robots with the aim of increasing productivity. In addition, we are working to strengthen our competitiveness by aggressively utilizing external management resources, which includes merger and acquisition activity and collaborations.

Government Regulation

There are various governmental regulations specifically applicable to industries in which Kyocera operates, including regulations relating to business and investment approvals, export regulations, tariffs, intellectual properties, consumer and business taxation, exchange controls, and material procurement in public works. Kyocera does not believe that such governmental regulations currently have significant effects on its business.

Environmental Regulation

Kyocera is also subject to various regulations concerning the environment of the countries where it operates. These regulations cover air emissions, wastewater discharges, the handling, disposal and remediation of hazardous substances, wastes and certain chemicals used or generated in Kyocera's manufacturing process, employee health and safety, labeling or other notifications with respect to the content or other aspects of our processes, products or packaging, restrictions on the use of certain materials in or on design aspects of its products or product packaging, and responsibility for disposal of products or product packaging. They also include several regulations for chemical substance in products, such as the European Union Directive on the Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS Directive), the European Union Directive on Waste Electrical and Electronic Equipment (WEEE Directive), the European Union's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), and similar regulations required in other countries and areas including China. Based on our periodic reviews of the operating policies and practices at all of our facilities, Kyocera believes that it is not involved in any pending or threatened proceedings that would require curtailment of its business, and its operations are currently in substantial compliance, in all material respects, with all applicable environmental laws and regulations. Accordingly, the cost of continuing compliance will not be considered to have a material effect on our financial condition or results of operations.

In addition to the above environmental regulations, AVX Corporation, a U.S. based subsidiary, has been identified by the United States Environmental Protection Agency (EPA), state governmental agencies or other private parties as a potentially responsible party (PRP) under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) or equivalent state or local laws for clean-up and response costs associated with certain sites at which remediation is required with respect to prior contamination. Because CERCLA has generally been construed to authorize joint and several liability, the EPA could seek to recover all clean-up costs from any one of the PRPs at a site despite the involvement of other PRPs. At certain sites, financially responsible PRPs other than AVX Corporation also are, or have been, involved in site investigation and clean-up activities. AVX Corporation believes that liability resulting from these sites will be apportioned between AVX Corporation and other PRPs.

To resolve its liability at the sites at which AVX Corporation has been named a PRP, AVX Corporation has entered into various administrative orders and consent decrees with federal and state regulatory agencies governing the timing and nature of investigation and remediation. As is customary, the orders and decrees regarding sites where the PRPs are not themselves implementing the chosen remedy contain provisions allowing the EPA to reopen the agreement and seek additional amounts from settling PRPs in the event that certain contingencies occur, such as the discovery of significant new information about site conditions.

Other Regulation

Kyocera did not conduct any transactions with Iran-related organizations within the scope of Section 13(r) of the U.S. Securities Exchange Act of 1934 in fiscal 2016, 2017 and 2018.

C. Organizational Structure

We had 264 subsidiaries and affiliates as of March 31, 2018. Our management structure is based on a business segment structure. Therefore, the management of each segment is conducted uniformly regardless of whether our operations are conducted by the parent company or by one of our subsidiaries.

The following table sets forth information, as of March 31, 2018, with respect to our significant subsidiaries.

<u>Name</u>	<u>Country of Incorporation</u>	<u>Percentage held by Kyocera</u>	<u>Main Business</u>
<u>(1) Industrial & Automotive Components Group</u>			
Kyocera Display Corporation	Japan	100.00%	Development, manufacture and sale of Liquid Crystal Displays
Kyocera Industrial Tools Corporation	Japan	80.00%	Development, manufacture and sale of Industrial Tools
Dongguan Shilong Kyocera Co.,Ltd.	China	90.00%	Manufacture of Liquid Crystal Displays and Industrial Tools
Kyocera Precision Tools Korea Co.,Ltd.	Korea	90.00%	Manufacture and sale of Industrial Tools
Kyocera Senco Industrial Tools, Inc.	United States	100.00%	Development, manufacture and sale of Industrial Tools
Kyocera Fineceramics GmbH	Germany	100.00%	Sale of Fine Ceramic Components, Semiconductor Components and Printing Devices mainly in Europe
Kyocera Unimerco A/S	Denmark	100.00%	Development, manufacture and sale of Industrial Tools
<u>(2) Semiconductor Components Group</u>			
Shanghai Kyocera Electronics Co.,Ltd.	China	100.00%	Manufacture of Ceramic Packages
Kyocera Korea Co.,Ltd.	Korea	100.00%	Sale of Semiconductor Components mainly in Korea
Kyocera Asia Pacific Pte. Ltd.	Singapore	100.00%	Sale of Industrial Tools and Semiconductor Components mainly in Asia
Kyocera Vietnam Co.,Ltd.	Vietnam	100.00%	Manufacture of Ceramic Packages
<u>(3) Electronic Devices Group</u>			
Kyocera (China) Sales & Trading Corporation . . .	China	90.00%	Sale of Industrial Tools, Ceramic Packages and Electronic Components mainly in China
AVX Corporation	United States	72.31%	Development, Manufacture and sale of Electronic Components
<u>(4) Communications Group</u>			
Kyocera Communication Systems Co.,Ltd.	Japan	76.30%	Information Systems and Telecommunication Services
Kyocera International, Inc.	United States	100.00%	Manufacture and sale of Fine Ceramic Components and Semiconductor Components, and sale of Mobile Phones

<u>Name</u>	<u>Country of Incorporation</u>	<u>Percentage held by Kyocera</u>	<u>Main Business</u>
<u>(5) Document Solutions Group</u>			
Kyocera Document Solutions Inc.	Japan	100.00%	Development, manufacture and sale of Printers and Multifunctional Products
Kyocera Document Solutions Japan Inc.	Japan	100.00%	Sale of Printers and Multifunctional Products mainly in Japan
Kyocera Document Technology (Dongguan) Co.,Ltd.	China	92.76%	Manufacture of Printers and Multifunctional Products
Kyocera Document Technology Vietnam Co.,Ltd.	Vietnam	100.00%	Manufacture of Printers and Multifunctional Products
Kyocera Document Solutions America, Inc.	United States	100.00%	Sale of Printers and Multifunctional Products mainly in North America
Kyocera Document Solutions Europe B.V.	Netherlands	100.00%	Sale of Printers and Multifunctional Products mainly in Europe
Kyocera Document Solutions Deutschland GmbH	Germany	100.00%	Sale of Printers and Multifunctional Products mainly in Europe
TA Triumph-Adler GmbH	Germany	100.00%	Sale of Printers and Multifunctional Products mainly in Europe
<u>(6) Life & Environment Group</u>			
Kyocera Solar Corporation	Japan	100.00%	Construction of Solar Power Generating System related Products
Kyocera (Tianjin) Solar Energy Co.,Ltd.	China	90.00%	Manufacture of Solar Power Generating System related Products

In addition to the above consolidated subsidiaries, Kyocera had 227 other consolidated subsidiaries as of March 31, 2018. Kyocera also had interests in one subsidiary accounted for by the equity method and 11 affiliates accounted for by the equity method as of March 31, 2018.

At a meeting of Board of Directors held on May 25, 2018, Kyocera Corporation made a resolution to conduct an absorption-type merger with Kyocera Display Corporation.

D. Property, Plants and Equipment

As of March 31, 2018, we had property, plants and equipment with a net book value of ¥300,924 million. During the five years ended March 31, 2018, we invested a total of ¥336,514 million for additions to property, plants and equipment. Our property, plants and equipment are subject to some material encumbrances or environmental issues. See Item 5.A. “Operating Results” of this annual report on Form 20-F.

The following table sets forth information with respect to our principal manufacturing facilities as of March 31, 2018.

<u>Name of Plant</u>	<u>Location</u>	<u>Status</u>	<u>Floor Space</u> (in thousands of square feet)	<u>Principal Products Manufactured</u>
Japan				
Hokkaido Kitami Plant	Kitami, Hokkaido	Owned	295	Mobile Phones, M2M Modules, Ceramic Packages, Fine Ceramic Components
Yamagata Higashine Plant	Higashine, Yamagata	Owned	388	Electronic Components
Niigata Shibata Plant	Shibata, Niigata	Owned	330	Organic Multilayer Substrates and Boards
Toyama Nyuzen Plant	Shimoniikawa, Toyama	Owned	327	Organic Multilayer Substrates and Boards
Nagano Okaya Plant	Okaya, Nagano	Owned	386	Fine Ceramic Components, Industrial Tools, Printing Devices
Tamaki Plant	Watarai, Mie	Owned	393	Toner
Shiga Gamo Plant	Higashi-Ohmi, Shiga	Owned	692	Fine Ceramic Components, Ceramic Packages
Shiga Yokaichi Plant	Higashi-Ohmi, Shiga	Owned	1,511	Fine Ceramic Components, Industrial Tools, Solar Power Generating System related Products
Shiga Yasu Plant	Yasu, Shiga	Owned	1,810	Solar Power Generating System related Products, Liquid Crystal Displays
Kyoto Ayabe Plant	Ayabe, Kyoto	Owned	843	Organic Multilayer Substrates and Boards
Hirakata Plant	Hirakata, Osaka	Owned	593	Toner
Kagoshima Sendai Plant	Satsuma-Sendai, Kagoshima	Owned	2,006	Fine Ceramic Components, Industrial Tools, Semiconductor Components

<u>Name of Plant</u>	<u>Location</u>	<u>Status</u>	<u>Floor Space</u> (in thousands of square feet)	<u>Principal Products Manufactured</u>
Kagoshima Kokubu Plant	Kirishima, Kagoshima	Owned	2,462	Fine Ceramic Components, Automotive Components Ceramic Packages, Electronic Components, Printing Devices
Kagoshima Hayato Plant	Kirishima, Kagoshima	Owned	278	Printing Devices
<u>United States</u>				
Balboa Plant	San Diego, California	Owned	258	Ceramic Packages
Fountain Inn Plant	Fountain Inn, South Carolina	Owned	370	Electronic Components
Broadwell Plant	Cincinnati, Ohio	Owned	541	Industrial Tools
<u>Mexico</u>				
Tijuana Plant	Tijuana	Owned	362	Semiconductor Components
<u>El Salvador</u>				
San Salvador Plant	San Salvador	Owned	420	Electronic Components
<u>France</u>				
Saint-Apollinaire Plant	Saint-Apollinaire	Leased	322	Electronic Components
<u>Czech Republic</u>				
Lanskroun Plant	Lanskroun	Owned	542	Electronic Components
Uherske Hradiste Plant	Uherske Hradiste	Owned	336	Electronic Components
<u>China</u>				
Tianjin Plant	Tianjin	Owned	520	Electronic Components
Tianjin Plant	Tianjin	Owned	308	Solar Power Generating System related Products
Shanghai Pudong Plant	Shanghai	Owned	1,026	Ceramic Packages
Zhangjiagang Plant	Zhangjiagang, Jiangsu	Owned	365	Liquid Crystal Displays
Shilong Plant	Dongguan, Guangdong	Owned	2,331	Printers, Multifunctional Products
Shilong Plant	Dongguan, Guangdong	Owned	697	Industrial Tools, Liquid Crystal Displays, Printing Devices
Dalian Plant	Dalian	Owned	518	Industrial Tools
<u>Thailand</u>				
Lamphun Plant	Lamphun	Owned	264	Electronic Components
<u>Vietnam</u>				
Hung Yen Plant	Hung Yen	Owned	959	Ceramic Packages
Hai Phong Plant	Hai Phong	Owned	794	Printers, Multifunctional Products

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

A. Operating Results

You should read the discussion of our financial condition and results of operations together with our consolidated financial statements and information included in this annual report on Form 20-F. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under Item 3.D. “Risk Factors” and elsewhere in this annual report on Form 20-F.

Overview

Kyocera develops new technologies and new products and cultivates new markets based on fine ceramic technologies since establishment. Kyocera also promotes growth through the diversified management resources from components technologies to electronic devices, equipment, systems and services. Kyocera develops, produces and distributes worldwide various kinds of products primarily for the following markets: information and communications, industrial machinery, automotive-related and environment and energy.

For fiscal 2017, Kyocera’s operations were categorized into six reporting segments: (1) Fine Ceramic Parts Group, (2) Semiconductor Parts Group, (3) Applied Ceramic Products Group, (4) Electronic Device Group, (5) Telecommunications Equipment Group, and (6) Information Equipment Group. In addition, separate from its six reporting segments, Kyocera groups other businesses into “Others.” For fiscal 2017, Kyocera grouped the Fine Ceramic Parts Group, the Semiconductor Parts Group, the Applied Ceramic Products Group and the Electronic Device Group into one main business referred to as the “Components Business” and grouped the Telecommunications Equipment Group and the Information Equipment Group into another main business referred to as the “Equipment Business.”

Starting from fiscal 2018, Kyocera has changed the classification of its reporting segments to “Industrial & Automotive Components Group,” “Semiconductor Components Group,” “Electronic Devices Group,” “Communications Group,” “Document Solutions Group,” and “Life & Environment Group.” For detailed information on the new reporting segment classification, please refer to Note 17 in Kyocera’s consolidated financial statements included in this annual report on Form 20-F.

For fiscal 2018, sales increased in the Components Business due to strong component demand in information and communications, automotive-related and industrial machinery markets, coupled with vigorous expansion of production capacity. Sales in the Document Solutions Group also increased due to the launch of new products and aggressive sales promotion activities. Merger and acquisition activities also contributed. As a result, consolidated net sales for fiscal 2018 increased by ¥154,285 million, or 10.8%, compared with fiscal 2017, to ¥1,577,039 million. This result is a record high for fiscal year sales.

Profit from operations decreased by ¥8,967 million, or 8.6%, to ¥95,575 million, income before income taxes decreased by ¥5,983 million, or 4.3%, to ¥131,866 million and net income attributable to Kyocera Corporation’s shareholders decreased by ¥22,054 million, or 21.2%, to ¥81,789 million, compared with fiscal 2017. These results were due to the recording of a write-down in the amount of ¥50,165 million relating to long-term purchase agreements for procurement of polysilicon material in the solar energy business, included within the Life & Environment Group, which more than offset improvements in profitability in the Components Business and the Document Solutions Group resulting from the sales growth and efforts to reduce costs and raise productivity. Tax expenses primarily resulting from amendments to U.S. tax law and incurred by subsidiaries such as our U.S. subsidiary AVX Corporation pushed down net income attributable to Kyocera Corporation’s shareholders by approximately ¥11 billion.

Average exchange rates for fiscal 2018 were ¥111 to the U.S. dollar, marking depreciation of ¥3 (2.8%), and ¥130 to the Euro, marking depreciation of ¥11 (9.2%), from fiscal 2017. As a result, net sales and income before income taxes after translation into yen for fiscal 2018 were pushed up by approximately ¥39 billion and ¥16 billion, respectively, compared with fiscal 2017.

Adoption of IFRS and Voluntary Delisting of ADSs from the New York Stock Exchange

On February 26, 2018, we decided to adopt IFRS for our consolidated financial statements in place of the current U.S. GAAP following a resolution at a meeting of the Board of Directors on that same date to further strengthen and improve the efficiency of our financial reporting. We plan to begin disclosing our consolidated financial statements according to IFRS from the three months ending June 30, 2018.

On June 15, 2018, we filed a Form 25 with the Securities and Exchange Commission for the voluntary delisting of our ADSs from the New York Stock Exchange and the related deregistration with the Securities and Exchange Commission. In addition, on June 26, 2018, we also filed a Form 15F with the Securities and Exchange Commission to terminate our reporting obligations under the U.S. Securities Exchange Act of 1934.

Results of Operations

Fiscal 2018 compared with Fiscal 2017

The following table shows a summary of Kyocera's results of operations for fiscal 2017 and fiscal 2018:

	Years ended March 31,				Increase (Decrease)	
	2017		2018		Amount	%
	Amount	%	Amount	%		
	(Yen in millions)					
Net sales	¥1,422,754	100.0	¥1,577,039	100.0	¥154,285	10.8
Cost of sales	1,049,472	73.8	1,200,911	76.1	151,439	14.4
Gross profit	373,282	26.2	376,128	23.9	2,846	0.8
Selling, general and administrative expenses	268,740	18.9	280,553	17.8	11,813	4.4
Profit from operations	104,542	7.3	95,575	6.1	(8,967)	(8.6)
Other income (expenses):						
Interest and dividend income	32,364	2.3	40,498	2.6	8,134	25.1
Interest expense	(901)	(0.0)	(1,395)	(0.1)	(494)	—
Foreign currency transaction gains (losses), net	1,278	0.1	(827)	(0.1)	(2,105)	—
Gains on sales of securities, net	193	0.0	1,629	0.1	1,436	744.0
Other, net	373	0.0	(3,614)	(0.2)	(3,987)	—
Total other income (expenses)	33,307	2.4	36,291	2.3	2,984	9.0
Income before income taxes	137,849	9.7	131,866	8.4	(5,983)	(4.3)
Income taxes	28,442	2.0	46,881	3.0	18,439	64.8
Net income	109,407	7.7	84,985	5.4	(24,422)	(22.3)
Net income attributable to noncontrolling interests	(5,564)	(0.4)	(3,196)	(0.2)	2,368	—
Net income attributable to Kyocera Corporation's shareholders	¥ 103,843	7.3	¥ 81,789	5.2	¥(22,054)	(21.2)

Net Sales

Net sales in fiscal 2018 increased by ¥154,285 million, or 10.8%, to ¥1,577,039 million, compared with ¥1,422,754 million in fiscal 2017.

Net sales in the Components Business in fiscal 2018 increased by ¥133,248 million, or 18.6%, to ¥850,002 million, compared with ¥716,754 million in fiscal 2017. Sales of industrial tools and display products for automotive markets as well as sales of capacitors and crystal components used in smartphones increased due to strong demand, and M&As also contributed.

Net sales in the Equipment & Systems Business increased by ¥12,945 million, or 1.8%, to ¥738,805 million, compared with ¥725,860 million in fiscal 2017. Sales increased due mainly to the expansion of sales volume by successful launching of new products in the Document Solutions Group and a contribution of increased sales of information and communications services business in spite of a negative impact caused by the downsizing of the solar energy business in the United States and the decline in sales of the U.S. market in the telecommunications equipment business.

Due mainly to the impact of the yen's depreciation against the U.S. dollar and Euro, net sales after translation into the yen in fiscal 2018 were pushed up by approximately ¥39 billion, compared with fiscal 2017.

For details regarding net sales, please refer to page 35, "Business Overview by Reporting Segment."

Net Sales by Geographic Segment

(1) Japan

Sales in Japan in fiscal 2018 increased by ¥15,404 million, or 2.6%, to ¥614,043 million, compared with ¥598,639 million in fiscal 2017. This was due mainly to an increase in sales of the Communications Group.

(2) Asia

Sales in Asia in fiscal 2018 increased by ¥59,636 million, or 19.6%, to ¥363,649 million, compared with ¥304,013 million in fiscal 2017. This was due mainly to an increase in sales of the Electronic Devices Group and the Semiconductor Components Group.

(3) Europe

Sales in Europe in fiscal 2018 increased by ¥77,314 million, or 32.8%, to ¥312,669 million, compared with ¥235,355 million in fiscal 2017. This was due mainly to an increase in sales of the Document Solutions Group and the Electronic Devices Group, which were affected by M&As.

(4) United States of America

Sales in the United States of America in fiscal 2018 decreased by ¥4,177 million, or 1.8%, to ¥224,791 million, compared with ¥228,968 million in fiscal 2017. This was due mainly to the downsizing of the solar energy business and the decline in sales of the Communications Group.

(5) Others

Sales in Others in fiscal 2018 increased by ¥6,108 million, or 11.0%, to ¥61,887 million, compared with ¥55,779 million in fiscal 2017. This was due mainly to an increase in sales of the Document Solutions Group.

Cost of Sales and Gross Profit

In fiscal 2018, cost of sales increased by ¥151,439 million, or 14.4%, to ¥1,200,911 million from ¥1,049,472 million in fiscal 2017. The increase was caused primarily by the recording of a write-down in the amount of ¥50,165 million relating to long-term purchase agreements for procurement of polysilicon material in the solar energy business, in addition to the higher sales and the effect of M&As.

Raw material costs of ¥477,299 million accounted for 39.7% of total cost of sales in fiscal 2018, which increased by ¥73,224 million, or 18.1%, from ¥404,075 million in fiscal 2017. Labor costs of ¥235,454 million accounted for 19.6% of total cost of sales in fiscal 2018, which increased by ¥16,463 million, or 7.5%, from ¥218,991 million in fiscal 2017. Depreciation expense of ¥62,220 million accounted for 5.2% of total cost of sales in fiscal 2018, which increased by ¥6,205 million, or 11.1%, from ¥56,015 million in fiscal 2017.

As a result, gross profit in fiscal 2018 increased by ¥2,846 million, or 0.8%, to ¥376,128 million from ¥373,282 million in fiscal 2017. The gross profit ratio to net sales decreased by 2.3 percentage points from 26.2% to 23.9%.

With respect to the recording of a write-down relating to long-term purchase agreements for procurement of polysilicon material in the solar energy business, please refer to “Write-down of Long-term Purchase Agreements” in Item 5.F. “Tabular Disclosure of Contractual Obligations.”

Selling, General & Administrative Expenses and Profit from Operations

In fiscal 2018, selling, general and administrative expenses increased by ¥11,813 million, or 4.4%, to ¥280,553 million from ¥268,740 million in fiscal 2017.

Labor costs of ¥159,981 million accounted for 57.0% of total selling, general and administrative expenses in fiscal 2018, an increase of ¥10,295 million, or 6.9%, from ¥149,686 million in fiscal 2017. Sales promotion and advertising costs of ¥44,835 million accounted for 16.0% of total selling, general and administrative expenses in fiscal 2018, an increase of ¥621 million, or 1.4%, from ¥44,214 million in fiscal 2017. Depreciation expense of ¥14,763 million accounted for 5.3% of total selling, general and administrative expenses in fiscal 2018, an increase of ¥1,786 million, or 13.8%, from ¥12,977 million in fiscal 2017.

As a result, profit from operations in fiscal 2018 decreased by ¥8,967 million, or 8.6%, to ¥95,575 million, compared with ¥104,542 million in fiscal 2017. The operating margin decreased by 1.2 percentage points to 6.1% in fiscal 2018, compared with 7.3% in fiscal 2017.

Interest and Dividend Income

Interest and dividend income in fiscal 2018 increased by ¥8,134 million, or 25.1%, to ¥40,498 million, compared with ¥32,364 million in fiscal 2017. This was due mainly to an increase in dividend income from KDDI Corporation.

Interest Expense

Interest expense in fiscal 2018 increased by ¥494 million, or 54.8%, to ¥1,395 million, compared with ¥901 million in fiscal 2017.

Foreign Currency Transaction

The average exchange rates for fiscal 2018 were ¥111 to the U.S. dollar, marking depreciation of ¥3 (2.8%), and ¥130 to the Euro, marking depreciation of ¥11 (9.2%), from fiscal 2017. The exchange rates at March 31, 2018 were ¥106 to the U.S. dollar, marking appreciation of ¥6 (5.4%), and ¥131 to the Euro, marking depreciation of ¥11 (9.2%), from March 31, 2017. Kyocera recorded foreign currency transaction losses of ¥827 million in fiscal 2018.

Kyocera typically enters into forward exchange contracts to reduce currency exchange risks on foreign currency denominated receivables and payables. Kyocera confines its use of forward exchange contracts for hedging its foreign exchange rate exposures, and does not utilize forward exchange contracts for trading purposes.

Gains and Losses from Investments

Gains on sales of securities in fiscal 2018 increased by ¥1,436 million, or 744.0%, to ¥1,629 million, compared with ¥193 million in fiscal 2017.

Income before Income Taxes

Income before income taxes in fiscal 2018 decreased by ¥5,983 million, or 4.3%, to ¥131,866 million compared with ¥137,849 million in fiscal 2017. Margin of income before income taxes against net sales decreased by 1.3 percentage points to 8.4% compared with 9.7% in fiscal 2017.

Operating profit in the Components Business in fiscal 2018 increased by ¥34,008 million, or 43.4%, to ¥112,318 million, compared with ¥78,310 million in fiscal 2017. The significant increase was caused by the increase in sales and cost reductions.

Operating profit in the Equipment & Systems Business for fiscal 2018 decreased by ¥46,761 million, compared with profit of ¥37,953 million posted in fiscal 2017 and operating loss of ¥8,808 million was posted. This was due mainly to the recording of a write-down relating to long-term purchase agreements for procurement of polysilicon material in the solar energy business, which was partly offset by significant increases in profits of the Document Solutions Group and the information and communications services business.

Due mainly to the impact of the yen's depreciation against the U.S. dollar and Euro, income before income taxes after translation into the yen in fiscal 2018 were pushed up by approximately ¥16 billion, compared with fiscal 2017.

For a detail of income before income taxes, please refer to "Business Overview by Reporting Segment" below.

Income Taxes

Current and deferred income taxes in fiscal 2018 increased by ¥18,439 million, or 64.8% to ¥46,881 million, of which the effective tax rate was 35.6%, compared with ¥28,442 million in fiscal 2017, of which the effective tax rate was 20.6%. This was due mainly to recording one-time tax expenses of ¥13,860 million in our U.S. subsidiaries such as AVX Corporation, caused by the tax reform in U.S.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests in fiscal 2018 decreased by ¥2,368 million, or 42.6%, to ¥3,196 million compared with ¥5,564 million in fiscal 2017. This was due mainly to a decrease in net income of AVX Corporation, for which there is a noncontrolling interest of approximate 30% in fiscal 2018.

Business Overview by Reporting Segment

The following table shows a breakdown of Kyocera's total consolidated net sales in fiscal 2017 and fiscal 2018 by the six reporting segments:

	Years ended March 31,				Increase (Decrease)	
	2017		2018		Amount	%
	Amount	%	Amount	%		
(Yen in millions)						
Industrial & Automotive Components						
Group	¥ 230,229	16.2	¥ 287,620	18.2	¥ 57,391	24.9
Semiconductor Components Group	245,727	17.3	257,237	16.3	11,510	4.7
Electronic Devices Group	240,798	16.9	305,145	19.4	64,347	26.7
Total Components Business	716,754	50.4	850,002	53.9	133,248	18.6
Communications Group	252,641	17.7	255,535	16.2	2,894	1.1
Document Solutions Group	324,012	22.8	371,058	23.5	47,046	14.5
Life & Environment Group	149,207	10.5	112,212	7.1	(36,995)	(24.8)
Total Equipment & Systems Business	725,860	51.0	738,805	46.8	12,945	1.8
Others	22,066	1.5	18,827	1.2	(3,239)	(14.7)
Adjustments and eliminations	(41,926)	(2.9)	(30,595)	(1.9)	11,331	—
Net sales	¥1,422,754	100.0	¥1,577,039	100.0	¥ 154,285	10.8

The following table shows a breakdown of Kyocera's total consolidated income before income taxes, and operating profit for fiscal 2017 and fiscal 2018 by the six reporting segments:

	Years ended March 31,				Increase (Decrease)	
	2017		2018		Amount	%
	Amount	%*	Amount	%*		
(Yen in millions)						
Industrial & Automotive Components						
Group	¥ 22,442	9.7	¥ 32,557	11.3	¥ 10,115	45.1
Semiconductor Components Group	25,310	10.3	32,476	12.6	7,166	28.3
Electronic Devices Group	30,558	12.7	47,285	15.5	16,727	54.7
Total Components Business	78,310	10.9	112,318	13.2	34,008	43.4
Communications Group	8,528	3.4	5,061	2.0	(3,467)	(40.7)
Document Solutions Group	28,080	8.7	41,141	11.1	13,061	46.5
Life & Environment Group	1,345	0.9	(55,010)	—	(56,355)	—
Total Equipment & Systems Business	37,953	5.2	(8,808)	—	(46,761)	—
Others	(1,759)	—	1,621	8.6	3,380	—
Operating profit	114,504	8.0	105,131	6.7	(9,373)	(8.2)
Corporate gains and equity in earnings of affiliates and an unconsolidated subsidiary	24,636	—	28,460	—	3,824	15.5
Adjustments and eliminations	(1,291)	—	(1,725)	—	(434)	—
Income before income taxes	¥ 137,849	9.7	¥ 131,866	8.4	¥ (5,983)	(4.3)

* % to net sales of each corresponding segment

Kyocera has changed the classification of its reporting segments from fiscal 2018. Business results for fiscal 2017 have been reclassified in line with the change to reporting segment classifications.

(1) Industrial & Automotive Components Group

Sales in the Industrial & Automotive Components Group for fiscal 2018 increased by ¥57,391 million, or 24.9%, to ¥287,620 million, compared with ¥230,229 million for fiscal 2017. Sales of industrial tools increased due to growing demand in automotive-related markets and merger and acquisition activities. Sales of automotive displays and fine ceramic parts also increased steadily. Sales in this reporting segment were buoyed by merger and acquisition activities, which increased sales by approximately ¥21 billion, and the yen's depreciation, which added approximately ¥8 billion.

Operating profit for fiscal 2018 increased by ¥10,115 million, or 45.1%, to ¥32,557 million, compared with ¥22,442 million for fiscal 2017. The operating profit ratio improved from 9.7% in fiscal 2017 to 11.3% in fiscal 2018. The significant increase in operating profit can be attributed to several factors, namely sales growth, enhanced profitability and improved profit margins due primarily to cost reductions, and the addition of approximately ¥1.5 billion owing to the yen's depreciation.

(2) Semiconductor Components Group

Sales in the Semiconductor Components Group for fiscal 2018 increased by ¥11,510 million, or 4.7%, to ¥257,237 million, compared with ¥245,727 million for fiscal 2017. This increase was due to an increase in sales of ceramic packages for smartphones and organic packages for automotive applications as well as the addition of approximately ¥5 billion owing to the yen's depreciation.

Operating profit increased by ¥7,166 million, or 28.3%, to ¥32,476 million, compared with ¥25,310 million for fiscal 2017. The operating profit ratio improved to 12.6% from 10.3% in fiscal 2017. The increase in profit was due to sales growth, enhanced profitability and improved profit margins owing mainly to cost reductions, and the addition of approximately ¥3 billion owing to the yen's depreciation.

(3) Electronic Devices Group

Sales in the Electronic Devices Group for fiscal 2018 increased by ¥64,347 million, or 26.7%, to ¥305,145 million, compared with ¥240,798 million for fiscal 2017. Sales of capacitors and crystal components increased due to the launch of new products and expansion of production capacity on the back of solid demand for smartphone parts. In addition, increased demand for printing devices for industrial equipment also contributed to this result. Sales in this reporting segment were buoyed by merger and acquisition activities at AVX Corporation, which increased sales by approximately ¥23 billion compared with fiscal 2017, as well as the addition of approximately ¥6 billion owing to the yen's depreciation.

Operating profit increased by ¥16,727 million, or 54.7%, to ¥47,285 million, compared with ¥30,558 million for fiscal 2017. The operating profit ratio improved to 15.5% from 12.7% in fiscal 2017. The significant increase in operating profit can be attributed to several factors, namely sales growth, the effect of new products, increased sales of highly profitable components, and enhanced profitability due mainly to cost reductions, coupled with the addition of approximately ¥2 billion owing to the yen's depreciation.

(4) Communications Group

Sales in the Communications Group for fiscal 2018 increased by ¥2,894 million, or 1.1%, to ¥255,535 million, compared with ¥252,641 million for fiscal 2017. Despite sales growth in the information and communications services business, primarily in the engineering business, sales decreased in the telecommunications equipment business due mainly to a decline in sales volume of mobile phones through a reduction of production ratio for low-end handsets for the U.S. market. Additionally, total sales volume of mobile phones in fiscal 2018 decreased by approximately 20% compared with fiscal 2017.

Operating profit decreased by ¥3,467 million, or 40.7%, to ¥5,061 million, compared with ¥8,528 million for fiscal 2017. Despite an increase in profit in the information and communications services business due to sales growth, operating profit was down due to the impact of lower sales in the telecommunications equipment business combined with a total increase of around ¥1 billion in depreciation and R&D expenses in this reporting segment.

(5) Document Solutions Group

Sales in the Document Solutions Group for fiscal 2018 increased by ¥47,046 million, or 14.5%, to ¥371,058 million, compared with ¥324,012 million for fiscal 2017. Sales volume increased by approximately 10% due to the introduction of new products and aggressive sales promotion activities. In addition, merger and acquisition activities conducted in the fiscal 2018 lifted sales by around ¥12 billion compared with fiscal 2017, while the yen's depreciation added approximately ¥19 billion to the total.

Operating profit increased by ¥13,061 million, or 46.5%, to ¥41,141 million, compared with ¥28,080 million for fiscal 2017. The operating profit ratio improved to 11.1% from 8.7% in fiscal 2017. The considerable increase in operating profit can be attributed to cost reductions and enhanced productivity coupled with the addition of approximately ¥10 billion owing to the yen's depreciation.

(6) Life & Environment Group

Sales in the Life & Environment Group for fiscal 2018 decreased by ¥36,995 million, or 24.8%, to ¥112,212 million, compared with ¥149,207 million for fiscal 2017. This decrease was due to the downsizing of the solar energy business in the United States and lower sales in the key solar energy market of Japan.

In addition to the impact of the decrease in sales in the solar energy business, operating loss of ¥55,010 million was recorded due primarily to a write-down relating to the long-term purchase agreements for the procurement of polysilicon material in the solar energy business.

As a result of a decline in the profitability of the solar energy business, the net realizable value of polysilicon material was less than the purchase price under the agreements and pursuant to the lower of cost or net realizable value approach, Kyocera recorded a write-down in an amount equivalent to the difference between net realizable value and purchase price. The total amount of the write-down was ¥50,165 million, including a write-down of future material purchase commitments and the current polysilicon materials already purchased pursuant to the agreements, and the write-down was included in "cost of sales" in Kyocera's consolidated income statements for fiscal 2018.

(7) Corporate gains and equity in earnings of affiliates and an unconsolidated subsidiary

Corporate gains and losses mainly constitute gains or losses related to financial assets and income related to management supporting service provided by Kyocera's head office to each reporting segment. Such income increased by ¥3,824 million, or 15.5%, to ¥28,460 million, compared with ¥24,636 million in fiscal 2017. This was due mainly to an increase in dividends received from KDDI Corporation, despite recording loss relating liquidation of a subsidiary.

Results of Operations

Fiscal 2017 compared with Fiscal 2016

The following table shows a summary of Kyocera's results of operations for fiscal 2016 and fiscal 2017:

	Years ended March 31,				Increase (Decrease)	
	2016		2017		Amount	%
	Amount	%	Amount	%		
	(Yen in millions)					
Net sales	¥1,479,627	100.0	¥1,422,754	100.0	¥(56,873)	(3.8)
Cost of sales	1,093,467	73.9	1,049,472	73.8	(43,995)	(4.0)
Gross profit	386,160	26.1	373,282	26.2	(12,878)	(3.3)
Selling, general and administrative expenses	279,361	18.9	268,740	18.9	(10,621)	(3.8)
Loss on impairment of goodwill	14,143	0.9	—	—	(14,143)	—
Profit from operations	92,656	6.3	104,542	7.3	11,886	12.8
Other income (expenses):						
Interest and dividend income	28,609	1.9	32,364	2.3	3,755	13.1
Interest expense	(1,814)	(0.1)	(901)	(0.0)	913	—
Foreign currency transaction gains, net	3,820	0.2	1,278	0.1	(2,542)	(66.5)
Gains on sales of securities, net	20,600	1.4	193	0.0	(20,407)	(99.1)
Other, net	1,712	0.1	373	0.0	(1,339)	(78.2)
Total other income (expenses)	52,927	3.5	33,307	2.4	(19,620)	(37.1)
Income before income taxes	145,583	9.8	137,849	9.7	(7,734)	(5.3)
Income taxes	31,392	2.1	28,442	2.0	(2,950)	(9.4)
Net income	114,191	7.7	109,407	7.7	(4,784)	(4.2)
Net income attributable to noncontrolling interests	(5,144)	(0.3)	(5,564)	(0.4)	(420)	—
Net income attributable to Kyocera Corporation's shareholders	¥ 109,047	7.4	¥ 103,843	7.3	¥ (5,204)	(4.8)

Net Sales

Net sales in fiscal 2017 decreased by ¥56,873 million, or 3.8%, to ¥1,422,754 million, compared with ¥1,479,627 million in fiscal 2016.

Net sales in the Components Business in fiscal 2017 increased by ¥12,526 million, or 1.8%, to ¥716,754 million, compared with ¥704,228 million in fiscal 2016. Net sales in the Industrial & Automotive Components Group and the Semiconductor Components Group increased compared with the fiscal 2016 supported by increases in automobile sales in Asia and investment in communications infrastructure.

Net sales in the Equipment & Systems Business in fiscal 2017 decreased by ¥70,132 million, or 8.8%, to ¥725,860 million, compared with ¥795,992 million in fiscal 2016. Net sales in the Communications Group decreased due to a decline in sales volume as a result of a revision in product strategy. And sales in the solar energy business decreased due primarily to market price erosion.

Due mainly to the impact of the yen's appreciation against the U.S. dollar and Euro, net sales after translation into the yen in fiscal 2017 were pushed down by approximately ¥94 billion, compared with fiscal 2016.

For details regarding net sales, please refer to page 41, "Business Overview by Reporting Segment."

Net Sales by Geographic Segment

(1) Japan

Sales in Japan in fiscal 2017 decreased by ¥9,003 million, or 1.5%, to ¥598,639 million, compared with ¥607,642 million in fiscal 2016. This was due mainly to a decline in sales in the Communications Group.

(2) Asia

Sales in Asia in fiscal 2017 decreased by ¥3,731 million, or 1.2%, to ¥304,013 million, compared with ¥307,744 million in fiscal 2016. This was due primarily to the declines in sales in the Industrial & Automotive Components Group and the Semiconductor Components Group, which were affected by the negative impact of the yen's appreciation.

(3) Europe

Sales in Europe in fiscal 2017 decreased by ¥18,027 million, or 7.1%, to ¥235,355 million, compared with ¥253,382 million in fiscal 2016. This was due mainly to a decline in sales in the Electronic Devices Group and the Document Solutions Group, which were affected by the negative impact of the yen's appreciation.

(4) United States of America

Sales in the United States of America in fiscal 2017 decreased by ¥21,235 million, or 8.5%, to ¥228,968 million, compared with ¥250,203 million in fiscal 2016. This was due mainly to the negative impact of the yen's appreciation as well as to a decline in sales in the solar energy business.

(5) Others

Sales in Others in fiscal 2017 decreased by ¥4,877 million, or 8.0%, to ¥55,779 million, compared with ¥60,656 million in fiscal 2016. This was due mainly to a decline in sales in the Semiconductor Components Group and the Document Solutions Group, which were affected by the negative impact of the yen's appreciation.

Cost of Sales and Gross Profit

In fiscal 2017, cost of sales decreased by ¥43,995 million, or 4.0%, to ¥1,049,472 million from ¥1,093,467 million in fiscal 2016.

Raw material costs of ¥404,075 million accounted for 38.5% of total cost of sales in fiscal 2017, which decreased by ¥46,579 million, or 10.3%, from ¥450,654 million in fiscal 2016. Labor costs of ¥218,991 million accounted for 20.9% of total cost of sales in fiscal 2017, which decreased by ¥320 million, or 0.1%, from ¥219,311 million in fiscal 2016. Depreciation expense of ¥56,015 million accounted for 5.3% of total cost of sales in fiscal 2017, which increased by ¥1,749 million, or 3.2%, from ¥54,266 million in fiscal 2016.

As a result, gross profit in fiscal 2017 decreased by ¥12,878 million, or 3.3%, to ¥373,282 million from ¥386,160 million in fiscal 2016. The gross profit ratio to net sales increased by 0.1 percentage points from 26.1% to 26.2%.

Selling, General & Administrative Expenses, Loss on Impairment of Goodwill and Profit from Operations

In fiscal 2017, selling, general and administrative expenses decreased by ¥10,621 million, or 3.8%, to ¥268,740 million from ¥279,361 million in fiscal 2016. The decrease was caused primarily by the recording of ¥4,575 million of patent litigation cost at AVX Corporation and an impairment loss on non-current assets in the amount of ¥3,814 million recognized in the liquid crystal displays business in fiscal 2016, despite the recording of gains on sales of property, plant and equipment, net in the amount of ¥12,039 million in fiscal 2016, and a decrease in miscellaneous expenses due to the effect of the yen's appreciation.

The ratio of selling, general and administrative expenses to net sales was 18.9% in fiscal 2017, as the same as it was in fiscal 2016.

Labor costs of ¥149,686 million accounted for 55.7% of total selling, general and administrative expenses in fiscal 2017, a decrease of ¥6,937 million, or 4.4%, from ¥156,623 million in fiscal 2016. Sales promotion and advertising costs of ¥44,214 million accounted for 16.5% of total selling, general and administrative expenses in fiscal 2017, a decrease of ¥2,420 million, or 5.2%, from ¥46,634 million in fiscal 2016. Depreciation expense of ¥12,977 million accounted for 4.8% of total selling, general and administrative expenses in fiscal 2017, a decrease of ¥618 million, or 4.5%, from ¥13,595 million in fiscal 2016.

In fiscal 2016, impairment loss on goodwill in the amount of ¥14,143 million was recognized in the liquid crystal displays business included in the Industrial & Automotive Components Group.

As a result, profit from operations in fiscal 2017 increased by ¥11,886 million, or 12.8%, to ¥104,542 million, compared with ¥92,656 million in fiscal 2016. The operating margin increased by 1.0 percentage points to 7.3% in fiscal 2017, compared with 6.3% in fiscal 2016.

Interest and Dividend Income

Interest and dividend income in fiscal 2017 increased by ¥3,755 million, or 13.1%, to ¥32,364 million, compared with ¥28,609 million in fiscal 2016. This was due mainly to an increase in dividend income from KDDI Corporation.

Interest Expense

Interest expense in fiscal 2017 decreased by ¥913 million, or 50.3%, to ¥901 million, compared with ¥1,814 million in fiscal 2016.

Foreign Currency Transaction

During fiscal 2017, the average exchange rate for the yen appreciated by ¥12, or 10.0%, against the U.S. dollar and appreciated by ¥14, or 10.5%, against the Euro, as compared with fiscal 2016. At March 31, 2017, the yen appreciated by ¥1, or 0.9%, against the U.S. dollar, and appreciated by ¥8, or 6.3%, against the Euro, as compared with March 31, 2016. Kyocera recorded foreign currency transaction gains of ¥1,278 million in fiscal 2017.

Kyocera typically enters into forward exchange contracts to reduce currency exchange risks on foreign currency denominated receivables and payables. Kyocera confines its use of forward exchange contracts for hedging its foreign exchange rate exposures, and does not utilize forward exchange contracts for trading purposes.

Gains and Losses from Investments

Gains on sales of securities in fiscal 2017 decreased by ¥20,407 million, or 99.1%, to ¥193 million, compared with ¥20,600 million in fiscal 2016. This was due mainly to the gain of ¥20,000 million on a sale of a part of shares issued by KDDI Corporation in fiscal 2016.

Income before Income Taxes

Income before income taxes in fiscal 2017 decreased by ¥7,734 million, or 5.3%, to ¥137,849 million compared with ¥145,583 million in fiscal 2016. Margin of income before income taxes against net sales decreased by 0.1 percentage points to 9.7% compared with 9.8% in fiscal 2016.

Despite an increase of profit from operations, income before income taxes decreased due primarily to the gain of ¥20,000 million from a sale of a part of shares issued by KDDI Corporation in fiscal 2016. Income before income taxes after translation into the yen for fiscal 2017 was pushed down by approximately ¥26 billion due to the impact of appreciation of the yen against the U.S. dollar and Euro compared with fiscal 2016.

Operating profit in the Components Business in fiscal 2017 decreased by ¥449 million, or 0.6%, to ¥78,310 million, compared with ¥78,759 million in fiscal 2016. Operating profit in the Equipment & Systems Business in fiscal 2017 increased by ¥7,825 million, or 26.0%, to ¥37,953 million, compared with ¥30,128 million in fiscal 2016.

For a detail of income before income taxes, please refer to “Business Overview by Reporting Segment” below.

Income Taxes

Current and deferred income taxes in fiscal 2017 decreased by ¥2,950 million, or 9.4% to ¥28,442 million, of which the effective tax rate was 20.6%, compared with ¥31,392 million, of which the effective tax rate was 21.6% in fiscal 2016. This was due mainly to the fact that income before income taxes decreased in fiscal 2017 compared with fiscal 2016.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests in fiscal 2017 increased by ¥420 million, or 8.2%, to ¥5,564 million compared with ¥5,144 million in fiscal 2016. This was due mainly to an increase in net income of AVX Corporation, for which there is a noncontrolling interest of approximate 30% in fiscal 2017.

Business Overview by Reporting Segment

The following table shows a breakdown of Kyocera’s total consolidated net sales in fiscal 2016 and fiscal 2017 by the six reporting segments:

	Years ended March 31,				Increase (Decrease)	
	2016		2017		Amount	%
	Amount	%	Amount	%		
	(Yen in millions)					
Industrial & Automotive Components Group	¥ 221,978	15.0	¥ 230,229	16.2	¥ 8,251	3.7
Semiconductor Components Group	236,265	16.0	245,727	17.3	9,462	4.0
Electronic Devices Group	245,985	16.6	240,798	16.9	(5,187)	(2.1)
Total Components Business	704,228	47.6	716,754	50.4	12,526	1.8
Communications Group	285,608	19.3	252,641	17.7	(32,967)	(11.5)
Document Solutions Group	336,308	22.7	324,012	22.8	(12,296)	(3.7)
Life & Environment Group	174,076	11.8	149,207	10.5	(24,869)	(14.3)
Total Equipment & Systems Business	795,992	53.8	725,860	51.0	(70,132)	(8.8)
Others	23,374	1.6	22,066	1.5	(1,308)	(5.6)
Adjustments and eliminations	(43,967)	(3.0)	(41,926)	(2.9)	2,041	—
Net sales	<u>¥1,479,627</u>	<u>100.0</u>	<u>¥1,422,754</u>	<u>100.0</u>	<u>¥(56,873)</u>	<u>(3.8)</u>

The following table shows a breakdown of Kyocera's total consolidated income before income taxes, and operating profit for fiscal 2016 and fiscal 2017 by the six reporting segments:

	Years ended March 31,				Increase (Decrease)	
	2016		2017		Amount	%
	Amount	%*	Amount	%*		
	(Yen in millions)					
Industrial & Automotive Components Group	¥ 3,684	1.7	¥ 22,442	9.7	¥ 18,758	509.2
Semiconductor Components Group	41,707	17.7	25,310	10.3	(16,397)	(39.3)
Electronic Devices Group	33,368	13.6	30,558	12.7	(2,810)	(8.4)
Total Components Business	78,759	11.2	78,310	10.9	(449)	(0.6)
Communications Group	3,065	1.1	8,528	3.4	5,463	178.2
Document Solutions Group	27,106	8.1	28,080	8.7	974	3.6
Life & Environment Group	(43)	—	1,345	0.9	1,388	—
Total Equipment & Systems Business	30,128	3.8	37,953	5.2	7,825	26.0
Others	(2,729)	—	(1,759)	—	970	—
Operating profit	106,158	7.2	114,504	8.0	8,346	7.9
Corporate gains and equity in earnings of affiliates and an unconsolidated subsidiary	39,534	—	24,636	—	(14,898)	(37.7)
Adjustments and eliminations	(109)	—	(1,291)	—	(1,182)	—
Income before income taxes	¥ 145,583	9.8	¥ 137,849	9.7	¥ (7,734)	(5.3)

* % to net sales of each corresponding segment

Kyocera has changed the classification of its reporting segments from fiscal 2018. Business results for fiscal 2016 and 2017 have been reclassified in line with the change to reporting segment classifications.

(1) Industrial & Automotive Components Group

Sales in the Industrial & Automotive Components Group with fiscal 2017 increased compared for fiscal 2016, due to an increase in sales of automotive components, automotive displays and industrial tools, despite the negative impact of yen's appreciation.

Operating profit for fiscal 2017 has increased compared with fiscal 2016, due mainly to the absence of impairment loss on goodwill in the amount of ¥14,143 million and non-current assets in the amount of ¥3,814 million in the display business recorded in fiscal 2016.

(2) Semiconductor Components Group

Sales in the Semiconductor Components Group for fiscal 2017 increased compared with fiscal 2016, due to an increase in sales of ceramic packages for optical communications and other applications, despite the negative impact of the yen's appreciation and sluggish demand for organic multilayer boards for communications infrastructure.

Operating profit for fiscal 2017 decreased compared with fiscal 2016 due to the absence of a gain on the sale of an asset in the amount of approximately ¥12 billion recorded in fiscal 2016, as well as to the negative impact of the yen's appreciation and a decline in profit from the organic materials business.

(3) Electronic Devices Group

Sales in Electronic Devices Group for fiscal 2017 decreased compared with fiscal 2016. The decrease in this reporting segment was due to a decline in sales for printing devices and connectors, and price erosion in

capacitors and other products, despite sales contribution of crystal components and display business. The yen's appreciation also pushed down the amount of sales in the Electronic Devices Group.

(4) Communications Group

Sales in the Communications Group for fiscal 2017 decreased compared with fiscal 2016. The decrease in sales in this reporting segment was due to a decline in sales volume of a reduction in the production ratio of low-end mobile phones for the overseas market, which was pursuant to Kyocera's product strategy to specialize in distinctive mobile phones with unique features, such as high durability.

On the other hand, operating profit for fiscal 2017 improved compared with fiscal 2016 due to the effect of the product strategy and the improvement in the cost of sales ratio as results of structural reforms such as consolidation of production sites.

(5) Document Solutions Group

Sales in the Document Solutions Group for fiscal 2017 decreased compared with fiscal 2016 due to the negative impact of the yen's appreciation, which was more than enough to offset solid sales volume for equipment supported by aggressive sales activities for new products.

Operating profit for fiscal 2017 increased compared with fiscal 2016 due to the effect of cost reduction and improvement in operating profit ratio through an increase in sales volume of new products, despite the negative impact of the yen's appreciation.

(6) Life & Environment Group

Sales in the Life & Environment Group for fiscal 2017 decreased compared with fiscal 2016 as a result of the decline in sales from the solar energy business due to a reduction in product prices worldwide and a decline in purchase price under the feed-in tariff system in Japan.

However, operating profit for fiscal 2017 increased compared with fiscal 2016, as results of structural reforms.

(7) Corporate gains and equity in earnings of affiliates and an unconsolidated subsidiary

Corporate gains and losses mainly constitute gains or losses related to financial assets and income related to management supporting service provided by Kyocera's head office to each reporting segment. Such income decreased by ¥14,898 million, or 37.7%, to ¥24,636 million, compared with ¥39,534 million in fiscal 2016. This was due mainly to the absence of the gain of ¥20,000 million on a sale of a part of shares issued by KDDI Corporation in fiscal 2016, despite an increase in dividends received from KDDI Corporation.

Critical Accounting Policies and Estimates

Kyocera's consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of consolidated financial statements and the reported amounts of revenues and expenses during the periods presented. Actual results may differ from these estimates, judgments and assumptions.

An accounting estimate in Kyocera's consolidated financial statements is a critical accounting estimate if it requires Kyocera to make assumptions about matters that are highly uncertain at the time the accounting estimate is made and if either different estimates that Kyocera reasonably could have used in the current period or changes in the accounting estimate that are reasonably likely to occur from period to period would have a material impact on the presentation of Kyocera's financial condition, changes in financial condition or results of operations. Kyocera has identified the following critical accounting policies.

Allowances for Doubtful Accounts

Kyocera maintains allowances for doubtful accounts related to trade notes receivables, trade accounts receivables and finance receivables for estimated losses resulting from customers' inability to make timely payments, including interest on finance receivables. Kyocera's estimates are based on various factors, including the length of past due payments, historical experience and current business environments. In circumstances where it is aware of a specific customer's inability to meet its financial obligations, a specific allowance against these amounts is provided considering the fair value of assets pledged by the customer as collateral.

Inventory Valuation

Kyocera estimates the amount of write-downs required to properly value inventory. Inventories aged over certain holding periods are considered to be slow-moving or obsolete, for which write-downs are accrued as well as valuation losses required to adjust recorded cost to its net realizable value. Kyocera also records inventory write-downs based on its projections of future demand, market conditions and related management's judgment even though the age of corresponding inventory is shorter than certain holding periods.

Kyocera recognized inventory write-downs of ¥9,215 million in fiscal 2017 and ¥28,721 million in fiscal 2018. The write-downs in fiscal 2018 included ¥19,280 million of the write-down of current polysilicon materials already purchased pursuant to the long-term purchase agreements in the solar energy business.

Kyocera also evaluated the future material purchase commitments under the agreements at the lower of cost and net realizable value, and recognized the write-down in the amount of ¥30,885 million in fiscal 2018.

For detailed information regarding the write-down, please refer to Note 5 in Kyocera's consolidated financial statements included in this annual report on Form 20-F.

Impairment of Securities and Investments

Kyocera records impairment charges for debt and equity securities when it believes that the decline in fair value is other-than-temporary. Kyocera regularly reviews each security and investment for impairment based on the extent to which the fair value is less than cost, the duration of the decline, the anticipated recoverability of fair value in the future and the financial conditions of the issuer. Poor operating results of the issuers of these securities or adverse changes in the market may cause impairment losses in future periods. The impairment losses are mainly recorded as corporate losses.

Kyocera recognized losses on impairment of debt and equity securities of ¥31 million and ¥873 million in fiscal 2017 and 2018.

Kyocera is currently a major shareholder of KDDI Corporation. The price fluctuation of the shares of KDDI Corporation may affect Kyocera's financial conditions. The unrealized gain on the shares of KDDI Corporation held by Kyocera at March 31, 2018 had decreased by ¥68,863 million, or 9.4%, to ¥667,420 million compared with ¥736,283 million at March 31, 2017, due to a fluctuation of the market price of the shares of KDDI Corporation. For detailed information on the gross unrealized gain or loss, see Note 3 to Kyocera's consolidated financial statements in this annual report on Form 20-F.

Impairment of Long-Lived Assets

Kyocera reviews its long-lived assets and intangible assets with definite useful lives for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Long-lived assets and intangible assets with definite useful lives are considered to be impaired when the expected undiscounted cash flows from the asset group is less than its carrying value. A loss on impairment is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived assets and intangible assets with definite useful lives.

Goodwill and Other Intangible Assets

Goodwill and intangible assets with indefinite useful lives, rather than being amortized, are tested for impairment at least annually, and also following any events and changes in circumstances that might lead to impairment. Intangible assets with definite useful lives are amortized straight line over their respective estimated useful lives to their estimated residual values, and reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Kyocera recognized an impairment loss on goodwill in the amount of ¥14,143 million which was included in loss on impairment of goodwill in the consolidated statement of income for fiscal 2016 in the liquid crystal displays business included in the Industrial & Automotive Components Group due to a decline in the fair value of its business based on its updated future estimated cash flows, reflecting the deterioration of the profitability.

For detailed information of these acquisitions, see Note 9 to Kyocera's consolidated financial statements in this annual report on Form 20-F.

Deferred Tax Assets

Kyocera records deferred tax assets with valuation allowances to adjust their carrying amounts when it believes that it is more likely than not that the assets will not be realized. The valuation of deferred tax assets principally depends on the estimation of future taxable income and feasible tax planning strategies. If future taxable income is lower than expected due to future market conditions or poor operating results, significant adjustments to deferred tax assets may be required. At March 31, 2018, deferred tax assets amounted to ¥111,585 million, which Kyocera considers will more likely than not be realized in the future. Kyocera considers the reasonableness of the recoverability of the deferred tax assets in the future, considering the comparison between the amounts of income from continuing operations before income taxes and income taxes in fiscal 2018.

Benefit Plans

The over-funded or under-funded status of defined benefit postretirement plans, which depends on projected benefit obligations and plan assets, are recognized as an asset or liability in our consolidated balance sheets and changes in that funded status are recognized through comprehensive income in the year in which the changes occur. Projected benefit obligations are determined on an actuarial basis and are significantly affected by the assumptions used in their calculation, such as the discount rates, the rate of increase in compensation levels and other assumptions. The expected long-term rate of return on plan assets is also used as an assumption.

Kyocera determines the discount rate by referencing the yield on high quality fixed income securities. The rate of increase in compensation levels is determined based mainly on results of operations and inflation. The expected return on plan assets is determined based on the rate of historical earnings and Kyocera's expectation of future performance of the funds in which plan assets are invested. Kyocera annually reviews the assumptions underlying its actuarial calculations, making adjustments based on current market conditions, if necessary.

If Kyocera is required to decrease its assumptions of the discount rate and the expected long-term rate of return on plan assets because of a stagnation of Japanese and global economies, projected benefit obligations and net periodic pension costs will be increased.

Sensitivity Analysis of Benefit Plans

The following table illustrates the effect of assumed changes in discount rates and the expected long-term rate of return on plan assets, while holding assuming all other assumptions consistent, for the benefit plan at Kyocera Corporation and its major domestic subsidiaries which accounts for a significant portion of Kyocera's projected benefit obligations and net periodic pension costs.

	Effect on projected benefit obligations as of March 31, 2018
	(Yen in millions)
Discount rates:	
0.1% decrease	¥ 2,329
0.1% increase	(2,296)
	Effect on income before income taxes for the year ending March 31, 2019
	(Yen in millions)
Discount rates:	
0.1% decrease	¥ 15
0.1% increase	(13)
Expected long-term rate of return on plan assets:	
0.1% decrease	(180)
0.1% increase	180

Contingencies

Kyocera is subject to various lawsuits and claims which arise in the ordinary course of business. Kyocera consults with legal counsel and assesses the likelihood of adverse outcomes of these contingencies. Kyocera records liabilities for these contingencies when the likelihood of an adverse outcome is probable and the amount can be reasonably estimated. In making these estimates, Kyocera considers the progress of the lawsuits, the situations of other companies that are subject to similar lawsuits and other relevant factors. The amounts of liabilities accrued are based on estimates and may be significantly affected by further developments or the resolution of these contingencies in the future.

Revenue Recognition

Kyocera generates revenue principally through the sale of the following markets: information and communications, industrial machinery, automotive-related and environment and energy. Kyocera's operations consisted of the following reporting segments: (1) Industrial & Automotive Components Group, (2) Semiconductor Components Group, (3) Electronic Devices Group, (4) Communications Group, (5) Document Solutions Group and (6) Life & Environment Group.

Kyocera recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred and title and risk of loss have been transferred to the customer or services have been rendered, the sales price is fixed or determinable and collectability is reasonably assured in accordance with ASC 605, "Revenue Recognition." Sales to customers in each of the above segments are based on the specific terms and conditions contained in basic contracts with customers and firm customer orders which detail the price, quantity and timing of the transfer of ownership (such as risk of loss and title) of the products.

For most customer orders, the transfer of ownership and revenue recognition occurs at the time of shipment of the products to the customer. For the remainder of customer orders, the transfer of ownership and revenue recognition occurs at the time of receipt of the products by the customer, with the exception of sales of printers and multifunctional products in the Document Solutions Group and solar power generating system related products in the Life & Environment Group for which sales are made to end users together with installation

services. The transfer of ownership and revenue recognition in these cases occur at the completion of installation and customer acceptance, as Kyocera have no further obligations under the contracts and all revenue recognition criteria under ASC 605, "Revenue Recognition," are met. When Kyocera provides a combination of products and services, the arrangement is evaluated under ASC 605-25, "Multiple-Element Arrangements."

In addition, in the Document Solutions Group, Kyocera may enter into sales contracts and lease agreements ranging from one to seven years directly with end users. Sales contracts and lease agreements may include installation services and have customer acceptance clauses. For sales and sales-type lease agreements, revenue is recognized at the completion of installation and customer acceptance which usually occurs on the same business day as delivery. For sales-type leases, unearned income (which represents interest) is amortized over the lease term using the effective interest method in accordance with ASC 840, "Leases."

For all sales in the above segments, product returns are only accepted if the products are determined to be defective. There are no price protections, stock rotation or returns provisions, except for certain programs in the Electronic Devices Group as noted below.

Sales Incentives

In the Electronic Devices Group, sales to independent electronic component distributors may be subject to various sale programs for which a provision for incentive programs is recorded as a reduction of revenue at the time of sale, as further described below in accordance with ASC 605-50, "Customer Payments and Incentives" and ASC 605-15, "Products."

(a) Distributor Stock Rotation Program

Stock rotation is a program whereby distributors are allowed to return for credit qualified inventory, semi-annually, equal to a certain percentage of the previous six months net sales. In accordance with ASC 605-15, "Products," an estimated sales allowance for stock rotation is recorded at the time of sale based on a percentage of distributor sales using historical trends, current pricing and volume information, other market specific information and input from sales, marketing and other key management personnel. These procedures require the exercise of significant judgments. Kyocera believes that these procedures enable Kyocera to make reliable estimates of future returns under the stock rotation program. Kyocera's actual results have historically approximated its estimates. When the products are returned and verified, the distributor is given credit against their accounts receivables.

(b) Distributor Ship-from-Stock and Debit Program

Ship-from-Stock and Debit (ship and debit) is a program designed to assist distributors in meeting competitive prices in the marketplace on sales to their end customers. Ship and debit programs require a request from the distributor for a pricing adjustment of a specific part for a sale to the distributor's end customers from the distributor's stock. Ship and debit authorizations may cover current and future distributor activity for a specific part for a sale to their customers. In accordance with ASC 605, "Revenue Recognition," at the time Kyocera records the sales to distributors, an allowance for the estimated future distributor activities related to such sales is provided since it is probable that such sales to distributors will result in ship and debit activities. In accordance with ASC 605-15, "Products," Kyocera records an estimated sales allowance based on sales during the period, credits issued to distributors, distributor inventory levels, historical trends, market conditions, pricing trends noted in direct sales activity with original equipment manufacturers and other customers, and input from sales, marketing and other key management personnel. These procedures require the exercise of significant judgments. Kyocera believes that these procedures enable Kyocera to make reliable estimates of future credits under the ship and debit program. Kyocera's actual results have historically approximated its estimates.

Sales Rebates

In the case of sales to distributors in the Industrial & Automotive Components Group and Document Solutions Group, Kyocera provides cash rebates when predetermined sales targets are achieved during a certain period. Provisions for sales rebates are recorded as a reduction of revenue at the time of revenue recognition based on the best estimate of forecasted sales to each distributor in accordance with ASC 605-50, "Customer Payments and Incentives."

Sales Returns

Kyocera records an estimated sales returns allowance at the time of sales based on historical return experience.

Products Warranty

For after-service costs to be paid during warranty periods, Kyocera accrues a product warranty liability for claims under warranties relating to the products that have been sold. Kyocera records an estimated product warranty liability based on its historical repair experience with consideration given to the expected level of future warranty costs.

In the Document Solutions Group, Kyocera provides a standard one year manufacturer's warranty on its products. For sales directly to end users, Kyocera offers extended warranty plans that may be purchased and that are renewable in one year incremental periods at the end of the warranty term. Service revenues are recognized over the term of the related service maintenance contracts in accordance with ASC 605-20, "Services."

Uncertainty in Income Taxes

Kyocera records liabilities for unrecognized tax benefits based on the premise of being subject to income tax examination by tax authorities, when it is more likely than not that tax benefits associated with tax positions will not be sustained. Actual results such as settlements with taxing authorities may differ from the recognition accounted for under ASC 740, "Income Taxes."

At March 31, 2018, gross unrecognized tax benefits amounted to ¥1,407 million. Kyocera does not anticipate the final resolution of procedures to have a material impact on the consolidated statements of income in the future.

Recently Adopted Accounting Standards

On April 1, 2017, Kyocera adopted Accounting Standards Update ("ASU") No. 2016-07, "Investments—Simplifying the Transition to the Equity Method of Accounting." The accounting standard eliminates the requirement to retroactively adopt the equity method of accounting when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence. The adoption of this accounting standard did not have a material impact on Kyocera's consolidated results of operations, financial condition and cash flows.

New standards and interpretations not yet adopted

Kyocera plans to voluntary adoption of IFRS to its consolidated financial statements in place of the current U.S. GAAP from the fiscal year ending March 31, 2019. As of March 31, 2018, the following list is newly established or amended IFRS standards and interpretations that are mandatory adopted by Kyocera from the fiscal year ending March 31, 2019 and 2020.

<u>IFRS</u>		<u>Mandatory adoption (From the year beginning)</u>	<u>To be adopted by Kyocera</u>	<u>Outline of the new / revised standards</u>
IFRS 9	Financial Instruments	January 1, 2018	From the fiscal year ending March 31, 2019	Revised accounting standard for financial instruments
IFRS 15	Revenue from contracts with customers	January 1, 2018	From the fiscal year ending March 31, 2019	Revised accounting standard for revenue recognition
IFRS 16	Leases	January 1, 2019	From the fiscal year ending March 31, 2020	Revised accounting standard for leases

Kyocera is currently assessing the possible impacts that these applications will have on Kyocera's consolidated financial statements.

B. Liquidity and Capital Resources

Capital Resources

Kyocera's net cash provided by operating activities in fiscal 2018 was ¥158,953 million, and cash and cash equivalents at March 31, 2018 were ¥424,938 million. In addition, Kyocera also held significant amount of highly-liquid financial assets. Based on those facts, Kyocera does not expect to face any liquidity issue in the foreseeable future. In the short term, Kyocera expects cash demands for funds for capital expenditures, R&D activities and payments of dividends to shareholders in addition to working capital of operational activities. Kyocera's primary source of short-term liquidity is cash generated by operations. Certain subsidiaries also generate capital in the form of loans from financial institutions. At March 31, 2018, Kyocera's short-term borrowings and long-term debt including current portion totaled ¥29,675 million. The ratio to total assets of 0.9% continues to reflect a low level of dependence. Most borrowings were denominated in the Euro and certain borrowings were denominated in other currencies. Details of these borrowings are described in "Tabular Disclosure of Contractual Obligations," which also includes the information regarding obligations for the acquisition or construction of property, plant and equipment.

Capital expenditures in fiscal 2018 increased by ¥18,738 million, or 27.6%, to ¥86,519 million, compared with ¥67,781 million in fiscal 2017. In fiscal 2018, capital expenditures in the Industrial & Automotive Components Group and the Electronic Devices Group increased due mainly to capital expenditures in the products for the industrial machinery and to expand its production capacity compared with fiscal 2017. R&D expenses in fiscal 2018 increased by ¥2,862 million, or 5.2%, to ¥58,273 million, compared with ¥55,411 million in fiscal 2017. Almost all capital and R&D expenditures were funded by using cash at hand.

During fiscal 2019, Kyocera expects total capital expenditures to be approximately ¥110,000 million and R&D expenses to be approximately ¥70,000 million. Kyocera expects that total capital expenditures will increase due mainly to capital expenditures in the products for the industrial machinery and to expand its production capacity. Kyocera also expects that R&D expenses will increase compared with fiscal 2018. Kyocera will promote R&D activities of new products and technologies in order to expand the business. Nearly all capital and R&D expenditures will be funded by using cash on hand. Kyocera intends to increase the proportion of capital and

R&D expenditures to sales in fiscal 2019 as compared with fiscal 2018. Kyocera believes that it needs to invest its resources continuously in the development of new business areas and enhancement of technology in order to create new products and commercialize advanced technologies, and thereby secure future earnings streams.

During fiscal 2018, Kyocera made several acquisitions of businesses to develop existing businesses and to advance into new businesses. The total acquisition costs in fiscal 2018, net cash acquired, were ¥75,322 million and were all funded by using cash in hand.

Kyocera contributed ¥12,321 million to its benefit pension plans in fiscal 2018 and Kyocera expects to contribute ¥12,025 million to its benefit pension plans in fiscal 2019. At March 31, 2018, Kyocera's funded status of its benefit pension plans ensured the sources of funds sufficient to cover the pension benefits paid to participants and beneficiaries, and large amounts of additional contributions are not considered to be necessary. Kyocera expects contributions to pension plan assets will be made by using cash on hand.

In fiscal 2018, Kyocera Corporation paid cash dividends totaling ¥44,125 million, at ¥120 per share. Kyocera Corporation received approval at the general meeting of shareholders held on June 26, 2018 for the payment of year-end dividends totaling ¥22,062 million, or ¥60 per share, on June 27, 2018 to all shareholders of record on March 31, 2018.

At March 31, 2018, Kyocera's working capital totaled ¥1,056,630 million, a decrease of ¥17,406 million, or 1.6%, compared with ¥1,074,036 million at March 31, 2017. This was mainly due to an increase in trade payables. Our working capital requirements, capital expenditures, debt repayments and other obligations were funded by using cash on hand.

Undistributed earnings of foreign subsidiaries which are intended to be reinvested indefinitely amounted to ¥311,877 million as of March 31, 2018. Accordingly, cash and cash equivalents and investments in securities amounts held by Kyocera's foreign subsidiaries, totaling ¥245,622 million as of March 31, 2018, are not intended to be used as dividend distributions to Kyocera for use in Japan at present. Kyocera currently believes it does not need the cash and investments held by its foreign subsidiaries to be repatriated back to Japan at least in fiscal 2019 as it has adequate liquidity within Japan to support its Japanese operations.

Kyocera believes cash on hand will be sufficient to fund all cash requirements outlined above during fiscal 2019. Consequently, Kyocera does not currently intend to use any other external financing sources that might affect its credit agency ratings. If cash generated by operations are insufficient for funding purposes, Kyocera retains other financing options, including external sources, such as short-term borrowings or long-term debts, as well as financing directly in the capital markets through issuances of debt or equity securities. As evidenced by equity to assets ratio of 74.0% at March 31, 2018, Kyocera maintains a strong financial position, which leads Kyocera to believe that any capital requirements could be secured from external sources at a relatively low cost. Kyocera also maintains good business relationships with several major financial institutions.

Any future significant deterioration in market demand for Kyocera's products, or a slump in product prices to levels substantially below those projected by Kyocera, could adversely affect Kyocera's operating results and financial condition, possibly resulting in reduced liquidity.

Cash flows

Fiscal 2018 compared with Fiscal 2017

The following table shows a summary of Kyocera's cash flows for fiscal 2017 and fiscal 2018:

	Years ended March 31,		Increase (Decrease) Amount
	2017	2018	
	Amount	Amount	
(Yen in millions)			
Cash flows from operating activities	¥ 164,231	¥ 158,953	¥ (5,278)
Cash flows from investing activities	(112,089)	(53,128)	58,961
Cash flows from financing activities	(47,972)	(51,620)	(3,648)
Effect of exchange rate changes on cash and cash equivalents	(1,995)	(5,462)	(3,467)
Net increase in cash and cash equivalents	2,175	48,743	46,568
Cash and cash equivalents at beginning of year	374,020	376,195	2,175
Cash and cash equivalents at end of year	¥ 376,195	¥ 424,938	¥48,743

Net cash provided by operating activities for fiscal 2018 decreased by ¥5,278 million, or 3.2%, to ¥158,953 million from ¥164,231 million for fiscal 2017. This was due mainly to a decrease in net income, which exceeded cash flow adjustments related to an increase in accrued income taxes.

Net cash used in investing activities for fiscal 2018 decreased by ¥58,961 million, or 52.6%, to ¥53,128 million from ¥112,089 million for fiscal 2017. This was due mainly to a decrease in purchases of held-to-maturity securities, which was partly offset by an increase in payments for acquisitions of businesses.

Net cash used in financing activities for fiscal 2018 increased by ¥3,648 million, or 7.6%, to ¥51,620 million from ¥47,972 million for fiscal 2017. This was due mainly to an increase in dividends paid.

A decrease in cash and cash equivalents due to the effect of exchange rate changes of ¥5,462 million for fiscal 2018 was caused mainly by the yen's appreciation against the U.S. dollar between March 31, 2017 and March 31, 2018.

Cash and cash equivalents at March 31, 2018 totaled ¥424,938 million, an increase of ¥48,743 million, or 13.0%, from ¥376,195 million at March 31, 2017. Most of Kyocera's cash and cash equivalents were denominated in the yen but certain cash and cash equivalents, mainly in overseas subsidiaries, were denominated in foreign currencies, such as the U.S. dollar.

Fiscal 2017 compared with Fiscal 2016

The following table shows a summary of Kyocera's cash flows for fiscal 2016 and fiscal 2017:

	Years ended March 31,		Increase (Decrease) Amount
	2016	2017	
	Amount	Amount	
(Yen in millions)			
Cash flows from operating activities	¥ 194,040	¥ 164,231	¥(29,809)
Cash flows from investing activities	(106,809)	(112,089)	(5,280)
Cash flows from financing activities	(50,608)	(47,972)	2,636
Effect of exchange rate changes on cash and cash equivalents	(13,966)	(1,995)	11,971
Net increase in cash and cash equivalents	22,657	2,175	(20,482)
Cash and cash equivalents at beginning of year	351,363	374,020	22,657
Cash and cash equivalents at end of year	¥ 374,020	¥ 376,195	¥ 2,175

Net cash provided by operating activities for fiscal 2017 decreased by ¥29,809 million, or 15.4%, to ¥164,231 million from ¥194,040 million for fiscal 2016. This was mainly because receivables, which decreased for fiscal 2016, increased for fiscal 2017.

Net cash used in investing activities for fiscal 2017 increased by ¥5,280 million, or 4.9%, to ¥112,089 million from ¥106,809 million for fiscal 2016. This was due mainly to decreases in proceeds from sales of available-for-sale securities and sales of property, plant and equipment.

Net cash used in financing activities for fiscal 2017 decreased by ¥2,636 million, or 5.2%, to ¥47,972 million from ¥50,608 million for fiscal 2016. This was due mainly to a decrease in year-end dividends paid.

A decrease in cash and cash equivalents due to the effect of exchange rate changes of ¥1,995 million for fiscal 2017 was caused mainly by the yen's appreciation against the Euro and the U.S. dollar between March 31, 2016 and March 31, 2017.

Cash and cash equivalents at March 31, 2017 totaled ¥376,195 million, an increase of ¥2,175 million, or 0.6%, from ¥374,020 million at March 31, 2016. Most of Kyocera's cash and cash equivalents were denominated in the yen but certain cash and cash equivalents, mainly in overseas subsidiaries, were denominated in foreign currencies, such as the U.S. dollar.

Assets, Liabilities and Equity

Kyocera's total assets at March 31, 2018 increased by ¥46,607 million, or 1.5%, to ¥3,157,077 million, compared with ¥3,110,470 million at March 31, 2017.

Cash and cash equivalents increased by ¥48,743 million, or 13.0%, to ¥424,938 million, due mainly to withdrawal of certificate deposits, redemption from maturities of held-to-maturity investments and increases from net cash gained by operating activities.

Short-term investments in debt securities decreased by ¥46,680 million, or 55.1%, to ¥38,023 million, due mainly to redemption from maturities of held-to-maturity investments.

Other short-term investments decreased by ¥53,889 million, or 25.3%, to ¥158,779 million, due mainly to withdrawal of time deposits.

Trade accounts receivables increased by ¥40,085 million, or 13.8%, to ¥331,570 million, due mainly to the effect of M&As in fiscal 2018 and increase in sales for the three months ended March, 2018 compared with the three months ended March, 2017.

Inventories increased by ¥33,720 million, or 10.2%, to ¥364,875 million due mainly to the effect of M&As in fiscal 2018 as well as increases in demand, despite recording of a write-down in the amount of ¥19,280 million relating to the current polysilicon material already purchased pursuant to long-term purchase agreements.

Long-term investments in debt and equity securities decreased by ¥80,219 million, or 7.1%, to ¥1,050,537 million, due mainly to declines in market value of shares of KDDI Corporation and other equity securities at March 31, 2018 compared with March 31, 2017.

Total property, plant and equipment at cost, net of accumulated depreciation, at March 31, 2018 increased by ¥34,320 million, or 12.9%, to ¥300,924 million compared with March 31, 2017. Capital expenditure was ¥86,519 million and depreciation was ¥70,137 million in fiscal 2018.

Goodwill increased by ¥33,798 million, or 30.6%, to ¥144,268 million, and intangible assets increased by ¥18,951 million, or 30.9%, to ¥80,186 million, due mainly to the effect of M&As in fiscal 2018.

Kyocera's total liabilities at March 31, 2018 increased by ¥41,010 million, or 5.9%, to ¥732,571 million, compared with ¥691,561 million at March 31, 2017.

Trade notes and accounts payable increased by ¥20,274 million, or 15.7%, to ¥149,734 million, due mainly to the effect of M&As in fiscal 2018 and increase in purchases in line with an increase in sales compared with March 31, 2017.

Other current liabilities increased by ¥18,760 million, or 51.7%, to ¥55,017 million, due mainly to the provision of a reserve of ¥18,340 million relating to long-term purchase agreements for procurement of polysilicon material in the solar energy business.

Deferred tax liabilities decreased by ¥35,329 million, or 13.6%, to ¥223,530 million, due mainly to decreases in market value of shares of KDDI Corporation and other equity securities at March 31, 2018 compared with March 31, 2017.

Other non-current liabilities increased by ¥20,183 million, or 101.4%, to ¥40,095 million, due mainly to the provision of a reserve of ¥12,545 million relating to long-term purchase agreements for procurement of polysilicon material in the solar energy business and accounting for taxation on overseas retained earnings due to incurred by subsidiaries such as our U.S. subsidiary AVX Corporation.

Total equity at March 31, 2018 increased by ¥5,597 million, or 0.2%, to ¥2,424,506 million, compared with ¥2,418,909 million at March 31, 2017.

Retained earnings at March 31, 2018 increased by ¥37,664 million, or 2.3%, to ¥1,675,780 million, compared with ¥1,638,116 million at March 31, 2017 due to net income attributable to Kyocera Corporation's shareholders for fiscal 2018 of ¥81,789 million offset in cash dividend payments of ¥44,125 million.

Accumulated other comprehensive income decreased by ¥35,499 million, or 7.9%, to ¥411,980 million. Net unrealized gains on securities decreased by ¥40,091 million, or 8.0%, due to decreases in market values of the shares of KDDI Corporation and other equity securities at March 31, 2018 compared with March 31, 2017. Foreign currency translation adjustments decreased by ¥1,551 million to ¥(17,911) million, due mainly to the effect of the yen's appreciation.

Kyocera Corporation's shareholders' equity ratio at March 31, 2018 was 74.0%, decreased by 1.1 percentage points compared with 75.1% at March 31, 2017.

Noncontrolling interests in subsidiaries increased by ¥3,570 million, or 4.2%, to ¥88,260 million, due mainly to the acquisition of Ryobi Limited's power tool business, compared with ¥84,690 million at March 31, 2017.

C. Research and Development, Patents and Licenses, etc.

Kyocera seeks to create businesses that will become core to the group in the future by developing new technologies and products in each business and integrating group-wide management resources. In particular, we are focusing on R&D of new high-value-added technologies and products in the information and communications market, the automotive-related markets, the environment and energy market and the medical and healthcare market, where there is high growth potential.

Kyocera is strengthening the development of new products that leverage communications technology and of other technologies with the aim of taking advantage of all new business opportunities in respective fields alongside the proliferation of the IoT. In addition, we are working to strengthen R&D toward the greater use of AI (Artificial intelligence) and robots that contribute to enhanced productivity, among other benefits.

An outline of R&D activities in the reporting segments follows.

(1) Industrial & Automotive Components Group

In this reporting segment, Kyocera is engaged in the R&D of various products and systems mainly for the industrial machinery and automotive-related markets.

Kyocera is engaged in fundamental research to further enhance our fine ceramic materials technology, processing technology and design technology that we have accumulated since our earliest days. We are working to develop new products in a wide range of markets by leveraging these core technologies. In addition, we are working on the development of components and materials for next-generation equipment, which is characterized by advanced integration that includes micro wiring and 3D structures, for the buoyant semiconductor processing equipment market. We also actively utilize external resources, which includes starting development of nitride ceramics boasting exceptional heat conductivity and mechanical properties enabling use in higher temperatures, in conjunction with an outside company.

Further, we are working to enhance the efficiency of cell stacks for SOFC (Solid Oxide Fuel Cell) systems for residential use where there are expectations for proliferation as new clean energy supply systems in the environment and energy market, by leveraging fine ceramics technology. We are also strengthening the development of an SOFC system for industrial use and parts for various next-generation high-efficiency devices.

In automotive-related markets, business opportunity is expected to increase along with the progress in areas such as ADAS (Advanced Driving Assistant System). We are developing high-value-added products for this market. This includes strengthening development of software aimed at achieving more sophisticated image recognition technology for automotive camera systems.

We are also developing TFT liquid crystal displays, differentiated particularly with ultra-low-power-consumption products and high-permeability products, as well as products that apply TFT deposition technology, for various industrial markets in addition to automotive-related markets.

In industrial tools, we are working to expand business domain to the industrial machinery and construction markets in addition to automotive-related markets, and our products are used for metallic processing in a wide array of markets such as the automotive, energy and infrastructure, and aircraft business fields. Kyocera is strengthening the development of high-quality and high-precision cutting tools from the materials technology stage that contribute to increased productivity for users as well as developing new products in power and pneumatic tools with increased product appeal by leveraging various technologies held within the Kyocera Group.

(2) Semiconductor Components Group

In the digital consumer equipment market, which is typified by smartphones and tablet terminals, needs are growing for equipment that is more sophisticated as well as smaller and thinner. In line with this, electronic components used in such equipment are getting smaller while semiconductors are becoming more refined.

In the information and communications network market, there is demand for the creation of fast, large-capacity communications infrastructure partly spurred by progress in the IoT. In the automotive market, there is a need to further respond to advancements in electrifications and lower power consumption. Demand for various sensors is also increasing, for use in these core markets. In order to respond to these market trends and expand the business, Kyocera is working to develop new high-value-added products that leverage our own unique material, design and processing technologies.

In the ceramic package business, we are working on the development of high-strength, high-rigidity, ultra-small and thin ceramic packages for electronic devices that employ micro wiring as well as ceramic packages for

optical communications that are capable of even higher frequency and ceramic packages for LEDs boasting thermal dissipation and exceptional durability.

In the organic multilayer package business, we are strengthening the development of fine-pitch, thin, highly precise flip-chip packages and module substrates capable of high-speed signal and high bandwidth memory. In addition, we are working on the development of products that employ new materials that respond to high frequency in the organic multilayer board business.

In the chemical business, which supports these businesses through material technology, we are working on the synthesis of new materials and strengthening the development of new material compounding technologies to meet needs for enhanced functionality for information and communications market and automotive-related markets in addition to improving electrical properties such as insulating reliability. This functionality includes thermal hardening, photo-reactivity, and shape and stress stability.

(3) Electronic Devices Group

Along with the increasing demand for device sophistication and the shift to multi-bands for communications terminals such as smartphones, it is necessary to make components smaller and more reliable for those terminals.

To meet these market needs, Kyocera is developing such products as small, high-capacitance ceramic capacitors with enhanced reliability relative to temperature and humidity, as well as small, low-loss and highly reliable SAW devices, small, high-performance crystal components, fine-pitch, low-profile connectors enabling high-speed transmission, and high-efficiency antennas.

In the automotive and industrial equipment markets, we are developing ceramic capacitors and connectors with enhanced high-temperature reliability and pressure resistance, power semiconductors including discrete products and power modules, and various control devices.

In addition to further enhancing the properties of each component, we are pushing ahead with the development of high-value-added modules that combine various components.

Additionally, in inkjet printheads mainly for the commercial printing market, we are working on the development of products with enhanced durability on top of enabling higher speed and higher image quality required in digital printing.

Further, we are developing products that apply piezoelectric and other technologies for the medical and healthcare market, which includes digital healthcare.

(4) Communications Group

In the mobile phone business, Kyocera is strengthening the development of communications terminals with exceptional waterproof, dust prevention and shock-resistant features. We are also working to shorten development time of such distinctive terminals by promoting the standardization of platforms and modules for terminals.

In the information and communication services business, we are actively working on the development of products that support the proliferation of the IoT. We are striving to develop platforms and security-related software related to the collection, management and use of data taken from diverse terminals and networks in line with increasingly complex and sophisticated customer needs alongside use of the IoT. We are also strengthening the development of platforms and software that leverage deep learning for services that utilize AI (Artificial Intelligence) in image and text analysis as use of AI grows in corporate and other business fields.

In addition, we are strengthening the development of communications modules (M2M modules) for telematics as well as the IoT market, which includes LPWA (Low Power Wide Area) technology enabling wireless communications over a wide area yet with low power consumption, through the integration of Kyocera's component, terminal and system technology. We are also vigorously pushing ahead with development to expand and boost the convenience of wireless network systems through LPWA technology, efforts that include tie-ups with outside organizations.

(5) Document Solutions Group

Kyocera is developing printers and MFPs that have exceptional environmental performance and economic efficiency, which are key features of Kyocera, in order to ensure differentiation from competitors. In terms of equipment, we are focusing on the development of printers and MFPs with long life and minimal waste and are working to provide products that feature reduced running costs and excellent environmental friendliness by minimizing consumable components that lead to waste. We also continue to work on improving toner in the pursuit of high image quality and more energy savings in an effort to increase added value.

In terms of document solution services, we are pushing ahead with the development of products including application software that contributes to information sharing and business efficiency by connecting with mobile equipment, the cloud environment and document management systems owned by customers. By way of merger and acquisition activity, we are also strengthening our ECM (Enterprise Contents Management) business that computerizes a company's data so that it can be managed and run in a more comprehensive and efficient manner together with document BPO (Business Process Outsourcing) business, an outsourcing service for document-related operations. We are striving to develop new services by integrating these acquired businesses with existing businesses.

(6) Life & Environment Group

In the solar energy business, we are working to improve product performance and quality as well as enhance the degree of freedom in installation, which includes efforts to enhance the conversion efficiency of monocrystalline and multicrystalline silicon solar cells, boost the output and durability of modules, and develop products that enable installation on roofs, the surface of the water and agricultural land of varying shapes and sizes, for instance.

We are also focusing on the development of efficient energy management systems that enable the use of power generated from solar power systems as well as peripheral solar energy equipment and systems, which includes increasing the capacity and decreasing the size of battery storage systems, amid changing needs in power usage from bought power to self-consumption. We are also strengthening development aimed at expanding our business into the total energy solution field by pushing ahead with the development of technology for the purpose of increasing business in the demand response and virtual power plant markets in line with the deregulation of electric power.

In the medical equipment business, we mainly deal with prosthetic joints and dental implants, and are actively developing products that reduce burden on the user based on fine ceramics, which boast exceptional biocompatibility. Specifically, we are working on the development of surface treatment technology realizing long life by minimizing wear to the prosthetic joints, as well as products with enhanced antibacterial properties, in collaboration with external institutions.

The following table shows a break down of Kyocera's total R&D expenses in fiscal 2016, 2017 and 2018 by the six reporting segments:

	Years ended March 31,			Increase (Decrease)
	2016	2017	2018	
	Amount	Amount	Amount	%
	(Yen in millions)			
Industrial & Automotive Components Group	¥ 9,416	¥10,728	¥10,571	(1.5)
Semiconductor Components Group	3,557	3,743	3,550	(5.2)
Electronic Devices Group	9,015	9,297	10,898	17.2
Total Components Business	21,988	23,768	25,019	5.3
Communications Group	4,289	2,953	3,849	30.3
Document Solutions Group	24,021	21,674	22,259	2.7
Life & Environment Group	3,923	3,157	4,268	35.2
Total Equipment & Systems Business	32,233	27,784	30,376	9.3
Others	4,534	3,859	2,878	(25.4)
R&D expenses	¥58,755	¥55,411	¥58,273	5.2
% to net sales	4.0%	3.9%	3.7%	

Note: Kyocera has changed the classification of its reporting segments from fiscal 2018. R&D expenses for fiscal 2016 and for fiscal 2017 have been reclassified in line with the change to reporting segment classifications.

We have a variety of patents in Japan and other countries, and we hold licenses for the use of patents from others. Details are set forth in “Patents and Licenses” included in Item 4.B. “Business Overview” in this annual report on Form 20-F.

D. Trend Information

Kyocera is working to expand sales in the four key markets of “information and communications,” “automotive-related,” “environment and energy” and “medical and healthcare” with the aim of generating further growth.

In the information and communications market, there was solid demand for components embedded in smartphones in the context of device proliferation and increased sophistication. Despite a softening in growth rate in the smartphone market, there is expected to be ongoing need in the 2018 calendar year for smaller and more sophisticated components for smartphones alongside the enhanced performance of these devices. As a result of these trends, we project an increase in sales of Kyocera's high-value-added components in the next fiscal year as well. In addition, we expect an increase in business opportunities for Kyocera's components, systems and services for various communications infrastructure that includes optical communications and LPWA (Low Power Wide Area) on the back of a forecast increase in wireless communication needs such as for higher speeds following proliferation and expansion of the IoT.

In automotive-related markets, automobile sales volume in the 2018 calendar year is projected to be solid due to growing needs for automated driving, safety and enhanced environmental performance. In line with this, we forecast continued growth in demand for our camera modules, displays, communication modules, electronic components and parts for LED headlights.

Kyocera's main products in the environment and energy market are solar cells and modules. The core Japanese market is projected to slump due to the impact of a decline in purchase price in the feed-in tariff system. In contrast, demand is increasing for power storage batteries and EMS in the context of movement toward self-consumption of electricity, and as such, we are forecasting an increase in demand for the equipment that Kyocera handles. Overseas, demand is expected to increase in the Thai market for solar power generation systems on the back of measures to encourage investment aimed at reducing environmental burden.

Kyocera is developing an actual SOFC system in addition to the system's core components following expectations of proliferation and expansion as new clean energy supply systems. Kyocera projects demand to increase for these growth-potential products over the medium term.

In addition, we are witnessing a trend to build ADR (Automated Demand Response) systems enabling the efficient use of energy, particularly renewable energy, and we forecast needs in this field to grow going forward.

Kyocera's main products in the medical and healthcare market are prosthetic joints. We command the top market share in the market for prosthetic joints in Japan among Japanese manufacturers and have gained a high degree of trust from medical personnel. Going forward, we will strive to expand business in overseas markets with large market volume. We will also continue striving to increase sales of dental implants and other products. Moreover, Kyocera participates in projects related to regenerative medicine based on collaboration with external organizations and is working to create new businesses for the future in such fields as digital healthcare.

E. Off-Balance Sheet Arrangements

Refer to Note 13 in Kyocera's consolidated financial statements included in this annual report on Form 20-F.

As a part of our ongoing business, we have no unconsolidated special purpose financing or partnership entities that are likely to create material contingent obligations.

F. Tabular Disclosure of Contractual Obligations

The following table provides information about Kyocera's contractual obligations and other commercial commitments that will affect Kyocera's liquidity for the next several years, as of March 31, 2018. Kyocera anticipates that the funds required to fulfill these debt obligations and commitments will be cash at hand.

Contractual obligations	Less than 1 year	2-3 years	4-5 years	Thereafter	Total
	(Yen in millions)				
Short-term borrowings	¥ 145	¥ —	¥ —	¥ —	¥ 145
Interest payments for short-term borrowings*	12	—	—	—	12
Long-term debt (including due within one year)	9,293	14,927	4,963	347	29,530
Interest payments for long-term debt*	966	905	183	7	2,061
Long-term purchase agreements for the supply of raw material**	60,100	54,305	—	—	114,405
Operating leases	6,753	7,851	3,140	2,981	20,725
Obligations for the acquisition or construction of property, plant and equipment	34,524	200	7	—	34,731
Total contractual obligations	¥111,793	¥78,188	¥8,293	¥3,335	¥201,609

* For Kyocera's variable interest rate of borrowings and debt, Kyocera utilized the rates in effect as of March 31, 2018 when estimating schedule of interest payments.

** Kyocera recorded a write-down relating to the long-term purchase agreements for the procurement of polysilicon material in the solar energy business in fiscal 2018. For detailed information regarding the write-down, please refer to Note 5 in Kyocera's consolidated financial statements included in this annual report on Form 20-F.

In addition to contractual obligations shown in the above tables, Kyocera forecasts to contribute ¥12,025 million to its defined benefit pension plans in fiscal 2019. Kyocera recorded liabilities of ¥1,407 million for gross unrecognized tax benefits in accordance with FASB's ASC 740, "Income Taxes" at March 31, 2018, which are not included in the above table because we are unable to make reasonable estimates of the period of settlements. For detailed information, see Note 15 to Kyocera's consolidated financial statements in this annual report on Form 20-F.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Kyocera believes that its current management system enables faster decision-making across the board through the use of a top management system comprising the chairman and the president. With this setup, the chairman takes on the position as the head of the board of directors, providing guidance to the president, while the president has total responsibility for daily business execution. It is also believed that more accurate management decisions can be made with this management system, as the chairman and the president can provide diverse perspectives on critical issues.

The following table shows Kyocera's Directors and Audit & Supervisory Board Members as of June 26, 2018.

<u>Name</u>	<u>Date of Birth</u>	<u>Position</u>	<u>Since</u>	<u>Term</u>
Goro Yamaguchi	January 21, 1956	Representative Director and Chairman	2009 (Chairman 2017)	*1
Hideo Tanimoto	March 18, 1960	Representative Director and President	2016 (President 2017)	*1
Ken Ishii	October 6, 1953	Director	2012	*1
Hiroshi Fure	February 24, 1960	Director	2013	*1
Yoji Date	September 20, 1956	Director	2013	*1
Norihiko Ina	September 16, 1963	Director	2017	*1
Keiji Itsukushima	May 3, 1958	Director	2017	*1
Koichi Kano	September 21, 1961	Director	2016	*1
Shoichi Aoki	September 19, 1959	Director	2009	*1
Takashi Sato	September 22, 1960	Director	2017	*1
Junichi Jinno	May 7, 1955	Director	2018	*2
John Sarvis	March 4, 1950	Director	2016	*1
Robert Whisler	February 17, 1953	Director	2016	*1
Tadashi Onodera	February 3, 1948	Outside Director	2013	*1
Hiroto Mizobata	July 31, 1963	Outside Director	2015	*1
Atushi Aoyama	August 2, 1960	Outside Director	2016	*1
Itsuki Harada	August 5, 1955	Full-time Audit & Supervisory Board Member	2016	*3
Osamu Nishieda	January 10, 1943	Audit & Supervisory Board Member	1993	*3
Hitoshi Sakata	January 22, 1953	Outside Audit & Supervisory Board Member	2016	*3
Masaaki Akiyama	January 4, 1945	Outside Audit & Supervisory Board Member	2016	*3

*1 The term of office of a Director is two years after his election at the close of the ordinary general meeting of shareholders held on June 27, 2017.

*2 The term of office of a Director is one year after his election at the close of the ordinary general meeting of shareholders held on June 26, 2018.

*3 The term of office of an Audit & Supervisory Board Member is four years after his election at the close of the ordinary general meeting of shareholders held on June 24, 2016.

Goro Yamaguchi has served as the Representative Director and Chairman of Kyocera Corporation since 2017. He became an Executive Officer in 2003, a Senior Executive Officer in 2005, a Managing Executive Officer in 2009 and the Representative Director and President in 2013. He joined Kyocera Corporation in 1978 and has served as the Representative Director and Chairman of Kyoto Purple Sanga Co., Ltd., the Representative Director and Chairman of Kyocera Communication Systems Co., Ltd., the Representative Director and Chairman of Kyocera

Document Solutions Inc. and the Representative Director and Chairman of Kyocera Realty Development Co., Ltd.

Hideo Tanimoto has served as the Representative Director and President of Kyocera Corporation since 2017. He became an Executive Officer in 2015 and a Managing Executive Officer in 2016. He joined Kyocera Corporation in 1982 and has served as the Representative Director and Chairman of Kyocera Display Corporation, the Representative Director and Chairman of Kyocera Optec Co., Ltd., the Chairman of the Board of Directors of Kyocera (China) Sales & Trading Corporation, the Chairman of the Board of Directors of Dongguan Shilong Kyocera Co., Ltd., the Chairman of the Board of Directors of Shanghai Kyocera Electronics Co., Ltd., the Chairman of the Board of Directors of Kyocera Management Consulting Service (Shanghai) Co., Ltd., the Authorized Representative and Chairman of Kyocera Vietnam Co., Ltd. and the Representative Director and Chairman of Kyocera Korea Co., Ltd.

Ken Ishii has served as a Director of Kyocera Corporation since 2012. He became an Executive Officer in 2009, a Senior Executive Officer in 2011 and a Managing Executive Officer in 2012. He joined Kyocera Corporation in 1977 and has served as a Senior Managing Executive Officer, the General Manager of Corporate Industrial Tool Group, the Representative Director and Chairman of Kyocera Precision Tools Korea Co., Ltd., the Chairman of the Board of Directors of Kyocera Precision Tools (Zhuhai) Co., Ltd., the Chairman of the Board of Directors of Kyocera Precision Tools (Ganzhou) Co., Ltd. and the Representative Director and Chairman of Kyocera Industrial Tools Corporation.

Hiroshi Fure has served as a Director of Kyocera Corporation since 2013. He became an Executive Officer in 2011 and a Managing Executive Officer in 2013. He joined Kyocera Corporation in 1984 and has served as a Senior Managing Executive Officer and the General Manager of Corporate Organic Materials Semiconductor Components Group.

Yoji Date has served as a Director of Kyocera Corporation since 2013. He became an Executive Officer in 2012 and a Managing Executive Officer in 2013. He joined Kyocera Corporation in 1979 and has served as a Senior Managing Executive Officer, the General Manager of Corporate Electronic Components Group and the Chairman of the Board of Directors of Kyocera International Electronics Co., Ltd.

Norihiko Ina has served as a Director of Kyocera Corporation since 2017. He joined Mita Industrial Co., Ltd. (now known as Kyocera Document Solutions Inc.) in 1987 and has served as a Managing Executive Officer and the Representative Director and President of Kyocera Document Solutions Inc.

Keiji Itsukushima has served as a Director of Kyocera Corporation since 2017. He became a Senior Executive Officer in 2016. He joined Kyocera Corporation in 1982 and has served as a Managing Executive Officer and the General Manager of Corporate Communication Equipment Group.

Koichi Kano has served as a Director of Kyocera Corporation since 2016. He became an Executive Officer in 2013 and a Senior Executive Officer in 2015. He joined Kyocera Corporation in 1985 and has served as a Managing Executive Officer and the General Manager of Corporate Development Group.

Shoichi Aoki has served as a Director of Kyocera Corporation since 2009. He became an Executive Officer in 2005. He joined Kyocera Corporation in 1983 and has served as a Managing Executive Officer and the General Manager of Corporate Management Control Group.

Takashi Sato has served as a Director of Kyocera Corporation since 2017. He became an Executive Officer in 2013 and a Senior Executive Officer in 2016. He joined Kyocera Corporation in 1983 and has served as a Managing Executive Officer and the General Manager of Corporate General Affairs Human Resources Group.

Junichi Jinno has served as a Director of Kyocera Corporation since 2018. He became an Executive Officer in 2003 and a Senior Executive Officer in 2013. He joined Kyocera Corporation in 1983 and has served as a Managing Executive Officer and the General Manager of Corporate Legal and Intellectual Property Group.

John Sarvis has served as a Director of Kyocera Corporation since 2016. He joined AVX Corporation in 1973 and has served as the Chairman of the Board, Chief Executive Officer and President of AVX Corporation.

Robert Whisler has served as a Director of Kyocera Corporation since 2016. He became an Executive Officer in 2005. He joined Kyocera America, Inc. (now known as Kyocera International, Inc.) in 1981 and has served as the President and Director of Kyocera International, Inc.

Tadashi Onodera has served as an Outside Director of Kyocera Corporation since 2013. He joined DDI Corporation (currently KDDI Corporation) in 1989 and has served as the Senior Advisor of KDDI Corporation.

KDDI Corporation provides telecommunication services, and Kyocera sells mainly telecommunication equipment to KDDI Corporation. Kyocera serves KDDI Corporation as an independent vendor in terms of price determination, remittance condition and product distribution. All of the agreements and ongoing contractual commitments between Kyocera and KDDI Corporation have been made on an arm's-length basis. In fiscal 2018, Kyocera's sales to KDDI Corporation amounted to ¥113,027 million, or 7.2% of consolidated net sales.

Kyocera Corporation made an equity investment in KDDI Corporation when it was founded, and Kyocera Corporation's equity interest in KDDI Corporation was 12.95% at March 31, 2018. Currently a Director of Kyocera Corporation is an Outside Director of KDDI Corporation, and a Senior Advisor of KDDI Corporation is an Outside Director of Kyocera Corporation.

Hiroto Mizobata has served as an Outside Director of Kyocera Corporation since 2015. He joined KPMG Asahi Shinwa Accounting, Inc. (now known as KPMG AZSA LLC) in 1986. He was registered as a certified public accountant in 1988 and licensed a tax accountant in 1991. He has served as the Representative of Mizobata Certified Public Accountant Office.

Atushi Aoyama has served as an Outside Director of Kyocera Corporation since 2016. He has served as a Professor of Graduate School of Technology Management, Ritsumeikan University.

Atsushi Aoyama has two relatives within the second degree who used to be employees of Kyocera in the past. However, more than 30 years have passed after the retirement of the relative who retired later and currently no relative works in Kyocera.

Itsuki Harada has served as a Full-time Audit & Supervisory Board Member of Kyocera Corporation since 2016. He became the General Manager of Accounting Division of Dongguan Shilong Kyocera Optics Co., Ltd. (currently Dongguan Shilong Kyocera Co., Ltd.) in 1996 and the General Manager of Corporate Global Audit Division of Kyocera Corporation in 2010. He joined Kyocera Corporation in 1980.

Osamu Nishieda has served as an Audit & Supervisory Board Member of Kyocera Corporation since 1993. He has served as a Legal Counsel to Kyocera Corporation.

Hitoshi Sakata has served as an Outside Audit & Supervisory Board Member of Kyocera Corporation since 2016. He has served as a Partner of the Oike Law Office and an Outside Director of Nippon Shinyaku Co., Ltd.

Masaaki Akiyama has served as an Outside Audit & Supervisory Board Member of Kyocera Corporation since 2016. He joined Tomishima Audit Corporation (now known as Ernst & Young ShinNihon LLC) in 1968. He was registered as a certified public accountant in 1973. He has served as an Outside Audit & Supervisory Board Member of Joyful Honda Co., Ltd. and a Supervisory Officer of United Urban Investment Corporation.

Kyocera adopts an "executive officer system," which aims to establish corporate governance appropriate for a global corporation together with a decision making system responsive to the business environment and to train the next generation of senior executives.

The following table shows Kyocera's Executive Officers as of June 27, 2018.

<u>Name</u>	<u>Position</u>
Hideo Tanimoto	Executive Officer and President
Ken Ishii	Senior Managing Executive Officer (General Manager of Corporate Industrial Tool Group)
Hiroshi Fure	Senior Managing Executive Officer (General Manager of Corporate Organic Materials Semiconductor Components Group)
Yoji Date	Senior Managing Executive Officer (General Manager of Corporate Electronic Components Group)
Norihiko Ina	Managing Executive Officer (Representative Director and President of Kyocera Document Solutions Inc.)
Keiji Itsukushima	Managing Executive Officer (General Manager of Corporate Communication Equipment Group)
Koichi Kano	Managing Executive Officer (General Manager of Corporate Development Group)
Shoichi Aoki	Managing Executive Officer (General Manager of Corporate Management Control Group)
Takashi Sato	Managing Executive Officer (General Manager of Corporate General Affairs Human Resources Group)
Junichi Jinno	Managing Executive Officer (General Manager of Corporate Legal and Intellectual Property Group)
Shigeru Koyama	Senior Executive Officer (Representative Director and President of Kyocera Fineceramics GmbH)
Masahiro Inagaki	Senior Executive Officer (General Manager of Corporate R&D Group)
Takashi Okunosono	Executive Officer (General Manager of Corporate Ceramic Materials Semiconductor Components Group)
Masaaki Itoh	Executive Officer (Deputy General Manager of Corporate General Affairs Human Resources Group)
Hironao Kudo	Executive Officer (Deputy General Manager of Corporate R&D Group)
Masaki Iida	Executive Officer (General Manager of Corporate Purchasing Group)
Hisamitsu Sakai	Executive Officer (General Manager of Corporate Printing Device Group)
Yusuke Mizukami	Executive Officer (Deputy General Manager of Corporate Ceramic Materials Semiconductor Components Group)
Tayo Hamano	Executive Officer (General Manager of Corporate Management Promotion Group)
Masaaki Ozawa	Executive Officer (Deputy General Manager of Corporate Organic Materials Semiconductor Components Group)

Name	Position
Yoshihito Kurose	Executive Officer (Representative Director and President of Kyocera Communication Systems Co., Ltd.)
Masaki Hayashi	Executive Officer (General Manager of Corporate Fine Ceramics Group)
Shigeaki Kinori	Executive Officer (Deputy General Manager of Corporate Electronic Components Group)
Akihito Kubota	Executive Officer (General Manager of Corporate Solar Energy Group)
Tadashi Shinagawa	Executive Officer (Deputy General Manager of Corporate Fine Ceramics Group)
Senri Nagashima	Executive Officer (Deputy General Manager of Corporate Industrial Tool Group)

B. Compensation

The aggregate amount of compensation provided by Kyocera Corporation and its certain subsidiaries in fiscal 2018 to all Directors, Audit & Supervisory Board Members and Executive Officers of Kyocera Corporation was ¥1,760 million. The compensation is mainly comprised of basic remuneration, bonus, stock option, incentive compensation plan and retirement allowance.

In Japan, regulations require public companies to disclose an individual basis for each Director or Audit & Supervisory Board Member who receives aggregate compensation equal to or exceeding ¥100 million from the relevant company and its subsidiaries. In accordance with this requirement, we disclose compensation on an individual basis as follows.

Name	Position	Amounts of compensation by types				Total
		Basic remuneration	Bonus and others	Stock awards	Others	
(Yen in millions)						
Goro Yamaguchi	Representative Director and Chairman of Kyocera Corporation	54	60	—	—	¥121
	Director of AVX Corporation	2	—	5	—	
Hideo Tanimoto	Representative Director and President of Kyocera Corporation	60	66	—	—	¥132
	Director of AVX Corporation	1	—	5	—	
John Sarvis	Director of Kyocera Corporation	6	5	—	—	
	Chairman of the Board, Chief Executive Officer and President of AVX Corporation	54	4	22	43	¥134

Notes:

1. The positions of Goro Yamaguchi, Hideo Tanimoto and John Sarvis represent their positions as of March 31, 2018.

2. AVX Corporation is Kyocera's consolidated subsidiary in the United States and the determination of compensation for directors and officers of AVX Corporation was made by AVX Corporation's Compensation Committee pursuant to the U.S. regulations and based on its consideration for general and customary levels of compensation in the United States.

3. The amounts of compensation provided originally in the U.S. dollars at AVX Corporation was translated into the yen at a rate of ¥111 per \$1.00, which was the average rate during fiscal 2018.

In addition to the above, Japanese regulations require public companies to disclose details of compensation paid to Directors and Audit & Supervisory Board Members by such company and also to disclose the policy applied in determining such compensation. In accordance with this requirement, we disclose certain information regarding compensation for Directors and Audit & Supervisory Board Members as follows.

The total amount of compensation paid to Directors and Audit & Supervisory Board Members, the amounts of compensation by types, and the number of Directors and Audit & Supervisory Board Members were as follows.

	Total amount of compensation	Amounts of compensation by types		Number of Directors and Audit & Supervisory Board Members
		Basic remuneration	Bonus	
		(Yen in millions)		
Director (excluding Outside Directors)	¥316	¥158	¥158	14
Outside Director	36	36	—	3
Full-time Audit & Supervisory Board Member (excluding Outside Audit & Supervisory Board Members)	34	34	—	2
Outside Audit & Supervisory Board Member	20	20	—	2
Total	¥406	¥248	¥158	21

Note: Amount of remuneration to Directors does not include salaries for services as employees or Executive Officers for Directors who serve as such.

Policy to determine the amount of compensation

Kyocera Corporation's compensation paid to Directors consists of "Basic remuneration" and "Bonuses to Directors."

1) Basic remuneration

Basic remuneration consists of remuneration to be paid in compensation for the exercise of responsibility by each Director, and the amount of basic remuneration is determined in accordance with each Director's materiality of their role.

The individual amount paid to each Director is determined taking into consideration the level of payment at similar public manufacturing companies and the aggregate amount to be paid to all Directors shall be no more than ¥400 million annually.

2) Bonuses to Directors

The aggregate amount payable to all Directors shall not exceed 0.2% of net income attributable to shareholders of Kyocera Corporation for the relevant fiscal year, provided that such amount shall in no case exceed ¥300 million annually, and such aggregate amount shall be distributed among the Directors in accordance with their respective levels of contribution to the performance of Kyocera.

Kyocera Corporation's compensation paid to Audit & Supervisory Board Members consists of "Basic remuneration" only, which is not linked to the performance of Kyocera, in order to maintain the impartiality of audit. The aggregate amount payable to all Audit & Supervisory Board Members shall be no more than ¥100 million annually.

C. Board Practices

For information regarding the terms of office of Directors and Audit & Supervisory Board Members, see Item 6.A. "Directors and Senior Management" of this annual report on Form 20-F.

In accordance with the requirements of the Companies Act of Japan (the Companies Act), our Articles of Incorporation provide for not more than six Audit & Supervisory Board Members. Audit & Supervisory Board Members are elected at a general meeting of shareholders, and their normal term of office is four years. However, Audit & Supervisory Board Members may serve any number of consecutive terms. At least half of the Audit & Supervisory Board Members must be persons who, among other things, (i) have not been directors or employees of Kyocera Corporation or its subsidiaries within 10 years prior to assuming the position of Audit & Supervisory Board Members, (ii) (in case of persons who have formerly served as audit & supervisory board members of Kyocera Corporation or its subsidiaries within 10 years prior to assuming the position of Audit & Supervisory Board Members) have not been directors or employees of Kyocera Corporation or its subsidiaries within 10 years prior to assuming such former position of audit & supervisory board members and (iii) are not currently spouses or relatives within two degrees of Directors or important employees of Kyocera Corporation (Outside Audit & Supervisory Board Members). Audit & Supervisory Board Members form the Audit & Supervisory Board. Audit & Supervisory Board Members are under a statutory duty to oversee the administration of our affairs by the Directors, to examine our financial statements and business reports to be submitted by the Board of Directors to the general meetings of shareholders and to report their opinions thereon to the shareholders. They are obliged to attend meetings of the Board of Directors and to express their opinions, but they are not entitled to vote. Audit & Supervisory Board Members also have a statutory duty to provide their report on the audit report prepared by our independent certified public accountants to the Audit & Supervisory Board, which must submit its audit report to the Board of Directors. The Audit & Supervisory Board will also determine matters relating to the duties of the Audit & Supervisory Board Members, such as audit policy and methods of investigation of our affairs.

Under the Companies Act, the Directors and Audit & Supervisory Board Members are liable for any damages suffered by us as a result of their violation of laws or regulations or any failure to perform their duties. Under our Articles of Incorporation, any such liabilities incurred by the Outside Directors and the Outside Audit & Supervisory Board Members may, except in the case of willful misconduct or gross negligence or in certain other cases, be limited by a liability limitation agreement entered into between us and each Outside Director or each Outside Audit & Supervisory Board Member, as the case may be, up to an amount to be calculated in accordance with the relevant provisions of the Companies Act with reference to annual remuneration, retirement allowance and profits received upon exercise or transfer of stock options, if any.

Kyocera Corporation has no remuneration committee. Matters of remuneration are decided by top management as a group. None of our Directors have contracts with us providing for benefits upon termination.

There is no arrangement or understanding between any Director or Audit & Supervisory Board Member and any other person pursuant to which he was elected as a Director or an Audit & Supervisory Board Member. There is no family relationship between any Director or Audit & Supervisory Board Member and any other Director or Audit & Supervisory Board Member.

D. Employees

The number of Kyocera's employees by reporting segment at March 31, 2018 was as follows:

Industrial & Automotive Components Group	15,866
Semiconductor Components Group	9,080
Electronic Devices Group	20,739
Communications Group	4,463
Document Solutions Group	19,750
Life & Environment Group	3,014
Others	1,376
Corporate	<u>1,652</u>
Total	<u>75,940</u>

Kyocera Corporation had 18,451 employees, and their average age and average service years were 41.6 and 17.9 respectively.

The number of Kyocera Corporation's employees by reporting segments at March 31, 2018 was as follows:

Industrial & Automotive Components Group	4,315
Semiconductor Components Group	5,916
Electronic Devices Group	3,266
Communications Group	1,387
Document Solutions Group	—
Life & Environment Group	1,988
Others	902
Corporate	<u>677</u>
Total	<u>18,451</u>

The numbers of Kyocera Corporation's employees increased for fiscal 2018 as compared with the last fiscal year due mainly to the fact that Kyocera Corporation conducted absorption-type mergers through which certain subsidiaries were merged with Kyocera Corporation.

Most regular employees of Kyocera Corporation, other than management, are members of the Kyocera Union. Over 90% of Kyocera Corporation's regular employees are members of this union. The Kyocera Union is only open to Kyocera Corporation employees, not to our Japanese or overseas subsidiaries. The employees at some of our subsidiaries in Japan are unionized. Employees at our Japanese subsidiaries are not otherwise unionized. Employees at some of our foreign subsidiaries are unionized. Our relationship with our employee union groups is generally good. However, no assurance can be given that, in response to changing economic conditions and our actions, labor unrest or strikes will not occur.

E. Share Ownership

Kyocera's Directors, Audit & Supervisory Board Members and Executive Officers as of June 27, 2018 owned 456,336 shares of Kyocera Corporation in total (452,350 shares of common stock of Kyocera Corporation and 3,986 ADRs of Kyocera Corporation), or 0.1% of the outstanding shares of Kyocera Corporation at March 31, 2018. The numbers of shares owned by each Director, Audit & Supervisory Member and Executive Officer are shown in the following table.

<u>Name</u>	<u>Title</u>	<u>Number of Shares</u>
Goro Yamaguchi	Representative Director and Chairman	26,243
Hideo Tanimoto	Representative Director and President	4,481
Ken Ishii	Director	10,559
Hiroshi Fure	Director	5,040
Yoji Date	Director	8,819
Norihiko Ina	Director	600
Keiji Itsukushima	Director	4,337
Koichi Kano	Director	3,481
Shoichi Aoki	Director	10,159
Takashi Sato	Director	5,215
Junichi Jinno	Director	2,714
John Sarvis	Director	—
Robert Whisler	Director	3,986 (ADR)
Tadashi Onodera	Outside Director	2,452
Hiroto Mizobata	Outside Director	1,666
Atsushi Aoyama	Outside Director	300
Itsuki Harada	Full-time Audit & Supervisory Board Member	582
Osamu Nishieda	Audit & Supervisory Board Member	329,608
Hitoshi Sakata	Outside Audit & Supervisory Board Member	300
Masaaki Akiyama	Outside Audit & Supervisory Board Member	300
Shigeru Koyama	Senior Executive Officer	3,939
Masahiro Inagaki	Senior Executive Officer	3,513
Takashi Okunosono	Executive Officer	3,149
Masaaki Itoh	Executive Officer	5,605
Hironao Kudo	Executive Officer	855
Masaki Iida	Executive Officer	3,982
Hisamitsu Sakai	Executive Officer	1,131
Yusuke Mizukami	Executive Officer	626
Tayo Hamano	Executive Officer	1,541
Masaaki Ozawa	Executive Officer	1,128
Yoshihito Kurose	Executive Officer	1,346
Masaki Hayashi	Executive Officer	693
Shigeaki Kinori	Executive Officer	5,203
Akihito Kubota	Executive Officer	1,099
Tadashi Shinagawa	Executive Officer	901
Senri Nagashima	Executive Officer	783

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

As far as is known to us, Kyocera is not, directly or indirectly, owned or controlled by any other corporation or by the Japanese or any foreign government, and there is no arrangement which may at a subsequent date result in a change in control of Kyocera.

The following table shows the ten largest shareholders of record of Kyocera Corporation at March 31, 2018.

Name	Shares owned (in thousands)	Ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	48,054	13.07
Japan Trustee Services Bank, Ltd. (Trust Account)	26,538	7.22
State Street Bank and Trust Company (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	16,466	4.48
The Bank of Kyoto, Ltd.	14,436	3.93
Kazuo Inamori	10,212	2.78
Inamori Foundation	9,360	2.55
KI Enterprise Co., Ltd.	7,099	1.93
Japan Trustee Services Bank, Ltd. (Trust Account 5)	6,273	1.71
State Street Bank West Client-Treaty 505234 (Standing proxy: Mizuho Bank, Ltd)	6,147	1.67
Trust & Custody Services Bank, Ltd. (Stock Investment Trust Account)	5,877	1.60
Total	150,463	40.92

Kyocera excludes treasury stocks from the list of major shareholders above. Ownership are calculated excluding treasury stocks.

None of the above shareholders has voting rights that are different from those of other shareholders.

Under the Financial Instruments and Exchange Law of Japan, any person that becomes a holder (together with its related persons) of more than 5% of the total issued voting shares of a company listed on any Japanese stock exchange (including ADSs representing such shares) must file a report with the Director of the relevant Local Finance Bureau. A similar report must also be filed if the percentage holding of a holder of more than 5% of the total issued voting shares of a company increases or decreases by 1% or more. Reports are required to be filed through the Electronic Disclosure for Investors' NETwork, known as the EDINET system.

According to the report filed with the EDINET system on October 16, 2017, Mitsubishi UFJ Financial Group, Inc. and its related partners held shares as of October 9, 2017, as shown in the following table. Despite this report, they are not included in the above list of major shareholders because we are not able to confirm the number of shares beneficially owned by them from our shareholders records as of March 31, 2018.

Name	Shares owner (in thousands)	Ownership (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,077	1.34
Mitsubishi UFJ Trust and Banking Corporation	10,287	2.72
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	5,987	1.59
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	2,659	0.70
Total	24,010	6.36

According to the report filed with EDINET system on October 20, 2017, Mizuho Securities Co., Ltd. and its related partners held shares as of October 13, 2017, as shown in the following table. Despite this report, they are not included in the above list of major shareholders because we are not able to confirm the number of shares beneficially owned by them from our shareholders records as of March 31, 2018.

Name	Shares owner (in thousands)	Ownership (%)
Mizuho Securities Co., Ltd.	2,051	0.54
Asset Management One Co., Ltd.	<u>16,911</u>	<u>4.48</u>
Total	<u>18,962</u>	<u>5.02</u>

According to the report filed with EDINET system on April 5, 2018, Nomura Securities Co., Ltd. and its related partners held shares as of March 30, 2018, as shown in the following table. Despite this report, they are not included in the above list of major shareholders because we are not able to confirm the number of shares beneficially owned by them from our shareholders records as of March 31, 2018.

Name	Shares owner (in thousands)	Ownership (%)
Nomura Securities Co., Ltd.	474	0.13
NOMURA INTERNATIONAL PLC	85	0.02
Nomura Asset Management Co., Ltd.	<u>28,916</u>	<u>7.66</u>
Total	<u>29,475</u>	<u>7.81</u>

According to Citibank N.A., the Depository for Kyocera's ADSs, as of March 31, 2018, 5,067,472 shares of Kyocera's common stock were held in the form of ADSs and there were 573 ADS holders of record in the United States. According to Kyocera's register of shareholders, as of March 31, 2018, there were 59,753 holders of Kyocera's common stock of record worldwide. As of March 31, 2018, there were 175 record holders of Kyocera's common stock with addresses in the United States, holding 61,648,950 shares of the outstanding common stock on that date. Because some of these shares were held by brokers or other nominees, the number of record holders with addresses in the United States might not fully show the number of beneficial owners in the United States.

B. Related Party Transactions

Significant Customer

Kyocera Corporation made an equity investment in KDDI Corporation when it was founded, and Kyocera Corporation's equity interest in KDDI Corporation was 12.95% at March 31, 2018. In addition, currently a Director of Kyocera Corporation is an Outside Director of KDDI Corporation, and a Director of KDDI Corporation is an Outside Director of Kyocera Corporation. KDDI Corporation provides telecommunication services, and Kyocera sells mainly telecommunication equipment to KDDI Corporation. In fiscal 2018, Kyocera's sales to KDDI Corporation amounted to ¥113027, million, or 7.2% of consolidated net sales. Kyocera serves KDDI Corporation as an independent vendor in terms of price determination, remittance condition and product distribution. All of the agreements and ongoing contractual commitments between Kyocera and KDDI Corporation have been made on an arm's-length basis.

Kyocera expects that KDDI Corporation will remain a significant customer in the future.

C. Interests of Experts and Counsel

Not Applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

Consolidated Financial Statements

The information required by this item is set forth beginning on page F-1 of this annual report on Form 20-F.

Dividend Policy

Kyocera normally pays cash dividends twice per year as an interim and a year-end dividend. Year-end dividend must be approved by shareholders at the ordinary general shareholders' meeting. In addition to a year-end dividend, Kyocera may pay an interim dividend by resolution of its board of directors without shareholder approval.

Kyocera Corporation believes that the best way to increase corporate value and meet shareholders' expectations is to improve future consolidated performance on an ongoing basis.

Kyocera Corporation therefore has adopted a principal guideline that dividend amounts be within a range based on net income attributable to shareholders of Kyocera Corporation on a consolidated basis, and has set its dividend policy to maintain a payout ratio of around 40% of consolidated net income attributable to shareholders of Kyocera Corporation. In addition, Kyocera Corporation determines dividend amounts based on an overall assessment, taking into account various factors including the amount of capital expenditures necessary for medium-to-long-term corporate growth.

Kyocera Corporation also has adopted policies to ensure a sound financial basis, and, for such purpose, it sets aside other general reserves in preparation for the creation of new businesses, cultivation of new markets, development of new technologies and acquisition, as necessary, of outside management resources to achieve sustainable corporate growth.

Pursuant to the basic policy set forth above and based on full-year performance for fiscal 2018, Kyocera Corporation will distribute a year-end dividend for fiscal 2018 in the amount of 60 yen per share. When aggregated with the interim dividend in the amount of 60 yen per share, the total annual dividend will be 120 yen per share, 10 yen increase as compared with fiscal 2017.

We held a board of directors meeting for the interim dividend on October 30, 2017.

B. Significant Changes

Except as disclosed in this annual report on Form 20-F, there have been no significant changes since March 31, 2018.

Item 9. The Offer and Listing

A. Offer and Listing Details

Price Range of Shares

We issued our ADSs in February 1976 and listed them on the New York Stock Exchange in May 1980. Since then, we have made efforts to enhance disclosures for shareholders and investors for deepen their understanding of us, in addition to complying with the disclosure requirements of U.S. securities laws and regulations, providing consolidated financial statements in accordance with U.S. GAAP and establishing internal controls in accordance with the Sarbanes-Oxley Act of 2002.

Meanwhile, the external environment has significantly changed as indicated by the increases in trading volume of Japanese stocks through stock exchanges in Japan by overseas investors due to the internationalization of the Japanese financial and capital markets, as well as the narrowing of the gap between U.S. and Japanese disclosure standards with respect to financial reporting due to a series of amendments to Japanese laws and regulations and accounting standards.

In addition to these changes to the environment, as the trading volume of our ADSs on the New York Stock Exchange has been on a decreasing trend in recent years, we believe that the economic rationality of maintaining a listing on the New York Stock Exchange has declined.

As a result, on February 26, 2018, our Board of Directors resolved to apply for voluntary delisting of our ADSs from the New York Stock Exchange. Our ADS, each representing one share of Common Stock of Kyocera Corporation, were delisted from the New York Stock Exchange as of June 26, 2018. Although our ADSs have been delisted from the New York Stock Exchange, we intend to maintain our ADR program in the United States and therefore anticipate that our ADSs will continue to be traded in the United States on the over-the-counter market. Citibank, N.A. acts as the Depositary in respect of our ADSs. On June 26, 2018, we entered into amendments to the Deposit Agreement with Citibank, N.A. in connection with the delisting and deregistration. See Item 12.D. “Description of Securities Other Than Equity Securities—American Depositary Shares.”

Years ended March 31,	Tokyo Stock Exchange		New York Stock Exchange	
	Price per Share of Common Stock		Price per American Depositary Share*	
	High	Low	High	Low
2014	¥5,880	¥4,175	\$57.78	\$42.85
2015	6,905	4,352	57.44	41.29
2016	7,207	4,415	59.69	38.01
2017	6,462	4,559	61.50	41.23
2018	8,345	5,613	71.92	53.79
Most Recent 6 months	High	Low	High	Low
December 2017	¥8,005	¥7,366	\$70.14	\$65.36
January 2018	7,877	7,232	69.98	65.56
February 2018	7,514	5,863	67.94	53.86
March 2018	6,363	5,613	59.00	53.79
April 2018	7,028	5,836	63.99	54.53
May 2018	6,916	6,447	62.07	58.90

* The prices of American Depositary Shares are based upon reports by the New York Stock Exchange, with all fractional figures rounded up to the nearest two decimal points.

“Price per Share of Common Stock” and “Price per American Depositary Share” are calculated under the assumption that the stock split undertaken by Kyocera Corporation on October 1, 2013 had been undertaken at the beginning of fiscal 2014. For details of the stock split, please refer to “Capital Stock” in Item 10.B. “Memorandum and Articles of Association” of this annual report on Form 20-F on page 75.

On June 15, 2018, the closing price of our shares of Common Stock on the Tokyo Stock Exchange was ¥6,540 per share.

The following table shows the information about high and low sales prices for each quarterly period in fiscal 2017 and 2018 in respect of the shares of Common Stock of Kyocera Corporation on the Tokyo Stock Exchange, and the American Depositary Shares on the New York Stock Exchange.

For Voting Securities by Fiscal Quarter

		2017			
		1st	2nd	3rd	4th
Common Stock:					
Market price per share (A)	—High	¥5,884	¥5,260	¥6,000	¥6,462
	—Low	4,559	4,600	4,731	5,637
Cash dividends paid per share		50	—	50	—
American Depositary Share:					
Market price per share (B)	—High	\$50.93	\$50.36	\$50.61	\$61.50
	—Low	41.23	46.36	47.08	49.53
Cash dividends paid per share (C)		0.48	—	0.44	—
		2018			
		1st	2nd	3rd	4th
Common Stock:					
Market price per share (A)	—High	¥6,707	¥7,131	¥8,345	¥7,877
	—Low	5,837	6,261	6,915	5,613
Cash dividends paid per share		60	—	60	—
American Depositary Share:					
Market price per share (B)	—High	\$59.87	\$63.43	\$71.92	\$69.98
	—Low	53.91	56.43	61.86	53.79
Cash dividends paid per share (C)		0.53	—	0.53	—

(A) Price on the Tokyo Stock Exchange

(B) Price on the New York Stock Exchange

(C) Translated into the U.S. dollars based on the exchange rates at each payment date

B. Plan of Distribution

Not Applicable.

C. Markets

Please refer to Item 9.A. “Offer and Listing Details” of this annual report on Form 20-F for information on the markets on which our common stock is listed or quoted.

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

Item 10. Additional Information

A. Share Capital

Not Applicable.

B. Memorandum and Articles of Association

General

Set out below is certain information regarding the organization and shares of Kyocera Corporation, including brief summaries of certain provisions of the Articles of Incorporation, the Share Handling Regulations and the Regulations of the Board of Directors of Kyocera Corporation and of the Companies Act relating to joint stock corporations (*kabushiki kaisha*) and certain related legislation, all as currently in effect.

Organization

Kyocera Corporation is a joint stock corporation (*kabushiki kaisha*) incorporated in Japan under the Companies Act of Japan. It is registered in the Commercial Register maintained by the Kyoto Local Registry Office of the Ministry of Justice.

Objects and Purposes

The objects of Kyocera Corporation are set forth in Article 2 of its Articles of Incorporation, as follows:

- (1) Manufacture and sale of and research on fine ceramics and various kinds of products utilizing fine ceramics;
- (2) Manufacture and sale of and research on single crystal materials and various kinds of products utilizing single crystal materials;
- (3) Manufacture and sale of and research on composite materials;
- (4) Manufacture and sale of and research on specialty plastics;
- (5) Manufacture and sale of and research on measurement instruments for electronics;
- (6) Manufacture and sale of and research on electronic and electric instruments and parts thereof;
- (7) Manufacture and sale of and research on component parts of automobiles;
- (8) Manufacture and sale of and research on precious metals, precious stones and semiprecious stones and various kinds of products utilizing precious metals, precious stones and semiprecious stones;
- (9) Manufacture and sale of and research on accessories and interior and exterior decorations and ornaments;
- (10) Wholesale and retail sale of health foods;
- (11) Manufacture and sale of and research on material and equipment for medical use;
- (12) Manufacture and sale of and research on equipment utilizing solar energy;
- (13) Construction and sale of power plants, and power generation business and management and operation thereof;
- (14) Manufacture and sale of and research on optical machinery and instruments and precision machinery and instruments and parts hereof;
- (15) Manufacture and sale of and research on machinery and equipment for business use and machinery and equipment for industrial use and parts thereof;
- (16) Manufacture and sale of and research on photosensitive materials for photographic use;

- (17) Design, control and contract of construction relating to public works, building, electric equipment and piping construction;
- (18) Sale, purchase, lease, maintenance and brokerage of real estate;
- (19) Lease, maintenance and management of facilities relating to sports, recreation, medical care, hotels and restaurants, and the travel agency business;
- (20) Road freight handling and warehousing;
- (21) Business relating to non-life insurance agency and life insurance canvassing, and general leasing, factoring and finance business;
- (22) Sale and purchase of various kinds of plants and technology related thereto;
- (23) Design and sale of software relating to computers;
- (24) Disposition through sale and the like and acquisition through purchase and the like of patents and other industrial property rights and know-how appertaining to the preceding items and acting as intermediary in such transactions;
- (25) Businesses relating to import and export of any of the foregoing items; and
- (26) All commercial activities relating or incidental to any of the foregoing.

Directors

Under the Companies Act, the Board of Directors has the ultimate responsibility for the management of Kyocera Corporation and each Representative Director, who is elected from among the members of the Board of Directors, has the statutory authority to represent Kyocera Corporation in all respects. Under both the Companies Act and the Regulations of the Board of Directors of Kyocera Corporation, the Directors must refrain from engaging in any business competing with Kyocera Corporation unless approved by the Board of Directors and any Director who has a material interest in the subject matter of a resolution to be adopted by the Board of Directors cannot vote in such resolution. The Companies Act and the Articles of Incorporation of Kyocera Corporation provide that remuneration of Directors and Audit & Supervisory Board Members shall be determined at a general meeting of shareholders.

Except as stated below, neither the Companies Act nor Kyocera Corporation's Articles of Incorporation include any special provision as to a Director's or Audit & Supervisory Board Member's power to vote in connection with their compensation; or the borrowing powers exercisable by a Representative Director (or a Director who is given power by a Representative Director to exercise such powers), their retirement age or requirement to hold any shares of capital stock of Kyocera Corporation.

The Companies Act specifically requires a resolution of the Board of Directors for a joint stock corporation, among other things, to acquire or dispose of material assets; to borrow substantial amounts of money; to employ or discharge from employment important employees, such as executive officers; to establish, change or abolish a material corporate organization such as a branch office; or to issue bonds. A resolution of the Board of Directors is also specifically required for the establishment of a control system to ensure adequacy of the affairs of Kyocera Corporation and its subsidiaries, such as a control system to ensure the exercise of Directors' duty to comply with laws and regulations and the Articles of Incorporation of Kyocera Corporation. The Regulations of the Board of Directors of Kyocera Corporation require a resolution of the Board of Directors for Kyocera Corporation, among other things, to issue bonds or bonds with stock acquisition rights; to borrow, lend or contribute a significant amount of money; to give a guarantee of a significant amount of debt; or to waive the right to receive a significant amount of money. The Regulations of the Board of Directors of Kyocera Corporation defines a "significant amount" as five billion yen or more with respect to borrowing and one hundred million yen or more with respect to other matters. The Regulations of the Board of Directors of

Kyocera Corporation also require a resolution of the Board of Directors to approve any transaction between a Director and Kyocera Corporation; or allocate remuneration and bonuses of Directors as previously determined or approved by the general meeting of shareholders.

Capital Stock

General

On January 5, 2009, a central clearing system for shares of Japanese listed companies was established pursuant to the Law Concerning Book-Entry Transfer of Corporate Bonds, Shares, etc. (together with regulations promulgated thereunder, the Book-Entry Law), and the shares of all Japanese companies listed on any Japanese stock exchange, including Kyocera Corporation's shares, became subject to this system.

On the same day, all existing share certificates for such shares became null and void. At present, Japan Securities Depository Center, Inc. (JASDEC) is the only institution that is designated by the relevant authorities as a clearing house which is permitted to engage in the clearing operations of shares of Japanese listed companies under the Book-Entry Law. Under the clearing system, in order for any person to hold, sell or otherwise dispose of shares of Japanese listed companies, it must have an account at an account management institution unless such person has an account at JASDEC. "Account management institutions" are financial instruments traders (i.e., securities companies), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-Entry Law, and only those financial institutions that meet further stringent requirements of the Book-Entry Law can open accounts directly at JASDEC.

Under the Book-Entry Law, any transfer of shares is effected through book entry, and title to the shares passes to the transferee at the time when the transferred number of the shares is recorded at the transferee's account at an account management institution. The holder of an account at an account management institution is presumed to be the legal owner of the shares held in such account.

Under the Companies Act and the Book-Entry Law, in order to assert shareholders' rights against Kyocera Corporation, a shareholder must have its name and address registered in the register of shareholders of Kyocera Corporation, except under limited circumstances.

Non-resident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Each such shareholder must give notice of such standing proxy or mailing address to the relevant account management institution. Such notice will be forwarded to us through JASDEC. Japanese securities companies and commercial banks customarily act as standing proxies and provide related services for standard fees. Notices from us to non-resident shareholders are delivered to such standing proxies or mailing addresses.

The registered holder of deposited shares underlying the ADSs is the depository for the ADSs. Accordingly, holders of ADSs will not be able to directly assert shareholders' rights.

Authorized capital

Article 6 of the Articles of Incorporation of Kyocera Corporation provides that the total number of shares authorized for issuance by Kyocera Corporation is 600,000,000 shares.

Stock split

Based on a resolution to undertake a stock split at the meeting of the Board of Directors held on August 28, 2013, Kyocera Corporation undertook a stock split at the ratio of two-for-one of all common stock on October 1, 2013. The purpose of this stock split is to increase the liquidity of the stock of Kyocera Corporation and to expand its investor base through a reduction in the price of share-trading units.

Retirement of treasury stock

Based on a resolution at the meeting of the Board of Directors held on January 29, 2014 to retire treasury stock pursuant to Article 178 of the Companies Act of Japan, Kyocera Corporation retired 5,000,000 shares of its common stock held as treasury stock on February 12, 2014 in order to enhance shareholders value by reducing the total number of outstanding shares.

Distributions of Surplus

General

Under the Companies Act, distributions of cash or other assets by joint stock corporations to their shareholders, so-called “dividends,” are referred to as “distributions of Surplus” (“Surplus” is defined in “Restriction on distributions of Surplus”). Kyocera Corporation may make distributions of Surplus to its shareholders any number of times per fiscal year, subject to certain limitations described in “Restriction on distributions of Surplus” below. Distributions of Surplus are required in principle to be authorized by a resolution of a general meeting of shareholders, but may also be made pursuant to a resolution of the Board of Directors if all the requirements described in (a) through (c) below are met:

- (a) Kyocera Corporation’s Articles of Incorporation provide that the Board of Directors has the authority to decide to make distributions of Surplus;
- (b) the normal term of office of Kyocera Corporation’s Directors is not longer than one year; and
- (c) Kyocera Corporation’s non-consolidated annual financial statements and certain documents for the latest fiscal year present fairly its assets and profit or loss, as required by ordinances of the Ministry of Justice.

In the case of Kyocera Corporation, at present, the requirements in (a) and (b) above are not met. Nevertheless, Kyocera Corporation may make distributions of Surplus in cash as an interim dividend (an “interim dividend”) to its shareholders by resolutions of the Board of Directors once per fiscal year under Kyocera Corporation’s Articles of Incorporation and the Companies Act.

Under Kyocera Corporation’s Articles of Incorporation, a year-end dividend may be distributed to shareholders of record as of March 31 of each year pursuant to a resolution of a general meeting of shareholders, and an interim dividend may be distributed to shareholders of record as of September 30 of each year pursuant to a resolution of the Board of Directors. In addition, under the Companies Act, Kyocera Corporation may make further distributions of Surplus by resolution of general meetings of shareholders. Kyocera Corporation is not obliged to pay any dividends unclaimed for a period of three years after the date on which they first became payable.

Distributions of Surplus, other than interim dividends, may be made in cash or in kind in proportion to the number of shares held by each shareholder. A resolution of a general meeting of shareholders or the Board of Directors authorizing a distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of Surplus is to be made in kind, Kyocera Corporation may, pursuant to a resolution of a general meeting of shareholders or (as the case may be) the Board of Directors, grant a right to its shareholders to require Kyocera Corporation to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of Surplus must be approved by a special resolution of a general meeting of shareholders (see “Voting rights” with respect to a “special resolution”).

In Japan, the “ex-dividend” date and the record date for dividends precede the date of determination of the amount of the dividend to be paid. The market price of shares generally goes ex-dividend on the second business day prior to the record date.

Restriction on distributions of Surplus

When Kyocera Corporation makes a distribution of Surplus, it must, until the sum of its additional paid-in capital and legal reserve reaches one-quarter of its stated capital, set aside in its additional paid-in capital and/or legal reserve an amount equal to one-tenth of the amount of Surplus so distributed.

The amount of Surplus at any given time must be calculated in accordance with the following formula:

$$A + B + C + D - (E + F + G)$$

In the above formula:

- “A” = the total amount of other capital surplus and other retained earnings, each such amount being that appearing on Kyocera Corporation’s non-consolidated balance sheet as of the end of the last fiscal year
- “B” = (if Kyocera Corporation has disposed of its treasury stock after the end of the last fiscal year) the amount of the consideration for such treasury stock received by Kyocera Corporation less the book value thereof
- “C” = (if Kyocera Corporation has reduced its stated capital after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any)
- “D” = (if Kyocera Corporation has reduced its additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any)
- “E” = (if Kyocera Corporation has cancelled its treasury stock after the end of the last fiscal year) the book value of such treasury stock
- “F” = (if Kyocera Corporation has distributed Surplus to its shareholders after the end of the last fiscal year) the total book value of the Surplus so distributed
- “G” = certain other amounts set forth in ordinances of the Ministry of Justice, including (if Kyocera Corporation has reduced Surplus and increased its stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction and (if Kyocera Corporation has distributed Surplus to its shareholders after the end of the last fiscal year) the amount set aside in its additional paid-in capital or legal reserve (if any) as required by ordinances of the Ministry of Justice

The aggregate book value of Surplus distributed by Kyocera Corporation may not exceed a prescribed distributable amount (the Distributable Amount), as calculated on the effective date of such distribution. The Distributable Amount at any given time shall be equal to the amount of Surplus less the aggregate of (a) the book value of its treasury stock, (b) the amount of consideration for any of its treasury stock disposed of by it after the end of the last fiscal year and (c) certain other amounts set forth in ordinances of the Ministry of Justice, including (if the sum of one-half of goodwill and the deferred assets exceeds the total of stated capital, additional paid-in capital and legal reserve, each such amount being that appearing on Kyocera Corporation’s non-consolidated balance sheet as of the end of the last fiscal year) all or certain part of such exceeding amount as calculated in accordance with the ordinances of the Ministry of Justice.

If Kyocera Corporation has become at its option a company with respect to which consolidated balance sheets should also be taken into consideration in the calculation of the Distributable Amount (*renketsu haito kisei tekiyo kaisha*), it will be required to further deduct from the amount of Surplus the excess amount, if any, of (x) the total amount of shareholders’ equity appearing on its non-consolidated balance sheet as of the end of the last fiscal year and certain other amounts set forth by an ordinance of the Ministry of Justice over (y) the total amount of shareholders’ equity and certain other amounts set forth by an ordinance of the Ministry of Justice appearing on its consolidated balance sheet as of the end of the last fiscal year.

If Kyocera Corporation has prepared interim financial statements as described below, and if such interim financial statements have been approved by the Board of Directors or (if so required by the Companies Act) by a general meeting of shareholders, then the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for any of its treasury stock disposed of by it, during the period in respect of which such interim financial statements have been prepared. Kyocera Corporation may prepare non-consolidated interim financial statements consisting of a balance sheet as of any date subsequent to the end of the last fiscal year and an income statement for the period from the first day of the current fiscal year to the date of such balance sheet. Interim financial statements so prepared by Kyocera Corporation must be audited by its Audit & Supervisory Board Members and independent certified public accountants, as required by ordinances of the Ministry of Justice.

General Meeting of Shareholders

Pursuant to the Articles of Incorporation of Kyocera Corporation, an ordinary general meeting of shareholders of Kyocera Corporation shall be convened within three months after the last day of each fiscal year. In addition, Kyocera Corporation may hold an extraordinary general meeting of shareholders whenever necessary.

Notice of a general meeting of shareholders, setting forth the place, time and purpose thereof, must be mailed to each shareholder having voting rights (or, in the case of a non-resident shareholder, to the standing proxy or mailing address thereof in Japan) at least two weeks prior to the date set for the meeting. Under the Companies Act, such notice may be given to shareholders by electronic means, subject to the consent of the relevant shareholders.

Any shareholder or group of shareholders holding at least 300 voting rights or one percent of the total number of voting rights for six months or more may propose a matter to be considered at a general meeting of shareholders by submitting a request to a Representative Director at least eight weeks prior to the date set for such meeting. If Kyocera Corporation's Articles of Incorporation so provide, any of the minimum percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened.

Voting rights

A holder of shares constituting one or more whole units (see "Unit share system" below) is entitled to one vote for each whole unit of shares. However, in general, neither Kyocera Corporation nor any corporate shareholder or certain other entity one-quarter or more of the total voting rights of which are directly or indirectly held by Kyocera Corporation, has voting rights in respect of the shares held by Kyocera Corporation or such entity.

Except as otherwise provided by law or by the Articles of Incorporation of Kyocera Corporation, a resolution can be adopted at a general meeting of shareholders by a majority of the total number of voting rights represented at the meeting. Under the Companies Act and Kyocera Corporation's Articles of Incorporation, however, the quorum for the election of Directors and Audit & Supervisory Board Members is one-third of the total number of voting rights. Kyocera Corporation's shareholders are not entitled to cumulative voting in the election of Directors. Shareholders may exercise their voting rights through proxies, provided that the proxies are also shareholders holding voting rights. Kyocera Corporation's shareholders also may cast their votes in writing. Holders of shares who do not attend a general meeting of shareholders may also exercise their voting rights by electronic means if the Board of Directors approves such method of exercising voting rights.

The Companies Act provides that certain important matters shall be approved by a “special resolution” of a general meeting of shareholders. Under Kyocera Corporation’s Articles of Incorporation, the quorum for a special resolution is one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights represented at the meeting is required for adopting a special resolution. Such important matters include:

- (i) purchase of shares by Kyocera Corporation from a specific shareholder other than a Kyocera Corporation subsidiary;
- (ii) consolidation of shares;
- (iii) issuance or transfer of new shares or existing shares held by Kyocera Corporation as treasury stock to persons other than the shareholders at a “specially favorable” price;
- (iv) issuance of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) to persons other than the shareholders under “specially favorable” conditions;
- (v) removal of Kyocera Corporation’s Audit & Supervisory Board Members;
- (vi) exemption from a portion of liability of Kyocera Corporation’s Directors, Audit & Supervisory Board Members or independent auditors;
- (vii) reduction of stated capital (subject to certain exceptions);
- (viii) distribution of Surplus in kind with respect to which shareholders are not granted the right to require Kyocera Corporation to make distribution in cash instead of in kind;
- (ix) any amendment to Kyocera Corporation’s Articles of Incorporation (except for such amendments that may be made without approval by shareholders under the Companies Act);
- (x) transfer of the whole or a substantial part of Kyocera Corporation’s business;
- (xi) the transfer of the whole or a part of equity interests in any of Kyocera Corporation’s subsidiaries, which meets certain requirements;
- (xii) taking over of the whole of the business of another company requiring shareholders’ approval;
- (xiii) dissolution, merger or consolidation requiring shareholders’ approval;
- (xiv) corporate split requiring shareholders’ approval; and
- (xv) establishment of a parent and wholly-owned subsidiary relationship by way of a share transfer (*kabushiki-iten*) or share exchange (*kabushiki-kokan*) requiring shareholders’ approval.

Under the Companies Act, Kyocera Corporation’s shareholders will possess various rights, such as the right to review and make copies of its Articles of Incorporation and the register of shareholders, to require the convocation of a general meeting of shareholders, to propose a matter to be considered at a general meeting of shareholders, and to bring derivative actions, depending upon the number of shares held by them and the duration of their shareholding.

Subscription rights

Holders of Kyocera Corporation’s shares of capital stock have no pre-emptive rights under its Articles of Incorporation. Authorized but unissued shares may be issued at such times and upon such terms as the Board of Directors determines, subject to the limitations as to the offering of new shares at a “specially favorable” price mentioned under “Voting rights” above. The Board of Directors may, however, determine that shareholders of a particular class of stock shall be given subscription rights regarding a particular issue of new shares of that class, in which case such rights must be given on uniform terms to all shareholders of that class of stock as at a record date of which not less than two weeks’ prior public notice must be given. Each of the shareholders to whom such rights are given must also be given notice of the expiry thereof at least two weeks’ prior to the date on which such rights expire.

Liquidation rights

In the event of a liquidation of Kyocera Corporation, the assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among the holders of our shares of common stock in proportion to the respective numbers of shares held by each holder.

Transfer agent

Kyocera Corporation's transfer agent is Mitsubishi UFJ Trust and Banking Corporation. Mitsubishi UFJ Trust and Banking Corporation maintains Kyocera Corporation's register of shareholders and registers the names and addresses of Kyocera Corporation's shareholders and other relevant information in Kyocera Corporation's register of shareholders upon notice thereof from JASDEC, as described in "Record date" below.

Record date

March 31 is the record date for the determination of shareholders entitled to receive Kyocera Corporation's year-end dividends and to vote at the ordinary general meeting of shareholders with respect to the fiscal year ending on such March 31. September 30 is the record date for interim dividends. In addition, Kyocera Corporation may set a record date for determining the shareholders and/or beneficial shareholders entitled to other rights and for other purposes by giving at least two weeks' prior public notice.

Under the Book-Entry Law, Kyocera Corporation is required to give notice of each record date to JASDEC at least two weeks prior to such record date. JASDEC is required to promptly give Kyocera Corporation notice of the names and addresses of Kyocera Corporation's shareholders, the numbers of shares held by them and other relevant information as of such record date. Kyocera Corporation, upon receipt of each such notice, will update through the transfer agent its register of shareholders to reflect the information such notice contains.

Acquisition by Kyocera Corporation of its capital stock

Kyocera Corporation may acquire shares (i) by soliciting all its shareholders to offer to sell shares held by them (in this case, certain terms of such acquisition, such as the total number of shares to be purchased and the total amount of consideration, shall be set by an ordinary resolution of a general meeting of shareholders in advance, and acquisition shall be effected pursuant to a resolution of the Board of Directors), (ii) from a specific shareholder other than any of Kyocera Corporation's subsidiaries (pursuant to a special resolution of a general meeting of shareholders), (iii) from any of Kyocera Corporation's subsidiaries (pursuant to a resolution of the Board of Directors), or (iv) by way of purchase on any Japanese stock exchange on which the shares are listed or by way of tender offer (in either case pursuant to an ordinary resolution of a general meeting of shareholders or a resolution of the Board of Directors). In the case of (ii) above, any other shareholder may make a request to Kyocera Corporation's Representative Director that such other shareholder be included as a seller in the proposed purchase, provided that no such right will be available if the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the higher of (x) the last trading price of the shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in (ii) above was adopted (or, if there is no trading in the shares on the stock exchange or if the stock exchange is not open on such day, the price at which the shares are first traded on such stock exchange thereafter) and (y) if the shares are subject to a tender offer on the day immediately preceding the date on which the resolution mentioned in (ii) above was adopted, the price of the shares under the agreement with respect to such tender offer on such day.

The total amount of the purchase price of shares may not exceed the Distributable Amount, as described in "Distributions of Surplus-Restriction on distributions of Surplus" above.

The Companies Act permits Kyocera Corporation to hold shares acquired by it as treasury stock. Treasury stock may be held by Kyocera Corporation for any time period and may be cancelled by resolution of its Board of

Directors. Kyocera Corporation may also transfer to any person shares held by it as treasury stock, subject to a resolution of its Board of Directors, and subject also to other requirements similar to those applicable to the issuance of new shares. Kyocera Corporation may also utilize its treasury stock for the purpose of transfer to any person upon exercise of stock acquisition rights or for the purpose of acquiring another company by way of merger, share exchange or corporate split through exchange of treasury stock for shares or assets of the acquired company. No specific approval by the Board of Directors or shareholders at a shareholders meeting is required for this utilization of treasury stock, although the grant of the relevant stock acquisition rights or the relevant merger, share exchange or corporate split must be approved, as the case may be, by the Board of Directors or shareholders at Kyocera Corporation's general meeting of shareholders.

"Unit" share system

Under Kyocera Corporation's Articles of Incorporation, 100 shares constitute one "unit." The Board of Directors is permitted to reduce the number of shares constituting a unit or to abolish the unit share system in its entirety by amending Kyocera Corporation's Articles of Incorporation without approval by shareholders. The number of shares constituting one unit may not exceed the lesser of 1,000 and one-two hundredth of the total number of issued shares.

Under the clearing system, shares constituting less than one unit are transferable. However, because shares constituting less than one unit do not comprise a trading unit, except under limited circumstances, such shares may not be sold on the Japanese stock exchanges under the rules of the Japanese stock exchanges.

Under the unit share system, a shareholder has one vote for each unit of shares held by it. Shares constituting less than one unit will carry no voting rights and be excluded for the purposes of calculating the quorum for voting purposes. Moreover, holders of shares constituting less than one unit will have no other shareholder rights if Kyocera Corporation's Articles of Incorporation so provide, except that such holders may not be deprived of certain rights specified in the Companies Act or an ordinance of the Ministry of Justice, including the right to receive distribution of Surplus.

A holder of shares constituting less than one unit may require Kyocera Corporation to purchase such shares at their market value through the relevant account management institutions and JASDEC. The Articles of Incorporation and the Share Handling Regulations of Kyocera Corporation provide that a holder of shares constituting less than one unit has the right to require Kyocera Corporation to sell to such holder shares constituting less than one unit which, when added to shares constituting less than one unit currently owned by such holder, shall constitute a full one unit. Under the clearing system, such request must be made through the relevant account management institutions and JASDEC. The request of such purchase or sale may not be withdrawn without Kyocera Corporation's consent.

A holder who owns ADRs evidencing less than 100 ADSs will indirectly own less than a whole unit. Although, as discussed above, under the unit share system holders of less than one unit have the right to require Kyocera Corporation to purchase their shares, holders of ADRs evidencing ADSs that represent other than integral multiples of whole units are unable to withdraw the underlying shares of capital stock representing less than one unit and, therefore, are unable, as a practical matter, to exercise the right to require Kyocera Corporation to purchase such underlying shares. As a result, access to the Japanese markets by holders of ADRs through the withdrawal mechanism will not be available for dispositions of shares in lots of less than one unit. The unit share system does not affect the transferability of ADSs, which may be transferred in lots of any size.

Miscellaneous

The Financial Instruments and Exchange Law of Japan and related regulations require any person who has become, beneficially and solely or jointly, a holder of more than five percent of the total issued voting shares of Kyocera Corporation to file a report concerning such shareholdings with the Director of the relevant Local Finance Bureau of the Ministry of Finance within five business days.

For this purpose, shares to be issued or transferred to these persons upon the exercise of stock acquisition rights are included in determining both the size of the holding and Kyocera Corporation's total issued voting share capital, with certain exceptions.

A similar report must also be filed in respect of any subsequent change of one percent or more in any such holding, with certain exceptions. (For this purpose, any shares of Kyocera Corporation to be issued or transferred to these persons upon the exercise of stock acquisition rights, of which none are currently outstanding, would be taken into account in determining both the number of shares held by such holder and Kyocera Corporation's total issued share capital.) Reports are required to be filed through the EDINET system.

Except for the general limitation under Japanese anti-trust and anti-monopoly regulations against holding of shares of capital stock of a Japanese corporation which leads or may lead to a restraint of trade or monopoly, and except for general limitations under the Companies Act or Kyocera Corporation's Articles of Incorporation on the rights of shareholders applicable regardless of residence or nationality, there is no limitation under Japanese laws and regulations applicable to Kyocera Corporation or under its Articles of Incorporation on the rights of non-resident or foreign shareholders to hold or exercise voting rights on the shares of capital stock of Kyocera Corporation.

There is no provision in Kyocera Corporation's Articles of Incorporation that would have an effect of delaying, deferring or preventing a change in control of Kyocera Corporation and that would operate only with respect to merger, acquisition or corporate restructuring involving Kyocera Corporation.

Daily Price Fluctuation Limits under Japanese Stock Exchange Rules

Share prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges set daily price limits, which limit the maximum range of fluctuation within a single trading day. Daily price limits are set according to the previous day's closing price or special quote. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell his or her shares at such price on a particular trading day, or at all.

The closing price of our shares of Common Stock on the Tokyo Stock Exchange on the latest available date is set forth at *Price Range of Shares* in Item 9. The following table shows the daily price limits for stocks on the Tokyo Stock Exchange with closing prices of between ¥3,000 and ¥5,000 per share, ¥5,000 and ¥7,000 per share, ¥7,000 and ¥10,000 per share and ¥10,000 and ¥15,000 per share. Other daily price limits would apply if our per share price moved to other ranges.

Selected Daily Price Limits

Previous Day's Closing Price or Special Quote				Maximum Daily Price Movement
Over	¥3,000	Less than	¥5,000	¥ 700
Over	¥5,000	Less than	¥7,000	¥1,000
Over	¥7,000	Less than	¥10,000	¥1,500
Over	¥10,000	Less than	¥15,000	¥3,000

For a history of the trading price of our shares of Common Stock on the Tokyo Stock Exchange, see Item 9.A. "Offering and Listing Details" of this annual report on Form 20-F.

C. Material Contracts

During the preceding two years we have not entered into any material contracts, other than in the ordinary course of business.

D. Exchange Controls

There is no foreign exchange control in Japan that may materially affect the import or export of capital, including the availability of cash and cash equivalents for use by Kyocera Corporation, or the remittance of dividends or other payments to nonresident holders of Kyocera Corporation's shares or of ADRs evidencing ADSs.

E. Taxation

Japanese Taxation

The following is a discussion summarizing material Japanese tax consequences to an owner of shares or ADSs who is a non-resident of Japan or a non-Japanese corporation without a permanent establishment in Japan to which the relevant income is attributable. The statements regarding Japanese tax laws set forth below are based on the laws in force and as interpreted by the Japanese taxation authorities as at the date hereof. This summary is not exhaustive of all possible tax considerations which may apply to a particular investor. Potential investors should satisfy themselves as to:

- the overall tax consequences of the ownership and disposition of shares or ADSs, including specifically the tax consequences under Japanese law,
- the laws of the jurisdiction of which they are a resident, and
- any tax treaty between Japan and their country of residence, by consulting their own tax advisers.

Generally, a non-resident of Japan or a non-Japanese corporation is subject to Japanese withholding tax on dividends paid by Japanese corporations. Stock splits, subject to the following, are not subject to Japanese income tax.

- The Convention Between the United States of America and Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "Treaty"), establishes the maximum rate of Japanese withholding tax which may be imposed on dividends paid to a United States resident or corporation (within the meaning of the Treaty) not having a "permanent establishment" in Japan. A "permanent establishment" in Japan is generally a fixed place of business for industrial or commercial activity in Japan. Under the Treaty, the maximum withholding rate for most qualified portfolio shareholders is limited to 10% of the gross amount of the dividends and 5% of the gross amount of the dividends if the beneficial owner is a qualified company that owns, directly or indirectly, on the date on which entitlement to the dividend is determined, at least 10% (or 0% in the case of certain owners of more than 50%, to be amended to at least 50% when the Protocol Amending the Convention between the United States of America and Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Tax on Income signed on January 24, 2013 becomes effective (effective date to be determined)) of the voting stock of the issuing company. The Treaty provides that no Japanese tax will be imposed on dividends paid to a qualified pension fund that is a United States resident, if such dividends are not derived from the carrying on of a business, directly or indirectly, by such pension fund.

For purposes of the Treaty and Japanese tax law, U.S. holders of ADRs will be treated as the owners of the shares underlying the ADSs evidenced by the ADRs.

Japan has income tax treaties, conventions or agreements, which generally provide that the rate of withholding tax may not exceed 15% for portfolio investors, with, among others, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore and Spain. Japan's income tax treaties with Australia, France, the Netherlands, Sweden, Switzerland and the United Kingdom have been amended to generally reduce the maximum withholding tax rate to 10%. In the absence of any applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax or allowing exemption from Japanese withholding tax, the rate of Japanese withholding tax applicable to dividends paid by Kyocera Corporation to

non-residents or non-Japanese corporations is 20%. However, with respect to dividends paid by Kyocera Corporation to any corporate or individual shareholders who are non-residents of Japan or non-Japanese corporations, except for any individual shareholder who holds 3% or more of the outstanding total of the shares issued by Kyocera Corporation, the said 20% withholding tax rate is reduced to 15% for dividends due and payable on or after January 1, 2014. A special reconstruction surtax (2.1% multiplied by the original applicable tax rate) is added to the withholding tax rates from and including January 1, 2013 to and including December 31, 2037. Under Japanese tax law, whichever is the lower of the maximum rate provided in the relevant tax treaty, convention or agreement and the Japanese statutory rate will be applicable. Gains derived from the sale outside Japan of the shares or ADSs by a non-resident of Japan or a non-Japanese corporation are in general not subject to Japanese income or corporation taxes. In addition, gains derived from the sale of shares or ADSs within Japan by a non-resident of Japan or non-Japanese corporation not having a permanent establishment in Japan are in general not subject to Japanese income or corporation taxes.

Kyocera Corporation has paid or will pay any stamp, registration or similar tax imposed by Japan in connection with the issue of the shares, except that Kyocera Corporation will not pay any tax payable in connection with the transfer or sale of the shares by a holder thereof.

Japanese inheritance and gift taxes at progressive rates may be payable by an investor who has acquired shares or ADRs as legatee, heir or donee.

United States Taxation

The following discusses the material United States federal income tax consequences of the ownership of shares or ADSs. It only applies to “U.S. holders” (as defined below) of shares or ADSs who hold their shares or ADSs as capital assets for tax purposes. This section does not address special classes of holders, some of whom may be subject to special rules including:

- a dealer in securities,
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,
- a tax-exempt organization,
- certain insurance companies,
- a person liable for alternative minimum tax,
- a person that actually or constructively owns 10% or more of the combined voting power of our voting stock or of the total value of our stock,
- a person that holds shares or ADSs as part of a straddle or a hedging or conversion transaction,
- a person that purchases or sells shares or ADSs as part of a wash sale for tax purposes, or
- a person whose functional currency is not the U.S. dollar.

This discussion is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations and administrative and judicial interpretations, as currently in effect, as well as on the Treaty. These laws are subject to change, possibly on a retroactive basis. In addition, this discussion is based upon the assumption that each obligation in the deposit agreement relating to the ADRs and any related agreement will be performed in accordance with its terms.

If a partnership holds the shares or ADSs, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the shares or ADSs should consult its tax advisor with regard to the United States federal income tax treatment of an investment in the shares or ADSs.

For purposes of this discussion, a “U.S. holder” is a beneficial owner of shares or ADSs that is:

- a citizen or resident of the United States,
- a domestic corporation,
- an estate whose income is subject to United States federal income tax regardless of its source, or
- a trust if a United States court can exercise primary supervision over the trust’s administration and one or more United States persons are authorized to control all substantial decisions of the trust.

This discussion addresses only United States federal income taxation. An investor should consult its own tax advisor regarding the United States federal, state and local and other tax consequences of owning and disposing of shares or ADSs in its particular circumstances.

In general, and taking into account the earlier assumptions, for United States federal income tax purposes, if the investor holds ADRs evidencing ADSs, the investor will be treated as the owner of the shares represented by those ADSs. Exchanges of shares for ADRs, and ADRs for shares, generally will not be subject to United States federal income tax.

The tax consequences of holding and disposing of shares or ADSs depends upon whether we are a passive foreign investment company, or “PFIC,” for United States federal income tax purposes. We believe that we were a PFIC for the 2016, 2017 and 2018 fiscal years, but that we were not a PFIC in any previous taxable years, and the discussion herein assumes the accuracy of this belief. The determination of whether we are a PFIC is a factual determination that is made annually and thus may be subject to change. Accordingly, we cannot predict whether we will be a PFIC in future taxable years.

In general, we will be a PFIC for a taxable year if:

- at least 75% of our gross income for the taxable year is passive income or
- at least 50% of the value, determined on the basis of a quarterly average, of our assets is attributable to assets that produce or are held for the production of passive income.

Passive income generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation’s income. Under these rules, all of the assets of our wholly-owned subsidiaries are treated as held by us, and all of the income of our wholly-owned subsidiaries is treated as recognized by us, for purposes of the PFIC asset and income tests described above. Most of our assets are passive for PFIC purposes and we therefore believe that we are currently a PFIC. Except as otherwise noted below, the discussion herein assumes that we will be a PFIC in future taxable years.

The tax consequences to you of holding our shares or ADSs depends upon whether you make a mark-to-market election with respect to your shares or ADSs. Accordingly, the discussion below separately addresses the tax consequences if you do not make such an election and the tax consequences if you do make such an election.

Because we do not intend to provide certain required information, you will not be able to make an election to have us treated as a “qualified electing fund” for United States federal income tax purposes.

If you own shares or ADSs during any year that we are a PFIC with respect to you, you will generally be required to file Internal Revenue Service (“IRS”) Form 8621, subject to a *de minimis* exception.

Tax Consequences If You Do Not Make a Mark-to-Market Election

This section describes the tax consequences if you do not make the mark-to-market election described below under “*Mark-to-Market Election*.”

Dividends. The tax treatment of distributions with respect to the shares and ADSs depends upon whether the distribution is an “excess distribution” under the rules described below. The discussion in this subsection only applies to distributions that are not excess distributions under the rules described below.

The gross amount of any distribution we pay out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) is subject to United States federal income taxation as ordinary dividend income. The dividend is taxable to you when you receive the dividend, actually or constructively, and will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. In addition, the dividend will not be eligible for the preferential tax rates that apply to qualified dividend income received by non-corporate U.S. holders. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of your tax basis in the shares or ADSs and thereafter as gain from the sale or disposition of shares or ADSs. However, we do not maintain calculations of our earnings and profits in accordance with United States federal income tax accounting principles. You should therefore assume that any distribution with respect to our shares and ADSs will be reported as ordinary dividend income.

You must include in your income any Japanese tax withheld from a dividend payment even though you do not in fact receive the withheld amounts. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Japanese Yen payments made, determined at the spot Japanese Yen/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Dividends will be income from sources outside the United States and will generally be “passive” income for purposes of computing the foreign tax credit allowable to you. Subject to generally applicable limitations, the Japanese tax withheld in accordance with the Treaty and paid over to Japan will be creditable or deductible against your United States federal income tax liability. If the withholding tax could have been reduced under the Treaty or a refund of the tax withheld is available to you under Japanese law, the amount of tax that could have been reduced or that is refundable will not be eligible for credit against your United States federal income tax liability.

Sale or Other Disposition of Shares or ADSs. If you sell or otherwise dispose of your shares or ADSs, you will generally recognize gain or loss equal to the difference between the U.S. dollar value of the amount you realize and your tax basis, determined in U.S. dollars, in your shares or ADSs. Any such gain will be subject to the rules with respect to excess distributions described below and thus will be subject to tax at the rates applicable to ordinary income, while any such loss will be a capital loss. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. For purposes of the excess distribution rules described below, you will generally be treated as having disposed of your shares or ADSs if you pledge your shares or ADSs as security for a loan, unless you would recognize a loss for United States federal income purposes upon a disposition of your shares or ADSs.

Excess Distributions. Any distributions to you during a single taxable year (other than any amounts you receive during the first year of your holding period in the shares or ADSs) that are greater than 125% of the average annual distributions received by you in respect of the shares or ADSs during the three preceding taxable years or, if shorter, your holding period for the shares or ADSs, will be treated as excess distributions. This rule will apply

irrespective of whether the distribution exceeds our current and accumulated earnings and profits. Additionally, any gain you realize on the sale or other disposition of your shares or ADSs will be treated as an excess distribution. Excess distributions are subject to the following special rules:

- the gain or excess distribution will be allocated ratably over your holding period for the shares or ADSs,
- the amount allocated to the taxable year in which you received the excess distribution, or to a prior year in which we were not a PFIC with respect to you, will be taxed as ordinary income based on the rates applicable in the year of distribution,
- the amount allocated to each prior year in which we were a PFIC with respect to you will be taxed at the highest tax rate in effect for that year,
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year, and
- special rules apply in determining the foreign tax credit limitation for any foreign taxes that are imposed with respect to any excess distributions that you realize with respect to your shares or ADSs.

Except to the extent inconsistent with the rules described above, the discussion under “*Dividends*” above will apply to distributions that are treated as excess distributions.

If we are a PFIC for any taxable year, to the extent any of our subsidiaries are also PFICs, you will generally be deemed to own shares in such lower-tier PFICs that are directly or indirectly owned by us in the proportion which the value of the shares you own bears to the value of all of our shares, and you will generally be subject to the tax consequences described above (including the Form 8621 reporting requirement described above) with respect to the shares of such lower-tier PFIC you would be deemed to own. As a result, if we receive a distribution from any lower-tier PFIC or sell shares in a lower-tier PFIC, you will generally be subject to tax under the excess distribution rules described above in the same manner as if you had held your proportionate share of the lower-tier PFIC stock directly, even if we do not distribute such amounts to you. However, if you are treated as receiving an excess distribution in respect of a lower-tier PFIC, you would increase your tax basis in your shares by the amount of such distribution. In addition, if we distribute such amount to you with respect to your shares, you would not include the distribution in income but you would rather reduce your tax basis in your shares by the amount of the distribution. The application of the PFIC rules to your indirect ownership of any lower-tier PFICs that we hold is complex and uncertain, and you should therefore consult your tax advisor regarding the application of such rules to your ownership of our shares and ADSs.

Mark-to-Market Election

If we are a PFIC and our shares and ADSs are “regularly traded” on a “qualified exchange,” you would be eligible to make a mark-to-market election that would result in tax treatment different from the general tax treatment for PFICs described above. Our shares or ADSs will be treated as “regularly traded” in any calendar year in which more than a *de minimis* quantity of the shares or ADSs are traded on a “qualified exchange” for at least 15 days during each calendar quarter. A “qualified exchange” includes the New York Stock Exchange and a foreign exchange that is regulated by a governmental authority in which the exchange is located and with respect to which certain other requirements are met.

Because the ADSs were regularly traded on the New York Stock Exchange during the 2017 calendar year, we believe that a mark-to-market election could be made for the ADSs in such year. It is not clear, however, whether the Tokyo Stock Exchange is treated as a “qualified exchange,” and it is therefore unclear whether a holder of shares can make a mark-to-market election in respect of the shares. In addition, because the ADSs are no longer listed on the New York Stock Exchange and the OTC market on which the ADSs currently trade is not a “qualified exchange,” the ADSs will not be eligible for mark-to-market treatment in the 2018 calendar year based

on the domestic trading of the ADSs. However, although the law is not clear, it is possible that the ADSs could nevertheless be eligible for mark-to-market treatment if the shares are treated as regularly traded on a “qualified exchange” because the ADSs represent an interest in the underlying shares. Under this approach, the ADSs may be treated as “marketable securities” in the 2018 calendar year if the Tokyo Stock Exchange is treated as a “qualified exchange” for purposes of the mark-to-market rules. Holder of ADSs and shares should consult their tax advisor as to whether they are eligible to make a mark-to-market election in respect of their ADSs or shares.

You can make a mark-to-market election with respect to your shares or ADSs (assuming the requirements described above for making an election are satisfied) by filing an IRS Form 8621 with your federal income tax return for the first taxable year in which you make the election. The election will continue to be in effect for all taxable years in which we are a PFIC and our shares and ADSs are treated as “marketable stock,” and you may not revoke the mark-to-market election without the consent of the IRS.

Consequences of Making a Mark-to-Market Election. If you make a mark-to-market election with respect to your shares or ADSs, distributions and gain from the sale or disposition of shares or ADSs will generally be treated as described above under “*Tax Consequences If You Do Not Make a Mark-to-Market Election*,” except that such distributions or gain will not be subject to the excess distribution rules described above. However, you will include as ordinary income in each year that we are a PFIC the excess, if any, of the fair market value of your shares or ADSs at the end of the taxable year over your adjusted tax basis in your shares or ADSs. These amounts of ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. You will also be allowed to take an ordinary loss in each year that we are a PFIC in respect of the excess, if any, of the adjusted tax basis of your shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Your tax basis in the shares or ADSs will be adjusted to reflect any such income or loss amounts.

In each year that we are a PFIC any gain you recognize on the sale or other disposition of your shares or ADSs will be treated as ordinary income and any loss will be ordinary loss to the extent of the net amount of previously included income as a result of the mark-to-market-election, and thereafter will be capital loss.

Tax Consequences for Years in Which We Are Not a PFIC

If we are not a PFIC in a future taxable year, the tax treatment of your shares or ADSs will depend upon whether the “once a PFIC, always a PFIC” rule applies to your shares or ADSs. Specifically, under the “once a PFIC, always a PFIC” rule, your shares or ADSs will be treated as stock in a PFIC in a taxable year even if we are not a PFIC in such taxable year, as long as we were a PFIC at any time during your holding period of the shares or ADSs unless (a) you had a valid mark-to-market election in effect during all taxable years in which you held our shares or ADSs and we were a PFIC or (b) you made a special “purging election” with respect to your shares or ADSs that effectively removes the PFIC taint from your shares or ADSs. U.S. holders are urged to consult their tax advisors regarding the application of the “once a PFIC, always a PFIC” rule to their shares or ADSs and the mechanics and tax consequences of making the purging election described above.

This paragraph addresses the tax treatment of distributions on, and gain from the sale of, shares or ADSs in taxable years in which we are not a PFIC and the “once a PFIC, always a PFIC” rule does not apply to your shares or ADSs. Such distributions and gain will generally be treated as described above under “*Tax Consequences If You Do Not Make a Mark-to-Market Election*” above, except that such distributions and gain will not be subject to the excess distribution rules described above. In addition, subject to the following sentence, if you are a noncorporate U.S. holder, we expect that dividends on shares or ADSs will generally be qualified dividend income and will be taxable to you at the preferential rates applicable to long-term capital gains provided that you hold the shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. However, if we are a PFIC (or are treated as a PFIC with respect to you) in the previous year, the dividend will not be qualified dividend income eligible for the preferential tax rates.

In addition, if you sell or otherwise dispose of shares or ADSs, the gain you recognize will be capital gain or loss for United States federal income tax purposes. Capital gain of a noncorporate U.S. holder is generally taxed at preferential rates where the property is held for more than one year. The deductibility of capital losses is subject to limitations.

F. Dividends and Paying Agents

Not Applicable.

G. Statement by Experts

Not Applicable.

H. Documents on Display

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, we will file annual reports on Form 20-F within four months of our fiscal year-end and other reports and information on Form 6-K with the Securities and Exchange Commission. These reports and other information can be inspected at the public reference room at the Securities and Exchange Commission at 100 F Street, N.E., Washington, D.C. 20549. You can also obtain copies of such material by mail from the public reference room of the Securities and Exchange Commission at prescribed fees. You may obtain information on the operation of the Securities and Exchange public reference room by calling the Securities and Exchange Commission in the United States at 1-800-SEC-0330. The Securities and Exchange Commission also maintains a web site (<https://www.sec.gov/>) that contains reports, proxy statements and other information regarding registrants that file electronically with the Securities and Exchange Commission. As a foreign private issuer, we are exempt from the rules under the Securities Exchange Act of 1934, as amended, prescribing the furnishing and content of proxy statements to shareholders.

I. Subsidiary Information

Not Applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Kyocera is exposed to market risk, including changes in foreign currency exchange rates, interest rates and equity prices. In order to hedge against these risks, Kyocera uses derivative financial instruments. Kyocera does not hold or issue derivative financial instruments for trading purposes. Kyocera regularly assesses these market risks based on policies and procedures established to protect against the adverse effects of these risks and other potential exposures, primarily by reference to the market value of financial instruments. Although Kyocera may be exposed to losses in the event of non-performance by counterparties, Kyocera believes that its counterparties are creditworthy and does not expect such losses, if any, to be significant.

In the normal course of business, Kyocera also faces other risks such as country risk, credit risk, or legal risk, but they are not represented in the following tables.

Foreign Currency Exchange Risk

Kyocera enters into foreign currency forward contracts to hedge certain existing assets and liabilities denominated in foreign currencies, principally the U.S. dollar and the Euro. All such contracts in effect at March 31, 2018 will generally mature within four months. The following tables provide information about Kyocera's major foreign currency forward contracts existing at March 31, 2018, which include hedge accounting

setting forth the contract amounts, fair value, weighted average exchange rates. The contract amounts are generally used to calculate the contractual payments to be exchanged under the contracts.

	(Pay/Receive)		
	Euro/Yen	US\$/Yen	Euro/US\$
(Yen in millions except contractual rates)			
Forward exchange contracts to sell foreign currencies			
Contract amounts	¥200,948	¥167,093	¥ 4,866
Fair value	1,161	3,595	(12)
Weighted average contractual rates	0.008	0.009	0.806
(Receive/Pay)			
	CZK/US\$	US\$/Yen	Yen/US\$
(Yen in millions except contractual rates)			
Forward exchange contracts to purchase foreign currencies			
Contract amounts	¥ 5,280	¥ 3,311	¥ 2,805
Fair value	(7)	10	3
Weighted average contractual rates	20.477	0.009	105.749

Interest Rate Risk

The tables below provide information about Kyocera's financial instruments that are sensitive to changes in interest rates.

	Long-term debt (including due within one year)							Total	Fair value
	Average pay rate	Expected maturity date							
		during the year ending March 31,							
		2019	2020	2021	2022	2023	Thereafter		
(Yen in millions)									
Loans from banks and others	3.88%	¥9,293	9,732	5,195	3,419	1,544	347	¥29,530	¥29,530

Equity Price Risk

Kyocera has marketable equity and debt securities that are classified as available-for-sale and are carried in the consolidated balance sheets at fair value. Changes in fair value are recognized as other comprehensive income, net of taxes, as a separate component of shareholders' equity. Gross unrealized gains on marketable equity securities, which were ¥723,309 million, included ¥667,420 million derived from unrealized gain of KDDI Corporation held by Kyocera. Detailed information appears in Note 3 to Kyocera's consolidated financial statements included in this annual report on Form 20-F. Kyocera evaluates whether declines in fair value of debt and equity securities are other-than-temporary. Other-than-temporary declines in fair value are recorded as a realized loss with a new cost basis. This evaluation is based mainly on the duration and the extent to which the fair value is less than cost and the anticipated recoverability of fair value in the future. At March 31, 2018, Kyocera held the following available-for-sale marketable equity securities.

	March 31, 2018	
	Cost	Fair Value
(Yen in millions)		
Equity securities	¥270,403	¥993,707

Item 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not Applicable.

B. Warrants and Rights

Not Applicable.

C. Other Securities

Not Applicable.

D. American Depositary Shares

Fee Schedule

Kyocera's ADR program is administered by Citibank, N. A., as depositary.

The holder of an ADR has to pay the following fees and charges related to services in connection with the ownership of the ADR to the depositary bank.

<u>Service</u>	<u>Rate</u>	<u>By Whom Paid</u>
(1) Issuance of ADSs upon deposit of Stock (excluding issuances contemplated by paragraphs (3)(b) and (5) below).	Up to \$5.00 per 100 ADSs (or fraction thereof) issued.	Party for whom deposits are made or party receiving ADSs.
(2) Delivery of Deposited Securities, property and cash against surrender of ADSs.	Up to \$5.00 per 100 ADSs (or fraction thereof) surrendered.	Party surrendering ADSs or making withdrawal.
(3) Distribution of (a) cash dividend or (b) ADSs pursuant to Stock Splits (as defined in the Deposit Agreement)	No fee.	Not applicable.
(4) Distribution of cash proceeds (i.e. upon sale of rights and other entitlements).	Up to \$2.00 per 100 ADSs held.	Party to whom distribution is made.
(5) Distribution of ADSs pursuant to exercise of rights.	Up to \$5.00 per 100 ADSs issued.	Party to whom distribution is made.

Charges

Holders and Beneficial Owners shall be responsible for the following charges:

- (i) taxes (including applicable interest and penalties) and other governmental charges;
- (ii) such registration fees as may from time to time be in effect for the registration of shares of Stock or other Deposited Securities on the share register and applicable to transfers of shares of Stock or other Deposited Securities to or from the name of the Custodian, the Depositary or any nominees upon the making of deposits and withdrawals, respectively;
- (iii) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing shares of Stock or Holders and Beneficial Owners of ADSs;
- (iv) the expenses and charges incurred by the Depositary in the conversion of foreign currency;

- (v) such fees and expenses as are incurred by the Depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to shares of Stock, Deposited Securities, ADSs and ADRs; and
- (vi) the fees and expenses incurred by the Depositary in connection with the delivery of Deposited Securities

Reimbursement fees and payments

There are no fees or other direct and indirect payments received from the Depositary to Kyocera Corporation.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modification to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Kyocera's management, with the participation of its principal executive and principal financial officers, evaluated the effectiveness of Kyocera's disclosure controls and procedures (as defined in Rules 13a-15(e) under the U.S. Securities Exchange Act of 1934, as amended) as of March 31, 2018. Based on that evaluation, Kyocera's principal executive and principal financial officers concluded that the disclosure controls and procedures were effective as of that date.

Management's Report on Internal Control over Financial Reporting

Kyocera's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) under the U.S. Securities Exchange Act of 1934, as amended). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Kyocera's management, with the participation of its principal executive and principal financial officers, evaluated the effectiveness of Kyocera's internal control over financial reporting using the criteria set forth in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, Kyocera's management concluded that Kyocera's internal control over financial reporting was effective as of March 31, 2018. Kyocera's independent registered public accounting firm, PricewaterhouseCoopers Kyoto has audited the effectiveness of Kyocera's internal control over financial reporting as of March 31, 2018, as stated in their report which appears on page F-1 of this annual report on Form 20-F.

Evaluation of Changes in Internal Control over Financial Reporting

Kyocera's management, with the participation of its principal executive and principal financial officers, also carried out an evaluation of changes in our internal control over financial reporting during fiscal 2018. Based on that evaluation, there was no change in Kyocera's internal control over financial reporting that occurred during fiscal 2018 that materially affected, or is reasonably likely to materially affect, Kyocera's internal control over financial reporting.

Item 16. [Reserved]

Item 16A. Audit Committee Financial Expert

The board of directors of Kyocera has determined that Itsuki Harada and Masaaki Akiyama are an "audit committee financial expert" as defined in Item 16A of Form 20-F and the Audit & Supervisory Board of Kyocera has consented to the determination. In addition, Masaaki Akiyama is determined to be independent as defined by the listing rules of the Tokyo Stock Exchange.

Item 16B. Code of Ethics

Kyocera has adopted a code of ethics that applies to Chief Executive Officer, Chief Financial Officer and the members of Kyocera Disclosure Committee. Kyocera's code of ethics, which is Exhibit 11.1 to this annual report on Form 20-F, is incorporated herein by reference.

Item 16C. Principal Accountant Fees and Services

Principal Independent Registered Public Accounting Firm Fees

PricewaterhouseCoopers Kyoto served as our independent registered public accounting firm for fiscal 2017 and fiscal 2018 and audited our consolidated financial statements included in this annual report on Form 20-F.

The following table presents the aggregate fees for professional services and other services rendered by PricewaterhouseCoopers Kyoto, and other member firms of PricewaterhouseCoopers to Kyocera in fiscal 2017 and fiscal 2018.

	Years ended March 31,	
	2017	2018
	(Yen in millions)	
Audit Fees ⁽¹⁾	¥1,751	¥1,952
Audit-related Fees	5	3
Tax Fees ⁽²⁾	153	184
All Other Fees	11	20
Total	<u>¥1,920</u>	<u>¥2,159</u>

- (1) Amounts represent fees for the annual audit of Kyocera for fiscal 2017 and fiscal 2018, reviews of Kyocera's financial statements for interim periods, other regulatory filings in fiscal 2017 and fiscal 2018 and the statutory audit of internal control over financial reporting for fiscal 2017 and fiscal 2018.
- (2) Amounts represent fees for tax services which are mainly tax compliance performed by the tax department of the independent registered public accounting firm other than financial audit in fiscal 2017 and fiscal 2018.

Policies and Procedures of the Audit & Supervisory Board

In accordance with the regulations of the Securities and Exchange Commission issued pursuant to Sections 202 and 208 of the Sarbanes-Oxley Act of 2002, our Audit & Supervisory Board has adopted a pre-approval policy regarding non-audit work performed by PricewaterhouseCoopers Kyoto, a member firm of PricewaterhouseCoopers and by other member firms of the PricewaterhouseCoopers network for Kyocera and its subsidiaries, other than such work performed for AVX Corporation, which is itself an SEC-reporting entity and follows the pre-approval policy that its audit committee has adopted. Under Kyocera's pre-approval policy, there are two types of pre-approval procedures, "General Pre-Approval" and "Specific Pre-Approval."

Under the pre-approval procedure for "General Pre-Approval," each of Kyocera Group companies (other than AVX Corporation) must make a proposal to Kyocera's Audit & Supervisory Board for the types of services and estimated fee levels of each category of services to be generally pre-approved. Such proposal must be made annually. If such proposal is accepted, Kyocera's Audit & Supervisory Board includes these services in a "General Pre-Approved List." In addition, our Audit & Supervisory Board is notified of each such service actually rendered.

Under the pre-approval procedure for "Specific Pre-Approval," if any proposed services are not on the General Pre-Approved List, each of Kyocera group companies (other than AVX Corporation) must submit an application

to Kyocera's Audit & Supervisory Board for such services. After reviewing the details and estimated fee levels for each engagement, Kyocera's Audit & Supervisory Board may make a specific pre-approval decision on these services. Also, if any approved services in the General Pre-Approved List exceed the fee levels prescribed on the List, each of Kyocera group companies (other than AVX Corporation) must submit an application to Kyocera's Audit & Supervisory Board for new fee levels for such services. Kyocera's Audit & Supervisory Board may make a pre-approval decision after reviewing the details of the services and the estimated fee levels for each engagement.

All of the services provided by PricewaterhouseCoopers Kyoto, a member firm of PricewaterhouseCoopers, or by other member firms of PricewaterhouseCoopers network since Rule 2-01(c)(7) of Regulation S-X became effective were approved by Kyocera's Audit & Supervisory Board pursuant to the pre-approval policy described above, and none of such services were approved pursuant to the procedures described in Rule 2-01(c)(7)(i)(C) of Regulation S-X, which waives the general requirement for pre-approval in certain circumstances.

Item 16D. Exemptions from the Listing Standards for Audit Committees

With respect to the requirements of Rule 10A-3 under the Securities Exchange Act of 1934 relating to listed company audit committees, which applied to us through Section 303A.06 of the NYSE Listed Company Manual prior to our delisting from the New York Stock Exchange, we previously relied on an exemption provided by paragraph (c)(3) of that Rule available to foreign private issuers with audit & supervisory board meeting certain requirements. For a New York Stock Exchange-listed Japanese company with an audit & supervisory board, the requirements for relying on paragraph (c)(3) of Rule 10A-3 are as follows:

- (a) The audit & supervisory board must be established, and its members must be selected, pursuant to Japanese law expressly requiring such a board for Japanese companies that elect to have a corporate governance system with audit & supervisory board members.
- (b) Japanese law must and does require the audit & supervisory board to be separate from the board of directors.
- (c) None of the audit & supervisory board members is elected by management, and none of the listed company's executive officers is a member of the audit & supervisory board.
- (d) Japanese law must and does set forth standards for the independence of all audit & supervisory board members from the listed company or its management. Also, under Japanese law, at least half of a company's audit & supervisory board members must be "outside" audit & supervisory board members, to whom additional independence requirements apply.
- (e) The audit & supervisory board, in accordance with Japanese law or the listed company's governing documents, must be responsible, to the extent permitted by Japanese law, for the appointment, retention and oversight of the work of any registered public accounting firm engaged (including, to the extent permitted by Japanese law, the resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed company, including its principal accountant which audits its consolidated financial statements included in its annual reports on Form 20-F.
- (f) To the extent permitted by Japanese law:
 - the audit & supervisory board must establish procedures for (i) the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls, or auditing matters, and (ii) the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
 - the audit & supervisory board must have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties; and

- the listed company must provide for appropriate funding, as determined by its audit & supervisory board, for payment of (i) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for us, (ii) compensation to any advisers employed by the audit & supervisory board, and (iii) ordinary administrative expenses of the audit & supervisory board that are necessary or appropriate in carrying out its duties.

In our assessment, our Audit & Supervisory Board, which meets the requirements for reliance on the exemption in paragraph (c)(3) of Rule 10A-3 described above, is not materially less effective than an audit committee meeting all the requirements of paragraph (b) of Rule 10A-3 (without relying on any exemption provided by that Rule) at acting independently of management and performing the functions of an audit committee as contemplated therein.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table sets forth certain information with respect to purchases of our own shares by us and our affiliated purchasers.

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 1 to 30, 2017	136	6,122.85	—	—
May 1 to 31, 2017	927	6,609.06	—	—
June 1 to 30, 2017	395	6,500.70	—	—
July 1 to 31, 2017	446	6,439.39	—	—
August 1 to 31, 2017	505	6,657.32	—	—
September 1 to 30, 2017	506	6,862.17	—	—
October 1 to 31, 2017	485	7,190.66	—	—
November 1 to 30, 2017	690	7,850.37	—	—
December 1 to 31, 2017	207	7,596.94	—	—
January 1 to 31, 2018	229	7,611.13	—	—
February 1 to 28, 2018	141	6,218.19	—	—
March 1 to 31, 2018	106	6,072.32	—	—
Total	4,773	6,908.32	—	—

Notes:

Under the Companies Act, a holder of shares constituting less than one full unit may request Kyocera to purchase such shares at their market value. Please refer to “Capital Stock” in Item 10.B. “Memorandum and Articles of Association” of this annual report on Form 20-F on page 75. All purchases described in the above table were made pursuant to such requests by shareholders.

Item 16F. Change in Registrant’s Certifying Accountant

Not Applicable.

Item 16G. Corporate Governance

Companies listed on the New York Stock Exchange must comply with certain standards regarding corporate governance under Section 303A of the NYSE Listed Company Manual. However, listed companies that are foreign private issuers, such as we were prior to the delisting of our ADSs from the New York Stock Exchange, are permitted to follow home country practice in lieu of certain provisions of Section 303A.

The following table shows the significant differences between the corporate governance practices followed by U.S. listed companies under Section 303A of the NYSE Listed Company Manual and those followed by Kyocera Corporation.

Corporate Governance Practices Followed by NYSE-listed U.S. Companies	Corporate Governance Practices Followed by Kyocera Corporation
<p>1. A NYSE-listed U.S. company must have a majority of directors meeting the independence requirements under Section 303A of the NYSE Listed Company Manual.</p>	<p>For large Japanese companies, including Kyocera Corporation, which employ a corporate governance system based on an audit & supervisory board (the audit & supervisory board system), the Companies Act of Japan (the Companies Act) has no independence requirement with respect to directors. The task of overseeing management and independent auditors is assigned to the audit & supervisory board members, who are separate from Kyocera Corporation’s management.</p> <p>All audit & supervisory board members must meet certain independence requirements under the Companies Act.</p> <p>For large Japanese companies with an audit & supervisory board, including Kyocera Corporation, at least half of the members of such board must be “outside” audit & supervisory board members. Such “outside” audit & supervisory board members must meet additional independence requirements under the Companies Act. An “outside” audit & supervisory board member means an audit & supervisory board member who, among other things, (i) has not been a director or employee, including a manager, of Kyocera Corporation or any of its subsidiaries within 10 years prior to assuming the position of an audit & supervisory board member, (ii) (in case of a person who has formerly served as an audit & supervisory board member of Kyocera Corporation or any of its subsidiaries within 10 years prior to assuming the position of an audit & supervisory board member) has not been a director or employee, including a manager, of Kyocera Corporation or any of its subsidiaries within 10 years prior to assuming such former position of an audit & supervisory board member and (iii) is not currently spouse or relative within two degrees of a director or important employee, including a manager, of Kyocera Corporation.</p> <p>As of June 26, 2018, Kyocera Corporation had four audit & supervisory board members, of whom two were “outside” audit & supervisory board members.</p> <p>In addition to the independence requirements under the Companies Act described above, the rules of the Japanese stock exchanges require that at least one of</p>

2. A NYSE-listed U.S. company must have an audit committee composed entirely of independent directors, and the audit committee must have at least three members.

3. A NYSE-listed U.S. company must have a nominating/corporate governance committee composed entirely of independent directors.

Kyocera Corporation's outside directors or outside audit & supervisory board members must meet certain additional independence criteria. Further, Kyocera Corporation is required to endeavor to have at least one director who meets such independence criteria.

Kyocera Corporation employs the audit & supervisory board system as described above. Under this system, the audit & supervisory board is a legally separate and independent body from the board of directors. The main function of the audit & supervisory board is similar to that of independent directors, including those who are members of the audit committee of a U.S. company: to monitor the performance of the directors, and review and express opinions on the method of auditing by Kyocera Corporation's independent auditors and on such independent auditors' audit reports, for the protection of Kyocera Corporation's shareholders.

Kyocera Corporation and other large Japanese companies which employ the audit & supervisory board system are required to have at least three audit & supervisory board members. As of June 26, 2018, Kyocera Corporation had four audit & supervisory board members. Each audit & supervisory board member serves a four-year term of office. In contrast, the term of office of each director of Kyocera Corporation is two years.

With respect to the requirements of Rule 10A-3 under the U.S. Securities Exchange Act of 1934 relating to listed company audit committees, Kyocera Corporation relies on an exemption under that rule which is available to foreign private issuers with audit & supervisory board meeting certain requirements.

Kyocera Corporation's directors are elected at a general meeting of shareholders. Its board of directors does not have the power to fill vacancies thereon. Kyocera Corporation's audit & supervisory board members are also elected at a general meeting of shareholders. A proposal by Kyocera Corporation's board of directors to elect an audit & supervisory board member must be approved by a resolution of its audit & supervisory board. The audit & supervisory board is empowered to adopt a resolution requesting that Kyocera Corporation's directors submit a proposal for election of an audit & supervisory board

4. A NYSE-listed U.S. company must have a compensation committee composed entirely of independent directors. Compensation committee members must satisfy the additional independence requirements under Section 303A.02 (a) (ii) of the NYSE Listed Company Manual.

A compensation committee must also have authority to retain or obtain the advice compensation and other advisers, subject to prescribed independence criteria that the committee must consider prior to engaging any such adviser.

5. A NYSE-listed U.S. company must generally obtain shareholder approval with respect to any equity compensation plan.

Item 16H. Mine Safety Disclosure

Not Applicable.

member to a general meeting of shareholders. The audit & supervisory board members have the right to state their opinions concerning election of an audit & supervisory board member at the general meeting of shareholders.

The total amount of compensation for Kyocera Corporation's directors and the total amount of compensation for Kyocera Corporation's audit & supervisory board members are proposed to, and voted upon by, a general meeting of shareholders. Once the proposal for each of such total amount of compensation is approved at the general meeting of shareholders, each of the board of directors and audit & supervisory board allocates the respective total amount among its respective members.

There are no procedural or disclosure requirements with respect to the use of compensation consultants, independent legal counsel or other advisors.

Japanese companies, including Kyocera Corporation, often issue "stock acquisition rights" (granting the holder thereof the right to acquire from the issuer shares of its common stock at a prescribed price) for the purpose of granting stock options to their officers, etc. Typically, when stock acquisition rights are used for such purpose, they are issued under terms and conditions which are especially favorable to the recipients thereof, and because of that, such issuance is subject to approval at a general meeting of shareholders under the Companies Act. Kyocera Corporation obtains approval at a general meeting of shareholders with respect to its issuance of stock acquisition rights for stock option purposes.

PART III

Item 17. Financial Statements

In lieu of responding to this item, we have responded to Item 18. of this annual report on Form 20-F.

Item 18. Financial Statements

The information required by this item is set forth beginning on page F-1 of this annual report on Form 20-F.

Description	Page
(1) Report of Independent Registered Public Accounting Firm related to the Consolidated Financial Statements listed below	F-1
(2) Consolidated Balance Sheets at March 31, 2017 and 2018	F-3 & F-4
(3) Consolidated Statements of Income for the years ended March 31, 2016, 2017 and 2018	F-5
(4) Consolidated Statements of Comprehensive Income for the years ended March 31, 2016, 2017 and 2018	F-6
(5) Consolidated Statements of Equity for the years ended March 31, 2016, 2017 and 2018	F-7 & F-8
(6) Consolidated Statements of Cash Flows for the years ended March 31, 2016, 2017 and 2018	F-9
(7) Notes to the Consolidated Financial Statements	F-10 to F-74

Item 19. Exhibits

Exhibit Number	Description
1.1	Articles of Incorporation (incorporated by reference to the Registrant’s Annual Report on Form 20-F filed on June 28, 2013 (File No. 001-07952))
1.2	Share Handling Regulations of the Registrant (incorporated by reference to the Registrant’s Annual Report on Form 20-F filed on June 30, 2014 (File No. 001-07952))
1.3	Regulations of the Board of Directors of the Registrant (incorporated by reference to the Registrant’s Annual Report on Form 20-F filed on June 29, 2011 (File No. 001-07952))
1.4	Regulations of the Audit & Supervisory Board of the Registrant (incorporated by reference to the Registrant’s Annual Report on Form 20-F filed on June 30, 2015 (File No. 001-07952))
2.1	Amended and Restated Deposit Agreement, dated as of June 29, 1998 among Kyocera Corporation, Citibank N.A. as Depositary and all owners and holders from time to time of American Depositary Receipts, as amended by (i) Amendment No. 1 thereto, dated as of January 5, 1999(P), (ii) Amendment No. 2 thereto, dated as of December 21, 2007, including the form of American Depositary Receipt, and (iii) Amendment No. 3 thereto, dated as of June 26, 2018, including the form of American Depositary Receipt
8.1	List of Significant Subsidiaries (See “Organizational Structure” in Item 4.C. of the Registrant’s Annual Report on Form 20-F)
11.1	Code of Ethics (incorporated by reference to the Registrant’s Annual Report on Form 20-F filed on July 5, 2007 (File No. 001-07952))
12.1	Certification of the principal executive officer of the Registrant required by 17 C.F.R. 240. 13a-14(a)

Exhibit Number	Description
12.2	Certification of the principal financial officer of the Registrant required by 17 C.F.R. 240. 13a-14(a)
13.1	Certification of the principal executive officer of the Registrant required by 17 C.F.R. 240. 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code
13.2	Certification of the principal financial officer of the Registrant required by 17 C.F.R. 240. 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code
101. INS	XBRL Taxonomy Extension Instance Document
101. SCH	XBRL Taxonomy Extension Schema Document
101. CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101. LAB	XBRL Taxonomy Extension Labels Linkbase Document
101. PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101. DEF	XBRL Taxonomy Extension Definition Linkbase Document
(i)	Incorporated by reference to the Registrant's annual report on Form 20-F filed on September 24, 2001. (P)
(ii)	Incorporated by reference to Post-effective Amendment No. 2 to the Registrant's Registration Statement on Form F-6 filed on December 4, 2007 (File No. 333 - 07222).
(iii)	Incorporated by reference to Post-effective Amendment No. 3 to the Registrant's Registration Statement on Form F-6 filed on June 26, 2018 (File No. 333-07222).

Kyocera has not included as exhibits certain instruments with respect to its long-term debt, the amount of debt authorized under each of which does not exceed 10% of its total assets, and it agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.

(P) Paper exhibits



Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Kyocera Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Kyocera Corporation and its subsidiaries as of March 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended March 31, 2018, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of March 31, 2018, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2018 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2018, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.



Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/PricewaterhouseCoopers Kyoto

Kyoto, Japan
June 26, 2018

We have served as the Company's auditor since 2007.

Consolidated Balance Sheets
Kyocera Corporation and Consolidated Subsidiaries
March 31, 2017 and 2018

ASSETS	2017	2018
	(Yen in millions and shares in thousands)	
Current assets:		
Cash and cash equivalents	¥ 376,195	¥ 424,938
Short-term investments in debt securities (Notes 3 and 4)	84,703	38,023
Other short-term investments (Note 3)	212,668	158,779
Trade receivables		
Notes (Note 7)	28,370	26,072
Accounts (Note 7)	291,485	331,570
Less allowances for doubtful accounts and sales returns (Note 6)	(5,593)	(5,490)
	314,262	352,152
Inventories (Note 5)	331,155	364,875
Other current assets (Notes 6, 8, 12 and 13)	119,714	137,849
Total current assets	1,438,697	1,476,616
Investments and advances:		
Long-term investments in debt and equity securities (Notes 3 and 4)	1,130,756	1,050,537
Other long-term investments (Notes 3, 4, 6 and 7)	22,246	25,858
Total investments and advances	1,153,002	1,076,395
Property, plant and equipment (Notes 4 and 10):		
Land	59,963	62,141
Buildings	351,431	363,714
Machinery and equipment	841,973	880,918
Construction in progress	14,097	23,996
Less accumulated depreciation	(1,000,860)	(1,029,845)
Total property, plant and equipment	266,604	300,924
Goodwill (Notes 2, 4 and 9)	110,470	144,268
Intangible assets (Notes 2, 4 and 9)	61,235	80,186
Other assets (Notes 6, 8, 11 and 15)	80,462	78,688
Total assets	¥ 3,110,470	¥ 3,157,077

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets—(Continued)
Kyocera Corporation and Consolidated Subsidiaries
March 31, 2017 and 2018

LIABILITIES AND EQUITY	2017	2018
	(Yen in millions and shares in thousands)	
Current liabilities:		
Short-term borrowings (Note 10)	¥ 191	¥ 145
Current portion of long-term debt (Notes 4 and 10)	8,235	9,293
Trade notes and accounts payable	129,460	149,734
Other notes and accounts payable (Note 13)	60,881	66,970
Accrued payroll and bonus	62,868	68,664
Accrued income taxes	15,707	19,436
Other accrued liabilities	51,062	50,727
Other current liabilities (Notes 5 and 12)	36,257	55,017
Total current liabilities	364,661	419,986
Non-current liabilities:		
Long-term debt (Notes 4, 8 and 10)	16,409	20,237
Accrued pension and severance liabilities (Note 11)	31,720	28,723
Deferred income taxes (Note 15)	258,859	223,530
Other non-current liabilities (Notes 5 and 15)	19,912	40,095
Total non-current liabilities	326,900	312,585
Total liabilities	691,561	732,571
Commitments and contingencies (Note 13)		
Kyocera Corporation's shareholders' equity:		
Common stock:		
Authorized 600,000 shares		
Issued 377,619 shares at March 31, 2017 and		
Issued 377,619 shares at March 31, 2018	115,703	115,703
Additional paid-in capital	165,230	165,125
Retained earnings	1,638,116	1,675,780
Accumulated other comprehensive income	447,479	411,980
Common stock in treasury stock, at cost:		
9,906 shares at March 31, 2017 and		
9,911 shares at March 31, 2018	(32,309)	(32,342)
Total Kyocera Corporation's shareholders' equity	2,334,219	2,336,246
Noncontrolling interests	84,690	88,260
Total equity (Note 14)	2,418,909	2,424,506
Total liabilities and equity	¥ 3,110,470	¥ 3,157,077

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income
Kyocera Corporation and Consolidated Subsidiaries
For the three years ended March 31, 2018

	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(Yen in millions and shares in thousands, except per share amounts)		
Net sales (Note 7)	¥1,479,627	¥1,422,754	¥1,577,039
Cost of sales (Note 5)	<u>1,093,467</u>	<u>1,049,472</u>	<u>1,200,911</u>
Gross profit	386,160	373,282	376,128
Selling, general and administrative expenses (Notes 2, 4, 13 and 16) . . .	279,361	268,740	280,553
Loss on impairment of goodwill (Notes 4 and 9)	<u>14,143</u>	<u>—</u>	<u>—</u>
Profit from operations	<u>92,656</u>	<u>104,542</u>	<u>95,575</u>
Other income (expenses):			
Interest and dividend income (Note 3)	28,609	32,364	40,498
Interest expense	(1,814)	(901)	(1,395)
Foreign currency transaction gains (losses), net (Note 12)	3,820	1,278	(827)
Gains on sales of securities, net (Note 3)	20,600	193	1,629
Other, net	<u>1,712</u>	<u>373</u>	<u>(3,614)</u>
Total other income (expense)	<u>52,927</u>	<u>33,307</u>	<u>36,291</u>
Income before income taxes	145,583	137,849	131,866
Income taxes (Note 15):			
Current	49,187	36,831	57,794
Deferred	<u>(17,795)</u>	<u>(8,389)</u>	<u>(10,913)</u>
	<u>31,392</u>	<u>28,442</u>	<u>46,881</u>
Net income	114,191	109,407	84,985
Net income attributable to noncontrolling interests	<u>(5,144)</u>	<u>(5,564)</u>	<u>(3,196)</u>
Net income attributable to Kyocera Corporation's shareholders	<u>¥ 109,047</u>	<u>¥ 103,843</u>	<u>¥ 81,789</u>
Per share information (Note 18):			
Net income attributable to Kyocera Corporation's shareholders :			
Basic	¥ 297.24	¥ 282.62	¥ 222.43
Diluted	297.24	282.62	222.43
Cash dividends declared per share:			
Per share of common stock	100.00	110.00	120.00
Average number of shares of common stock outstanding:			
Basic	366,859	367,428	367,709
Diluted	366,859	367,428	367,709

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income
Kyocera Corporation and Consolidated Subsidiaries
For the three years ended March 31, 2018

	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(Yen in millions)		
Net income	¥ 114,191	¥ 109,407	¥ 84,985
Other comprehensive income—net of taxes			
Net unrealized gains (losses) on securities (Notes 3 and 14)	49,205	(17,597)	(40,087)
Net unrealized gains (losses) on derivative financial instruments			
(Notes 12 and 14)	(116)	45	27
Pension liability adjustment (Notes 11 and 14)	(13,969)	7,252	6,428
Foreign currency translation adjustments (Note 14)	(39,342)	(13,479)	(2,703)
Total other comprehensive income	<u>(4,222)</u>	<u>(23,779)</u>	<u>(36,335)</u>
Comprehensive income	109,969	85,628	48,650
Comprehensive income attributable to noncontrolling interests	<u>(786)</u>	<u>(4,066)</u>	<u>(2,398)</u>
Comprehensive income attributable to Kyocera Corporation's			
shareholders	<u>¥ 109,183</u>	<u>¥ 81,562</u>	<u>¥ 46,252</u>

Consolidated Statements of Changes in Equity
Kyocera Corporation and Consolidated Subsidiaries
For the three years ended March 31, 2018

<u>(Number of shares outstanding)</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Treasury Stock</u>	<u>Kyocera Corporation's Shareholders' Equity</u>	<u>Non controlling Interests</u>	<u>Equity</u>
			(Note 14)	(Note 14)				
			(Yen in millions and shares in thousands)					
Balance, March 31, 2015 (366,861)	¥115,703	¥162,695	¥1,502,310	¥469,673	¥ (35,062)	¥2,215,319	¥88,304	¥2,303,623
Comprehensive income:								
Net income			109,047			109,047	5,144	114,191
Change in net unrealized gains (losses) on securities—net of taxes (Note 3)				49,349		49,349	(144)	49,205
Change in net unrealized gains (losses) on derivative financial instruments—net of taxes (Note 12)				(116)		(116)	0	(116)
Change in pension liability adjustment—net of taxes (Note 11)				(14,177)		(14,177)	208	(13,969)
Change in foreign currency translation adjustments—net of taxes				(34,920)		(34,920)	(4,422)	(39,342)
Total comprehensive income						<u>109,183</u>	<u>786</u>	<u>109,969</u>
Cash dividends paid to Kyocera Corporation's shareholders			(40,355)			(40,355)		(40,355)
Cash dividends paid to noncontrolling interests							(3,629)	(3,629)
Purchase of treasury stock (4)					(27)	(27)		(27)
Reissuance of treasury stock (0)		0			1	1		1
Stock option plan of subsidiaries		125				125	48	173
Other		24		(6)		18	3,989	4,007
Balance, March 31, 2016 (366,857)	¥115,703	¥162,844	¥1,571,002	¥469,803	¥ (35,088)	¥2,284,264	¥89,498	¥2,373,762
Comprehensive income:								
Net income			103,843			103,843	5,564	109,407
Change in net unrealized gains (losses) on securities—net of taxes (Note 3)				(17,539)		(17,539)	(58)	(17,597)
Change in net unrealized gains (losses) on derivative financial instruments—net of taxes (Note 12)				39		39	6	45
Change in pension liability adjustment—net of taxes (Note 11)				7,273		7,273	(21)	7,252
Change in foreign currency translation adjustments—net of taxes				(12,054)		(12,054)	(1,425)	(13,479)
Total comprehensive income						<u>81,562</u>	<u>4,066</u>	<u>85,628</u>
Cash dividends paid to Kyocera Corporation's shareholders			(36,729)			(36,729)		(36,729)
Cash dividends paid to noncontrolling interests							(3,204)	(3,204)
Purchase of treasury stock (4)					(25)	(25)		(25)
Reissuance of treasury stock (0)		2			2	4		4
Stock option plan of subsidiaries		189				189	71	260
Acquisition of noncontrolling interests with the consolidated subsidiary merger (859)		2,232			2,802	5,034	(6,474)	(1,440)
Other		(37)		(43)		(80)	733	653

Consolidated Statements of Changes in Equity—(Continued)
Kyocera Corporation and Consolidated Subsidiaries
For the three years ended March 31, 2018

<u>(Number of shares outstanding)</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Treasury Stock</u>	<u>Kyocera Corporation's Shareholders' Equity</u>	<u>Non controlling Interests</u>	<u>Equity</u>
			(Note 14)	(Note 14)				
	(Yen in millions and shares in thousands)							
Balance, March 31, 2017 (367,712)	¥115,703	¥165,230	¥1,638,116	¥447,479	¥ (32,309)	¥2,334,219	¥84,690	¥2,418,909
Comprehensive income:								
Net income			81,789			81,789	3,196	84,985
Change in net unrealized gains (losses) on securities—net of taxes (Note 3)				(40,091)		(40,091)	4	(40,087)
Change in net unrealized gains (losses) on derivative financial instruments—net of taxes (Note 12)				42		42	(15)	27
Change in pension liability adjustment—net of taxes (Note 11)				6,090		6,090	338	6,428
Change in foreign currency translation adjustments—net of taxes				(1,578)		(1,578)	(1,125)	(2,703)
Total comprehensive income						<u>46,252</u>	<u>2,398</u>	<u>48,650</u>
Cash dividends paid to Kyocera Corporation's shareholders			(44,125)			(44,125)		(44,125)
Cash dividends paid to noncontrolling interests							(4,182)	(4,182)
Purchase of treasury stock (4)					(33)	(33)		(33)
Reissuance of treasury stock (0)		1			0	1		1
Stock option plan of subsidiaries		273				273	104	377
Other		(379)		38		(341)	5,250	4,909
Balance, March 31, 2018 (367,708)	<u>¥115,703</u>	<u>¥165,125</u>	<u>¥1,675,780</u>	<u>¥411,980</u>	<u>¥ (32,342)</u>	<u>¥2,336,246</u>	<u>¥88,260</u>	<u>¥2,424,506</u>

Consolidated Statements of Cash Flows
Kyocera Corporation and Consolidated Subsidiaries
For the three years ended March 31, 2018

	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(Yen in millions)		
Cash flows from operating activities:			
Net income	¥ 114,191	¥ 109,407	¥ 84,985
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	76,647	77,445	82,804
Provision for doubtful accounts and loss on bad debts	761	566	356
Write-down of inventories	12,238	9,215	28,721
Deferred income taxes (Note 15)	(17,795)	(8,389)	(10,913)
Gains on sales of securities, net (Note 3)	(20,600)	(193)	(1,639)
Gains on sales of property, plant and equipment, net	(12,039)	(1,142)	164
Loss on impairment of goodwill (Notes 4 and 9)	14,143	—	—
Foreign currency adjustments	2,955	4,160	7,380
Change in assets and liabilities:			
(Increase) decrease in receivables	15,611	(30,035)	(29,547)
(Increase) decrease in inventories	6,310	(16,349)	(49,132)
(Increase) decrease in other current assets	87	9,023	(4,419)
Increase in notes and accounts payable	2,400	3,524	9,854
Increase (decrease) in accrued income taxes	5,807	(7,370)	10,991
Increase (decrease) in other current liabilities	(3,478)	17,560	12,971
Increase (decrease) in other non-current liabilities	(4,722)	(5,045)	10,139
Other, net	1,524	1,854	6,238
Net cash provided by operating activities	<u>194,040</u>	<u>164,231</u>	<u>158,953</u>
Cash flows from investing activities:			
Payments for purchases of available-for-sale securities	(42)	(2)	(3,712)
Payments for purchases of held-to-maturity securities	(121,924)	(146,832)	(30,135)
Payments for purchases of other securities	(5,546)	(2,646)	(6,911)
Proceeds from sales of available-for-sale securities	39,057	237	2,438
Proceeds from maturities of held-to-maturity securities	94,608	132,501	102,679
Acquisitions of businesses, net of cash acquired (Notes 2 and 19)	(22,676)	(19,673)	(75,322)
Payments for purchases of property, plant and equipment	(66,102)	(66,901)	(84,195)
Payments for purchases of intangible assets	(10,703)	(5,810)	(7,194)
Proceeds from sales of property, plant and equipment	16,989	3,416	1,886
Acquisition of time deposits and certificate of deposits	(313,911)	(454,998)	(420,556)
Withdrawal of time deposits and certificate of deposits	281,614	449,747	466,962
Other, net	1,827	(1,128)	932
Net cash used in investing activities	<u>(106,809)</u>	<u>(112,089)</u>	<u>(53,128)</u>
Cash flows from financing activities:			
Decrease in short-term borrowings, net	(2,881)	(4,729)	(3,240)
Proceeds from issuance of long-term debt	10,996	9,778	13,203
Payments of long-term debt	(12,830)	(11,177)	(12,771)
Dividends paid	(43,874)	(39,982)	(47,936)
Purchases of noncontrolling interests	(1,780)	(1,942)	(454)
Other, net	(239)	80	(422)
Net cash used in financing activities	<u>(50,608)</u>	<u>(47,972)</u>	<u>(51,620)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(13,966)</u>	<u>(1,995)</u>	<u>(5,462)</u>
Net increase in cash and cash equivalents	22,657	2,175	48,743
Cash and cash equivalents at beginning of year	351,363	374,020	376,195
Cash and cash equivalents at end of year	<u>¥ 374,020</u>	<u>¥ 376,195</u>	<u>¥ 424,938</u>

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements
Kyocera Corporation and Consolidated Subsidiaries

1. ACCOUNTING POLICIES

Financial Statements Presentation:

The accompanying consolidated financial statements of Kyocera Corporation and its subsidiaries have been prepared in accordance with U.S. GAAP.

Basis of Consolidation and Accounting for Investments in Affiliated Companies:

The consolidated financial statements include the accounts of Kyocera Corporation, its subsidiaries in which Kyocera has a controlling financial interest and a variable interest entity for which Kyocera is the primary beneficiary under the Financial Accounting Standard Board (FASB)'s Accounting Standards Codification (ASC) 810, "Consolidation." All significant inter-company transactions and accounts are eliminated. Investments in 20% to 50% owned companies and an investment in a variable interest entity, for which Kyocera is not the primary beneficiary but has a significant influence to, are accounted for by the equity method, whereby Kyocera includes in net income its equity in the earnings or losses from these companies.

These variable interest entities do not have material impacts on Kyocera's consolidated results of operations, financial condition and cash flows.

Revenue Recognition:

Kyocera generates revenue principally through the sale of the following markets: information and communications, industrial machinery, automotive-related and environment and energy. Kyocera's operations consist of the following six reporting segments: 1) Industrial & Automotive Components Group, 2) Semiconductor Components Group, 3) Electronic Devices Group, 4) Communications Group, 5) Document Solutions Group, 6) Life & Environment Group.

Kyocera recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred and title and risk of loss have been transferred to the customer or services have been rendered, the sales price is fixed or determinable and collectability is reasonably assured in accordance with ASC 605, "Revenue Recognition." Sales to customers in each of the above segments are based on the specific terms and conditions contained in basic contracts with customers and firm customer orders which detail the price, quantity and timing of the transfer of ownership (such as risk of loss and title) of the products.

For most customer orders, the transfer of ownership and revenue recognition occurs at the time of shipment of the products to the customer. For the remainder of customer orders, the transfer of ownership and revenue recognition occurs at the time of receipt of the products by the customer, with the exception of sales of printers and multifunctional products in the Document Solutions Group and solar power generating system related products in the Life & Environment Group for which sales are made to end users together with installation services. The transfer of ownership and revenue recognition in these cases occur at the completion of installation and customer acceptance, as Kyocera has no further obligations under the contracts and all revenue recognition criteria under ASC 605, "Revenue Recognition," are met. When Kyocera provides a combination of products and services, the arrangement is evaluated under ASC 605-25, "Multiple-Element Arrangements."

In addition, in the Document Solutions Group, Kyocera may enter into sales contracts and lease agreements ranging from one to seven years directly with end users. Sales contracts and lease agreements may include installation services and have customer acceptance clauses. For sales and sales-type lease agreements, revenue is recognized at the completion of installation and customer acceptance which usually occurs on the same business day as delivery. For sales-type leases, unearned income (which represents interest) is amortized over the lease term using the effective interest method in accordance with ASC 840, "Leases."

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

For all sales in the above segments, product returns are only accepted if the products are determined to be defective. There are no price protections, stock rotation or returns provisions, except for certain programs in the Electronic Devices Group as noted below.

Sales Incentives

In the Electronic Devices Group, sales to independent electronic component distributors may be subject to various sale programs for which a provision for incentive programs is recorded as a reduction of revenue at the time of sale, as further described below in accordance with ASC 605-50, “Customer Payments and Incentives” and ASC 605-15, “Products.”

(a) Distributor Stock Rotation Program

Stock rotation is a program whereby distributors are allowed to return for credit, semi-annually, equal to a certain percentage of the previous six months net sales. In accordance with ASC 605-15, “Products,” an estimated sales allowance for stock rotation is recorded at the time of sale based on a percentage of distributor sales using historical trends, current pricing and volume information, other market specific information and input from sales, marketing and other key management personnel. These procedures require the exercise of significant judgments. Kyocera believes that these procedures enable Kyocera to make reliable estimates of future returns under the stock rotation program. Kyocera’s actual results have historically approximated its estimates. When the products are returned and verified, the distributor is given credit against their accounts receivables.

(b) Distributor Ship-from-Stock and Debit Program

Ship-from-Stock and Debit (ship and debit) is a program designed to assist distributors in meeting competitive prices in the marketplace on sales to their end customers. Ship and debit programs require a request from the distributor for a pricing adjustment of a specific part for a sale to the distributor’s end customers from the distributor’s stock. Ship and debit authorizations may cover current and future distributor activity for a specific part for a sale to their customers. In accordance with ASC 605, “Revenue Recognition,” at the time Kyocera records the sales to distributors, an allowance for the estimated future distributor activities related to such sales is provided since it is probable that such sales to distributors will result in ship and debit activities. In accordance with ASC 605-15, “Products,” Kyocera records an estimated sales allowance based on sales during the period, credits issued to distributors, distributor inventory levels, historical trends, market conditions, pricing trends noted in direct sales activity with original equipment manufacturers and other customers, and input from sales, marketing and other key management personnel. These procedures require the exercise of significant judgments. Kyocera believes that these procedures enable Kyocera to make reliable estimates of future credits under the ship and debit program. Kyocera’s actual results have historically approximated its estimates.

Sales Rebates

In the case of sales to distributors in the Industrial & Automotive Components Group and Document Solutions Group, Kyocera provides cash rebates when predetermined sales targets are achieved during a certain period. Provisions for sales rebates are recorded as a reduction of revenue at the time of revenue recognition based on the best estimate of forecasted sales to each distributor in accordance with ASC 605-50, “Customer Payments and Incentives.”

Sales Returns

Kyocera records an estimated sales returns allowance at the time of sales based on historical return experience.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Products Warranty

For after-service costs to be paid during warranty periods, Kyocera accrues a product warranty liability for claims under warranties relating to the products that have been sold. Kyocera records an estimated product warranty liability based on its historical repair experience with consideration given to the expected level of future warranty costs.

In the Document Solutions Group, Kyocera provides a standard one year manufacturer's warranty on its products. For sales directly to end users, Kyocera offers extended warranty plans that may be purchased and that are renewable in one year incremental periods at the end of the warranty term. Service revenues are recognized over the term of the related service maintenance contracts in accordance with ASC 605-20, "Services."

Cash and Cash Equivalents:

Kyocera considers cash, bank deposits and all highly liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents accounted for under ASC 305, "Cash and Cash Equivalents."

Translation of Foreign Currencies:

Assets and liabilities of consolidated foreign subsidiaries and affiliates accounted for by the equity method are translated into Japanese yen at the exchange rates in effect on the respective balance sheet dates. Operating accounts are translated at the average exchange rates for the respective periods accounted for under ASC 830, "Foreign Currency Matters." Translation adjustments result from the process of translating foreign currency denominated financial statements into Japanese yen. These translation adjustments, which are not included in the determination of net income, are included in other comprehensive income.

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

Allowances for Doubtful Accounts:

Kyocera maintains allowances for doubtful accounts related to trade notes receivables, trade accounts receivables and finance receivables for estimated losses resulting from customers' inability to make timely payments, including interest on finance receivables. Kyocera's estimates are based on various factors, including the length of past due payments, historical experience and current business environments. In circumstances where it is aware of a specific customer's inability to meet its financial obligations, a specific allowance against these amounts is provided, considering the fair value of assets pledged by the customer as collateral.

Inventories:

Inventories are accounted for under ASC 330, "Inventory." Inventories are stated at the lower of cost and net realizable value. The future purchase commitments of raw materials under the long-term purchase agreements are also stated at the lower of cost and net realizable value. For finished goods and work in process, cost is mainly determined by the average method. For raw materials and supplies, cost is mainly determined by the first-in, first-out method. Kyocera recognizes estimated write-downs of inventories for excess, slow-moving and obsolete inventories.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Securities:

Debt and equity securities are accounted for under ASC 320, “Investments—Debt and Equity Securities.” Securities classified as 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 taxes. Securities classified as held-to-maturity securities are recorded at amortized cost. Non-marketable equity securities are accounted for by the cost method in accordance with ASC 325, “Investments—Other.”

Kyocera evaluates whether the declines in fair value of securities are other-than-temporary. Other-than-temporary declines in fair value are recorded as a realized loss with a new cost basis. This evaluation is based mainly on the duration and the extent to which the fair value is less than cost, and the anticipated recoverability in fair value.

Kyocera also reviews its investments accounted for by the equity method for impairment in accordance with ASC 323, “Investments—Equity Method and Joint Ventures.” Factors considered in assessing whether an indication of other-than-temporary impairment exists include the achievement of business plan objectives and milestones including cash flow projections and the results of planned financing activities, the financial condition and prospects of each investee company, the fair value of the ownership interest relative to the carrying amount of the investment, the period of time during which the fair value of the ownership interest has been below the carrying amount of the investment and other relevant factors. Impairment to be recognized is measured based on the amount by which the carrying amount of the investment exceeds the fair value of the investment. Fair value is determined through the use of various methodologies such as discounted cash flows and comparable valuations of similar companies.

Property, Plant and Equipment and Depreciation:

Property, plant and equipment are accounted for under ASC 360, “Property, Plant, and Equipment.” Kyocera provides for depreciation of buildings, machinery and equipment over their estimated useful lives primarily on the declining-balance method. The principal estimated useful lives used for computing depreciation are as follows:

Buildings	2 to 50 years
Machinery and equipment	2 to 20 years

Major renewals and betterments are capitalized as tangible assets and they are depreciated based on estimated useful lives. The costs of minor renewals, maintenance and repairs are charged to expenses in the period incurred. When assets are sold or otherwise disposed of, the gains or losses thereon, computed on the basis of the difference between depreciated costs and proceeds, are credited or charged to income in the year of disposal, and costs and accumulated depreciation are removed from accounts.

Goodwill and Other Intangible Assets:

Goodwill and other intangible assets are accounted for under ASC 350, “Intangibles—Goodwill and Other.” Goodwill and intangible assets with indefinite useful lives, rather than being amortized, are tested for impairment at least annually, and also following any events and changes in circumstances that might lead to impairment. Intangible assets with definite useful lives are amortized straight-line over their respective estimated useful lives to their estimated residual values, and reviewed for impairment which are accounted for under ASC 360, “Property, Plant, and Equipment” whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

The principal estimated useful lives for intangible assets are as follows:

Customer relationships	3 to 20 years
Software	2 to 15 years
Trademarks	2 to 21 years
Non-patent technology	5 to 20 years
Patent rights	2 to 20 years

Impairment of Long-Lived Assets:

Impairment of long-lived assets which include intangible assets with definite useful lives is accounted for under ASC 360, "Property, Plant, and Equipment." Kyocera reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

In the case that their carrying amounts are considered unrecoverable and exceed their fair value, its exceeded amount is recognized as the impairment loss. The fair value is determined using the expected discounted cash flows gained from them directly.

Derivative Financial Instruments:

Derivatives are accounted for under ASC 815, "Derivatives and Hedging." All derivatives are recorded as either assets or liabilities on the balance sheet and measured at fair value. Changes in the fair value of derivatives are charged to income. However, cash flow hedges may qualify for hedge accounting, if the hedging relationship is expected to be highly effective in achieving offsetting cash flows of hedging instruments and hedged items. Under hedge accounting, changes in the fair value of the effective portion of these cash flow hedge derivatives are deferred in accumulated other comprehensive income and charged to income when the underlying transaction being hedged occurs.

Kyocera designates certain foreign currency forward contracts. However, changes in fair value of most of the foreign currency forward contracts are recorded in income without applying hedge accounting as it is expected that such changes will be offset by corresponding gains or losses of the underlying hedged assets and liabilities. Kyocera's affiliate accounted for by the equity method designates certain interest rate swaps with applying hedge accounting to this transaction.

Kyocera formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as cash flow hedge to specific assets and liabilities on the balance sheet or forecasted transactions. Kyocera also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items. When it is determined that a derivative is not a highly effective hedge or that it has ceased to be a highly effective hedge, Kyocera discontinues hedge accounting prospectively. When a cash flow hedge is discontinued, the net derivative gains or losses remain in accumulated other comprehensive income, unless it is probable that the forecasted transaction will not occur at which point the derivative gains or losses are reclassified into income immediately.

Commitments and Contingencies:

Commitments and contingencies are accounted for under ASC 450, "Contingencies." Liabilities for loss contingencies are recorded when analysis indicates that it is both probable that a liability has been incurred and

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

the amount of loss can be reasonably estimated. When a range of loss can be estimated, we accrue the most likely amount. In the event that no amount in the range of probable loss is considered most likely, the minimum loss in the range is accrued. Amounts recorded are reviewed periodically and adjusted to reflect additional legal and technical information that becomes available. Legal costs are accrued as incurred.

Stock-Based Compensation:

Costs resulting from share-based payment transactions are accounted for under ASC 718, “Compensation—Stock Compensation,” Kyocera recognizes such costs in the consolidated financial statements based on the grant date fair value over the measurement method.

Net Income Attributable to Kyocera Corporation’s Shareholders:

Earnings per share is accounted for under ASC 260, “Earnings Per Share.” Basic earnings per share attributable to Kyocera Corporation’s shareholders is computed based on the average number of shares of common stock outstanding during each period, and diluted earnings per share attributable to Kyocera Corporation’s shareholders is computed based on the diluted average number of shares of stock outstanding during each period.

Research and Development Expenses and Advertising Expenses:

Research and development expenses are accounted for under ASC 730, “Research and Development,” and charged to expense as incurred. Advertising expenses are accounted for under ASC 720-35, “Other Expenses—Advertising Costs,” and charged to expense as incurred.

Use of Estimates:

The preparation of the consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. However, actual results could differ from those estimates and assumptions.

Recently Adopted Accounting Standards:

On April 1, 2017, Kyocera adopted ASU No. 2016-07, “Investments—Simplifying the Transition to the Equity Method of Accounting.” The accounting standard eliminates the requirement to retroactively adopt the equity method of accounting when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence. The adoption of this accounting standard did not have a material impact on Kyocera’s consolidated results of operations, financial condition and cash flows.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Issued IFRS standards and interpretations not yet adopted:

Kyocera plans to voluntarily adopt IFRS to its consolidated financial statements in place of the current U.S. GAAP from the year ending March 31, 2019. As of March 31, 2018, the following list is newly established or amended IFRS standards and interpretations that Kyocera will mandatory adopt from the year ending March 31, 2019 or 2020.

IFRS		Effective date (From the year beginning on or after)	Kyocera's adoption year	Summaries of new standards and amendments
IFRS 9	Financial Instruments	January 1, 2018	From the year ending March 31, 2019	Revised accounting standard for financial instruments
IFRS 15	Revenue from contracts with customers	January 1, 2018	From the year ending March 31, 2019	Revised accounting standard for revenue recognition
IFRS 16	Leases	January 1, 2019	From the year ending March 31, 2020	Revised accounting standard for leases

Kyocera is currently evaluating the impact that these accounting standards will have on its consolidated results of operations, financial condition and cash flows.

Reclassifications:

Certain reclassifications and changes have been made to the corresponding footnotes to conform to the current presentation for the year ended March 31, 2018.

2. BUSINESS COMBINATION

Business combinations in the year ended March 31, 2018

On August 1, 2017, Kyocera Document Solutions Inc., a domestic subsidiary, signed an agreement to acquire the business of Databank IMX, LLC and acquired all of the common stocks of Databank Acquisition Corporation, its parent company, for ¥6,858 million in cash in order to activate a new business model and expand its business in the U.S. market. Databank IMX, LLC mainly provides solutions services for improving the efficiency of document data management in a company.

Kyocera has used the acquisition method of accounting to record assets acquired and liabilities assumed in accordance with ASC 805, "Business Combinations." The allocation of fair value to the acquired assets and assumed liabilities was completed during the year ended March 31, 2018. As a result, the allocation of fair value to them based on estimated fair value in this business combination as of the acquisition date and goodwill were recognized as described below. Factors that contributed to the recognition of goodwill include expected synergies and the trained workforce.

Acquisition-related costs of ¥48 million were included in selling, general and administrative expenses in the consolidated statement of income for the year ended March 31, 2018. The result of operation of the acquired business was included into Kyocera's consolidated financial statements since the acquisition date. For segment reporting, it is reported in Document Solutions Group.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

	<u>August 1, 2017</u> (Yen in millions)
Cash and cash equivalents	¥ 478
Trade receivables	1,250
Inventories	792
Others	<u>512</u>
Total current assets	<u>3,032</u>
Property, plant and equipment	442
Intangible assets	<u>4,094</u>
Total non-current assets	<u>4,536</u>
Total assets	<u>7,568</u>
Short-term borrowings	3,224
Trade notes and accounts payable	730
Others	<u>2,161</u>
Total current liabilities	<u>6,115</u>
Non-current liabilities	<u>367</u>
Total liabilities	<u>6,482</u>
Total identified assets and liabilities	<u>1,086</u>
Purchase price (Cash)	<u>6,858</u>
Goodwill *	<u>¥5,772</u>

* The total amount of goodwill is not expected to be deductible for tax purposes.

Intangible assets that Kyocera recorded due to this acquisition are summarized as follows:

	<u>August 1, 2017</u> (Yen in millions)
Intangible assets subject to amortization:	
Customer relationships	¥2,962
Trademarks	693
Others	<u>439</u>
Total	<u>¥4,094</u>

The weighted average amortization periods for both customer relationships and trademarks are 15 years.

The pro forma results are not presented as the revenue and earnings were not material.

On August 7, 2017, Kyocera acquired all of the common stocks of Senco Holdings, Inc., a U.S. based company that provides the product of the pneumatic tool for ¥28,848 million in cash in order to expand the pneumatic power tool related products globally in Kyocera's industrial tool business. As a result, Senco Holdings, Inc. became Kyocera's consolidated subsidiary and changed its name as Kyocera Senco Industrial Tools, Inc.

Kyocera has used the acquisition method of accounting to record assets acquired and liabilities assumed in accordance with ASC 805, "Business Combinations." The allocation of fair value to the acquired assets and assumed liabilities was conducted during the year ended March 31, 2018. As a result, the allocation of fair value

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

to them based on estimated fair value in this business combination as of the acquisition date and goodwill were recognized as described below. Factors that contributed to the recognition of goodwill include expected synergies and the trained workforce.

Acquisition-related costs of ¥639 million were included in selling, general and administrative expenses in the consolidated statement of income for the year ended March 31, 2018. The result of operation of the acquired business was included into Kyocera's consolidated financial statements since the acquisition date. For segment reporting, it is reported in the Industrial & Automotive Components Group.

	<u>August 7, 2017</u> (Yen in millions)
Cash and cash equivalents	¥ 2,093
Trade receivables	3,423
Inventories	4,521
Others	801
Total current assets	10,838
Property, plant and equipment	1,595
Intangible assets	8,743
Others	133
Total non-current assets	10,471
Total assets	21,309
Trade notes and accounts payable	1,808
Others	1,531
Total current liabilities	3,339
Deferred income taxes	3,564
Others	56
Non-current liabilities	3,620
Total liabilities	6,959
Total identified assets and liabilities	14,350
Purchase price (Cash)	28,848
Goodwill *	¥14,498

* The total amount of goodwill is not expected to be deductible for tax purposes.

Intangible assets that Kyocera recorded due to this acquisition are summarized as follows:

	<u>August 7, 2017</u> (Yen in millions)
Intangible assets subject to amortization:	
Customer relationships	¥7,451
Trademarks	1,292
Total	¥8,743

The weighted average amortization periods for customer relationships and trademarks are 14 years and five years, respectively.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

The pro forma results are not presented as the revenue and earnings were not material.

On October 2, 2017, AVX Corporation, a U.S. based subsidiary, acquired Transportation, Sensing & Control Division and all of the common stocks of the related subsidiaries from TT Electronics, PLC, a United Kingdom based manufacturer of electronics components, for ¥18,652 million (\$165 million) in cash in order to enhance AVX Corporation’s position in the automotive business and provides further opportunities for expansion and growth.

Kyocera has used the acquisition method of accounting to record assets acquired and liabilities assumed in accordance with ASC 805, “Business Combinations.” In accordance with the purchase method, the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. Factors that contributed to the recognition of goodwill include expected synergies and the trained workforce.

As of March 31, 2018, the allocation of the purchase price was prepared based on estimates of fair values, as shown in the following table. The purchase price allocation of assets and liabilities is preliminary and subject to change as Kyocera awaits the completion of the fair value appraisal of certain personal and real tangible assets as well as certain intangible assets.

The result of operation of the acquired business was included into Kyocera’s consolidated financial statements since the acquisition date. For segment reporting, it is reported in the Electronic Devices Group.

	<u>October 2, 2017</u> (Yen in millions)
Cash and cash equivalents	¥ 378
Trade receivables	6,934
Inventories	4,787
Others	1,681
Total current assets	13,780
Property, plant and equipment	9,676
Intangible assets	2,049
Others	197
Total non-current assets	11,922
Total assets	25,702
Trade notes and accounts payable	3,985
Others	4,248
Total current liabilities	8,233
Non-current liabilities	1,755
Total liabilities	9,988
Total identified assets and liabilities	15,714
Purchase price (Cash)	18,652
Goodwill *	¥ 2,938

* The total amount of goodwill is not expected to be deductible for tax purposes.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Intangible assets that Kyocera recorded due to this acquisition are summarized as follows:

	<u>October 2, 2017</u> (Yen in millions)
Intangible assets subject to amortization:	
Non-patent technology	¥1,173
Customer relationships	698
Other	<u>178</u>
Total	<u>¥2,049</u>

The weighted average amortization periods for non-patent technology and customer relationships are 11 years and six years, respectively.

The pro forma results are not presented as the revenue and earnings were not material.

On January 10, 2018, Kyocera acquired 80% of the common stocks of the company established from the company split of Ryobi Limited’s power tool business for ¥10,717 million in cash in order to promote further expansion of its industrial tools business, and made it consolidated subsidiary and named Kyocera Industrial Tools Corporation.

Kyocera has used the acquisition method of accounting to record assets acquired and liabilities assumed in accordance with ASC 805, “Business Combinations.” The allocation of fair value to the acquired assets and assumed liabilities was conducted during the year ended March 31, 2018. As a result, the allocation of fair value to them based on estimated fair value in this business combination as of the acquisition date and goodwill were recognized as described below. Factors that contributed to the recognition of goodwill include expected synergies and the trained workforce.

Acquisition-related costs of ¥155 million were included in selling, general and administrative expenses in the consolidated statement of income for the year ended March 31, 2018. The result of operation of the acquired business was included into Kyocera’s consolidated financial statements since the acquisition date. For segment reporting, it is reported in the Industrial & Automotive Components Group.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

	January 10, 2018
	(Yen in millions)
Cash and cash equivalents	¥ 3,419
Trade receivables	3,431
Inventories	3,739
Others	2,090
Total current assets	<u>12,679</u>
Property, plant and equipment	2,585
Intangible assets	1,524
Others	1,796
Total non-current assets	<u>5,905</u>
Total assets	<u>18,584</u>
Trade notes and accounts payable	1,619
Others	922
Total current liabilities	<u>2,541</u>
Deferred income taxes	428
Others	1,953
Non-current liabilities	<u>2,381</u>
Total liabilities	<u>4,922</u>
Noncontrolling interests	<u>1,918</u>
Total identified shareholders' equity	<u>11,744</u>
The fair value of business as of January 10, 2018	<u>13,347</u>
Goodwill *	<u>¥ 1,603</u>

* The total amount of goodwill is not expected to be deductible for tax purposes.

Intangible assets that Kyocera recorded due to this acquisition are summarized as follows:

	January 10, 2018
	(Yen in millions)
Intangible assets subject to amortization:	
Technologies	¥1,121
Others	403
Total	<u>¥1,524</u>

The weighted average amortization periods for technologies are 11 years.

The pro forma results are not presented as the revenue and earnings were not material.

On January 31, 2018, AVX Corporation, a U.S. based subsidiary, acquired 100% of the common stock of Ethertronics Inc. for ¥15,040 million (\$138 million) in cash. The purchase of Ethertronics expands AVX's extensive electronic product offering into the antenna technology market and will provide new and exciting growth opportunities for AVX going forward.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Kyocera has used the acquisition method of accounting to record assets acquired and liabilities assumed in accordance with ASC 805, “Business Combinations.” In accordance with the purchase method, the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. Factors that contributed to the recognition of goodwill include expected synergies and the trained workforce.

As of March 31, 2018, the allocation of the purchase price was prepared based on estimates of fair values, as shown in the following table. The purchase price allocation of assets and liabilities is preliminary and subject to change as Kyocera awaits the completion of the fair value appraisal of certain personal and real tangible assets as well as certain intangible assets.

The result of operation of the acquired business was included into Kyocera’s consolidated financial statements since the acquisition date. For segment reporting, it is reported in the Electronic Devices Group.

	<u>January 31, 2018</u> (Yen in millions)
Cash and cash equivalents	¥ 1,088
Trade receivables	1,779
Inventories	644
Others	154
Total current assets	3,665
Property, plant and equipment	1,497
Intangible assets	7,050
Others	392
Total non-current assets	8,939
Total assets	12,604
Trade notes and accounts payable	1,103
Others	488
Total current liabilities	1,591
Long-term borrowings	2,296
Others	1,889
Non-current liabilities	4,185
Total liabilities	5,776
Total identified assets and liabilities	6,828
Purchase price (Cash)	15,040
Goodwill *	¥ 8,212

* The total amount of goodwill is not expected to be deductible for tax purposes.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Intangible assets that Kyocera recorded due to this acquisition are summarized as follows:

	<u>January 31, 2018</u> (Yen in millions)
Intangible assets subject to amortization:	
Non-patent technology	¥1,654
Customer relationships	4,265
Trademarks	849
Other	<u>282</u>
Total	<u>¥7,050</u>

The weighted average amortization periods for non-patent technology, customer relationships and trademarks are 10 years, 13 years and 10 years, respectively.

The pro forma results are not presented as the revenue and earnings were not material.

Business combinations in the year ended March 31, 2017

On May 2, 2016, Kyocera acquired 100% of the common stock of SGS Tool Company which is the U.S. based solid tool manufacturing and sales company for ¥9,046 million in cash in order to strengthen Kyocera’s industrial tool business in North America, and made it consolidated subsidiary and changed its name as Kyocera SGS Precision Tools, Inc.

Kyocera has used the acquisition method of accounting to record assets acquired and liabilities assumed in accordance with ASC 805, “Business Combinations.” The allocation of fair value to the acquired assets and assumed liabilities was completed during the year ended March 31, 2017. As a result, the allocation of fair value to them based on estimated fair value in this business combination as of the acquisition date and goodwill were recognized as described below.

Acquisition-related costs of ¥282 million were included in selling, general and administrative expenses in the consolidated statement of income for the year ended March 31, 2017. The result of operation of the acquired business was included into Kyocera’s consolidated financial statements since the acquisition date. For segment reporting, it is reported in the Industrial & Automotive Components Group.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

	<u>May 2, 2016</u>
	(Yen in millions)
Cash and cash equivalents	¥ 501
Trade receivables	940
Inventories	1,330
Others	<u>145</u>
Total current assets	<u>2,916</u>
Property, plant and equipment	3,514
Intangible assets	1,432
Others	<u>1</u>
Total non-current assets	<u>4,947</u>
Total assets	<u>7,863</u>
Trade notes and accounts payable	172
Others	<u>779</u>
Total current liabilities	<u>951</u>
Non-current liabilities	<u>1,111</u>
Total liabilities	<u>2,062</u>
Total identified assets and liabilities	<u>5,801</u>
Purchase price (Cash)	<u>9,046</u>
Goodwill *	<u>¥3,245</u>

* The total amount of goodwill is not expected to be deductible for tax purposes.

Intangible assets that Kyocera recorded due to this acquisition are summarized as follows:

	<u>May 2, 2016</u>
	(Yen in millions)
Intangible assets subject to amortization:	
Customer relationships	¥1,160
Trademarks	213
Others	<u>59</u>
Total	<u>¥1,432</u>

The weighted average amortization periods for customer relationships and trademarks are 15 years and two years, respectively.

The pro forma results are not presented as the revenue and earnings were not material.

On December 6, 2016, Kyocera Document Solutions Inc. acquired the common stock of Annodata Limited and Annodata Communication Systems Limited, and made them consolidated subsidiaries to advance into comprehensive service business which integrates document solutions and information technology services. Kyocera Document Solutions Inc. paid ¥6,062 million of cash to their stockholder and ¥3,561 million to an escrow account on the promise that it acquired 90% of the common stock of them on December 6, 2016. On August 31, 2017, Kyocera Document Solutions Inc. acquired the remaining 10% of the common stock.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

The acquisition price of their common stock was ¥10,743 million, which consisted of ¥9,623 million of the above payments in total and ¥1,120 million of the fair value of the future performance-linked payment (contingent consideration) as of acquisition date. At March 31, 2018, the fair value of the contingent consideration was ¥330 million.

Kyocera has used the acquisition method of accounting to record assets acquired and liabilities assumed in accordance with ASC 805, “Business Combinations.” The allocation of fair value to the acquired assets and assumed liabilities was completed during the year ended March 31, 2017. As a result, the allocation of fair value to them based on estimated fair value in this business combination as of the acquisition date and goodwill were recognized as described below.

Acquisition-related costs of ¥55 million were included in selling, general and administrative expenses in the consolidated statement of income for the year ended March 31, 2017.

Kyocera’s ratio of voting rights has been 100% since December 6, 2016 and the result of operation of the acquired business was included into Kyocera’s consolidated financial statements since the date. For segment reporting, it is reported in the Document Solutions Group.

	<u>December 6, 2016</u> (Yen in millions)
Cash and cash equivalents	¥ 829
Trade receivables	2,147
Inventories	1,219
Others	556
Total current assets	4,751
Property, plant and equipment	51
Intangible assets	4,944
Total non-current assets	4,995
Total assets	9,746
Short-term borrowings	39
Trade notes and accounts payable	1,869
Accrued expense	775
Others	1,301
Total current liabilities	3,984
Non-current liabilities	1,042
Total liabilities	5,026
Total identified assets and liabilities	4,720
Purchase price	10,743
Goodwill *	¥ 6,023

* The total amount of goodwill is not expected to be deductible for tax purposes.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Intangible assets that Kyocera recorded due to this acquisition are summarized as follows:

	<u>December 6, 2016</u> (Yen in millions)
Intangible assets subject to amortization:	
Customer relationships	¥3,529
Trademarks	1,163
Others	<u>252</u>
Total	<u>¥4,944</u>

The weighted average amortization periods for customer relationships, trademarks and others are 20 years, 10 years and three years, respectively.

The pro forma results are not presented as the revenue and earnings were not material.

Business combinations in the year ended March 31, 2016

On September 4, 2015, Kyocera acquired the common stock and the preferred stock of Nihon Inter Electronics Corporation (NIEC) by a way of cash tender offer for ¥12,134 million, and made it a consolidated subsidiary. On September 8, 2015, Kyocera held 70.23% of the voting rights in NIEC as a result of the conversion to common stock of the preferred stock acquired by Kyocera.

Kyocera has used the acquisition method of accounting to record assets acquired and liabilities assumed in accordance with ASC805, “Business Combinations.” The allocation of fair value to the acquired assets and assumed liabilities was completed during the year ended March 31, 2016. Acquisition-related costs of ¥232 million were included in selling, general and administrative expenses in the consolidated statement of income for the year ended March 31, 2016. The result of operation of the acquired business was included into Kyocera’s consolidated financial statements since the acquisition date. For segment reporting, it is reported in the Electronic Devices Group.

Kyocera conducted an absorption-type merger in which NIEC was the merged company with that for every 1 ordinary share of NIEC, 0.032 ordinary shares of Kyocera were allocated and delivered to the NIEC’s shareholders on August 1, 2016.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

	<u>September 4, 2015</u> (Yen in millions)
Cash and cash equivalents	¥ 1,976
Trade receivables	5,630
Inventories	5,761
Others	183
Total current assets	<u>13,550</u>
Property, plant and equipment	4,527
Intangible assets	1,760
Others	396
Total non-current assets	<u>6,683</u>
Total assets	<u>20,233</u>
Short-term borrowings	3,722
Current portion of long-term debt	480
Trade notes and accounts payable	3,147
Others	951
Total current liabilities	<u>8,300</u>
Non-current liabilities	5,265
Total liabilities	<u>13,565</u>
Total identified assets and liabilities	<u>6,668</u>
The fair value of business as of September 4, 2015 *1	<u>17,274</u>
Goodwill *2	<u>¥10,606</u>

*1 The fair value of business as of September 4, 2015 was calculated by multiplying 197 yen, which was the price of the tender offer per common share, by NIEC's total number of common shares issued after deduction of the treasury shares.

*2 The total amount of goodwill is not expected to be deductible for tax purposes.

Intangible assets that Kyocera recorded due to this acquisition are summarized as follows:

	<u>September 4, 2015</u> (Yen in millions)
Intangible assets subject to amortization:	
Technologies	¥ 388
Customer relationships	887
Trademarks	465
Others	20
Total	<u>¥1,760</u>

The weighted average amortization periods for technologies, customer relationships and trademarks are eight years, 17 years and 21 years, respectively.

The pro forma results are not presented as the revenue and earnings were not material.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

On October 19, 2015, Kyocera Document Solutions Europe B.V., a Dutch subsidiary of Kyocera Document Solutions Inc., acquired 60% of the common stock of Bilgitas Büro Makinalari Sanayi Ve Ticaret A.S. to expand its sales channels in Turkey for ¥3,538 million of cash, and it paid ¥2,195 million to an escrow account on the condition that another 40% of the common stock would be acquired later. On June 1, 2016, Kyocera acquired 27.5% of the common stock subsequently with the remaining 12.5% of the common stock to be purchased in the future. Kyocera's ratio of voting rights has been 100% since October 19, 2015.

Kyocera has used the acquisition method of accounting to record assets acquired and liabilities assumed in accordance with ASC805, "Business Combinations." The allocation of fair value to the acquired assets and assumed liabilities was completed during the year ended March 31, 2016. Acquisition-related costs of ¥68 million were included in selling, general and administrative expenses in the consolidated statement of income for the year ended March 31, 2016. The result of operation of the acquired business was included into Kyocera's consolidated financial statements since the acquisition date. For segment reporting, it is reported in the Document Solutions Group.

	<u>October 19, 2015</u> (Yen in millions)
Cash and cash equivalents	¥ 204
Trade receivables	1,079
Inventories	762
Others	<u>569</u>
Total current assets	<u>2,614</u>
Property, plant and equipment	222
Intangible assets	2,617
Others	<u>424</u>
Total non-current assets	<u>3,263</u>
Total assets	<u>5,877</u>
Current portion of long-term debt	364
Trade notes and accounts payable	391
Others	<u>284</u>
Total current liabilities	<u>1,039</u>
Deferred income taxes	539
Others	<u>702</u>
Total non-current liabilities	<u>1,241</u>
Total liabilities	<u>2,280</u>
Total identified assets and liabilities	<u>3,597</u>
Purchase price (Cash)	<u>5,733</u>
Goodwill *	<u>¥2,136</u>

* The total amount of goodwill is not expected to be deductible for tax purposes.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Intangible assets that Kyocera recorded due to this acquisition are summarized as follows:

	<u>October 19, 2015</u> (Yen in millions)
Intangible assets subject to amortization:	
Customer relationships	¥1,411
Trademarks	748
Others	<u>458</u>
Total	<u>¥2,617</u>

The weighted average amortization periods for customer relationships, trademarks and others are 20 years, 10 years and six years, respectively.

The pro forma results are not presented as the revenue and earnings were not material.

On November 3, 2015, Kyocera Document Solutions Inc. acquired 100% of the common stock of Ceyoniq Technology GmbH and related three companies to expand into solution business, making it possible to effectively control and use data handled with a company and increase productivity. The acquisition price was ¥3,727 million, which consisted of ¥3,508 million of cash payment and ¥219 million of the fair value of the future performance-linked payment (contingent consideration) as of acquisition date. At March 31, 2018, the maximum amount of the contingent consideration was ¥131 million.

Kyocera has used the acquisition method of accounting to record assets acquired and liabilities assumed in accordance with ASC805, “Business Combinations.” The allocation of fair value to the acquired assets and assumed liabilities was completed during the year ended March 31, 2016. Acquisition-related costs of ¥129 million were included in selling, general and administrative expenses in the consolidated statement of income for the year ended March 31, 2016. The result of operation of the acquired business was included into Kyocera’s consolidated financial statements since the acquisition date. For segment reporting, it is reported in the Document Solutions Group.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

	<u>November 3, 2015</u> (Yen in millions)
Cash and cash equivalents	¥ 60
Trade receivables	190
Others	129
Total current assets	379
Property, plant and equipment	50
Intangible assets	1,113
Others	53
Total non-current assets	1,216
Total assets	1,595
Short-term borrowings	165
Trade notes and accounts payable	42
Unearned income	133
Others	187
Total current liabilities	527
Deferred income taxes	361
Others	32
Total non-current liabilities	393
Total liabilities	920
Total identified assets and liabilities	675
Purchase price	3,727
Goodwill *	¥3,052

* The total amount of goodwill is not expected to be deductible for tax purposes.

Intangible assets that Kyocera recorded due to this acquisition are summarized as follows:

	<u>November 3, 2015</u> (Yen in millions)
Intangible assets subject to amortization:	
Technologies	¥ 478
Customer relationships	480
Trademarks	155
Total	¥1,113

The weighted average amortization periods for technologies, customer relationships and trademarks are seven years, 17 years and five years, respectively.

The pro forma results are not presented as the revenue and earnings were not material.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

3. INVESTMENTS IN DEBT, EQUITY SECURITIES AND OTHER INVESTMENTS

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. Non-marketable equity securities are accounted by the cost method.

Other-than-temporary loss on debt and equity securities for the years ended March 31, 2016, 2017 and 2018 are as follows:

	Years ended March 31,		
	2016	2017	2018
	(Yen in millions)		
Other-than-temporary loss on debt and equity securities	¥ —	¥31	¥873

(1) Debt and equity securities with readily determinable fair values

Investments in debt and equity securities at March 31, 2017 and 2018, included in short-term investments in debt securities and in long-term investments in debt and equity securities are summarized as follows:

	March 31,							
	2017				2018			
	Cost*1	Aggregate Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Cost*1	Aggregate Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
	(Yen in millions)							
Available-for-sale securities:								
Marketable equity securities*2	¥267,526	¥1,048,127	¥780,644	¥ 43	¥270,403	¥ 993,707	¥723,309	¥ 5
Total equity securities	267,526	1,048,127	780,644	43	270,403	993,707	723,309	5
Total available-for-sale securities	267,526	1,048,127	780,644	43	270,403	993,707	723,309	5
Held-to-maturity securities:								
Corporate bonds	167,329	167,135	172	366	93,728	94,525	854	57
Government bonds and public bonds	3	3	—	—	2	2	—	—
Commercial paper	—	—	—	—	1,123	1,123	—	0
Total held-to-maturity securities	167,332	167,138	172	366	94,853	95,650	854	57
Total	¥434,858	¥1,215,265	¥780,816	¥409	¥365,256	¥1,089,357	¥724,163	¥ 62

*1 Cost represents amortized cost for held-to-maturity securities and acquisition cost for available-for-sale 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.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

*2 Marketable equity securities mainly consist of the shares of KDDI Corporation, which is a telecommunications carrier in Japan. At March 31, 2018, Kyocera Corporation's equity interest in KDDI Corporation was 12.95%. Cost, aggregate fair value and gross unrealized gain of the shares of KDDI Corporation held by Kyocera are as follows:

	March 31,							
	2017				2018			
	Cost	Aggregate Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	Cost	Aggregate Fair Value	Gross Unrealized Gain	Gross Unrealized Loss
	(Yen in millions)							
Shares of KDDI Corporation	¥242,868	¥ 979,151	¥736,283	¥ —	¥242,868	¥ 910,288	¥667,420	¥ —

Kyocera received dividends from KDDI Corporation, and included them in interest and dividend income in the consolidated statements of income, are summarized as follows:

	Years ended March 31,		
	2016	2017	2018
	(Yen in millions)		
Dividends from KDDI Corporation	¥22,334	¥25,132	¥30,159

Short-term investments in debt securities and long-term investments in debt and equity securities at March 31, 2017 and 2018 are as follows:

	March, 31					
	2017			2018		
	Available-for-Sale	Held-to-Maturity	Total	Available-for-Sale	Held-to-Maturity	Total
	(Yen in millions)					
Short-term investment in debt securities	¥ —	¥ 84,703	¥ 84,703	¥ —	¥38,023	¥ 38,023
Long-term investment in debt and equity securities	1,048,127	82,629	1,130,756	993,707	56,830	1,050,537
Total	<u>¥1,048,127</u>	<u>¥167,332</u>	<u>¥1,215,459</u>	<u>¥993,707</u>	<u>¥94,853</u>	<u>¥1,088,560</u>

At March 31, 2018, the contractual maturities of available-for-sale and held-to-maturity securities are summarized as follows:

	March 31, 2018			
	Available-for-Sale		Held-to-Maturity	
	Cost	Aggregate Fair Value	Cost	Aggregate Fair Value
	(Yen in millions)			
Due within 1 year	¥ —	¥ —	¥38,023	¥38,051
Due after 1 year to 5 years	—	—	56,830	57,599
Due after 5 years	—	—	—	—
Equity securities	270,403	993,707	—	—
Total	<u>¥270,403</u>	<u>¥993,707</u>	<u>¥94,853</u>	<u>¥95,650</u>

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Proceeds from sales of available-for-sale securities and the related gross realized gains and losses for the years ended March 31, 2016, 2017 and 2018 are as follows:

	Years ended March 31,		
	2016	2017	2018
	(Yen in millions)		
Proceeds from sales of available-for-sale securities	¥39,118	¥229	¥2,377
Gross realized gains	20,352	190	1,594
Gross realized losses	1	—	—

For the purpose of computing gains and losses, the cost of those securities is determined by the moving average method. Due to the sale of the shares of KDDI Corporation, Kyocera recorded gains in the amount of ¥20,000 million, which were included in gains on sales of securities, net in the consolidated statements of income for the year ended March 31, 2016.

(2) Other investments

Kyocera holds time deposits and certificates of deposits which are due over three months to original maturity, non-marketable equity securities, long-term loans and investments in affiliates and an unconsolidated subsidiary. Carrying amounts of these investments at March 31, 2017 and 2018, included in other short-term investments and in other long-term investments, are summarized as follows:

	March 31,	
	2017	2018
	(Yen in millions)	
Time deposits and certificates of deposits (due over 3 months)	¥213,143	¥159,310
Non-marketable equity securities	15,865	21,453
Long-term loans	43	0
Investments in affiliates and an unconsolidated subsidiary	5,863	3,874
Total	¥234,914	¥184,637

4. FAIR VALUE

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of inputs that may be used to measure fair value are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2: Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

(1) Assets and liabilities measured at fair value on a recurring basis

The fair value of the financial assets that were measured and recorded at fair value on a recurring basis are as follows:

	March 31,							
	2017			2018				
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(Yen in millions)							
Current Assets:								
Foreign currency forward contracts	¥ —	¥2,470	¥—	¥ 2,470	¥ —	¥5,742	¥—	¥ 5,742
Total derivatives	—	2,470	—	2,470	—	5,742	—	5,742
Total current assets	—	2,470	—	2,470	—	5,742	—	5,742
Non-Current Assets:								
Marketable equity securities . .	1,048,127	—	—	1,048,127	993,707	—	—	993,707
Total equity securities . . .	1,048,127	—	—	1,048,127	993,707	—	—	993,707
Total non-current assets	1,048,127	—	—	1,048,127	993,707	—	—	993,707
Total assets	¥1,048,127	¥2,470	¥—	¥1,050,597	¥993,707	¥5,742	¥—	¥999,449
Current Liabilities:								
Foreign currency forward contracts	¥ —	¥4,770	¥—	¥ 4,770	¥ —	¥ 905	¥—	¥ 905
Total derivatives	—	4,770	—	4,770	—	905	—	905
Total current liabilities	¥ —	¥4,770	¥—	¥ 4,770	¥ —	¥ 905	¥—	¥ 905

The fair value of Level 1 investments is quoted price in an active market with sufficient volume and frequency of transactions.

The fair value of Level 2 investments is other than quoted price included within Level 1 that is observable for the asset or liability, either directly or indirectly through corroboration with observable market data. Kyocera did not recognize any transfers between Levels 1 and 2 for the years ended March 31, 2016, 2017 and 2018.

The fair value of Level 2 derivatives is estimated based on quotes from financial institutions. With respect to the detail information of derivatives, please refer to the Note 12 to Kyocera's consolidated financial statement included in this annual report on Form 20-F.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

(2) Assets and liabilities measured at fair value on a non-recurring basis

The following table presents the financial assets and the non-financial assets that were measured and recorded at fair value on a non-recurring basis for the year ended March 31, 2016, 2017 and 2018. The liabilities that were measured at fair value on a non-recurring basis were not material. The following assets are classified in all level 3, there is no asset classified as Level 1 and Level 2.

	<u>Balance at March 31, 2016</u>	<u>Losses for the year ended March 31, 2016</u>	<u>Balance at March 31, 2017</u>	<u>Losses for the year ended March 31, 2017</u>	<u>Balance at March 31, 2018</u>	<u>Losses for the year ended March 31, 2018</u>
	(Yen in millions)					
Property, plant and equipment	¥2,432	¥ (1,763)	¥25,513	¥ (242)	¥ 6	¥(324)
Intangible assets	405	(2,679)	674	(1,944)	—	—
Goodwill	—	(14,143)	—	—	—	—
Non-marketable equity securities	0	(0)	0	(0)	31	(770)

Losses for the year ended March 31, 2016, 2017 and 2018 were impairment losses on each asset. Impairment losses on property, plant and equipment and intangible assets were included in selling, general and administrative expenses in the consolidated statements of income. Impairment losses on non-marketable equity securities were included in other, net in the consolidated statements of income.

With respect to the amounts and the calculation method of impairment losses, please refer to the Note 1 to Kyocera's consolidated financial statement included in this annual report on Form 20-F.

In fiscal 2016, Kyocera recognized impairment losses of ¥1,148 million on property, plant and equipment, and ¥2,666 million on intangible assets subject to amortization due to the deterioration of profitability in the liquid crystal displays business included in the Industrial & Automotive Components Group, and such losses were included in selling, general and administrative expenses in the consolidated statements of income.

In fiscal 2017, Kyocera recognized impairment loss of ¥1,928 million on intangible assets subject to amortization due to the deterioration of profitability in the organic materials business included in the Semiconductor Components Group, and such loss was included in selling, general and administrative expenses in the consolidated statements of income.

With respect to the amounts and the calculation method of impairment loss on goodwill for the year ended March 31, 2016, please refer to the Note 9 to Kyocera's consolidated financial statement included in this annual report on Form 20-F.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

(3) Fair value of financial instruments

The fair values of financial instruments and the methods and assumptions used to estimate the fair value are as follows:

	March 31,			
	2017		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Yen in millions)			
Assets (a):				
Short-term investments in debt securities	¥ 84,703	¥ 84,713	¥ 38,023	¥ 38,051
Long-term investments in debt and equity securities	1,130,756	1,130,552	1,050,537	1,051,306
Other long-term investments (excluding investments in affiliates and an unconsolidated subsidiary)	16,383	16,383	21,984	21,984
Total	<u>¥1,231,842</u>	<u>¥1,231,648</u>	<u>¥1,110,544</u>	<u>¥1,111,341</u>
Liabilities (b):				
Long-term debt (including due within one year)	¥ 24,644	¥ 24,644	¥ 29,530	¥ 29,530
Total	<u>¥ 24,644</u>	<u>¥ 24,644</u>	<u>¥ 29,530</u>	<u>¥ 29,530</u>

- (a) For investments with active markets, fair value is based on quoted market prices. For non-marketable equity securities, it is not practicable to estimate the fair value because of the lack of the market price and difficulty in estimating fair value without incurring excessive cost. In addition, Kyocera did not identify any events or changes in circumstances that may have had a significant adverse effect on these investments. The aggregated carrying amounts of these investments included in the above table at March 31, 2017 and 2018 were ¥15,852 million and ¥21,422 million, respectively. Fair value of held-to-maturity investments in debt securities is mainly classified as Level 2.
- (b) Fair value is estimated by discounting cash flows, using current interest rates for instruments with similar terms and remaining maturities, and classified as Level 2.

Carrying amounts of cash and cash equivalents, other short-term investments, trade notes receivable, trade accounts receivable, short-term borrowings, trade notes and accounts payable, and other notes and accounts payable approximate fair values because of the short maturity of these instruments.

5. INVENTORIES

Inventories at March 31, 2017 and 2018 are as follows:

	March 31,	
	2017	2018
	(Yen in millions)	
Finished goods	¥142,615	¥155,020
Work in process	66,956	79,300
Raw materials and supplies	121,584	130,555
Total	<u>¥331,155</u>	<u>¥364,875</u>

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Inventories are stated at the lower of cost and net realizable value. When the net realizable value is lower than its carrying amount due to a decline in profitability, the difference is recorded as a write-down in the “cost of sales” on the consolidated income statement and as a deduction of “inventories” in the consolidated balance sheet.

Kyocera recognized inventory write-downs of ¥9,215 million in fiscal 2017 and ¥28,721 million in fiscal 2018, respectively. The write-downs recognized in fiscal 2018 included ¥19,280 million of the write-down, which was recorded for ¥52,821 million of current polysilicon materials already purchased pursuant to the long-term purchase agreements in the solar energy business.

Kyocera also evaluated the future material purchase commitments under the agreements at the lower of cost and net realizable value, and recorded the write-down in an amount equivalent to the difference between net realizable value and purchase price under the agreements, which was included in “cost of sales” in Kyocera’s consolidated income statements for the year ended March 31, 2018. The following table shows the remaining balance of future commitments, the amount of the write-down and its location in the consolidated balance sheet at March 31, 2018.

	<u>Presentation on consolidated Balance Sheet</u>	<u>Remaining balance</u>	<u>Amount of write-down</u>
	(Yen in millions)		
The remaining balance of future commitments to be purchased in the year ending March 31, 2019	Other current liabilities	¥ 60,100	¥18,340
The remaining balance of future commitments to be purchased in the year ending March 31, 2020 and 2021	Other non-current liabilities	54,305	12,545
Total		<u>¥114,405</u>	<u>¥30,885</u>

6. VALUATION ALLOWANCES

Changes in valuation allowances for the years ended March 31, 2016, 2017, and 2018 are as follows:

	<u>Balance at Beginning of Year</u>	<u>Charged to Costs or Expenses</u>	<u>Charged (Credited) to Other Accounts*</u>	<u>Charge-offs</u>	<u>Balance at End of Year</u>
	(Yen in millions)				
For the year ended March 31, 2016:					
Allowance for doubtful accounts	¥4,363	¥1,015	¥(574)	¥ (587)	¥4,217
Allowance for sales returns	3,351	6,686	(139)	(6,608)	3,290
Total	<u>¥7,714</u>	<u>¥7,701</u>	<u>¥(713)</u>	<u>¥(7,195)</u>	<u>¥7,507</u>
For the year ended March 31, 2017:					
Allowance for doubtful accounts	¥4,217	¥ 936	¥(449)	¥ (585)	¥4,119
Allowance for sales returns	3,290	4,842	(7)	(4,740)	3,385
Total	<u>¥7,507</u>	<u>¥5,778</u>	<u>¥(456)</u>	<u>¥(5,325)</u>	<u>¥7,504</u>
For the year ended March 31, 2018:					
Allowance for doubtful accounts	¥4,119	¥ 829	¥ 140	¥ (841)	¥4,247
Allowance for sales returns	3,385	6,435	(631)	(6,217)	2,972
Total	<u>¥7,504</u>	<u>¥7,264</u>	<u>¥(491)</u>	<u>¥(7,058)</u>	<u>¥7,219</u>

* Charged (credited) to other accounts mainly consists of foreign currency translation adjustments.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

The location of valuation allowances in the consolidated balance sheets at March 31, 2017 and 2018 are as follows:

	March 31, 2017	March 31, 2018
	(Yen in millions)	
The location of valuation allowances that are not deducted from the related receivables in the consolidated balance sheets:		
Less allowances for doubtful accounts and sales returns	¥5,593	¥5,490
The location of valuation allowances that are deducted from the related receivables in the consolidated balance sheets:		
Other current assets	103	39
Other long-term investments	13	—
Other assets	1,795	1,690
Subtotal	1,911	1,729
Total	¥7,504	¥7,219

7. INVESTMENTS IN AFFILIATES

Related party transactions with the affiliates, accounted for by the equity method are as follows:

	March 31,	
	2017	2018
	(Yen in millions)	
Kyocera's investments in affiliates	¥5,708	¥3,783
Kyocera's trade receivables from affiliates	89	143
	Years ended March 31,	
	2016	2017
	2018	
	(Yen in millions)	
Kyocera's equity in earnings of affiliates	¥(746)	¥(1,210)
Kyocera's sales to affiliates	252	716
	325	325

Kyocera Corporation's investment in Kagoshima Mega Solar Power Corporation, which was ¥2,034 million at March 31, 2018 accounted for by the equity method, is pledged as collateral for loans of ¥16,820 million from financial institutions of Kagoshima Mega Solar Power Corporation.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

8. LEASE RECEIVABLES

Lease receivables represent capital leases which consist of sales-type leases. Most of the lease receivables are recognized at TA Triumph-Adler GmbH, a subsidiary of Kyocera Document Solutions Inc. These receivables typically have terms ranging from one year to six years. The lease receivables, which are included in other current assets and other assets in the accompanying consolidated balance sheets, are as follows:

	March 31,	
	2017	2018
	(Yen in millions)	
Total minimum lease payments receivable	¥ 33,868	¥ 41,173
Unguaranteed residual values	710	918
Unearned income	(2,658)	(3,234)
Executory costs	(16)	(29)
	31,904	38,828
Less, allowance for doubtful receivables	(103)	(39)
	31,801	38,789
Less, short-term lease receivables	(10,900)	(13,745)
Long-term lease receivables	¥ 20,901	¥ 25,044

A reconciliation of the beginning and ending amounts of allowance for doubtful accounts related to lease receivables are as follows:

	Years ended March 31,		
	2016	2017	2018
	(Yen in millions)		
Balance at beginning of year	¥203	¥107	¥103
Charged to costs or expenses, or charge-off	(98)	3	(74)
Foreign currency translation	2	(7)	10
Balance at end of year	¥107	¥103	¥ 39

TA Triumph-Adler GmbH estimates allowances for doubtful accounts related to lease receivables at the portfolio level.

The future minimum lease payments to be received under financing leases for future years are as follows:

Years ending March 31,	(Yen in millions)
2019	¥14,908
2020	12,607
2021	6,900
2022	4,353
2023	2,063
2024 and thereafter	342
Total	¥41,173

TA Triumph-Adler GmbH transferred the capital lease receivables to a third party in exchange for cash, however, the transfer was not qualified as a sale for financial reporting purpose because TA Triumph-Adler GmbH has a

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

right to repurchase the receivables. Accordingly, Kyocera has accounted for the cash received as a secured borrowing and it has been included in long-term debt. As a result of the transaction, the capital lease receivables in the amount of ¥23,616 million and ¥26,056 million have been recorded on the balance sheets as of March 31, 2017 and 2018, respectively.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets are summarized as follows:

	March 31,			
	2017		2018	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(Yen in millions)			
Intangible assets subject to amortization:				
Customer relationships	¥ 36,591	¥17,242	¥ 52,023	¥20,852
Software	41,937	31,667	38,325	28,686
Trademark	8,640	2,299	11,732	3,564
Non-patent technology	4,679	2,005	8,652	2,318
Patent rights	15,755	11,194	15,942	10,267
Other	17,359	5,925	18,845	6,856
Total	¥124,961	¥70,332	¥145,519	¥72,543

	March 31,	
	2017	2018
	Gross Carrying Amount	Gross Carrying Amount
	(Yen in millions)	
Intangible assets not subject to amortization:		
Trademark	¥6,605	¥7,210
Other	1	—
Total	¥6,606	¥7,210

Intangible assets acquired during the year ended March 31, 2018 are as follows:

	Year ended March 31, 2018
	(Yen in millions)
Intangible assets subject to amortization:	
Customer relationships	¥15,712
Software	4,730
Trademark	3,061
Non-patent technology	3,962
Patent rights	2,688
Other	1,318
Total	¥31,471

The weighted average amortization periods for customer relationships, software, trademark, non-patent technology and patent rights which were acquired during the year ended March 31, 2018 are 14 years, four years, nine years, 10 years and 16 years, respectively.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Total amortization of intangible assets during the years ended March 31, 2017 and 2018 amounted to ¥11,320 million and ¥12,513 million, respectively. The estimated aggregate amortization expenses for intangible assets for the next five years are as follows:

Years ending March 31,	(Yen in millions)
2019	¥10,365
2020	8,432
2021	7,352
2022	6,174
2023	5,084

The changes in the amounts of goodwill by segment in the years ended March 31, 2017 and 2018 are as follows:

	Industrial & Automotive Components Group	Semiconductor Components Group	Electronic Devices Group	Communications Group	Document Solutions Group	Life & Environment Group	Others	Total
	(Yen in millions)							
Balance at March 31, 2016								
Goodwill	¥ 32,729	¥6,943	¥48,091	¥ 28,200	¥23,306	¥3,563	¥1,227	¥144,059
Accumulated impairment losses	(19,558)	—	(729)	(21,151)	(22)	—	—	(41,460)
	13,171	6,943	47,362	7,049	23,284	3,563	1,227	102,599
Goodwill acquired during the year	4,145	—	—	—	6,023	—	—	10,168
Impairment of goodwill ...	—	—	—	—	—	—	—	—
Translation adjustments and reclassification to other accounts	(773)	(4)	(215)	—	(1,274)	(31)	—	(2,297)
Balance at March 31, 2017								
Goodwill	36,101	6,939	47,876	28,200	28,055	3,532	1,227	151,930
Accumulated impairment losses	(19,558)	—	(729)	(21,151)	(22)	—	—	(41,460)
	16,543	6,939	47,147	7,049	28,033	3,532	1,227	110,470
Goodwill acquired during the year	16,101	—	11,150	—	6,012	—	—	33,263
Impairment of goodwill ...	—	—	—	—	—	—	—	—
Translation adjustments and reclassification to other accounts	1,048	(26)	(1,792)	—	1,305	—	—	535
Balance at March 31, 2018								
Goodwill	53,250	6,913	57,234	28,200	35,372	3,532	1,227	185,728
Accumulated impairment losses	(19,558)	—	(729)	(21,151)	(22)	—	—	(41,460)
	<u>¥ 33,692</u>	<u>¥6,913</u>	<u>¥56,505</u>	<u>¥ 7,049</u>	<u>¥35,350</u>	<u>¥3,532</u>	<u>¥1,227</u>	<u>¥144,268</u>

As described “Goodwill and other intangible assets” in Note 1 to Kyocera’s consolidated financial statements included in this annual report on Form 20-F, we assess our goodwill for impairment annually as of January 1, and also whenever indicators of impairment exist.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Two steps shall be performed for the impairment test for Goodwill. The first step (“identification of potential impairment”) is a comparison of each reporting unit’s fair value with its carrying amount, including goodwill. If the fair value of any reporting unit exceeds its carrying amount, the goodwill of the reporting unit is considered not impaired. If the carrying amount of any reporting unit exceeds its fair value, the second step shall be performed to measure the amount of impairment loss. The second step (“measurement of impairment loss”) compares the implied fair value of a reporting unit’s goodwill with the carrying amount of the goodwill and if the carrying amount exceeds the implied fair value, the exceeded amount is recognized as impairment loss. The implied fair value of the goodwill is determined in the same manner as the amount of goodwill recognized in a business combination is determined. That is, fair value of the reporting unit is allocated to all of the assets and liabilities of the unit (including any unrecognized intangible assets), and the excess of the fair value of the reporting unit over the amount assigned to its assets and liabilities is the implied fair value of the goodwill.

In fiscal 2016, Kyocera recognized an impairment loss on goodwill in the amount of ¥14,143 million in the liquid crystal displays business (“Reporting Unit”) included in the Industrial & Automotive Components Group. The loss was recorded due to a decline in the fair value of this Reporting Unit determined based on its updated future estimated cash flows, reflecting the deterioration of the profitability in the business. The fair value of this Reporting Unit was determined using the discounted cash flows method (income approach).

10. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2017 and 2018 are comprised of the following:

	March 31,	
	2017	2018
Average interest rates on loans from banks and others (%)	9.02	8.50

	March 31,	
	2017	2018
	(Yen in millions)	
Unsecured	¥ 191	¥ 145

Long-term debt at March 31, 2017 and 2018 are comprised of the following:

	March 31,	
	2017	2018
Range of interest rates on loans from banks and others (%)	0.65-6.45	2.00-6.30

	March 31,	
	2017	2018
	(Yen in millions)	
Secured	¥ 24,383	¥ 26,338
Unsecured	261	3,192
Subtotal	24,644	29,530
Less, portion due within one year	(8,235)	(9,293)
Total	¥ 16,409	¥ 20,237

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Aggregate maturities of long-term debt at March 31, 2018 are as follows:

<u>Years ending March 31,</u>	<u>(Yen in millions)</u>
2020	¥ 9,732
2021	5,195
2022	3,419
2023	1,544
2024 and thereafter	<u>347</u>
Total	<u>¥20,237</u>

Kyocera's assets pledged as collateral of property, plant and equipment, net of accumulated depreciation for loans from banks at March 31, 2017 and 2018 are as follows:

	<u>March 31,</u>	
	<u>2017</u>	<u>2018</u>
	<u>(Yen in millions)</u>	
Property, plant and equipment, net of accumulated depreciation	¥1,418	¥1,388

As described in Note 8 to Kyocera's consolidated financial statement included in this annual report on Form 20-F, since transferring of the capital lease receivables did not qualify as a sale for financial reporting purpose, Kyocera has accounted for the cash received as a secured borrowing. As a result of the transaction, capital lease receivables in the amount of ¥23,616 million and ¥26,056 million as of March 31, 2017 and 2018 have been recorded on the balance sheets, respectively.

11. BENEFIT PLANS

Domestic:

Defined benefit plans

At March 31, 2018, Kyocera Corporation and its major domestic subsidiaries sponsor funded defined benefit pension plans or unfunded retirement and severance plans for their employees. They use a "point system" whereby benefits under the plan are calculated according to (i) accumulated "points" that are earned based on employees' position, extent of contribution and length of service period during employment, and (ii) conditions at the time of retirement. In addition, employees were provided an option to select how benefit payments will be made. Employees may elect to receive up to 50% of the accumulated points balance as an annuity payment over the employees' lifetime with the remainder of the accumulated points being distributed in installments over a fixed period of up to 20 years.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

The funded status of the benefit plans at Kyocera Corporation and its major domestic subsidiaries as of March 31, 2017 and 2018 are as follows:

	<u>March 31,</u>	
	<u>2017</u>	<u>2018</u>
	(Yen in millions)	
Change in projected benefit obligations:		
Projected benefit obligations at beginning of year	¥222,106	¥220,023
Service cost	13,670	13,100
Interest cost	185	383
Actuarial gain	(6,130)	(6,420)
Benefits paid	(9,955)	(8,465)
Acquisitions of Business	—	1,429
Plan Amendment	147	—
Projected benefit obligations at end of year	<u>220,023</u>	<u>220,050</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	202,368	211,921
Actual return on plan assets	8,098	6,999
Employer's contribution	11,384	10,833
Benefits paid	(9,929)	(8,439)
Fair value of plan assets at end of year	<u>211,921</u>	<u>221,314</u>
Funded status	<u>¥ (8,102)</u>	<u>¥ 1,264</u>

Amounts recognized in the consolidated balance sheets consist of:

	<u>March 31,</u>	
	<u>2017</u>	<u>2018</u>
	(Yen in millions)	
Other assets	¥ 444	¥ 6,420
Accrued pension and severance liabilities	(8,546)	(5,156)
Net amount recognized	<u>¥ (8,102)</u>	<u>¥ 1,264</u>

Amounts recognized in accumulated other comprehensive income consist of:

	<u>March 31,</u>	
	<u>2017</u>	<u>2018</u>
	(Yen in millions)	
Prior service cost	¥ 13,100	¥ 8,755
Actuarial loss	(47,210)	(35,949)
Accumulated other comprehensive income	<u>¥ (34,110)</u>	<u>¥ (27,194)</u>

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

	March 31,	
	2017	2018
(Yen in millions)		
Accumulated benefit obligation at end of year	¥220,023	¥220,050
Pension plans with an accumulated benefit obligation in excess of plan assets at the end of year are as follows:		
Projected benefit obligation	¥211,449	¥ 32,785
Accumulated benefit obligation	211,449	32,785
Fair value of plan assets	202,903	27,629

Net periodic pension costs at Kyocera Corporation and its major domestic subsidiaries in the years ended March 31, 2016, 2017 and 2018, include the following components:

	Years ended March 31,		
	2016	2017	2018
(Yen in millions)			
Service cost	¥12,278	¥13,670	¥13,100
Interest cost	1,406	185	383
Expected return on plan assets	(3,836)	(3,998)	(4,166)
Amortization of prior service cost	(4,394)	(4,365)	(4,345)
Recognized actuarial loss	1,691	2,470	2,008
Net periodic pension costs	¥ 7,145	¥ 7,962	¥ 6,980

Changes in other comprehensive income at Kyocera Corporation and its major domestic subsidiaries in the years ended March 31, 2016, 2017 and 2018 consist of the following components:

	Years ended March 31,		
	2016	2017	2018
(Yen in millions)			
Prior service cost due to plan amendments	¥ —	¥ (147)	¥ —
Net actuarial gain (loss) incurred during the year	(20,555)	10,230	9,253
Amortization of prior service cost	(4,394)	(4,365)	(4,345)
Recognized actuarial loss	1,691	2,470	2,008
Total	¥(23,258)	¥ 8,188	¥ 6,916

Kyocera plans to voluntarily adopt IFRS with respect to its consolidated financial statements from the three months ending June 30, 2018. If Kyocera were to prepare its consolidated financial statements in accordance with U.S. GAAP in the year ending March 31, 2019, prior service cost and actuarial loss expected to be amortized by Kyocera Corporation and its major domestic subsidiaries would be as follows:

	Year ending March 31, 2019
	(Yen in millions)
Amortization of prior service cost	¥(4,266)
Recognized actuarial loss	1,272

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Assumptions used to determine projected benefit obligations at Kyocera Corporation and its major domestic subsidiaries at March 31, 2017 and 2018 are as follows:

	March 31,	
	2017	2018
Discount rate (%)	0.00-0.50	0.25-0.40

Assumptions used to determine net periodic pension costs at Kyocera Corporation and its major domestic subsidiaries for the years ended March 31, 2016, 2017 and 2018 are as follows:

	Years ended March 31,		
	2016	2017	2018
Discount rate (%)	0.50-0.75	0.00-0.19	0.00-0.50
Expected long-term rate of return on plan assets (%)	1.35-2.00	0.19-2.00	1.35-2.00

Rate of increase in compensation levels was not used in the calculation of projected benefit obligation and net periodic pension costs for the years ended March 31, 2016, 2017 and 2018 under the “point system.”

Kyocera Corporation and its major domestic subsidiaries determine their expected long-term rate of return on plan assets based on the defined yields of life insurance company general account, which occupies major part of plan assets categories, and their consideration of the current expectations for future returns and the historical returns of other plan assets categories in which they invest.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Plan assets

Plan assets categories at Kyocera Corporation and its major domestic subsidiaries at March 31, 2017 and 2018 are as follows:

Level 1 assets are equity securities and corporate bonds which are valued using unadjusted quoted market prices in active markets with sufficient volume and frequency of transactions. Level 2 assets are life insurance company general account and pooled funds. Investments in life insurance company general accounts are valued at conversion value. Pooled funds are valued at their net asset values that are provided by the fund manager or general partner of the funds. For detailed information of the three levels of input used to measure fair value, see Note 4 to Kyocera's consolidated financial statements included in this annual report on Form 20-F.

	March 31,							
	2017				2018			
	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Total	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
	(Yen in millions)							
Life insurance company								
general account	¥ —	¥ 96,469	¥—	¥ 96,469	¥ —	¥ 98,967	¥—	¥ 98,967
Equity securities:								
Pooled funds *1	—	28,124	—	28,124	—	42,425	—	42,425
Debt securities:								
Corporate bonds	9,309	—	—	9,309	9,150	—	—	9,150
Pooled funds *2	—	14,802	—	14,802	—	14,059	—	14,059
Other types of investments:								
Other	2	1,887	—	1,889	2	1,963	—	1,965
Investments measured at net								
asset value *3	—	—	—	39,545	—	—	—	43,838
Cash and cash equivalents . . .	21,783	—	—	21,783	10,910	—	—	10,910
Total	<u>¥31,094</u>	<u>¥141,282</u>	<u>¥—</u>	<u>¥211,921</u>	<u>¥20,062</u>	<u>¥157,414</u>	<u>¥—</u>	<u>¥221,314</u>

*1 This category includes pooled funds that mainly invest in domestic and international equity securities that are listed on securities exchanges.

*2 This category includes pooled funds that mainly invest in domestic government bonds and municipal bonds.

*3 Certain investments that are measured at fair value using the net asset value per share or its equivalent practical expedient have not been classified in the fair value hierarchy. Those are invested in real estate funds, multi-strategy hedge funds and large-scale solar power generation business funds, which are valued at their net asset values that are provided by the fund manager or general partner of the funds. The net asset values are based on the fair value of the underlying assets owned by the funds, minus its liabilities then divided by the number of units outstanding.

Kyocera Corporation and its major domestic subsidiaries manage and operate their plan assets with a target of obtaining better performance more than earnings from the expected rate of return on plan assets to ensure the sources of funds sufficient to cover the pension benefits paid to participants and beneficiaries into the future. In terms of the plan assets management, Kyocera Corporation and its major domestic subsidiaries make appropriate investment choices and optimal portfolios with a consideration of its performances, expected returns and risks, and entrusts their plan assets to the fund trustees which can be expected to be the most appropriate to accomplish Kyocera's objective. Kyocera Corporation and its major domestic subsidiaries also make an effort to maintain

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

their portfolios within reasonable allocations of plan assets. Kyocera Corporation and its major domestic subsidiaries evaluate their categories of plan assets allocations and can change their portfolios when it is needed. Kyocera Corporation and its major domestic subsidiaries' long-term strategy is for target allocations of approximately 50% investment in life insurance company general accounts, approximately 30% main investment in equity securities that are listed on securities exchanges and in debt securities such as governments bonds, approximately 15% investment in long-term operation assets such as real estate funds, and approximately 5% holding in cash and cash equivalents.

Kyocera Corporation and its major domestic subsidiaries forecast to contribute ¥10,689 million to the defined benefit pension plans in the year ending March 31, 2019.

Estimated future benefit payments at Kyocera Corporation and its major domestic subsidiaries are as follows:

<u>Years ending March 31,</u>	<u>(Yen in millions)</u>
2019	¥10,887
2020	10,462
2021	11,123
2022	12,330
2023	13,050
2024 to 2028	65,476

Foreign:

(1) Pension plans

Kyocera International, Inc. and its consolidated subsidiaries (KII), consolidated U.S. subsidiaries of Kyocera Corporation, maintain a non-contributory defined benefit pension plans in the U.S. The KII plan covers substantially certain full-time employees in the U.S., of which benefits are based on years of service and the employees' average compensation.

AVX Corporation and its consolidated subsidiaries (AVX), consolidated U.S. subsidiaries of Kyocera Corporation, maintain non-contributory defined benefit pension plans in the U.S. and contributory defined benefit pension plans inside the U.S. Pension benefits provided to certain U.S. employees covered under collective bargaining agreements are based on a flat benefit formula. Effective December 31, 1995, AVX froze benefit accruals under its domestic non-contributory defined benefit pension plan for a significant portion of the employees covered under collective bargaining agreements. AVX's pension plans for certain European employees provide for benefits based on a percentage of final pay. AVX's funding policy is to contribute amounts sufficient to meet minimum funding requirements as set forth in employee benefit and tax laws.

TA Triumph-Adler GmbH (TA), a German subsidiary of Kyocera Document Solutions Inc., maintains a defined benefit pension plan, which covers certain employees in Germany. TA does not maintain an external fund for this benefit pension plan.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

	March 31,	
	2017	2018
	(Yen in millions)	
Accumulated benefit obligation at end of year	¥ 52,586	¥ 53,033

Pension plans with an accumulated benefit obligation in excess of plan assets at the end of year:

	March 31,	
	2017	2018
	(Yen in millions)	
Projected benefit obligation	¥ 37,744	¥ 38,119
Accumulated benefit obligation	35,690	36,159
Fair value of plan assets	18,112	18,492

Net periodic pension costs at KII, AVX and TA in the years ended March 31, 2016, 2017 and 2018 include the following components:

	Years ended March 31,		
	2016	2017	2018
	(Yen in millions)		
Service cost	¥ 689	¥ 698	¥ 716
Interest cost	1,732	1,537	1,577
Expected return on plan assets	(2,036)	(1,726)	(1,834)
Amortization of prior service cost	12	19	19
Recognized actuarial loss	1,256	1,068	994
Net periodic pension costs	¥ 1,653	¥ 1,596	¥ 1,472

Changes in other comprehensive income at KII, AVX and TA in the years ended March 31, 2016, 2017 and 2018 mainly consist of the following components:

	Years ended March 31,		
	2016	2017	2018
	(Yen in millions)		
Prior service cost due to plan amendments	¥ (155)	¥ —	¥ —
Net actuarial gain (loss) incurred during the year	(21)	(315)	1,541
Amortization of prior service cost	12	19	19
Recognized actuarial loss	1,256	1,068	994
Total	¥ 1,092	¥ 772	¥ 2,554

If Kyocera were to prepare its consolidated financial statements in accordance with U.S. GAAP for the year ending March 31, 2019, prior service cost and actuarial loss expected to be amortized at KII, AVX and TA in the year ending March 31, 2019 would be as follows:

	Year ending March 31, 2019
	(Yen in millions)
Amortization of prior service cost	¥ 19
Recognized actuarial loss	811

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Assumptions used to determine projected benefit obligations of the plans at KII, AVX and TA as of March 31, 2017 and 2018 are as follows:

	<u>March 31,</u>	
	<u>2017</u>	<u>2018</u>
Discount rate (%)	1.60-4.18	1.60-4.05
Rate of increase in compensation levels (%)	2.50-3.50	0.00-3.50

Assumptions used to determine net periodic pension costs at KII, AVX and TA in the years ended March 31, 2016, 2017 and 2018 are as follows:

	<u>Years ended March 31,</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
Discount rate (%)	1.40-4.00	1.70-4.21	1.60-4.18
Rate of increase in compensation levels (%)	2.50-4.00	2.50-3.50	2.50-3.50
Expected long-term rate of return on plan assets (%)	4.10-7.75	4.00-7.50	3.30-7.50

KII and AVX determine their expected long-term rate of return on plan assets based on the consideration of the current expectations for future returns and the historical returns of other plan assets categories in which they invest.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Plan assets

KII's and AVX's plan assets categories at March 31, 2017 and 2018 are as follows:

Level 1 assets are equity securities and government bonds which are valued using unadjusted quoted market prices in active markets with sufficient volume and frequency of transactions. Level 2 assets are government agency bonds, corporate bonds and pooled separate accounts at AVX, which are valued at their net asset values that are provided by the fund manager or general partner of the funds. For detailed information of the three levels of input used to measure fair value, see Note 4 to Kyocera's consolidated financial statements included in this annual report on Form 20-F.

	March 31,							
	2017				2018			
	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Total	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
	(Yen in millions)							
Equity securities:								
International	¥ 6,994	¥ —	¥ —	¥ 6,994	¥ 6,010	¥ —	¥ —	¥ 6,010
Pooled funds *1	3,326	—	—	3,326	5,097	—	—	5,097
Debt securities:								
Government bonds	738	—	—	738	806	—	—	806
Government agency bonds	—	1,371	—	1,371	—	1,385	—	1,385
Corporate bonds	—	1,064	—	1,064	—	1,066	—	1,066
Pooled separate accounts *2	—	20,414	—	20,414	—	22,329	—	22,329
Other	—	1,314	—	1,314	—	1,103	—	1,103
Cash and cash equivalents	113	—	—	113	95	—	—	95
Total	¥11,171	¥24,163	¥ —	¥35,334	¥12,008	¥25,883	¥ —	¥37,891

*1 This category includes pooled funds that mainly invest in U.S. equity securities that are listed on securities exchanges.

*2 This category includes pooled separate accounts held by AVX that mainly invest in equity securities and debt securities.

KII's long-term strategy is for target allocation of 70%-80% equity securities and 20%-30% debt securities for its defined benefit plans. AVX's long-term strategy is for target allocation of 50% equity and 50% fixed income for its U.S. defined benefit plans and 45% equity and 55% fixed income for its European defined benefit plans.

KII and AVX forecast to contribute ¥1,336 million to the defined benefit pension plans in the year ending March 31, 2019.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Estimated future benefit payments of the plans at KII, AVX and TA are as follows:

<u>Years ending March 31,</u>	<u>(Yen in millions)</u>
2019	¥ 2,768
2020	2,827
2021	2,891
2022	2,954
2023	3,010
2024 to 2028	15,490

(2) Savings plans

KII and AVX maintain retirement savings plans which allow eligible U.S. employees to defer part of their annual compensation.

AVX also maintains non-qualified deferred compensation programs which permit key employees to annually elect to defer a portion of their compensation until retirement. Contributions to the plans are as follow:

	<u>Years ended March 31,</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
	<u>(Yen in millions)</u>		
Contributions to the plans	¥750	¥685	¥688

12. DERIVATIVES AND HEDGING

Kyocera's activities are exposed to varieties of market risks, including the effects of changes in foreign currency exchange rates, interest rates and stock prices. Approximately 60% of Kyocera's net sales are generated from overseas customers, which exposes Kyocera to foreign currency exchange rates fluctuations. These financial exposures to market risks are monitored and managed by Kyocera as an integral part of its overall risk management program. Kyocera's risk management program focuses on the unpredictability of financial markets and seeks to reduce the potentially adverse effects that the volatility of these markets may have on its operating results.

Kyocera maintains a foreign currency risk management strategy that uses derivative financial instruments, such as foreign currency forward contracts to minimize the volatility in its cash flows caused by changes in foreign currency exchange rates. Movements in foreign currency exchange rates pose a risk to Kyocera's operations and competitive position, since exchange rates changes may affect the profitability, cash flows, and business and/or pricing strategies of non Japan-based competitors. These movements affect cross-border transactions that involve, but not limited to, direct export sales made in foreign currencies and raw material purchases incurred in foreign currencies.

By using derivative financial instruments to hedge exposures to changes in exchange rates, Kyocera became exposed to credit risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes Kyocera, which creates repayment risk for Kyocera. When the fair value of a derivative contract is negative, Kyocera owes the counterparty and, therefore, it does not possess repayment risk. Kyocera minimizes the credit (or repayment) risk in derivative financial instruments by (a) entering into transactions with creditworthy counterparties, (b) limiting the amount of exposure to each counterparty, and (c) monitoring the financial condition of its counterparties.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Kyocera does not hold or issue such derivative financial instruments for trading purposes.

Kyocera's affiliate accounted for by the equity method uses interest rate swaps to minimize significant, unanticipated cash flow fluctuations caused by interest rate volatility. The affiliate also reduces credit risks by entering into transactions with certain creditworthy counterparty and limiting the amount of exposure to the counterparty.

Cash Flow Hedges:

Kyocera uses certain foreign currency forward contracts with terms normally lasting for less than four months designated as cash flow hedges to protect against foreign currency exchange rate risks inherent in its forecasted transactions related to purchase commitments and sales. Kyocera's affiliate accounted for by the equity method uses interest rate swaps mainly to convert a portion of its variable rates debt to fixed rates debt.

Other Derivatives:

Kyocera's main direct foreign export sales and some import purchases are denominated in the customers' and suppliers' transaction currencies, principally the U.S. dollar and the Euro. Kyocera purchases foreign currency forward contracts to protect against the adverse effects that exchange rate fluctuations may have on foreign-currency-denominated trade receivables and payables. The gains and losses on both the derivatives and the foreign-currency-denominated trade receivables and payables are recorded as foreign currency transaction gains, net in the consolidated statement of income. Kyocera does not adopt hedge accounting for such derivatives.

The aggregate contractual amounts of derivative financial instruments at March 31, 2017 and 2018 are as follows:

	March 31,	
	2017	2018
	(Yen in millions)	
Derivatives designated as hedging instruments:		
Foreign currency forward contracts	¥ 13,701	¥ 8,193
Derivatives not designated as hedging instruments:		
Foreign currency forward contracts	315,523	403,957
Total derivatives	¥329,224	¥412,150

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

The fair value and location of derivative financial instruments in the consolidated balance sheets at March 31, 2017 and 2018 are as follows:

	<u>Location</u>	<u>March 31,</u>	
		<u>2017</u>	<u>2018</u>
(Yen in millions)			
Derivative assets:			
Derivatives designated as hedging instruments:			
Foreign currency forward contracts	Other current assets	¥ 129	¥ 23
Derivatives not designated as hedging instruments:			
Foreign currency forward contracts	Other current assets	2,341	5,719
Total derivative assets		<u>¥2,470</u>	<u>¥5,742</u>
Derivative liabilities:			
Derivatives designated as hedging instruments:			
Foreign currency forward contracts	Other current liabilities	¥ 77	¥ 40
Derivatives not designated as hedging instruments:			
Foreign currency forward contracts	Other current liabilities	4,693	865
Total derivative liabilities		<u>¥4,770</u>	<u>¥ 905</u>

Changes in the fair value of derivative financial instruments not designated as hedging instruments for the year ended March 31, 2016, 2017 and 2018 are as follows:

<u>Type of derivatives</u>	<u>Location</u>	<u>Years ended March 31,</u>		
		<u>2016</u>	<u>2017</u>	<u>2018</u>
(Yen in millions)				
Foreign currency forward contracts . . .	Foreign currency transaction gains (losses), net	¥3,528	¥(6,978)	¥7,206

13. COMMITMENTS AND CONTINGENCIES

Assets pledged as collateral

Kyocera's investment in Kagoshima Mega Solar Power Corporation, which was ¥2,034 million at March 31, 2018 accounted for by the equity method, was pledged as collateral for loans of ¥16,820 million from financial institutions of Kagoshima Mega Solar Power Corporation.

Contractual obligations for the acquisition or construction of property, plant and equipment and lease contracts

As of March 31, 2018, Kyocera had contractual obligations for the acquisition or construction of property, plant and equipment aggregating ¥34,731 million principally due within one year.

Kyocera is a lessee under long-term operating leases primarily for office space and equipment. Rental expenses for operating leases were ¥14,290 million, ¥12,931 million and ¥13,057 million for the years ended March 31, 2016, 2017 and 2018, respectively.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

The future minimum lease commitments under non-cancelable operating leases as of March 31, 2018 are as follows:

<u>Years ending March 31,</u>	<u>(Yen in millions)</u>
2019	¥ 6,753
2020	4,805
2021	3,046
2022	1,861
2023	1,279
2024 and thereafter	2,981
	<u>¥20,725</u>

Long-term purchase agreements for the supply of raw materials

Between 2005 and 2008, Kyocera entered into four long-term purchase agreements (the “LTAs”), principally governed by Michigan law, with Hemlock Semiconductor Operations LLC and its subsidiary Hemlock Semiconductor, LLC (collectively, “Hemlock”) for the supply of polysilicon material for use in its solar energy business. As of March 31, 2018, there was a remaining balance of ¥114,405 million of polysilicon material to be purchased under the LTAs by December 31, 2020, of which ¥33,532 million is prepaid.

After the LTAs were signed, the price of polysilicon material in the world market significantly declined, causing a significant divergence between the market price of polysilicon material and the fixed contract price in the LTAs. In light of these circumstances, Kyocera requested Hemlock to modify the contract terms including its price and quantity, and Kyocera sued Hemlock contending that the LTAs are illegal and unenforceable because of Hemlock’s alleged abuse of a superior position, which is prohibited under Japanese Antitrust Law.

Taking into consideration these condition, Kyocera withheld to order the polysilicon material for the amount stated under the LTAs during the year ended December 31, 2017 (“the 2017 amount”), which is ¥30,615 million in total. As a result, Hemlock issued an invoice for the amount equal to the difference between the 2017 amount and applicable advanced payment, which was due for payment by Kyocera on February 15, 2018.

As Kyocera contends that it has the right to purchase by ordering the 2017 amount within a certain period from the issuance of the invoice, Kyocera has accounted for its rights and obligations under the LTAs, and has recorded ¥30,615 million as other current asset for the 2017 amount and ¥21,940 million as other account payable for the amount equal to the difference between the 2017 amount and applicable advanced payment in the consolidated balance sheet as of March 31, 2018.

Kyocera evaluated the future material purchase commitments under the LTAs at the lower of cost and net realizable value. As a result of a decline in the profitability of the solar energy business in fiscal 2018, the net realizable value of the polysilicon material was less than the purchase price under the LTAs. Kyocera recorded a write-down in an amount equivalent to the difference between net realizable value and purchase price under the LTAs.

For detailed information, please refer to Note 5 of Kyocera’s consolidated financial statements included in this annual report on Form 20-F.

Patent lawsuits

On April 25, 2013, AVX was named as a defendant in a patent infringement case filed in the United States District Court for the District of Delaware captioned *Greatbatch, Inc. v AVX Corporation*. This case alleged that

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

certain AVX products infringe on one or more of six Greatbatch patents. On January 26, 2016, the jury returned a verdict in favor of the plaintiff in the first phase of a segmented trial and a mixed verdict in the second phase of a segmental trial, and found damages to Greatbatch in the amount of ¥3,975 million (\$37.5 million), which was recorded in fiscal 2016. That verdict was later vacated by the court on March 30, 2018. Profit from operations for the year ended March 31, 2018 reflects a favorable accrual adjustment of ¥162 million (\$1.5 million) related to this patent infringement case. The amount of damages will be subject to further legal proceedings, including a potential trial on damages, which we expect to occur in fiscal 2019.

AVX and Kyocera have charged ¥4,575 million (\$37.5 million) for the year ended March 31, 2016, which were included in selling, general and administrative expenses in the consolidated statements of income.

Environmental matters

Kyocera is involved in various environmental matters and Kyocera currently has certain amount of reserves related to such environmental matters. The amount recorded for identified contingent liabilities is based on estimates. Amounts recorded are reviewed periodically and adjusted to reflect additional legal and technical information that becomes available. The uncertainties about the status of laws, regulations, regulatory actions, technology and information related to individual matters make it difficult to develop an estimate of the reasonably possible aggregate environmental remediation exposure; therefore these costs could differ from our current estimates.

Kyocera is also subject to various lawsuits and claims which arise in the ordinary course of business. Kyocera consults with legal counsel and assesses the likelihood of adverse outcome of these contingencies. Kyocera records liabilities for these contingencies when the likelihood of an adverse outcome is probable and the amount can be reasonably estimated. Based on the information available, management believes that damages, if any, resulting from these actions will not have a significant impact on Kyocera's consolidated results of operations, financial condition and cash flows.

14. EQUITY

Under the Companies Act of Japan (the Companies Act), the entire amount paid in for the shares is principally required to be capitalized as stated capital, although Kyocera Corporation may, by resolution of its Board of Directors, capitalize an amount not exceeding one-half of the amount paid in for the shares as additional paid-in capital.

The Companies Act requires a domestic company to appropriate as legal reserve or additional paid-in capital, an amount equal to 10% of the amount paid out for dividends until the sum of the legal reserve and additional paid-in capital equals 25% of its stated capital. The legal reserve and additional paid-in capital, which could be decreased due to shareholder actions, may be transferred to stated capital or used to reduce a deficit principally. The appropriated legal reserve at March 31, 2018 included in retained earnings was ¥ 17,874 million.

The Companies Act does not permit any payment of dividends in connection with repurchased treasury stock. Kyocera repurchased treasury stock mainly for the expeditious execution of capital strategies in the future, which are restricted as to the payment of cash dividends. The amount of statutory retained earnings of Kyocera Corporation available for the payment of dividends to shareholders at March 31, 2018 was ¥ 943,550 million.

The accompanying consolidated financial statements for the year ended March 31, 2018 do not include any provision for the year-end dividend of ¥60 per share aggregating ¥22,062 million payable on June 27, 2018 which was approved by the shareholders at the shareholder's meeting held on June 26, 2018.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Kyocera's equity in retained earnings or deficits of affiliates and an unconsolidated subsidiary accounted for by the equity method of accounting aggregating ¥(5,478) million at March 31, 2018 was included in retained earnings.

Changes in accumulated other comprehensive income are as follows:

	Net Unrealized Gains on Securities	Net Unrealized Losses on Derivative Financial Instruments	Pension Liability Adjustment	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income
	(Yen in millions)				
Balance at March 31, 2015	¥467,841	¥(372)	¥(28,452)	¥ 30,656	¥469,673
Other comprehensive income					
Other comprehensive income before reclassifications	63,339	(174)	(13,388)	(34,907)	14,870
Amounts reclassified from accumulated other comprehensive income	(13,990)	58	(789)	(13)	(14,734)
Other comprehensive income, net	49,349	(116)	(14,177)	(34,920)	136
Equity transactions with noncontrolling interests	—	0	(19)	13	(6)
Balance at March 31, 2016	517,190	(488)	(42,648)	(4,251)	469,803
Other comprehensive income					
Other comprehensive income before reclassifications	(17,461)	(109)	7,834	(11,842)	(21,578)
Amounts reclassified from accumulated other comprehensive income	(78)	148	(561)	(212)	(703)
Other comprehensive income, net	(17,539)	39	7,273	(12,054)	(22,281)
Equity transactions with noncontrolling interests	(1)	0	13	(55)	(43)
Balance at March 31, 2017	499,650	(449)	(35,362)	(16,360)	447,479
Other comprehensive income					
Other comprehensive income before reclassifications	(39,091)	36	6,953	(3,805)	(35,907)
Amounts reclassified from accumulated other comprehensive income	(1,000)	6	(863)	2,227	370
Other comprehensive income, net	(40,091)	42	6,090	(1,578)	(35,537)
Equity transactions with noncontrolling interests	—	0	11	27	38
Balance at March 31, 2018	¥459,559	¥(407)	¥(29,261)	¥(17,911)	¥411,980

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Tax effects allocated to each component of other comprehensive income and adjustments, excluding amounts attributable to noncontrolling interests, are as follows:

	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
	(Yen in millions)		
For the year ended March 31, 2016:			
Net unrealized gains on securities:			
Amount arising during the year	¥ 92,042	¥(28,703)	¥ 63,339
Reclassification adjustments for gains and losses realized in net income . . .	(20,572)	6,582	(13,990)
Net change for the year	71,470	(22,121)	49,349
Net unrealized losses on derivative financial instruments:			
Amount arising during the year	(250)	76	(174)
Reclassification adjustments for gains and losses realized in net income . . .	85	(27)	58
Net change for the year	(165)	49	(116)
Pension liability adjustment:			
Amount arising during the year	(19,854)	6,466	(13,388)
Reclassification adjustments for gains and losses realized in net income . . .	(1,543)	754	(789)
Net change for the year	(21,397)	7,220	(14,177)
Foreign currency translation adjustments:			
Amount arising during the year	(34,907)	—	(34,907)
Reclassification adjustments for gains and losses realized in net income . . .	(13)	—	(13)
Net change for the year	(34,920)	—	(34,920)
Other comprehensive income	¥ 14,988	¥(14,852)	¥ 136
For the year ended March 31, 2017:			
Net unrealized gains on securities:			
Amount arising during the year	¥(24,807)	¥ 7,346	¥(17,461)
Reclassification adjustments for gains and losses realized in net income . . .	(114)	36	(78)
Net change for the year	(24,921)	7,382	(17,539)
Net unrealized losses on derivative financial instruments:			
Amount arising during the year	(143)	34	(109)
Reclassification adjustments for gains and losses realized in net income . . .	198	(50)	148
Net change for the year	55	(16)	39
Pension liability adjustment:			
Amount arising during the year	10,677	(2,843)	7,834
Reclassification adjustments for gains and losses realized in net income . . .	(896)	335	(561)
Net change for the year	9,781	(2,508)	7,273
Foreign currency translation adjustments:			
Amount arising during the year	(11,842)	—	(11,842)
Reclassification adjustments for gains and losses realized in net income . . .	(212)	—	(212)
Net change for the year	(12,054)	—	(12,054)
Other comprehensive income	¥(27,139)	¥ 4,858	¥(22,281)

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
	(Yen in millions)		
For the year ended March 31, 2018:			
Net unrealized gains on securities:			
Amount arising during the year	¥(56,115)	¥ 17,024	¥(39,091)
Reclassification adjustments for gains and losses realized in net income . . .	(1,432)	432	(1,000)
Net change for the year	(57,547)	17,456	(40,091)
Net unrealized losses on derivative financial instruments:			
Amount arising during the year	33	3	36
Reclassification adjustments for gains and losses realized in net income . . .	33	(27)	6
Net change for the year	66	(24)	42
Pension liability adjustment:			
Amount arising during the year	9,620	(2,667)	6,953
Reclassification adjustments for gains and losses realized in net income . . .	(1,414)	551	(863)
Net change for the year	8,206	(2,116)	6,090
Foreign currency translation adjustments:			
Amount arising during the year	(3,805)	—	(3,805)
Reclassification adjustments for gains and losses realized in net income . . .	3,182	(955)	2,227
Net change for the year	(623)	(955)	(1,578)
Other comprehensive income	¥(49,898)	¥ 14,361	¥(35,537)

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

The amounts reclassified out of accumulated other comprehensive income and the affected line items in the consolidated statements of income for the year ended March 31, 2016 are as follows:

Amounts in parentheses indicate gains in the consolidated statements of income.

Details about accumulated other comprehensive income components	Affected line items	For the year ended March 31, 2016
		(Yen in millions)
Net unrealized gains (losses) on securities:		
Sales of securities, and others	Gains on sales of securities, net	¥ (20,350)
	Other, net	(304)
	Income before income taxes	(20,654)
	Income taxes	6,608
	Net income	(14,046)
	Net income attributable to noncontrolling interests	56
	Net income attributable to Kyocera Corporation's shareholders	(13,990)
Net unrealized gains (losses) on derivative financial Instruments:		
Foreign currency forward contracts and interest rate swaps		
	Net sales	(101)
	Cost of sales	95
	Foreign currency transaction gains, net	3
	Other, net	87
	Income before income taxes	84
	Income taxes	(27)
	Net income	57
	Net income attributable to noncontrolling interests	1
	Net income attributable to Kyocera Corporation's shareholders	58
Pension liability adjustment:		
Amortization of prior service cost and recognized actuarial loss		
	*	(1,435)
	Income before income taxes	(1,435)
	Income taxes	755
	Net income	(680)
	Net income attributable to noncontrolling interests	(109)
	Net income attributable to Kyocera Corporation's shareholders	(789)
Foreign currency translation adjustments:		
Liquidation of subsidiaries		
	Other, net	(13)
	Income before income taxes	(13)
	Income taxes	—
	Net income	(13)
	Net income attributable to noncontrolling interests	—
	Net income attributable to Kyocera Corporation's shareholders	(13)
Total reclassifications for the period		¥ (14,734)

* As for the affected line items in the consolidated statements of income by reclassification of pension adjustments, please refer to the Note 11 to Kyocera's consolidated financial statements included in this annual report on Form 20-F.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

The amounts reclassified out of accumulated other comprehensive income and the affected line items in the consolidated statements of income for the year ended March 31, 2017 are as follows:

Amounts in parentheses indicate gains in the consolidated statements of income.

Details about accumulated other comprehensive income components	Affected line items	For the year ended March 31, 2017
		(Yen in millions)
Net unrealized gains (losses) on securities:		
Sales of securities, and others	Gains on sales of securities, net	¥ (190)
	Other, net	31
	Income before income taxes	(159)
	Income taxes	50
	Net income	(109)
	Net income attributable to noncontrolling interests	31
	Net income attributable to Kyocera Corporation's shareholders	(78)
Net unrealized gains (losses) on derivative financial Instruments:		
Foreign currency forward contracts and interest rate swaps		
	Net sales	(116)
	Cost of sales	301
	Foreign currency transaction gains, net	(35)
	Other, net	90
	Income before income taxes	240
	Income taxes	(59)
	Net income	181
	Net income attributable to noncontrolling interests	(33)
	Net income attributable to Kyocera Corporation's shareholders	148
Pension liability adjustment:		
Amortization of prior service cost and recognized actuarial loss		
	*	(808)
	Income before income taxes	(808)
	Income taxes	327
	Net income	(481)
	Net income attributable to noncontrolling interests	(80)
	Net income attributable to Kyocera Corporation's shareholders	(561)
Foreign currency translation adjustments:		
Liquidation of subsidiaries		
	Other, net	(212)
	Income before income taxes	(212)
	Income taxes	—
	Net income	(212)
	Net income attributable to noncontrolling interests	—
	Net income attributable to Kyocera Corporation's shareholders	(212)
Total reclassifications for the period		¥ (703)

* As for the affected line items in the consolidated statements of income by reclassification of pension adjustments, please refer to the Note 11 to Kyocera's consolidated financial statements included in this annual report on Form 20-F.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

The amounts reclassified out of accumulated other comprehensive income and the affected line items in the consolidated statements of income for the year ended March 31, 2018 are as follows:

Amounts in parentheses indicate gains in the consolidated statements of income.

Details about accumulated other comprehensive income components	Affected line items	For the year ended March 31, 2018
		(Yen in millions)
Net unrealized gains (losses) on securities:		
Sales of securities, and others	Gains on sales of securities, net	¥(1,594)
	Other, net	103
	Income before income taxes	(1,491)
	Income taxes	450
	Net income	(1,041)
	Net income attributable to noncontrolling interests	41
	Net income attributable to Kyocera Corporation's shareholders	(1,000)
Net unrealized gains (losses) on derivative financial Instruments:		
Foreign currency forward contracts and interest rate swaps		
	Net sales	(255)
	Cost of sales	190
	Foreign currency transaction gains, net	(7)
	Other, net	85
	Income before income taxes	13
	Income taxes	(27)
	Net income	(14)
	Net income attributable to noncontrolling interests	20
	Net income attributable to Kyocera Corporation's shareholders	6
Pension liability adjustment:		
Amortization of prior service cost and recognized actuarial loss		
	*	(1,324)
	Income before income taxes	(1,324)
	Income taxes	555
	Net income	(769)
	Net income attributable to noncontrolling interests	(94)
	Net income attributable to Kyocera Corporation's shareholders	(863)
Foreign currency translation adjustments:		
Liquidation of subsidiaries		
	Other, net	3,182
	Income before income taxes	3,182
	Income taxes	(955)
	Net income	2,227
	Net income attributable to noncontrolling interests	—
	Net income attributable to Kyocera Corporation's shareholders	2,227
Total reclassifications for the period		¥ 370

* As for the affected line items in the consolidated statements of income by reclassification of pension adjustments, please refer to the Note 11 to Kyocera's consolidated financial statements included in this annual report on Form 20-F.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

15. INCOME TAXES

Income before income taxes and income taxes for the years ended March 31, 2016, 2017 and 2018 are comprised of the following components:

	Years ended March 31,		
	2016	2017	2018
(Yen in millions)			
Income before income taxes:			
Domestic	¥ 96,497	¥ 85,858	¥ 63,300
Foreign	49,086	51,991	68,566
Total income before income taxes	<u>¥145,583</u>	<u>¥137,849</u>	<u>¥131,866</u>
Income taxes:			
Current income taxes:			
Domestic	¥ 36,363	¥ 19,720	¥ 31,043
Foreign	12,824	17,111	26,751
Total current income taxes	<u>49,187</u>	<u>36,831</u>	<u>57,794</u>
Deferred income taxes:			
Domestic	(23,256)	(7,887)	(15,585)
Foreign	5,461	(502)	4,672
Total deferred income taxes	<u>(17,795)</u>	<u>(8,389)</u>	<u>(10,913)</u>
Total income taxes	<u>¥ 31,392</u>	<u>¥28,442</u>	<u>¥ 46,881</u>

Reconciliations between the Japanese statutory income tax rate and Kyocera's effective income tax rate for the years ended March 31, 2016, 2017 and 2018 are as follows:

	Years ended March 31,		
	2016	2017	2018
Japanese statutory income tax rate*	33.0%	31.0%	31.0%
Difference in statutory tax rates of foreign subsidiaries	(2.7)	(2.6)	(4.7)
Change in valuation allowance	3.5	(7.8)	0.2
Tax credit for research and development expenses	(3.4)	(2.5)	(3.1)
Uncertainty in income taxes	(0.3)	(0.3)	(0.1)
Tax reform*	(12.1)	(0.0)	12.4
Impairment of goodwill	3.2	—	—
Other	0.4	2.8	(0.1)
Effective income tax rate	<u>21.6%</u>	<u>20.6%</u>	<u>35.6%</u>

* Tax rate change in Japan for the year ended March 31, 2016:

In accordance with the law "Partial Amendment of the Income Tax Act, etc." (Law No. 15 of 2016) and "Partial Amendment of the Local Tax Act, etc." (Law No. 13 of 2016) enacted on March 29, 2016 by the Diet of Japan, a revised corporation tax rate was imposed from the annual reporting periods commencing on and after April 1, 2016. As a result of such amendments, the Japanese statutory income tax rate decreased to 31% for the year ended March 31, 2017 from 33% for the year ended March 31, 2016.

The effective Japanese statutory corporate tax rate of 33% previously applied for calculation of the amount of deferred tax assets and deferred tax liabilities was reduced to 31% with respect to temporary differences to be

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

realized during the annual reporting periods commencing on April 1, 2016, and 32% previously applied for calculation of the amount of deferred tax assets and deferred tax liabilities was reduced to 30% with respect to temporary differences to be realized during the annual reporting periods commencing on and after April 1, 2017, respectively. Kyocera recognized reversal income taxes in the amount of ¥17,638 million due to revaluation of deferred tax assets and liabilities in line with the revision of the corporate tax rate.

* Tax expenses from amendments to U.S. tax law for the year ended March 31, 2018:

Kyocera's U.S. subsidiaries such as AVX Corporation recorded tax expenses of ¥13,860 million, resulting from the Tax Cuts and Jobs Act which was enacted into law in the U.S. on December 22, 2017. The tax expenses mainly consisted of approximately ¥10,203 million in tax expenses related to a one-time tax on accumulated foreign earnings of AVX Corporation as well as tax expenses resulting from a change in the valuation of deferred tax assets and liabilities at Kyocera's U.S. subsidiaries, including AVX Corporation, that were caused by a reduction of the statutory U.S. corporation income tax rate from 35% to 21%.

The components of the deferred tax assets and deferred tax liabilities at March 31, 2017 and 2018 are as follows:

	March 31,	
	2017	2018
	(Yen in millions)	
Deferred tax assets:		
Enterprise tax	¥ 1,328	¥ 1,503
Inventories	10,910	14,910
Provision for doubtful accounts and loss on bad debts	1,885	1,448
Accrued expenses	11,969	11,286
Employee benefits	22,858	20,541
Depreciation and amortization	36,857	37,971
Securities	1,786	1,073
Net operating losses and tax credit carry forwards	29,515	28,578
Allowances for loss on purchase agreements	—	9,266
Other	8,730	11,740
Total gross deferred tax assets	125,838	138,316
Valuation allowance	(26,128)	(26,731)
Net deferred tax assets	¥ 99,710	¥ 111,585
Deferred tax liabilities:		
Depreciation and amortization	¥ 9,011	¥ 13,298
Securities	295,533	278,487
Prepaid benefit cost	317	1,732
Other	3,744	6,148
Total deferred tax liabilities	¥ 308,605	¥ 299,665
Net deferred tax liabilities	¥(208,895)	¥(188,080)

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Net deferred tax assets and liabilities at March 31, 2017 and 2018 are reflected in the consolidated balance sheets under the following captions.

	March 31,	
	2017	2018
	(Yen in millions)	
Other assets	¥ 49,964	¥ 35,450
Deferred income taxes	(258,859)	(223,530)
Net deferred tax liabilities	¥(208,895)	¥(188,080)

Total gross deferred tax assets at March 31, 2017 and 2018 were reduced by valuation allowances of ¥26,128 million and ¥26,731 million, respectively.

A reconciliation of the beginning and end amount of gross valuation allowance for deferred tax asset is as follows:

	March 31,		
	2016	2017	2018
	(Yen in millions)		
Balance at beginning of year	¥33,005	¥ 40,021	¥26,128
Increase	9,108	2,029	2,060
Decrease	(1,443)	(14,631)	(2,676)
Other*	(649)	(1,291)	1,219
Balance at end of year	¥40,021	¥ 26,128	¥26,731

* Other consists mainly of business combinations and foreign currency translation adjustments.

At March 31, 2018, Kyocera had net operating losses carried forward of approximately ¥104,945 million, which are available to offset future taxable income. Regarding these net operating losses carried forward, the amount of ¥32,540 million recorded at domestic subsidiaries will expire within next nine years, and the amount of approximately ¥13,672 million recorded at U.S. subsidiaries will expire within next 20 years. Certain other foreign subsidiaries have net operating losses carried forward totaling approximately ¥58,733 million of which most have no expiration date.

At March 31, 2018, Kyocera had tax credits carried forward of ¥5,021 million, which are available to offset future income taxes. Regarding these tax credits carried forward, the amount of ¥1,011 million and ¥3,238 million recorded at foreign subsidiaries will expire within 20 years and will be available without expiration, respectively.

Kyocera intends to reinvest certain undistributed earnings of foreign subsidiaries for an indefinite period of time. Therefore, no deferred tax liabilities have been provided on undistributed earnings of these subsidiaries, which are not expected to be remitted in the foreseeable future. Kyocera estimates this unrecognized deferred tax liabilities are ¥6,844 million at March 31, 2018. The undistributed earnings of these subsidiaries are ¥311,877 million at March 31, 2018.

Gross unrecognized tax benefits on the consolidated balance sheets that if recognized would affect the effective tax rate were ¥4,482 million and ¥1,407 million, at March 31, 2017 and 2018, respectively. Kyocera expects that a significant change in unrecognized tax benefits might occur within the next 12 months. However, Kyocera anticipates such change will not have significant impact on Kyocera's consolidated results of operations and financial position.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Kyocera recorded interest and penalties related to unrecognized tax benefits as current income tax expenses in the consolidated statement of income in the amount of ¥(18) million, ¥(23) million and ¥16 million for the year ended March 31, 2016, 2017 and 2018, respectively, and as other non-current liabilities in the consolidated balance sheet in the amounts of ¥176 million and ¥174 million at March 31, 2017 and 2018, respectively. The table below excludes this accrual for estimated interest and penalties.

At March 31, 2018, Kyocera is subject to income tax examinations by tax authorities for the tax year 2017 onwards in Japan and for the tax year 2014 onwards in the United States for its major jurisdictions.

A reconciliation of the beginning and end amount of gross unrecognized tax benefits is as follows:

	March 31,		
	2016	2017	2018
	(Yen in millions)		
Balance at beginning of year	¥ 3,258	¥ 4,668	¥ 4,482
Increase—tax position in prior years	669	23	53
Increase—tax position in current year	2,380	1,388	111
Decrease—tax position in prior years	(455)	(41)	(57)
Settlements with taxing authorities	(677)	(1,451)	(3,048)
Lapse of statute of limitations	(507)	(105)	(134)
Balance at end of year	<u>¥ 4,668</u>	<u>¥ 4,482</u>	<u>¥ 1,407</u>

16. SUPPLEMENTAL EXPENSE INFORMATION

Supplemental expense information is as follows:

	Years ended March 31,		
	2016	2017	2018
	(Yen in millions)		
Research and development expenses	¥58,755	¥55,411	¥58,273
Advertising expenses	6,336	4,843	4,636
Shipping and handling cost included in selling, general and administrative expenses	23,454	22,787	25,492

17. SEGMENT REPORTING

In order to focus on the direction of our growth strategy, starting from fiscal 2018, Kyocera has changed the classification of its reporting segments which were previously “Fine Ceramic Parts Group,” “Semiconductor Parts Group,” “Applied Ceramic Products Group,” “Electronic Device Group,” “Telecommunications Equipment Group” and “Information Equipment Group” to “Industrial & Automotive Components Group,” “Semiconductor Components Group,” “Electronic Devices Group,” “Communications Group,” “Document Solutions Group” and “Life & Environment Group.”

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

The principal businesses of each reporting segment are as follows.

<u>Reporting segment</u>	<u>Principal business</u>
Industrial & Automotive Components Group	Fine Ceramic Components, Automotive Components, Liquid Crystal Displays, Industrial Tools
Semiconductor Components Group	Ceramic Packages, Organic Multilayer Substrates and Boards
Electronic Devices Group	Electronic Components (Capacitors, Crystal Devices, Connectors, Power Semiconductor Devices, etc.), Printing Devices
Communications Group	Mobile Phones, M2M Modules, Information Systems and Telecommunication Services
Document Solutions Group	Printers, Multifunctional Products, Document Solutions, Supplies
Life & Environment Group	Solar Power Generating System related Products, Medical Devices, Jewelry and Ceramic Knives

Kyocera has changed the classification of its reporting segments from fiscal 2018. Business results for fiscal 2016 and 2017 have been reclassified in line with the change to reporting segment classifications.

Inter-segment sales, operating revenue and transfers are made with reference to prevailing market prices. Transactions between reportable segments are immaterial and not shown separately.

Operating profit for each segment represents net sales, less related costs and operating expenses, excluding corporate gains and equity in losses of affiliates and unconsolidated subsidiaries, income taxes and net income attributable to noncontrolling interests.

Assets for each segment represent those assets associated with a specific segment. Corporate assets consist primarily of cash and cash equivalents, the facilities of corporate headquarters and various other investments and assets that are not specific to each segment.

Information by reporting segment at and for the years ended March 31, 2016, 2017 and 2018 is summarized on the following pages:

Reporting segments

	<u>Years ended March 31,</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(Yen in millions)		
Net sales:			
Industrial & Automotive Components Group	¥ 221,978	¥ 230,229	¥ 287,620
Semiconductor Components Group	236,265	245,727	257,237
Electronic Devices Group	245,985	240,798	305,145
Communications Group	285,608	252,641	255,535
Document Solutions Group	336,308	324,012	371,058
Life & Environment Group	174,076	149,207	112,212
Others	23,374	22,066	18,827
Adjustments and eliminations	(43,967)	(41,926)	(30,595)
Net sales	<u>¥1,479,627</u>	<u>¥1,422,754</u>	<u>¥1,577,039</u>

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

	Years ended March 31,		
	2016	2017	2018
(Yen in millions)			
Income before income taxes:			
Industrial & Automotive Components Group	¥ 3,684	¥ 22,442	¥ 32,557
Semiconductor Components Group	41,707	25,310	32,476
Electronic Devices Group	33,368	30,558	47,285
Communications Group	3,065	8,528	5,061
Document Solutions Group	27,106	28,080	41,141
Life & Environment Group	(43)	1,345	(55,010)
Others	(2,729)	(1,759)	1,621
Total operating profit	106,158	114,504	105,131
Corporate gains and Equity in earnings of affiliates and an unconsolidated subsidiary	39,534	24,636	28,460
Adjustments and eliminations	(109)	(1,291)	(1,725)
Income before income taxes	¥ 145,583	¥ 137,849	¥ 131,866

	Years ended March 31,		
	2016	2017	2018
(Yen in millions)			
Depreciation and amortization:			
Industrial & Automotive Components Group	¥ 11,862	¥ 12,464	¥ 15,504
Semiconductor Components Group	16,295	17,216	17,535
Electronic Devices Group	16,234	16,667	20,230
Communications Group	7,123	6,460	6,532
Document Solutions Group	14,428	14,867	12,954
Life & Environment Group	6,999	6,367	6,128
Others	1,708	1,539	1,336
Corporate	1,998	1,865	2,585
Total	¥ 76,647	¥ 77,445	¥ 82,804

	Years ended March 31,		
	2016	2017	2018
(Yen in millions)			
Write-down of inventories:			
Industrial & Automotive Components Group	¥ 975	¥ 1,295	¥ 1,227
Semiconductor Components Group	1,630	1,684	868
Electronic Devices Group	869	610	1,222
Communications Group	5,973	1,669	3,181
Document Solutions Group	890	929	779
Life & Environment Group	1,803	2,941	21,172
Others	98	87	272
Total	¥ 12,238	¥ 9,215	¥ 28,721

The write-down amount for the Life & Environment Group in fiscal 2018 included ¥19,280 million of the write-down of current polysilicon materials already purchased pursuant to the long-term purchase agreements in the solar energy business.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

For detailed information regarding the write-down, please refer to the Note 5 to Kyocera's consolidated financial statements included in this annual report on Form 20-F.

	Years ended March 31,		
	2016	2017	2018
	(Yen in millions)		
Capital expenditures:			
Industrial & Automotive Components Group	¥ 13,764	¥ 11,793	¥ 21,184
Semiconductor Components Group	15,402	16,411	15,820
Electronic Devices Group	19,035	19,095	26,512
Communications Group	3,092	1,836	4,813
Document Solutions Group	8,512	6,891	6,013
Life & Environment Group	5,043	6,185	5,454
Others	1,034	921	1,346
Corporate	3,051	4,649	5,377
Total	¥ 68,933	¥ 67,781	¥ 86,519
Assets by reporting segment:			
	March 31,		
	2016	2017	2018
	(Yen in millions)		
Industrial & Automotive Components Group	¥ 192,648	¥ 210,556	¥ 293,471
Semiconductor Components Group	223,133	201,360	210,658
Electronic Devices Group	446,403	465,831	428,095
Communications Group	172,699	163,854	167,915
Document Solutions Group	301,471	322,118	351,683
Life & Environment Group	220,245	230,166	214,000
Others	53,767	53,595	49,899
	1,610,366	1,647,480	1,715,721
Corporate and investments in and advances to affiliates and an unconsolidated subsidiary	1,616,029	1,576,241	1,537,551
Adjustments and eliminations	(131,346)	(113,251)	(96,195)
Total assets	¥3,095,049	¥3,110,470	¥3,157,077

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

Information for revenue from external customers by destination and long-lived assets based on physical location as of and for the years ended March 31, 2016, 2017 and 2018 are summarized as follows:

Geographic segments

	Years ended March 31,		
	2016	2017	2018
	(Yen in millions)		
Net sales:			
Japan	¥ 607,642	¥ 598,639	¥ 614,043
Asia	307,744	304,013	363,649
Europe	253,382	235,355	312,669
United States of America	250,203	228,968	224,791
Others	60,656	55,779	61,887
Net sales	<u>¥1,479,627</u>	<u>¥1,422,754</u>	<u>¥1,577,039</u>
	March 31,		
	2016	2017	2018
	(Yen in millions)		
Long-lived assets:			
Japan	¥ 182,793	¥ 185,257	¥ 194,097
Asia	43,785	39,366	47,656
Europe	16,661	15,969	28,388
United States of America	14,264	18,553	23,464
Others	6,984	7,459	7,319
Total	<u>¥ 264,487</u>	<u>¥ 266,604</u>	<u>¥ 300,924</u>

There are no individually material countries with respect to revenue from external customers and long-lived assets in Asia, Europe and Others.

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

18. PER SHARE INFORMATION

A reconciliation of the numerators and the denominators of basic and diluted earnings per share computations are as follows:

	Years ended March 31,		
	2016	2017	2018
	(Yen in millions except per share amounts)		
Net income attributable to Kyocera Corporation's shareholders	¥ 109,047	¥103,843	¥ 81,789
Basic earnings per share:			
Net income attributable to Kyocera Corporation's shareholders	297.24	282.62	222.43
Diluted earnings per share:			
Net income attributable to Kyocera Corporation's shareholders	297.24	282.62	222.43
	Years ended March 31,		
	2016	2017	2018
	(shares in thousands)		
Basic weighted average number of shares outstanding	366,859	367,428	367,709
Diluted weighted average number of shares outstanding	366,859	367,428	367,709

The cash dividends declared per share is as follows:

	Years ended March 31,		
	2016	2017	2018
	(per share of common stock)		
Cash dividends declared per share	¥ 100.00	¥ 110.00	¥ 120.00

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

19. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental information related to the Consolidated Statements of Cash Flows is as follows:

	Years ended March 31,		
	2016	2017	2018
	(Yen in millions)		
Cash paid during the year:			
Interest	¥ 1,408	¥ 1,080	¥ 1,109
Income taxes	31,134	33,554	39,382
Non-cash investing and financing activities:			
Accounts payable for purchases of held-to-maturity securities	¥ 6,000	¥ —	¥ —
Accounts payable for purchases of property, plant and equipment . . .	15,532	14,671	18,717
Accounts payable for purchases of intangible assets	1,458	5,445	3,859
Acquisition of noncontrolling interests by share exchange	—	4,217	—
Obtaining assets by entering into capital lease	692	851	912
Acquisitions of businesses:			
Fair value of assets acquired	¥ 46,977	¥28,691	¥122,336
Fair value of liabilities assumed	(17,477)	(7,507)	(35,276)
Noncontrolling interests	(5,140)	—	(4,267)
Cash acquired	(2,410)	(1,569)	(7,471)
Subtotal	<u>21,950</u>	<u>19,615</u>	<u>75,322</u>
Additional payment for an acquisition of business in the previous year . . .	726	58	—
Total	<u>¥ 22,676</u>	<u>¥19,673</u>	<u>¥ 75,322</u>

20. SUBSEQUENT EVENT

Repurchase of Own Shares

Kyocera Corporation has resolved at a meeting of its Board of Directors held on April 26, 2018 to undertake a repurchase of its own shares under the provisions of the Articles of Incorporation of the Company pursuant to Article 165, Paragraph 2 of the Companies Act of Japan.

(i) Reason for repurchase of own shares

The repurchase of own shares is intended to facilitate flexible capital strategies in the future, such as stock swaps.

(ii) Details of matters relating to the repurchase

Type of shares to be repurchased	Common stock
Total number of shares to be repurchased	Up to 7,200,000 shares (Percentage to total number of shares issued excluding treasury shares: 1.96 %)
Total amount of repurchase price	Up to 40 billion yen
Period of repurchase	From April 27, 2018 to September 20, 2018
Method of repurchase	Market purchases through the Tokyo Stock Exchange

Notes to the Consolidated Financial Statements—(Continued)
Kyocera Corporation and Consolidated Subsidiaries

(iii) Status of repurchase of own shares

Kyocera repurchased 5,951,000 of its own shares in the amount of ¥39,999,761,100 during April 27, 2018 to May 30, 2018 by market purchases through the Tokyo Stock Exchange. As a result, the repurchase of its own shares by Kyocera as resolved at the meeting of its Board of Directors held on April 26, 2018 was completed on May 30, 2018.

INDEX OF EXHIBITS

Exhibit Number	Description
1.1	Articles of Incorporation (incorporated by reference to the Registrant's Annual Report on Form 20-F filed on June 28, 2013 (File No. 001 - 07952))
1.2	Share Handling Regulations of the Registrant (incorporated by reference to the Registrant's Annual Report on Form 20-F filed on June 30, 2014 (File No. 001 - 07952))
1.3	Regulations of the Board of Directors of the Registrant (incorporated by reference to the Registrant's Annual Report on Form 20-F filed on June 29, 2011 (File No. 001 - 07952))
1.4	Regulations of the Audit & Supervisory Board of the Registrant (incorporated by reference to the Registrant's Annual Report on Form 20-F filed on June 30, 2015 (File No. 001 - 07952))
2.1	Amended and Restated Deposit Agreement, dated as of June 29, 1998 among Kyocera Corporation, Citibank N.A. as Depositary and all owners and holders from time to time of American Depositary Receipts, as amended by (i) Amendment No. 1 thereto, dated as of January 5, 1999(P), (ii) Amendment No. 2 thereto, dated as of December 21, 2007, including the form of American Depositary Receipt, and (iii) Amendment No. 3 thereto, dated as of June 26, 2018, including the form of American Depositary Receipt
8.1	List of Significant Subsidiaries (See "Organizational Structure" in Item 4.C. of the Registrant's Annual Report on Form 20-F)
11.1	Code of Ethics (incorporated by reference to the Registrant's Annual Report on Form 20-F filed on July 5, 2007 (File No. 001 - 07952))
12.1	Certification of the principal executive officer of the Registrant required by 17 C.F.R. 240.13a-14(a)
12.2	Certification of the principal financial officer of the Registrant required by 17 C.F.R. 240.13a-14(a)
13.1	Certification of the principal executive officer of the Registrant required by 17 C.F.R. 240.13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code
13.2	Certification of the principal financial officer of the Registrant required by 17 C.F.R. 240.13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code
101. INS	XBRL Taxonomy Extension Instance Document
101. SCH	XBRL Taxonomy Extension Schema Document
101. CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101. LAB	XBRL Taxonomy Extension Labels Linkbase Document
101. PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101. DEF	XBRL Taxonomy Extension Definition Linkbase Document
(i)	Incorporated by reference to the Registrant's annual report on Form 20-F filed on September 24, 2001. (P)
(ii)	Incorporated by reference to Post-effective Amendment No. 2 to the Registrant's Registration Statement on Form F-6 filed on December 4, 2007 (File No. 333 - 07222).
(iii)	Incorporated by reference to Post-effective Amendment No. 3 to the Registrant's Registration Statement on Form F-6 filed on June 26, 2018 (File No. 333-07222).

(P) Paper exhibits

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, Kyocera certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

Kyocera Corporation
(Registrant)

By _____ /s/ SHOICHI AOKI
(Signature)

Shoichi Aoki
Director,
Managing Executive Officer and
General Manager of
Corporate Management Control Group

Date: June 27, 2018

CERTIFICATION

I, Hideo Tanimoto, certify that:

1. I have reviewed this annual report on Form 20-F of Kyocera Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 27, 2018

/s/ Hideo Tanimoto

Name: Hideo Tanimoto
Title: Representative Director and President
(Principal Executive Officer)

CERTIFICATION

I, Shoichi Aoki, certify that:

1. I have reviewed this annual report on Form 20-F of Kyocera Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 27, 2018

/s/ Shoichi Aoki

Name: Shoichi Aoki
Title: Director,
Managing Executive Officer and
General Manager of
Corporate Management Control Group
(Principal Financial Officer)

CERTIFICATION

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Kyocera Corporation (the “Company”) hereby certifies, to such officer’s knowledge, that the Company’s annual report on Form 20-F for the year ended March 31, 2018 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 27, 2018

/s/ Hideo Tanimoto

Name: Hideo Tanimoto
Title: Representative Director and President
(Principal Executive Officer)

CERTIFICATION

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Kyocera Corporation (the “Company”) hereby certifies, to such officer’s knowledge, that the Company’s annual report on Form 20-F for the year ended March 31, 2018 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 27, 2018

/s/ Shoichi Aoki

Name: Shoichi Aoki

Title: Director,
Managing Executive Officer and
General Manager of
Corporate Management Control Group
(Principal Financial Officer)