

**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, 2012

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)

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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, 2012, 183,443,920 shares of common stock were outstanding, comprised of 180,561,415 Shares and 2,882,505 American Depositary Shares (equivalent to 2,882,505 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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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.

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### **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) manufacturing delays or defects resulting from outsourcing or internal manufacturing processes;
- (7) shortages and rising costs of electricity affecting our production and sales activities;
- (8) the possibility that future initiatives and in-process research and development may not produce the desired results;
- (9) companies or assets acquired by us not produce the returns or benefits, or bring in business opportunities;
- (10) inability to secure skilled employees, particularly engineering and technical personnel;
- (11) insufficient protection of our trade secrets and intellectual property rights including patents;
- (12) expenses associated with licenses we require to continue to manufacture and sell products;
- (13) environmental liability and compliance obligations by tightening of environmental laws and regulations;
- (14) unintentional conflict with laws and regulations or newly enacted laws and regulations;
- (15) our market or supply chains being affected by terrorism, plague, wars or similar events;
- (16) earthquakes and other natural disasters affecting our headquarters and major facilities as well as our suppliers and customers;
- (17) credit risk on trade receivables;
- (18) fluctuations in the value of, and impairment losses on, securities and other assets held by us;
- (19) impairment losses on long-lived assets, goodwill and intangible assets;
- (20) unrealized deferred tax assets and additional liabilities for unrecognized tax benefits;
- (21) changes in accounting principles;

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

## **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 accounting principles generally accepted in the United States of America, and “Japanese GAAP” means accounting principles generally accepted 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 2012” refers to Kyocera’s fiscal year ended March 31, 2012, and other fiscal years are referred to in a corresponding manner.

## 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 accounting principles generally accepted in the United States of America.

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.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
	(Yen in millions and shares in thousands, except per share amounts)				
<b>For the years ended March 31:</b>					
Net sales . . . . .	¥1,290,436	¥1,128,586	¥1,073,805	¥1,266,924	¥1,190,870
Profit from operations . . . . .	152,420	43,419	63,860	155,924	97,675
Net income attributable to shareholders of Kyocera Corporation . . . . .	107,244	29,506	40,095	122,448	79,357
<b>Earnings per share:</b>					
Net income attributable to shareholders of Kyocera Corporation:					
Basic . . . . .	¥ 566.58	¥ 157.27	¥ 218.47	¥ 667.23	¥ 432.58
Diluted . . . . .	565.80	157.23	218.47	667.23	432.58
Weighted average number of shares outstanding:					
Basic . . . . .	189,283	187,618	183,525	183,517	183,451
Diluted . . . . .	189,544	187,661	183,525	183,517	183,451
<b>Cash dividends declared per share:</b>					
Per share of common stock . . . . .	¥ 120	¥ 120	¥ 120	¥ 130	¥ 120
Per share of common stock* . . . . .	\$ 1.10	\$ 1.26	\$ 1.32	\$ 1.58	\$ 1.51
<b>At March 31:</b>					
Total assets . . . . .	¥1,976,746	¥1,773,802	¥1,848,717	¥1,946,566	¥1,994,103
Long-term debt . . . . .	8,298	28,538	29,067	24,538	21,197
Common stock . . . . .	115,703	115,703	115,703	115,703	115,703
Kyocera Corporation shareholders' equity . . . . .	1,451,165	1,323,663	1,345,235	1,420,263	1,469,505
Total equity . . . . .	1,516,167	1,383,088	1,407,262	1,483,359	1,534,241
<b>Depreciation . . . . .</b>	<b>¥ 75,630</b>	<b>¥ 83,753</b>	<b>¥ 60,602</b>	<b>¥ 59,794</b>	<b>¥ 62,374</b>
<b>Capital expenditures . . . . .</b>	<b>¥ 85,101</b>	<b>¥ 63,055</b>	<b>¥ 37,869</b>	<b>¥ 70,680</b>	<b>¥ 66,408</b>

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

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
2008 .....	124.09	96.88	114.31	99.85
2009 .....	110.48	87.80	100.62	99.15
2010 .....	100.71	86.12	92.93	93.40
2011 .....	94.68	78.74	85.71	82.76
2012 .....	85.26	75.72	79.00	82.41
<b>For most recent six months</b>				
December 2011 .....	78.13	76.98	77.80	76.98
January 2012 .....	78.13	76.28	76.96	76.34
February 2012 .....	81.10	76.11	78.47	81.10
March 2012 .....	83.78	80.86	82.47	82.41
April 2012 .....	82.62	79.81	81.25	79.81
May 2012 .....	80.36	78.29	79.67	78.29

The noon buying rate for Japanese yen on June 22, 2012 was \$1.00 = 80.52

#### **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.

##### **Risk Related to Kyocera's Business**

##### ***(1) The continuing economic slowdown in the Japanese and global economy may significantly reduce demand for Kyocera's products***

The outlook for the global economy remains uncertain, and there is concern that the financial problems facing European nations will continue to cause such uncertainty or trigger another downturn in the global economy. With respect to the Asian economy, although a fundamental trend toward Chinese-led expansion is expected, there are signs that growth rates may be slowing. In addition, the growth of the Japanese economy may be affected by an economic slowdown in Europe, the United States or Asia. In the event that stagnation in the Japanese and global economies has an adverse effect on capital investment in and consumption of digital consumer equipment and industrial machinery, which are the principal markets for Kyocera, demand for Kyocera products may fall significantly, the business environment facing Kyocera may worsen, and the performance and financial condition of Kyocera may be adversely affected.

##### ***(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 the developing and

emerging markets in China. 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 the developing and emerging markets of Asia, which includes China, becomes considerably more important, Kyocera may become even more susceptible to these risks.

***(3) Since a significant percentage of Kyocera's revenues has 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 55% of its total revenues in fiscal 2012. 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 or significant economic downturns 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 of 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 and the value of its foreign assets, 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 more 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 2012 depending partly on the demand and competition situation. In production 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) 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 these 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. Because the majority of Kyocera's costs of manufacture are relatively fixed, production yield and capacity utilization rate are critical to Kyocera's consolidated results of operations, financial condition and cash flows.

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

As almost all nuclear power plant operation 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 through equipment and centers, however Kyocera's production activity may become diminished if massive blackouts occur in the areas in which Kyocera has facilities and electricity shortages continue. Shortages of electricity in the areas in which Kyocera's suppliers and customers have main operations may also interrupt Kyocera's production and sales activities. In addition, significant rising costs of electricity may increase Kyocera's manufacturing cost as well as sales, general and administrative expenses.

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

Kyocera intends to expand its product lines to satisfy customer demand in its target markets. Unexpected technical delays in completing these initiatives 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.

***(9) Companies or assets acquired by Kyocera 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 succeed in acquisitions could have a material adverse effect on Kyocera's business.

***(10) 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. The competition for attracting and retaining these employees is intense. 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.

**Risk Related to Legal Restrictions and Litigations**

***(11) 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 recent 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.

***(12) 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. Although Kyocera is not currently involved in any litigations relating to its intellectual property except in the ordinary course of its business, 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.

***(13) 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, wastewater discharges, the handling, disposal and remediation of hazardous substances, wastes and certain chemicals used or generated in our 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 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.

***(14) Kyocera is subject to various other laws and regulations***

Kyocera may unintentionally 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**

***(15) 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 may be exposed to risks of our getting involved in 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.

***(16) 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, floods 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 affected 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 suffer 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**

### ***(17) 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 affected.

### ***(18) Kyocera may have to incur impairment losses on its investments in debt and 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. A substantial portion of these investments consists of shares of common stock of public companies in Japan, such as financial institutions and other companies including KDDI Corporation, a Japanese telecommunication service provider. Kyocera Corporation's equity interest in KDDI Corporation was 12.76% as of March 31, 2012. If there are certain declines in the fair value, i.e., the market price, of the shares of these companies, and it determines that such declines are other-than-temporary, Kyocera will need to record an impairment loss. For some of the equity securities Kyocera owns, including the shares of KDDI Corporation, Kyocera intends to keep its ownership at the current level in light of the importance of its business relationships with the issuers of these equity securities. For other equity securities in its portfolio, although, with periodical check, Kyocera may dispose of some securities which lack merit for Kyocera, market conditions may not permit us to do so at the time, speed or price we may wish.

### ***(19) 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.

### ***(20) 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.

***(21) 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**

***(22) 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.

***(23) 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 Board of Corporate Auditors and the Corporation 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.

***(24) 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.

***(25) 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 annual 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 an annual dividend declaration a few weeks before the annual general meeting. If the shareholders' approval is given, the annual 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 annual 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 annual dividends may not receive the dividend they anticipate.

***(26) 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.

**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 (currently Kyocera Connector Products Corporation).

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 January 1990. 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 ceramics parts, semiconductor parts, applied ceramic products and electronic components and devices to mainly electronic equipment manufacturers in information and communications fields, and the "Equipment Business," in which Kyocera manufactures and sells telecommunications equipment and information equipment, such as mobile phone handsets, PHS-related products, copier machines, multifunctional peripherals and ECOSYS printers to distributors or directly to customers.

Since 2000, we have further enhanced our position as a market leader in telecommunications and information equipment. In February 2000, we acquired the code division multiple access (CDMA) mobile phone handset business from Qualcomm Inc. and established our U.S. subsidiary, Kyocera Wireless Corp., which was merged into Kyocera Communications, Inc. in April 2010. 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 Mita Corporation 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, in March 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 November 2003, and to respond to market needs swiftly.

In August 2003, we made Kinseki, Limited (currently Kyocera Crystal Device Corporation), a major producer of artificial crystal related products, a wholly-owned subsidiary through a share exchange to strengthen our Electronic Device Group. In April 2004, Kyocera integrated the marketing division of Kyocera Kinseki Corporation into the marketing division of the electronic components of Kyocera Corporation and the manufacturing division of crystal related components of Kyocera Corporation was transferred to Kyocera Kinseki Corporation through corporate splits.

To meet with strong demand for solar energy products in Europe, Kyocera established Kyocera Solar Europe S.R.O. for the assembling of solar modules in the Czech Republic in April 2005.

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

For further enhancement of sales channel of the Information Equipment Group, Kyocera Mita Corporation 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 peripherals in Germany, a subsidiary through the voluntary public takeover offer in January 2009. In October 2010, Kyocera Mita Corporation acquired all of the remaining shares of TA. As a result, TA has become a wholly-owned subsidiary of Kyocera Mita Corporation.

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 expand cutting tool business.

In February 2012, in order to expand its Liquid Crystal Displays (LCDs) business, Kyocera acquired Optrex Corporation (currently Kyocera Display Corporation), a specialized manufacturer of LCDs and related products.

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 any significant divestitures currently being made.

## **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, 2012, we had 196 subsidiaries and 4 affiliates outside Japan and 28 subsidiaries and 6 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***

Kyocera categorizes its operations into seven reporting segments: (1) Fine Ceramic Parts Group, (2) Semiconductor Parts Group, (3) Applied Ceramic Products Group, (4) Electronic Device Group, (5) Telecommunications Equipment Group, (6) Information Equipment Group, and (7) Others.

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

### (1) Fine Ceramic Parts Group

Components for Semiconductor Processing Equipment and LCD Manufacturing Equipment,  
Information & Telecommunication Components,  
General Industrial Ceramic Components,  
Sapphire Substrates,  
Automotive Components

### (2) Semiconductor Parts Group

Ceramic Packages for Crystal and SAW Devices,  
CMOS/CCD Image Sensor Ceramic Packages,  
LSI Ceramic Packages, Wireless Communication Device Packages,  
Optical Communication Device Packages and Components,  
Organic Multilayer Packages and Substrates

### (3) Applied Ceramic Products Group

Residential and Industrial Solar Power Generating Systems,  
Solar Cells and Modules,  
Cutting Tools, Micro Drills,  
Medical and Dental Implants,  
Jewelry and Fine Ceramic Application Products

### (4) Electronic Device Group

Ceramic Capacitors, Tantalum Capacitors,  
SAW Devices, RF Modules, EMI Filters,  
Clock Oscillators, Crystal Units, Ceramic Resonators, Optical Low Pass Filters,  
Connectors,  
Thermal Printheads, Inkjet Printheads,  
Amorphous Silicon Photoreceptor Drums,  
LCDs, Touch Panels

### (5) Telecommunications Equipment Group

Mobile Phone Handsets,  
PHS related Products such as PHS Mobile Phone Handsets and PHS Base Stations

(6) Information Equipment Group

Color and Black & White Office Equipment such as ECOSYS Printers and Multifunctional Peripherals, Wide Format Multifunctional Systems, Printer and Multifunction Peripherals Supplies, Business Solution Services such as Managed Print Service

(7) Others

Information Systems & Telecommunication Services, Engineering Business, Management Consulting Business, Epoxy Molding Compounds for Semiconductor Encapsulation, Electrical Insulators, Flexible Printed Circuit Sheet Materials, Synthetic Resin Molded Parts, Realty Development, LED Lighting Systems

(1) Fine Ceramic Parts Group

Products in this reporting segment are widely used in the industrial machinery, information and communications equipment, computing, automotive and various other industrial sectors. These products are made from a variety of ceramic materials, such as alumina, silicon carbide and silicon nitrides as well as zirconia, utilizing their characteristics of heat resistance, corrosion resistance and wear resistance.

Products Kyocera develops, manufactures and sells in this reporting segment include substrates, which are thin ceramic bases used by manufacturers for hybrid IC foundations. Kyocera also develops, manufactures and sells substrates for thermal printheads, thin-film ceramic/alumina tape substrates for chip resistors, substrate for HDD thin-film magnetic heads, sapphire substrates for LCD projectors and Light Emitting Diodes (LEDs), components for semiconductor processing equipment, components for LCD manufacturing equipment, engine components for the automobiles, mechanical seals for pumps, friction tight discs and thread guides for yarn texturing machines in the textile industry, rings for fishing rods, and nozzles and parts for papermaking machinery.

(2) Semiconductor Parts Group

Kyocera develops, manufactures and sells both inorganic (ceramic) and organic packages and substrates in this reporting segment.

Ceramic packages have the characteristic of being extremely air tight, exceptional heat resistance and heat dissipation. In addition, they can be small and thin and have good high frequency properties as well as facilitate the embedding of passive components. Kyocera supplies various ceramic packages and components capitalized on material's characteristics. Major products in this reporting segment are ceramic packages for crystal and SAW devices, ceramic packages for CMOS/CCD sensors, LSI ceramic packages such as ball grid array packages and optical communication device packages and ceramic parts for fiber-optic communications connectors. Ceramic packages for crystal and SAW devices are used for clock oscillators, Crystal Units and SAW filters, which are mostly inserted into mobile phone handsets. Ceramic packages for CMOS/CCD sensors are mainly used in image sensor equipped in camera-equipped mobile phone handsets and digital cameras. Ball grid array packages are used in MPUs and other logic ICs, which are mainly inserted into high-end servers.

In the organic package business, Kyocera develops, manufactures and sells organic flip-chip packages for high-end application specific integrated circuits (ASICs) and system in package (SiP) substrates used in mobile phone handsets.

### (3) Applied Ceramic Products Group

This reporting segment consists of four product lines: 1) Solar Energy Products, 2) Cutting Tools, 3) Medical and Dental Implants, 4) Jewelry and Applied Ceramic Related Products.

#### 1) Solar Energy Products

Kyocera develops, manufactures and sells solar cells and modules as well as solar power generating systems. We concentrate the manufacturing of the solar cells in Japan, and assemble modules in Japan, China, Europe and North America.

#### 2) Cutting Tools

Kyocera develops, manufactures and sells cutting tools, which are parts used in metal processing in industrial manufacturing that are made from composite materials based on ceramics and metal. These products are used mainly in the automotive industry. In addition, with the aim of strengthening this business, Kyocera made Unimerco Group A/S (currently Kyocera Unimerco A/S), which is a Danish-based industrial cutting tool manufacturing and sales company, a wholly-owned subsidiary in July 2011. Through this acquisition, Kyocera has added custom-made solid-type cutting tools for automobile engine processing as well as aviation and wind-power generation industries to its line-up.

#### 3) Medical and Dental Implants

Kyocera produces medical and dental implants products, which include prosthetic joints and dental prosthetics that use ceramic materials and titanium alloys. In addition to these products, Kyocera supplies a wide range of medical materials such as cardiovascular type medical equipment and advanced X-ray computer tomography diagnosis equipment.

#### 4) Jewelry and Applied Ceramic Related Products

Kyocera develops, manufactures and sells recrystallized jewelry comprised mainly of synthetic emeralds, alexandrites and rubies. These stones are manufactured using a single crystal growth technology developed by us, and are chemically and physically equivalent to natural stones. Kyocera also develops, produces and sells applied ceramic related products such as kitchen accessories utilizing ceramic characteristics of wear resistance and corrosion resistance against acidity and alkalinity.

### (4) Electronic Device Group

Kyocera develops, manufactures and sells high quality and cost competitive electronic components and devices for the information and communication market. This field creates demand for high functionality, miniaturization, high frequency and low energy consumption. We develop, manufacture and sell high-value-added products such as miniature ceramic capacitors with high capacitance, tantalum capacitors, RF modules, miniature crystal related products like clock oscillators and connectors mainly for digital consumer equipment such as mobile phone handsets and PCs.

For our electronic components and devices business, Kyocera is working to expand sales by strengthening cost competitiveness through overseas production and by collaborating with consolidated subsidiaries. We are utilizing production sites in China and Southeast Asia to further reduce costs for such products as ceramic capacitors and clock oscillators. U.S. based AVX Corporation, our consolidated subsidiary, develops, manufactures and sells ceramic capacitors, tantalum capacitors and other passive components mainly used for information and communication equipment. We are strengthening ties between our ceramic capacitor business and AVX Corporation in terms of development and production fronts and are expanding sales of Kyocera

Group's electronic devices overseas by leveraging AVX Corporation's global manufacturing and sales network. In the crystal related products business, Kyocera Kinseki Corporation (currently Kyocera Crystal Device Corporation) develops and manufactures these products while Kyocera Corporation and AVX Corporation handles the sales.

We deliver thin-film products such as thermal printheads, amorphous silicon photoreceptor drums, and LCDs, mainly for office automation equipment and industrial equipment. In addition, Kyocera expanded our LCDs business in the automotive market through making Optrex Corporation (currently Kyocera Display Corporation), a specialized manufacturer of LCDs and related products, a consolidated subsidiary in February 2012.

#### (5) Telecommunications Equipment Group

This reporting segment includes mobile phone handsets business such as feature phones and smartphones and PHS mobile phone handsets and base stations. Mobile phone handsets are distributed mainly for KDDI Corporation and SOFTBANK MOBILE Corp. in Japan, as well as for U.S. telecommunication service providers such as Sprint Nextel Corporation in the overseas market. We also develop, manufacture and sell base stations, terminals and handsets for WILLCOM, Inc., which provides PHS services in Japan.

#### (6) Information Equipment Group

The major products in this reporting segment comprise page printers, copying machines and multifunctional peripherals. Our page printers are marketed under the "ECOSYS" concept, a focus on the characteristic of long life cycle, ecology and economy, which use our in-house amorphous silicon photoreceptor drums.

Kyocera Mita Corporation (currently Kyocera Document Solutions Inc.) develops, manufactures and sells the products in this reporting segment. This company manufactures printers and digital multifunctional peripherals in China and develops and manufactures consumables in Japan. We currently have sales sites in approximately 30 countries and are working to increase sales of information equipment not only to industrialized countries but also to emerging countries.

#### (7) Others

This reporting segment includes revenues from information and communications service business. This segment also develops, manufactures and sells electrical insulators and synthetic resin molded parts. In addition, this segment includes revenues from environment and energy related products such as LED lighting systems.

Kyocera Communication Systems Co., Ltd. operates a total telecommunications engineering business, from system development to design, construction and maintenance services in wireless base stations. This company provides various services in the information and communications market such as content distribution for smart devices and mobile phones through a data center and IT solutions business for corporations through cloud computing systems as well as system integration services. It also conducts a management consulting business based on implementation and operation of the "Amoeba Management System," which is Kyocera's unique management method.

Kyocera Chemical Corporation develops new products by pursuing synergies with fine chemical technologies and our components technologies such as those employed by the Electronic Device Group.

In addition, we are working to expand sales of LED lighting systems and related products for stores, an area of growing demand that contributes to reduced energy consumption.

### ***Sales and Distribution***

Kyocera products are marketed worldwide by our sales personnel, as well as by sales companies within our group, and by independent 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.

Most of sales in the Fine Ceramic Parts Group, the Semiconductor Parts Group and the Electronic Device Group are made directly to component and equipment manufacturers in Japan and overseas.

In the solar energy business in the Applied Ceramic Products Group, solar energy modules and solar power generating systems are sold primarily to users via sales subsidiaries, distributors and their franchise chains. Cutting tools are sold to users such as automobile parts manufactures through wholesale dealers and distributors. Jewelry and applied ceramic products such as ceramic knives are sold through direct retail shops and general retailers. Dental implants, artificial bones and joint prostheses are sold mainly to dental clinics and hospitals through distributors.

In the Telecommunications Equipment Group, we primarily sell products directly to telecommunications carriers in the Japanese and overseas markets. Our key sales destinations are KDDI Corporation, SOFTBANK MOBILE Corp., Sprint Nextel Corporation and WILLCOM, Inc.

The Information Equipment Group sells Kyocera brand products such as ECOSYS printers, copier machines and multifunctional peripherals through distributors and wholesalers worldwide or directly to original equipment manufacturers.

In the Others reporting segment, the Kyocera Communication Systems Group provides Information and Communication Technologies (ICT) business and management consulting business to general companies, public institutions and healthcare corporations as well as telecommunications engineering business to telecommunications carriers and wireless equipment vendors. Chemical materials from Kyocera Chemical Corporation are sold directly to secondary manufacturers who incorporate them into their own products.

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

### ***Sources and Availability of Raw Materials and Supplies***

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

The principal raw materials include alumina, zirconia, silicon nitride, silicon particles, nickel powder and epoxy resins. These raw materials are used mainly in the manufacturing of products for the Components Business. They are also the main materials supplied for use in key components such as chip sets and LCDs in the Equipment Business.

Our basic policy is to procure raw materials and other materials from several companies, though we may use a single supplier if (1) the final customer selects the material supplier; or (2) the number of suppliers who can deliver high-quality raw materials or other materials to ensure the high quality of final products is limited.

The purchase price of these raw materials and other materials fluctuates depending on the supply-demand situation, as well as the rising cost of certain raw materials and fuel, among others. We work hard to reduce the effect of these fluctuations and to absorb rising costs by making continuous internal improvements, including cost reductions. We have also executed long-term agreements with suppliers for certain raw materials to ensure that we have stable supply to meet plans to increase production, and a fair purchase price.

In fiscal 2012, we procured a sufficient level of raw materials and other materials to carry out our production plans.

### ***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, 2012, 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, 2002 to patent expiration

### ***Competitive Position***

(1) Fine Ceramic Parts Group

Since our founding, Kyocera has worked continuously to develop fine ceramic materials and products to cultivate new markets. At present, we provide fine ceramic products to a wide range of industries, notably the information and communication market, the industrial machinery market and the automotive market.

Although competitors in this reporting segment are mainly Japanese manufacturers and differ in each market, Kyocera has differentiated ourselves to become a global market leader through a competitive advantage in materials technology accumulated since our founding, and in outstanding production technology and capability, which enables us to meet customer requirements, particularly in terms of product dimension, size and volume. We have also established an internal integrated system from fundamental research to next-generation product development through our R&D efforts, and this differentiates us from competitors.

(2) Semiconductor Parts Group

In this reporting segment, our goal is to further strengthen our competitive position in both ceramic and organic package businesses in the global market. To achieve this, we strive to provide high-value-added products and to develop new applications such as in the digital consumer equipment market, optical and wireless communications markets, and in the automotive and medical industries, etc.

In the ceramic package business, Kyocera has already become a global market leader. We aim to further increase customer satisfaction by utilizing our expertise in development and manufacturing technologies.

In the organic package field, Kyocera SLC Technologies Corporation (KST) produces flip-chip packages for servers, routers and game consoles. KST also produces system in package substrates for mobile phone handsets.

In the flip-chip package market, fine design and high reliability are required, and we aim to become a leading company on a global technology front. In this market, we have several competitors which are Japanese and Asian manufacturers. In pursuit of excellence in engineering and production technology for finer pitch, smaller and thinner packages, we aim to expand our market share.

### (3) Applied Ceramic Products Group

The solar energy industry has a high number of competitors worldwide. In addition, many kinds of solar products using various raw materials and production methods have been introduced to the market, and competition on price and technological fronts is intensifying every year. Most recently, Chinese manufacturers have emerged as competitors for solar power products, including solar cells and modules, and the competitive cost structure of these new entrants has been putting further downward pressure on prices. Despite the highly competitive environment, Kyocera has established a competitive advantage based on more than 35 years of experience in the development of solar power generation products. Our products realize high conversion efficiency and long-term product reliability based on accumulated development and production technologies, and this is one of Kyocera's strengths. We also manufacture multicrystalline silicon solar cells and modules in-house, from silicon ingots to modules, enabling us to reduce costs and enhance productivity in every manufacturing process. Through these efforts, Kyocera has generated top-class results in installing solar power generation systems for public and industrial use in Japan. Going forward, Kyocera will promote the proliferation of high-value-added products through the sale of systems such as the Home Energy Management System (HEMS), which combines solar power generation systems with battery storage units.

Kyocera is one of the largest suppliers of cutting tools in Japan. Our cutting tools are employed primarily in automotive related markets. Although we have many competitors, we provide a diverse array of cutting tools for machine tools based on advanced ceramic materials technology. By making Kyocera Unimerco A/S a consolidated subsidiary, we aim to increase sales in the European market and expand business in new markets such as the aviation and wind-power generation markets.

### (4) Electronic Device Group

Kyocera develops, manufactures and sells a wide variety of capacitors, crystal related products, connectors and thin-film products. One of our competitive advantages is that we can supply a wide variety of components.

AVX Corporation and Kyocera Kinseki Corporation (currently Kyocera Crystal Device Corporation), our subsidiaries, are global suppliers in the tantalum capacitor market and the market for small-size crystal related products, respectively. In thin-film products such as thermal printheads and LCDs, we are expanding business with a focus on industrial applications. We are also a major supplier of thermal printheads equipped in printers such as barcode printers. In the LCD business, we added Optrex Corporation (currently Kyocera Display Corporation), which commands a high share in LCDs for automotive applications, to the Kyocera Group, and aim to expand business by further strengthening our competitiveness.

### (5) Telecommunications Equipment Group

In the Japanese market, our main competitors for mobile phone handsets are Japanese and overseas manufacturers. In the mobile phone handset market outside Japan, Kyocera competes with U.S., Asian and European manufacturers. Our production volume ranks in the top class among Japanese manufacturers, even though our global market share is not large. In terms of PHS related products, our main competitors are Japanese manufacturers, and we are a market leader in the PHS handset and base station businesses.

## (6) Information Equipment Group

We have many competitors in Japan and abroad in the information equipment business, which includes printers, copying machines and multifunctional peripherals. Although the scale of sales in this reporting segment is relatively small compared with our competitors, and our global market share is not high, our major strength is our ability to differentiate our products from those of the competitors.

Kyocera's information equipment is based on the "ECOSYS" concept, which realizes environmental friendliness through longer life and reduced running costs for users by equipping printers and other information equipment with an amorphous silicon photoreceptor drum that was developed in-house and has exceptional resistance to wear. Our ECOSYS concept is used in the majority of our printers, copying machines and multifunctional peripherals in both black & white and color, and from low-speed to high-speed models. These products are recognized as green products for office equipment, particularly in Europe, where environmental awareness is particularly high. We also have been increasing the coverage of our dealers through proactive mergers and acquisitions overseas.

### ***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. We do not believe that such governmental regulations currently have significant effects on Kyocera's business.

Kyocera is also subject to various regulations concerning the environment of the countries where we operate. These regulations cover air emissions, wastewater discharges, the handling, disposal and remediation of hazardous substances, wastes and certain chemicals used or generated in our 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 our 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, we believe that we are not involved in any pending or threatened proceedings that would require curtailment of our business, and our 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, AVX Corporation, a subsidiary in the United States, is subject to federal, state and local laws and regulations concerning the environment in the United States. Specifically, AVX Corporation 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.

In 1991, in connection with a consent decree, AVX Corporation paid ¥8,878 million (\$66 million), plus interest, toward the environmental conditions at, and remediation of, New Bedford Harbor in the Commonwealth of Massachusetts (the harbor) in settlement with the United States and the Commonwealth of Massachusetts, subject to reopener provisions, including a reopener if certain remediation costs for the site exceed ¥10,701 million (\$130.5 million). In 2007, AVX Corporation received notification from the EPA and the Department of Justice indicating that the United States was preparing to exercise the cost reopener. In March 2011, the EPA issued the Fourth Explanation of Significant Differences (ESD #4) that explains the planned changes to the existing remedial action plan for the harbor to include the use of a confined aquatic disposal (CAD) cell, along with interim off-site transportation and disposal of certain contaminated dredge spoils, and the continued use of long-term on-site storage for other contaminated dredge spoils. ESD #4 provides future cost estimates under the new remedial action plan (in addition to costs incurred to date) ranging from ¥29,684 million (\$362 million) to ¥32,882 million (\$401 million), net present value, based on certain criteria included in the ESD #4. The EPA has indicated that remediation costs through December 31, 2011 were approximately ¥37,392 million (approximately \$456 million), not all of which are subject to the reopener provisions.

On April 18, 2012, the EPA issued to AVX Corporation a Unilateral Administrative Order (UAO) directing AVX Corporation to perform the Remedial Design, the Remedial Action and Operation and Maintenance for the harbor clean-up. The effective date set forth in the UAO is June 18, 2012, but, while the parties are in mediation discussions, AVX Corporation has until July 23, 2012 to inform the EPA if it intends to comply with the UAO.

AVX Corporation has not received complete documentation of past response costs from the EPA and therefore has not yet completed an investigation of the monies spent or available defenses in light of these notifications and indications. AVX Corporation has also not yet determined whether AVX Corporation can avoid responsibility for all, or some portion, of these past or future costs because the remediation method has changed over time and costs can be appropriately apportioned to parties other than AVX Corporation. AVX Corporation anticipates further discussions with the U.S. Department of Justice, the EPA, and the Commonwealth of Massachusetts in the first half of the year ending March 31, 2013.

AVX Corporation is continuing to assess the UAO as well as potential defenses and other actions with respect to the site. However, in light of the foregoing, AVX Corporation considers it to be probable and reasonably estimable that AVX Corporation will incur cost within a range of approximately ¥7,900 million (approximately \$100 million) to ¥59,860 million (\$730 million), with no amount within that range representing a more likely outcome until such time as AVX Corporation completes an investigation with regard to monies spent, available defenses and other matters. AVX Corporation recognizes liabilities for environmental exposures when analysis indicates that is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. When a range of loss can be estimated, AVX Corporation accrues 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. Accordingly, AVX Corporation has recorded a charge for the year ended March 31, 2012 of ¥7,900 million (\$100 million) with respect to this matter. Kyocera included this charge in selling, general and administrative expenses in the consolidated statements of income for the year ended March 31, 2012.

### C. Organizational Structure

We had 234 subsidiaries and affiliates as of March 31, 2012. 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, 2012, with respect to our significant subsidiaries.

Name	Country of Incorporation	Percentage held by Kyocera	Main Business
<u>(1) Fine Ceramic Parts Group</u>			
Kyocera Industrial Ceramics Corporation . . . . .	United States	100.00%	Manufacture and sale of fine ceramic-related products and thin film devices
<u>(2) Semiconductor Parts Group</u>			
Kyocera SLC Technologies Corporation . . . . .	Japan	100.00%	Development, manufacture and sale of organic multilayer packages and substrates
Shanghai Kyocera Electronics Co., Ltd. . . . .	China	100.00%	Manufacture and sale of fine ceramic-related products and electronic devices
Kyocera America, Inc. . . . .	United States	100.00%	Development, manufacture and sale of fine ceramic-related products
<u>(3) Applied Ceramic Products Group</u>			
Kyocera Solar Corporation . . . . .	Japan	100.00%	Sale of solar energy products
Kyocera (Tianjin) Solar Energy Co., Ltd. . . . .	China	90.00%	Manufacture of solar energy products
Kyocera Solar, Inc. . . . .	United States	100.00%	Manufacture and sale of solar energy products
Kyocera Solar Europe S.R.O. . . . .	Czech	100.00%	Manufacture of solar energy products
Kyocera Precision Tools Korea Co., Ltd. . . . .	Korea	90.00%	Manufacture and sale of cutting tools
Kyocera Tycom Corporation . . . . .	United States	100.00%	Manufacture and sale of cutting tools
Kyocera Unimerco A/S . . . . .	Denmark	100.00%	Development, manufacture and sale of cutting tools
Japan Medical Materials Corporation . . . . .	Japan	77.00%	Development, manufacture and sale of medical material

<u>Name</u>	<u>Country of Incorporation</u>	<u>Percentage held by Kyocera</u>	<u>Main Business</u>
<u>(4) Electronic Device Group</u>			
Kyocera Elco Corporation .....	Japan	100.00%	Development, manufacture and sale of electronic devices
Kyocera Kinseki Corporation .....	Japan	100.00%	Development and manufacture of electronic devices
Optrex Corporation .....	Japan	100.00%	Development and sale of electronic devices
Zhangjiagang Free Trade Zone Optrex Electronics Co., Ltd. ....	China	100.00%	Manufacture of electronic devices
Dongguan Shilong Kyocera Optics Co., Ltd. ....	China	90.00%	Manufacture of cutting tools and thin-film devices
AVX Corporation .....	United States	71.82%	Development, manufacture and sale of electronic devices
<u>(5) Telecommunications Equipment Group</u>			
Kyocera Telecom Equipment (Malaysia) Sdn. Bhd. ....	Malaysia	100.00%	Manufacture of telecommunications equipment
Kyocera Communications, Inc. ....	United States	100.00%	Sale of telecommunications equipment
<u>(6) Information Equipment Group</u>			
Kyocera Mita Corporation .....	Japan	100.00%	Development and manufacture of information equipment
Kyocera Mita Japan Corporation .....	Japan	100.00%	Sale of information equipment mainly in Japan
Kyocera Mita Office Equipment (Dongguan) Co., Ltd. ....	China	92.76%	Manufacture of information equipment
Kyocera Mita America, Inc. ....	United States	100.00%	Sale of information equipment mainly in North America
Kyocera Mita Europe B.V. ....	Netherlands	100.00%	Sale of information equipment mainly in Europe
Kyocera Mita Deutschland GmbH .....	Germany	100.00%	Sale of information equipment mainly in Europe
TA Triumph-Adler GmbH .....	Germany	100.00%	Sale of information equipment mainly in Europe

<u>Name</u>	<u>Country of Incorporation</u>	<u>Percentage held by Kyocera</u>	<u>Main Business</u>
<u>(7) Others</u>			
Kyocera Communication Systems Co., Ltd. . . . .	Japan	76.30%	Information systems and telecommunication services
Kyocera Chemical Corporation . . . . .	Japan	100.00%	Development, manufacture and sale of electrical insulation materials
Kyocera Realty Development Co., Ltd. . . . .	Japan	100.00%	Real estate services
<u>(8) Regional Holding or Sales Companies</u>			
Kyocera (Tianjin) Sales & Trading Corporation . .	China	90.00%	Sale of fine ceramic-related products, cutting tools mainly in China
Kyocera Korea Co., Ltd. . . . .	Korea	100.00%	Sale of fine ceramic-related products and solar energy products mainly in Korea
Kyocera Asia Pacific Pte. Ltd. . . . .	Singapore	100.00%	Sale of fine ceramic-related products, solar energy products and electronic devices mainly in Asia
Kyocera International, Inc. . . . .	United States	100.00%	Holding company and headquarters of the subsidiaries in North America
Kyocera Fineceramics GmbH . . . . .	Germany	100.00%	Sale of fine ceramic-related products, solar energy products and thin film devices mainly in Europe

In addition to the above consolidated subsidiaries, Kyocera had 188 other consolidated subsidiaries as of March 31, 2012. Kyocera also had interests in one subsidiary accounted for by the equity method and 10 affiliates accounted for by the equity method as of March 31, 2012.

Names of the consolidated subsidiaries described below were changed on April 1, 2012, respectively and the following table sets forth their former and current names.

Former	Current
Japan Medical Materials Corporation	Kyocera Medical Corporation
Kyocera Elco Corporation	Kyocera Connector Products Corporation
Kyocera Kinseki Corporation	Kyocera Crystal Device Corporation
Optrex Corporation	Kyocera Display Corporation
Zhangjiagang Free Trade Zone Optrex Electronics Co., Ltd.	Kyocera Display (Zhangjiagang) Co., Ltd.
Kyocera Mita Corporation	Kyocera Document Solutions Inc.
Kyocera Mita Japan Corporation	Kyocera Document Solutions Japan Inc.
Kyocera Mita Office Equipment (Dongguan) Co., Ltd.	Kyocera Document Technology (Dongguan) Co., Ltd.
Kyocera Mita America, Inc.	Kyocera Document Solutions America, Inc.
Kyocera Mita Europe B.V.	Kyocera Document Solutions Europe B.V.
Kyocera Mita Deutschland GmbH	Kyocera Document Solutions Deutschland GmbH
Dongguan Shilong Kyocera Optics Co., Ltd.	Dongguan Shilong Kyocera Co., Ltd.

A name of the consolidated subsidiary described below will be changed on July 1, 2012 and the following table sets forth its current and new names.

Current	New
Kyocera (Tianjin) Sales & Trading Corporation	Kyocera (China) Sales & Trading Corporation

AVX Corporation, in our Electronic Device Group, is one of our most significant subsidiaries. Most of the electronic devices we produce for overseas sales are distributed through AVX Corporation by utilizing AVX Corporation's wide range of marketing channels. In addition, we market passive components produced by AVX Corporation in the Japanese market. We also utilize AVX Corporation's manufacturing process for ceramic capacitors to improve productivity and to enhance our competitiveness. In addition, AVX Corporation introduced our materials technologies into its ceramic capacitor production. We have been seeking better ways to cooperate in expanding our electronic device businesses. Currently, four of our directors are members of AVX Corporation's board of directors and AVX Corporation's chief executive officer is one of our directors. Within the Electronic Device Group, we have a close relationship with AVX Corporation in marketing, manufacturing, and research and development, and we are seeking and pursuing synergies to be a leading passive component manufacturer. AVX Corporation posted net income of \$152,805 thousand in fiscal 2012 and its performance contributed significantly to Kyocera's results of operations and financial condition. See Item 5.A. "Operating Results" of this annual report on Form 20-F.

#### **D. Property, Plants and Equipment**

As of March 31, 2012, we had property, plants and equipment with a net book value of ¥260,537 million. During the five years ended March 31, 2012, we invested a total of ¥323,113 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, as of March 31, 2012, with respect to our manufacturing facilities with floor space of more than 250,000 square feet.

<u>Name of Plant</u>	<u>Location</u>	<u>Status</u>	<u>Floor Space</u> (in thousands of square feet)	<u>Lease Expires</u>	<u>Principal Products Manufactured</u>
<b>Japan</b>					
Hokkaido Kitami Plant . . . . .	Kitami, Hokkaido	Owned	295		Telecommunications equipment, Semiconductor parts, Fine ceramic parts
Yamagata Higashine Plant . . . . .	Higashine, Yamagata	Owned	379		Electronic components
Nagano Okaya Plant . . . . .	Okaya, Nagano	Owned	387		Fine ceramic parts, Thin-film components, Cutting tools
Kawaguchi Plant . . . . .	Kawaguchi, Saitama	Owned	389		Electrical insulation materials
Tamaki Plant . . . . .	Watarai, Mie	Owned	289		Information equipment
Shiga Gamo Plant . . . . .	Higashi-Ohmi, Shiga	Owned	690		Fine ceramic parts, Semiconductor parts
Shiga Yokaichi Plant . . . . .	Higashi-Ohmi, Shiga	Owned	1,476		Fine ceramic parts, Thin-film components, Solar cells, Cutting tools
Shiga Yasu Plant . . . . .	Yasu, Shiga	Owned	1,810		Solar cells, Thin-film components
Kyoto Ayabe Plant . . . . .	Ayabe, Kyoto	Owned	288		Organic multilayer package, Organic multilayer printed circuit boards
Hirakata Plant . . . . .	Hirakata, Osaka	Owned	604		Information equipment
Kagoshima Sendai Plant . . . . .	Satsuma-Sendai, Kagoshima	Owned	1,992		Fine ceramic parts, Semiconductor parts, Cutting tools
Kagoshima Kokubu Plant . . . . .	Kirishima, Kagoshima	Owned	2,466		Fine ceramic parts, Semiconductor parts, Electronic components
Kagoshima Hayato Plant . . . . .	Kirishima, Kagoshima	Owned	278		Thin-film components

<u>Name of Plant</u>	<u>Location</u>	<u>Status</u>	<u>Floor Space</u> (in thousands of square feet)	<u>Lease Expires</u>	<u>Principal Products Manufactured</u>
<b><u>United States</u></b>					
Balboa Plant . . . . .	San Diego, California	Owned	300		Semiconductor parts
Myrtle Beach Plant . . . . .	Myrtle Beach, South Carolina	Owned	500		Electronic components
Fountain Inn Plant . . . . .	Fountain Inn, South Carolina	Owned	300		Electronic components
<b><u>El Salvador</u></b>					
San Salvador Plant . . . . .	San Salvador	Owned	420		Electronic components
<b><u>France</u></b>					
Saint-Apollinaire Plant . . . . .	Saint-Apollinaire	Leased	322	2016	Electronic components
<b><u>Czech Republic</u></b>					
Lanskroun Plant . . . . .	Lanskroun	Owned	500		Electronic components
Uherske Hradiste Plant . . . . .	Uherske Hradiste	Owned	470		Electronic components
Kadan Plant . . . . .	Kadan	Owned	295		Solar cells
<b><u>China</u></b>					
Tianjin Plant . . . . .	Tianjin	Owned	520		Electronic components
Tianjin Plant . . . . .	Tianjin	Owned	308		Solar cells
Shanghai Pudong Plant . . . . .	Shanghai	Owned	1,132		Semiconductor parts, Electronic components
Zhangjiagang Plant . . . . .	Zhangjiagang, Jiangsu	Owned	387		Thin-film components
Shilong Plant . . . . .	Dongguan, Guangdong	Owned	2,331		Information equipment
Shilong Plant . . . . .	Dongguan, Guangdong	Owned	795		Cutting tools, Thin-film components
<b><u>Thailand</u></b>					
Thailand Plant . . . . .	Thailand	Owned	264		Electronic components

<u>Name of Plant</u>	<u>Location</u>	<u>Status</u>	<u>Floor Space</u> (in thousands of square feet)	<u>Lease Expires</u>	<u>Principal Products Manufactured</u>
<b><u>Philippines</u></b>					
Philippines Plant . . . . .	Philippines	Owned	332		Electronic components
<b><u>Malaysia</u></b>					
Malaysia Plant . . . . .	Malaysia	Owned	315		Telecommunications equipment
Malaysia Plant . . . . .	Malaysia	Leased	300	2012	Electronic components

**Item 4A. Unresolved Staff Comments**

We are a large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934. There are no written comments which have been provided by the staff of the Securities and Exchange Commission regarding our periodic reports under that Act not less than 180 days before the end of the fiscal year ended March 31, 2012 and which remain unresolved as of the date of the filing of this annual report on Form 20-F with the Commission.

**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 Factor" and elsewhere in this annual report on Form 20-F.*

**Overview**

Kyocera develops, produces and distributes various kinds of products primarily for the information and communications market and environment and energy market worldwide. Kyocera Corporation was established in 1959 as a manufacturer of ceramic parts for electronic equipment and has been expanding its business mainly through mergers and acquisitions, as well as applying its fine ceramic technologies to the areas of semiconductor parts, electronic devices, telecommunication, metal processing, medical and dental implants and solar energy fields. Kyocera develops, produces and distributes equipment such as printers and multifunctional peripherals as well as mobile phone handsets. Kyocera earns revenue and income and generates cash through sales of these products.

Kyocera's operations are categorized into seven reporting segments: (1) Fine Ceramic Parts Group, (2) Semiconductor Parts Group, (3) Applied Ceramic Products Group, (4) Electronic Device Group, (5) Telecommunications Equipment Group, (6) Information Equipment Group, and (7) Others. Kyocera groups 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 groups the Telecommunications Equipment Group and the Information Equipment Group into another main business referred to as the "Equipment Business."

In fiscal 2012, the Japanese economy stagnated overall, due to continued appreciation of the yen against the Euro and the U.S. dollar and a decrease in exports, despite the resolution of disruptions in production activities and the supply chain following the Great East Japan Earthquake. The European economy experienced a continued economic downturn, due to reduced personal consumption and investment as the financial crisis in Europe worsened. In contrast, the U.S. economy continued to recover moderately, due mainly to growth in personal consumption and private capital investment. The Chinese economy continued to expand, primarily supported by strong domestic demand in spite of signs of a slowdown in export growth.

In the information and communications market, which is the principal market for Kyocera, demand for items such as mobile phone handsets, personal computers and flat-screen TVs was sluggish. In addition, component inventory adjustments at equipment manufacturers persisted due to stagnation in production activity for products including digital cameras resulting from the prolonged impact of severe flooding in Thailand. As a result, component demand, mainly for digital consumer equipment, fell below the level recorded in fiscal 2011.

Average exchange rates for fiscal 2012 were ¥79 to the U.S. dollar, marking appreciation of ¥7 (approximately 8%) from ¥86 for fiscal 2011, and ¥109 to the Euro, marking appreciation of ¥4 (approximately 4%) from ¥113 for fiscal 2011. As a result, net sales and income before income taxes for fiscal 2012 were adversely affected by approximately ¥40 billion and ¥10 billion, respectively, compared with fiscal 2011.

Consolidated net sales for fiscal 2012 decreased by ¥76,054 million, or 6.0%, to ¥1,190,870 million, compared with ¥1,266,924 million for fiscal 2011, due primarily to a decline in component demand for digital consumer equipment and a decrease in sales in the Telecommunications Equipment Group in addition to the impact of the yen's appreciation. Profit from operations decreased by ¥58,249 million, or 37.4%, to ¥97,675 million, compared with ¥155,924 million for fiscal 2011. In addition, income before income taxes decreased by ¥57,439 million, or 33.3%, to ¥114,893 million, compared with ¥172,332 million for fiscal 2011. Net income attributable to shareholders of Kyocera Corporation for fiscal 2012 decreased by ¥43,091 million, or 35.2%, to ¥79,357 million, compared with ¥122,448 million for fiscal 2011.

## Results of Operations

### Fiscal 2012 compared with Fiscal 2011

The following table shows a summary of Kyocera's results of operations for fiscal 2011 and fiscal 2012:

	Years ended March 31,				Increase (Decrease)	
	2011		2012		Amount	%
	Amount	%	Amount	%		
	(Yen in millions)					
Net sales	¥1,266,924	100.0	¥1,190,870	100.0	¥(76,054)	(6.0)
Cost of sales	888,869	70.2	870,143	73.1	(18,726)	(2.1)
Gross profit	378,055	29.8	320,727	26.9	(57,328)	(15.2)
Selling, general and administrative expenses	222,131	17.5	223,052	18.7	921	0.4
Profit from operations	155,924	12.3	97,675	8.2	(58,249)	(37.4)
Interest and dividend income	12,963	1.0	13,966	1.2	1,003	7.7
Interest expense	(2,259)	(0.2)	(2,042)	(0.2)	217	—
Foreign currency transaction gains, net	3,824	0.3	4,533	0.4	709	18.5
Equity in losses of affiliates and unconsolidated subsidiaries	(160)	(0.0)	(36)	(0.0)	124	—
Other, net	2,040	0.2	797	0.0	(1,243)	(60.9)
	16,408	1.3	17,218	1.4	810	4.9
Income before income taxes	172,332	13.6	114,893	9.6	(57,439)	(33.3)
Income taxes	42,214	3.3	30,135	2.5	(12,079)	(28.6)
Net income	130,118	10.3	84,758	7.1	(45,360)	(34.9)
Net income attributable to noncontrolling interests	(7,670)	(0.6)	(5,401)	(0.4)	2,269	—
Net income attributable to shareholders of Kyocera Corporation	¥ 122,448	9.7	¥ 79,357	6.7	¥(43,091)	(35.2)

### Net Sales

Net sales in fiscal 2012 decreased by ¥76,054 million, or 6.0%, to ¥1,190,870 million, compared with ¥1,266,924 million in fiscal 2011.

In fiscal 2012, net sales decreased compared with fiscal 2011 due primarily to a decline in component demand for digital consumer equipment and a decrease in sales in the Telecommunications Equipment Group in addition to the impact of the yen's appreciation. Due to the impact of the yen appreciation against the U.S. dollar and the Euro, net sales after translation into the yen in fiscal 2012 were down by approximately ¥40,000 million, compared with fiscal 2011.

Net sales in the Components Business in fiscal 2012 decreased by ¥48,942 million, or 7.1%, to ¥642,297 million, compared with ¥691,239 million in fiscal 2011. Net sales in the Equipment Business in fiscal 2012 decreased by ¥42,958 million, or 9.2%, to ¥422,126 million, compared with ¥465,084 million in fiscal 2011.

For details regarding net sales, please refer to page 37, "Business Overview by Reporting Segment."

## Net Sales by Geographic Segment

The following table shows a breakdown of Kyocera's total consolidated net sales in fiscal 2011 and fiscal 2012, distinguishing between domestic and overseas sales and, with respect to overseas sales, showing the geographical areas in which such sales were made:

	Years ended March 31,				Increase (Decrease)	
	2011		2012		Amount	%
	Amount	%	Amount	%		
	(Yen in millions)					
Japan .....	¥ 559,883	44.2	¥ 559,344	47.0	¥ (539)	(0.1)
Asia .....	215,913	17.0	205,469	17.2	(10,444)	(4.8)
Europe .....	210,131	16.6	204,887	17.2	(5,244)	(2.5)
United States of America .....	220,706	17.4	166,706	14.0	(54,000)	(24.5)
Others .....	60,291	4.8	54,464	4.6	(5,827)	(9.7)
Net sales .....	<u>¥1,266,924</u>	<u>100.0</u>	<u>¥1,190,870</u>	<u>100.0</u>	<u>¥(76,054)</u>	<u>(6.0)</u>

Sales in Japan were flat compared with fiscal 2011. Despite an increase in sales at Kyocera Communication Systems Co., Ltd., sales in Japan in the solar energy business decreased resulting from decreased product prices, as well as sluggish demand for components used in digital consumer equipment.

Sales in Asia decreased compared with fiscal 2011. Sales in the Electronic Device Group and the Semiconductor Parts Group decreased due to a decrease in demand for components used in digital consumer equipment, as well as the yen's appreciation.

Sales in Europe decreased compared with fiscal 2011 due to a decrease in sales in the Applied Ceramic Products Group resulting primarily from slowed market growth in Europe and a steep decline in product prices in solar energy business.

Sales in the U.S. decreased compared with fiscal 2011 due to a decline in sales volume of mobile phone handsets in the Telecommunications Equipment Group and to the yen's appreciation against the U.S. dollar.

Sales for Others decreased compared with fiscal 2011 due mainly to decreased sales in the Semiconductor Parts Group and the Electronic Device Group resulting from sluggish demand for components.

## Cost of Sales and Gross Profit

In fiscal 2012, cost of sales decreased by ¥18,726 million, or 2.1%, to ¥870,143 million from ¥888,869 million in fiscal 2011. This is due to decreases in raw material costs and production supplies costs resulting from a decrease in production volume.

Raw material costs of ¥333,171 million accounted for 38.3% of total cost of sales in fiscal 2012, which decreased by ¥8,271 million, or 2.4%, from ¥341,442 million in fiscal 2011. Labor costs of ¥170,995 million accounted for 19.7% of total cost of sales in fiscal 2012, which decreased by ¥312 million, or 0.2%, from ¥171,307 million in fiscal 2011. Depreciation expense of ¥52,238 million accounted for 6.0% of total cost of sales in fiscal 2012, which increased by ¥2,034 million, or 4.1%, from ¥50,204 million in fiscal 2011 due to increased capital expenditures in fiscal 2011.

As a result, gross profit in fiscal 2012 decreased by ¥57,328 million, or 15.2%, to ¥320,727 million from ¥378,055 million in fiscal 2011. The gross profit ratio to net sales decreased by 2.9 percentage points from 29.8% to 26.9%.

## **Selling, General & Administrative Expenses and Profit from Operations**

Selling, general and administrative expenses of ¥223,052 million in fiscal 2012 remained roughly constant compared with ¥222,131 million in fiscal 2011. This is due to the recording of ¥7,900 million of an environmental charge at AVX Corporation, a consolidated subsidiary of Kyocera Corporation, which was offset by decreases in labor costs and other expenses. The ratio of selling, general and administrative expenses to net sales was 18.7% in fiscal 2012, an increase of 1.2 percentage points as compared with 17.5% in fiscal 2011.

Labor costs of ¥115,258 million accounted for 51.7% of total selling, general and administrative expenses in fiscal 2012, which decreased by ¥1,501 million, or 1.3%, from ¥116,759 million in fiscal 2011. Sales promotion and advertising costs of ¥34,772 million accounted for 15.6% in fiscal 2012, which increased by ¥242 million, or 0.7%, from ¥34,530 million in fiscal 2011. Depreciation expense of ¥13,790 million accounted for 6.2% in fiscal 2012, which increased by ¥116 million, or 0.8%, from ¥13,674 million in fiscal 2011.

Profit from operations in fiscal 2012 decreased by ¥58,249 million, or 37.4%, to ¥97,675 million, compared with ¥155,924 million in fiscal 2011. The operating margin decreased by 4.1 percentage points to 8.2% in fiscal 2012, compared with 12.3% in fiscal 2011.

## **Interest and Dividend Income**

Interest and dividend income in fiscal 2012 increased by ¥1,003 million, or 7.7 %, to ¥13,966 million, compared with ¥12,963 million in fiscal 2011. This was due mainly to an increase in dividend income from KDDI Corporation.

## **Interest Expense**

Interest expense in fiscal 2012 decreased by ¥217 million, or 9.6%, to ¥2,042 million, compared with ¥2,259 million in fiscal 2011. This was due mainly to a decrease in long-term debt at TA Triumph-Adler GmbH.

## **Foreign Currency Translation**

During fiscal 2012, the average exchange rate for the yen appreciated by ¥7, or 8.1%, against the U.S. dollar, and by ¥4, or 3.5%, against the Euro, as compared with fiscal 2011. At March 31, 2012, the yen appreciated by ¥1, or 1.2%, against the U.S. dollar, and by ¥8, or 6.8%, against the Euro, as compared with March 31, 2011. Kyocera recorded foreign currency transaction gains of ¥4,533 million in fiscal 2012.

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

## **Gains and Losses from Investments**

Kyocera's losses on equity method investments in fiscal 2012 resulted in ¥36 million, a decrease of ¥124 million, or 77.5%, compared with ¥160 million in fiscal 2011.

Gains on sales of securities in fiscal 2012 increased by ¥285 million, or 548.1%, to ¥337 million, compared with ¥52 million in fiscal 2011.

Losses on impairment of securities in fiscal 2012 increased by ¥919 million, or 269.5%, to ¥1,260 million, compared with ¥341 million in fiscal 2011.

### **Income before Income Taxes**

Income before income taxes in fiscal 2012 decreased by ¥57,439 million, or 33.3%, to ¥114,893 million compared with ¥172,332 million in fiscal 2011. Margin of income before income taxes against net sales decreased by 4.0 percentage points to 9.6% compared with 13.6% in fiscal 2011.

A decline in income before income taxes was less than a decline in profit from operations due to increases in dividend income and foreign currency transaction gains, despite an increase in losses on impairment of securities. Affected by the yen appreciation against the U.S. dollar and the Euro, income before income taxes after translation into the yen for fiscal 2012 was down by approximately ¥10,000 million compared with fiscal 2011.

Operating profit in the Components Business in fiscal 2012 decreased by ¥57,124 million, or 47.6%, to ¥62,871 million, compared with ¥119,995 million in fiscal 2011. Operating profit in the Equipment Business in fiscal 2012 increased by ¥2,954 million, or 10.6%, to ¥30,920 million, compared with ¥27,966 million in fiscal 2011.

For a detail of income before taxes, please refer to page 37, “Business Overview by Reporting Segment.”

### **Income Taxes**

Current and deferred income taxes in fiscal 2012 decreased by ¥12,079 million, or 28.6%, to ¥30,135 million compared with ¥42,214 million in fiscal 2011.

The effective tax rate of 26.2% in fiscal 2012 was 1.7 percentage points higher than the effective rate of 24.5% in fiscal 2011. Despite a reversal of deferred tax liabilities due to a revision of Japanese tax laws in fiscal 2012, the effective tax rate increased due to decreased reversals of valuation allowance against deferred tax assets compared to fiscal 2011. The effective tax rate in fiscal 2012 was lower than the Japanese statutory tax rate of 41.0% by 14.8 percentage points. This was mainly due to a decrease related to reversal of deferred tax liabilities regarding the revision of Japanese tax laws by 7.2 percentage points and a decrease related to the difference in statutory tax rates of foreign subsidiaries by 6.4 percentage points.

### **Net Income Attributable to Noncontrolling Interests**

Net income attributable to noncontrolling interests in fiscal 2012 amounted to ¥5,401 million and noncontrolling interests related to AVX Corporation, which accounted for approximately 30% of noncontrolling ownership interests, amounted to ¥3,494 million. Net income attributable to noncontrolling interests in fiscal 2012 decreased by ¥2,269 million, or 29.6%, compared with ¥7,670 million in fiscal 2011. This was due mainly to a decrease in net income at AVX Corporation.

## Business Overview by Reporting Segment

The following table shows a breakdown of Kyocera's total consolidated net sales in fiscal 2011 and fiscal 2012 by the seven reporting segments:

	Years ended March 31,				Increase (Decrease)	
	2011		2012		Amount	%
	Amount	%	Amount	%		
	(Yen in millions)					
Fine Ceramic Parts Group	¥ 76,269	6.0	¥ 80,372	6.7	¥ 4,103	5.4
Semiconductor Parts Group	174,687	13.8	153,420	12.9	(21,267)	(12.2)
Applied Ceramic Products Group	197,642	15.6	179,784	15.1	(17,858)	(9.0)
Electronic Device Group	242,641	19.2	228,721	19.2	(13,920)	(5.7)
Total Components Business	691,239	54.6	642,297	53.9	(48,942)	(7.1)
Telecommunications Equipment Group	225,168	17.8	178,669	15.0	(46,499)	(20.7)
Information Equipment Group	239,916	18.9	243,457	20.4	3,541	1.5
Total Equipment Business	465,084	36.7	422,126	35.4	(42,958)	(9.2)
Others	139,383	11.0	151,987	12.8	12,604	9.0
Adjustments and eliminations	(28,782)	(2.3)	(25,540)	(2.1)	3,242	—
Net sales	<u>¥1,266,924</u>	<u>100.0</u>	<u>¥1,190,870</u>	<u>100.0</u>	<u>¥(76,054)</u>	<u>(6.0)</u>

The following table shows a breakdown of Kyocera's total consolidated income before income taxes, and operating profit for fiscal 2011 and fiscal 2012 by the seven reporting segments:

	Years ended March 31,				Increase (Decrease)	
	2011		2012		Amount	%
	Amount	%*	Amount	%*		
	(Yen in millions)					
Fine Ceramic Parts Group	¥ 11,969	15.7	¥ 12,622	15.7	¥ 653	5.5
Semiconductor Parts Group	37,331	21.4	27,754	18.1	(9,577)	(25.7)
Applied Ceramic Products Group	29,049	14.7	6,459	3.6	(22,590)	(77.8)
Electronic Device Group	41,646	17.2	16,036	7.0	(25,610)	(61.5)
Total Components Business	119,995	17.4	62,871	9.8	(57,124)	(47.6)
Telecommunications Equipment Group	2,121	0.9	1,469	0.8	(652)	(30.7)
Information Equipment Group	25,845	10.8	29,451	12.1	3,606	14.0
Total Equipment Business	27,966	6.0	30,920	7.3	2,954	10.6
Others	9,651	6.9	8,054	5.3	(1,597)	(16.5)
Operating profit	157,612	12.4	101,845	8.6	(55,767)	(35.4)
Corporate	16,882	—	13,876	—	(3,006)	(17.8)
Equity in earning of affiliates and unconsolidated subsidiaries	(160)	—	(36)	—	124	—
Adjustments and eliminations	(2,002)	—	(792)	—	1,210	—
Income before income taxes	<u>¥172,332</u>	<u>13.6</u>	<u>¥114,893</u>	<u>9.6</u>	<u>¥(57,439)</u>	<u>(33.3)</u>

\* % to net sales of each corresponding segment

### (1) Fine Ceramic Parts Group

Sales in this reporting segment for fiscal 2012 increased by ¥4,103 million, or 5.4%, to ¥80,372 million, compared with ¥76,269 million in fiscal 2011. The increase in sales was due mainly to higher sales of automotive parts in Europe and growing component demand in the LED related markets.

Operating profit in this reporting segment for fiscal 2012 increased by ¥653 million, or 5.5%, to ¥12,622 million, compared with ¥11,969 million in fiscal 2011. Despite an increase of approximately ¥2,200 million in depreciation and R&D expenses, higher sales and cost reduction measures pushed operating profit up by around ¥3,500 million.

Sales and operating profit were adversely affected by approximately ¥2,000 million and ¥500 million, respectively, compared with fiscal 2011, due to the yen's appreciation.

#### (2) Semiconductor Parts Group

Sales in this reporting segment for fiscal 2012 decreased by ¥21,267 million, or 12.2%, to ¥153,420 million, compared with ¥174,687 million in fiscal 2011. Sales for fiscal 2012 were down due to sluggish demand for components used in digital consumer equipment coupled with prolonged component inventory adjustments by equipment makers, primarily as a result of stagnant production activity for such items as digital cameras caused by severe flooding in Thailand. In addition, major product prices declined by approximately 10% compared with the end of fiscal 2011 in line with the miniaturization of components.

Operating profit in this reporting segment for fiscal 2012 decreased by ¥9,577 million, or 25.7%, to ¥27,754 million, compared with ¥37,331 million in fiscal 2011. This included a decrease of approximately ¥4,500 million due to lower sales, and of approximately ¥1,000 million due to an increase in depreciation.

Sales and operating profit were adversely affected by approximately ¥5,000 million and ¥2,500 million, respectively, compared with fiscal 2011, due to the yen's appreciation.

#### (3) Applied Ceramic Products Group

Sales in this reporting segment for fiscal 2012 decreased by ¥17,858 million, or 9.0%, to ¥179,784 million, compared with ¥197,642 million in fiscal 2011.

Sales in the cutting tool business increased due to growth in sales mainly for the automotive market as well as the contribution from Kyocera Unimerco A/S, which became a consolidated subsidiary in July 2011. Overall segment sales were down, however, due to a decline in sales for the solar energy business, the core business in this reporting segment.

Total shipment volume in the solar energy business slightly decreased compared with fiscal 2011 due to a decline in shipments for the European market in particular despite growth in demand in Japan. Nevertheless, sales in the solar energy business decreased as product prices dropped by approximately 30% compared with fiscal 2011 due to intensifying competition.

Operating profit in this reporting segment for fiscal 2012 decreased by ¥22,590 million, or 77.8%, to ¥6,459 million, compared with ¥29,049 million in fiscal 2011. Gross profit decreased by approximately ¥20,000 million compared with fiscal 2011 due mainly to lower sales and unit price declines in the solar energy business and the recognition of impairment loss on inventories.

Sales and operating profit were adversely affected by approximately ¥4,000 million and ¥500 million, respectively, compared with fiscal 2011, due to the yen's appreciation.

#### (4) Electronic Device Group

Sales in this reporting segment for fiscal 2012 decreased by ¥13,920 million, or 5.7%, to ¥228,721 million, compared with ¥242,641 million in fiscal 2011. A decline in demand of components for digital consumer equipment such as mobile phone handsets and PCs and the yen's appreciation caused a negative impact of

approximately ¥27,000 million on sales, despite the new sales contribution from Optrex Corporation (currently Kyocera Display Corporation), which was made a consolidated subsidiary in February 2012. As a result, sales in this segment decreased compared with fiscal 2011.

Operating profit in this reporting segment for fiscal 2012 decreased by ¥25,610 million, or 61.5%, to ¥16,036 million, compared with ¥41,646 million in fiscal 2011. This included a decrease of approximately ¥14,000 million due to lower sales and a lower capacity utilization rate. In addition, AVX Corporation recorded an environmental remediation charge of ¥7,900 million in fiscal 2012.

Sales and operating profit were adversely affected by approximately ¥13,000 million and ¥3,000 million, respectively, compared with fiscal 2011, due to the yen's appreciation.

#### (5) Telecommunications Equipment Group

Sales in this reporting segment for fiscal 2012 decreased by ¥46,499 million, or 20.7%, to ¥178,669 million, compared with ¥225,168 million in fiscal 2011. The decrease in sales was due mainly to an approximately 30% decline in sales volume of mobile phone handsets affected by inventory adjustments at key customers overseas.

Operating profit decreased by ¥652 million, or 30.7%, to ¥1,469 million, compared with ¥2,121 million in fiscal 2011. A decline in sales caused a negative impact of ¥4,500 million on operating profit. However, operating profit in this reporting segment decreased by only ¥652 million due to our various cost reduction efforts amounting to ¥5,500 million including a reduction in R&D expenses through selecting and centralizing R&D themes.

Sales and operating profit were adversely affected by approximately ¥6,000 million and ¥1,500 million, respectively, compared with fiscal 2011, due to the yen's appreciation.

#### (6) Information Equipment Group

Sales in this reporting segment for fiscal 2012 increased by ¥3,541 million, or 1.5%, to ¥243,457 million, compared with ¥239,916 million in fiscal 2011. Despite sales were adversely affected by approximately ¥10,000 million compared with fiscal 2011 due to the yen's appreciation, an increase in sales of color-capable multifunctional peripherals led to an overall increase in segment sales.

Operating profit in this reporting segment for fiscal 2012 increased by ¥3,606 million, or 14.0%, to ¥29,451 million, compared with ¥25,845 million in fiscal 2011. Operating profit was adversely affected by approximately ¥2,000 million compared with fiscal 2011 due to the yen's appreciation as well as increasing in advertising cost for promotion by approximately ¥1,000 million. However, an increase in sales and decreases in R&D expenses and depreciation pushed operating profit up by approximately ¥7,000 million. As a result, total operating profit increased compared with fiscal 2011.

Sales and operating profit were adversely affected by approximately ¥10,000 million and ¥2,000 million, respectively, compared with fiscal 2011, due to the yen's appreciation.

#### (7) Others

Sales in this reporting segment for fiscal 2012 increased by ¥12,604 million, or 9.0%, to ¥151,987 million, compared with ¥139,383 million in fiscal 2011. Sales contribution of new products such as LED lighting systems produced a positive impact of approximately ¥10,000 million.

However, operating profit in this reporting segment for fiscal 2012 decreased by ¥1,597 million, or 16.5%, to ¥8,054 million, compared with ¥9,651 million in fiscal 2011. This decrease in operating profit was due mainly to an increase of approximately ¥1,000 million in R&D expenses particularly for the development of new businesses.

Sales and operating profit were adversely affected by approximately ¥500 million and ¥100 million, respectively, compared with fiscal 2011, due to the yen's appreciation.

(8) Corporate

Corporate income 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. Corporate income decreased by ¥3,006 million, or 17.8%, to ¥13,876 million, compared with ¥16,882 million in fiscal 2011. This was mainly due to an increase in losses on impairment of securities.

**Results of Operations**

*Fiscal 2011 compared with Fiscal 2010*

The following table shows a summary of Kyocera's results of operations for fiscal 2010 and fiscal 2011:

	Years ended March 31,				Increase (Decrease)	
	2010		2011		Amount	%
	Amount	%	Amount	%	Amount	%
	(Yen in millions)					
Net sales	¥1,073,805	100.0	¥1,266,924	100.0	¥193,119	18.0
Cost of sales	787,970	73.4	888,869	70.2	100,899	12.8
Gross profit	285,835	26.6	378,055	29.8	92,220	32.3
Selling, general and administrative expenses	221,975	20.7	222,131	17.5	156	0.1
Profit from operations	63,860	5.9	155,924	12.3	92,064	144.2
Interest and dividend income	13,202	1.3	12,963	1.0	(239)	(1.8)
Interest expense	(2,926)	(0.3)	(2,259)	(0.2)	667	—
Foreign currency transaction gains, net	2,830	0.3	3,824	0.3	994	35.1
Equity in losses of affiliates and unconsolidated subsidiaries	(18,297)	(1.7)	(160)	(0.0)	18,137	—
Gains (losses) on sales of securities, net	(93)	(0.0)	52	0.0	145	—
Losses on impairment of securities	(217)	(0.0)	(341)	(0.0)	(124)	—
Other, net	2,439	0.2	2,329	0.2	(110)	(4.5)
	(3,062)	(0.2)	16,408	1.3	19,470	—
Income before income taxes	60,798	5.7	172,332	13.6	111,534	183.5
Income taxes	15,365	1.5	42,214	3.3	26,849	174.7
Net income	45,433	4.2	130,118	10.3	84,685	186.4
Net income attributable to noncontrolling interests	(5,338)	(0.5)	(7,670)	(0.6)	(2,332)	—
Net income attributable to shareholders of Kyocera Corporation	¥ 40,095	3.7	¥ 122,448	9.7	¥ 82,353	205.4

***The Corporate Reorganization Procedure for WILLCOM, Inc.***

Since October 2004, Kyocera Corporation owned a 30% interest in WILLCOM, Inc., which is engaged in the personal handy phone system (PHS) business. Kyocera sells PHS handsets and PHS base stations to WILLCOM, Inc. Kyocera accounted for its investment in WILLCOM, Inc. as an equity method investment.

On September 24, 2009, WILLCOM, Inc. applied and was accepted to undergo Alternative Dispute Resolution with the Japanese Association of Turnaround Professionals (JATP), a process for corporate revitalization

prescribed in the Act on Special Measures for Industrial Revitalization. The process of Alternative Dispute Resolution is not a legal procedure like a bankruptcy or a corporate reorganization procedure, but rather constitutes a flexible private settlement mechanism that allows the subject company to continue its daily commercial operations, while securing fairness through the involvement of the JATP. The JATP has been authorized by the Minister of Economy, Trade and Industry to act as an unbiased intermediary to achieve resolution among relevant parties.

During the three months ended December 31, 2009, Kyocera recognized an impairment loss of ¥19,987 million on its investment in WILLCOM, Inc., recorded as equity in losses of affiliates, reflecting management's belief that the investment might not be recoverable.

On February 18, 2010, WILLCOM, Inc. filed a petition with the Tokyo District Court for commencement of corporate reorganization procedures and applied to the Enterprise Turnaround Initiative Corporation of Japan (ETIC) for support, after terminating the process of Alternative Dispute Resolution. On March 12, 2010, the Tokyo District Court agreed to commence the corporate reorganization procedures. Upon such decision, most of the directors of WILLCOM, Inc., including all of those simultaneously serving as directors of Kyocera, resigned, and trustees and acting trustees were appointed by the Tokyo District Court. On the same day, the ETIC agreed to provide support to WILLCOM, Inc. Due to the commencement of the corporate reorganization procedures, Kyocera lost significant influence over WILLCOM, Inc. and therefore discontinued its application of equity method accounting.

Taking into consideration the decision to commence corporate reorganization procedures, Kyocera recognized a bad debt loss of ¥8,961 million on receivables from WILLCOM, Inc., recorded as selling, general and administrative expenses in the Telecommunications Equipment Group for the year ended March 31, 2010, based on publicly disclosed information such as the outline of the business revitalization plan of WILLCOM, Inc., etc.

On August 2, 2010, WILLCOM, Inc. entered into a sponsor agreement with SOFTBANK CORP. SOFTBANK CORP. agreed to dispatch a business trustee to WILLCOM, Inc. and to provide necessary support for business operations and execution of the reorganization plan.

On October 14, 2010, the trustees of WILLCOM, Inc. filed the reorganization plan with the Tokyo District Court.

Based on the filed reorganization plan, during the three months ended September 30, 2010, Kyocera recognized an additional bad debt loss of ¥708 million on receivables from WILLCOM, Inc., in selling, general and administrative expenses in the Telecommunications Equipment Group.

On November 30, 2010, the filed reorganization plan was approved by the creditors' committees in written vote and subsequently by the Tokyo District Court.

As Kyocera has continued to sell PHS handsets and PHS base stations to WILLCOM, Inc, the implementation of the corporate reorganization plan and WILLCOM, Inc.'s business performance may still have a significant effect on Kyocera's consolidated results of operations, financial condition and cash flows.

### ***Net Sales***

Net sales in fiscal 2011 increased by ¥193,119 million, or 18.0%, to ¥1,266,924 million, compared with ¥1,073,805 million in fiscal 2010.

In fiscal 2011, the Japanese economy as well as the U.S. and the European economy recovered and the Asian economy led by China continued to expand strongly. Under these circumstances, net sales increased in spite of the yen appreciation compared with fiscal 2010. Affected by the yen appreciation against the U.S. dollar and the Euro, net sales after translation into the yen in fiscal 2011 were down by approximately ¥68,000 million, compared with fiscal 2010.

Net sales in the Components Business in fiscal 2011 increased by ¥140,704 million, or 25.6%, to ¥691,239 million, compared with ¥550,535 million in fiscal 2010. Net sales in the Equipment Business in fiscal 2011 increased by ¥43,601 million, or 10.3%, to ¥465,084 million, compared with ¥421,483 million in fiscal 2010.

For detail of net sales, please refer to page 45, “Business Overview by Reporting Segment.”

### *Net Sales by Geographic Segment*

The following table shows a breakdown of Kyocera’s total consolidated net sales in fiscal 2010 and fiscal 2011, distinguishing between domestic and overseas sales and, with respect to overseas sales, showing the geographical areas in which such sales were made:

	Years ended March 31,				Increase (Decrease)	
	2010		2011		Amount	%
	Amount	%	Amount	%		
	(Yen in millions)					
Japan	¥ 470,643	43.8	¥ 559,883	44.2	¥ 89,240	19.0
United States of America	180,861	16.8	220,706	17.4	39,845	22.0
Asia	172,510	16.1	215,913	17.0	43,403	25.2
Europe	198,058	18.5	210,131	16.6	12,073	6.1
Others	51,733	4.8	60,291	4.8	8,558	16.5
Net sales	<u>¥1,073,805</u>	<u>100.0</u>	<u>¥1,266,924</u>	<u>100.0</u>	<u>¥193,119</u>	<u>18.0</u>

Sales in Japan for fiscal 2011 increased compared with fiscal 2010. Sales in the solar energy business in the Applied Ceramic Products Group increased. Sales in the Telecommunications Equipment Group also increased due to an increase in sales volume of mobile phone handsets and PHS handsets. Furthermore, sales in the Electronic Device Group grew mainly for digital consumer equipment.

Overseas sales, which comprised 55.8% of consolidated net sales, increased by ¥103,879 million, or 17.2%, to ¥707,041 million, compared with ¥603,162 million in fiscal 2010.

Sales in the United States for fiscal 2011 increased compared with fiscal 2010. This was due to sales increase in the Telecommunications Equipment Group led by an increase in sales volume of mobile phone handsets through launches of new products as well as sales increase in the Semiconductor Parts Group and the Electronic Device Group.

Sales in Asia for fiscal 2011 increased compared with fiscal 2010. This was due to sales increase in the Electronic Device Group and the Semiconductor Parts Group increased led by an increase in component demand, reflecting expanded production of digital consumer equipment.

Sales in Europe for fiscal 2011 increased compared with fiscal 2010. This was due to sales increase in the Electronic Device Group and the Fine Ceramic Parts Group led by an increase in component demand for digital consumer equipment and for automotive related markets, etc.

Sales for Others for fiscal 2011 increased compared with fiscal 2010. This was due to sales increase in the Information Equipment Group, the Electronic Device Group and the Semiconductor Parts Group.

### ***Cost of Sales and Gross Profit***

In fiscal 2011, cost of sales increased by ¥100,899 million, or 12.8%, to ¥888,869 million from ¥787,970 million in fiscal 2010. Although raw material costs increased in line with an increase in sales volume, the ratio of cost of sales to net sales in fiscal 2011 decreased 3.2 percentage points to 70.2% from 73.4% in fiscal 2010 due to our continuing cost-cutting measures and improvement of productivity.

Raw material costs of ¥341,442 million accounted for 38.4% of total cost of sales in fiscal 2011, which increased by ¥51,876 million, or 17.9%, from ¥289,566 million in fiscal 2010. Labor costs of ¥171,307 million accounted for 19.3% of total cost of sales in fiscal 2011, which increased by ¥16,367 million, or 10.6%, from ¥154,940 million in fiscal 2010. Depreciation expense of ¥50,204 million accounted for 5.6% of total cost of sales in fiscal 2011, which decreased by ¥1,017 million, or 2.0%, from ¥51,221 million in fiscal 2010 due to reduced capital expenditures.

As a result, gross profit in fiscal 2011 increased by ¥92,220 million, or 32.3%, to ¥378,055 million from ¥285,835 million in fiscal 2010. The gross profit ratio to net sales increased by 3.2 percentage points from 26.6% to 29.8%.

### ***Selling, General & Administrative Expenses and Profit from Operations***

Selling, general and administrative expenses in fiscal 2011 increased by ¥156 million, or 0.1%, to ¥222,131 million compared with ¥221,975 million in fiscal 2010. The ratio of selling, general & administrative expenses to net sales was 17.5% in fiscal 2011, a decrease of 3.2 percentage points as compared with 20.7% in fiscal 2010 due primarily to a recognition of a bad debt loss of ¥8,961 million on receivables from WILLCOM, Inc. in fiscal 2010. As a result, selling, general & administrative expenses remained roughly constant compared with fiscal 2010.

Labor costs of ¥116,759 million accounted for 52.6% of total selling, general & administrative expenses in fiscal 2011, which decreased by ¥1,554 million, or 1.3%, from ¥118,313 million in fiscal 2010. Sales promotion and advertising costs of ¥34,530 million accounted for 15.5% in fiscal 2011, which increased by ¥4,177 million, or 13.8%, from ¥30,353 million in fiscal 2010. Depreciation expense of ¥13,674 million accounted for 6.2% in fiscal 2011, which decreased by ¥1,700 million, or 11.1%, from ¥15,374 million in fiscal 2010.

As a result, profit from operations in fiscal 2011 increased by ¥92,064 million, or 144.2%, to ¥155,924 million, compared with ¥63,860 million in fiscal 2010. The operating margin increased by 6.4 percentage points to 12.3% in fiscal 2011, compared with 5.9% in fiscal 2010.

### ***Interest and Dividend Income***

Interest and dividend income in fiscal 2011 decreased by ¥239 million, or 1.8%, to ¥12,963 million, compared with ¥13,202 million in fiscal 2010. This was due mainly to a decrease in interest income resulting from lower interest rates.

### ***Interest Expense***

Interest expense in fiscal 2011 decreased by ¥667 million, or 22.8%, to ¥2,259 million, compared with ¥2,926 million in fiscal 2010. This was due mainly to a decrease in long-term debt at TA Triumph-Adler GmbH.

### ***Foreign Currency Translation***

During fiscal 2011, the average exchange rate for the yen appreciated by ¥7, or 7.5%, against the U.S. dollar, and by ¥18, or 13.7%, against the Euro, as compared with fiscal 2010. At March 31, 2011, the yen appreciated by ¥10, or 10.8%, against the U.S. dollar, and by ¥7, or 5.6%, against the Euro, as compared with March 31, 2010. Kyocera recorded foreign currency transaction gains of ¥3,824 million in fiscal 2011.

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

### ***Gains and Losses from Investments***

Kyocera's earnings (losses) on equity method investments in fiscal 2011 resulted in losses of ¥160 million, a decrease of ¥18,137 million, or 99.1%, compared with losses of ¥18,297 million in fiscal 2010. The decrease in fiscal 2010 was primarily due to the fact that Kyocera recognized an impairment loss of ¥19,987 million on its investment in WILLCOM, Inc.

Gains (losses) on sales of securities, net turned from losses of ¥93 million in fiscal 2010 to gains of ¥52 million in fiscal 2011.

Losses on impairment of securities in fiscal 2011 increased by ¥124 million, or 57.1%, to ¥341 million, compared with ¥217 million in fiscal 2010.

### ***Income before Income Taxes***

Income before income taxes in fiscal 2011 increased by ¥111,534 million, or 183.5%, to ¥172,332 million compared with ¥60,798 million in fiscal 2010. Margin of income before income taxes against net sales increased by 7.9 percentage points to 13.6% compared with 5.7% in fiscal 2010.

Despite an effect of the yen appreciation against the U.S. dollar and the Euro, income before income taxes in fiscal 2011 increased substantially compared with fiscal 2010. Profit margin improved with effects of an increase in net sales and continuous improvement of productivity and profitability from fiscal 2010 by promoting cost-cutting measures including manufacturing cost reductions. In fiscal 2010, Kyocera recorded a one-time loss of ¥28,948 million relating to WILLCOM, Inc. Affected by the yen appreciation against the U.S. dollar and the Euro, income before income taxes after translation into the yen for fiscal 2011 were down by approximately ¥28,000 million compared with fiscal 2010.

Operating profit in the Components Business in fiscal 2011 increased by ¥70,460 million, or 142.2%, to ¥119,995 million, compared with ¥49,535 million in fiscal 2010. Operating profit in the Equipment Business in fiscal 2011 increased by ¥20,601 million, or 279.7%, to ¥27,966 million, compared with ¥7,365 million in fiscal 2010.

For a detail of income before taxes, please refer to page 45, "Business Overview by Reporting Segment."

### ***Income Taxes***

Current and deferred income taxes in fiscal 2011 increased by ¥26,849 million, or 174.7%, to ¥42,214 million compared with ¥15,365 million in fiscal 2010.

The effective tax rate of 24.5% in fiscal 2011 was 0.8 percentage points less than the effective rate in fiscal 2010 of 25.3%. This was due mainly to a reversal of valuation allowance against deferred tax assets at certain subsidiaries with increasing realization of deferred tax assets triggered by a significantly improved operating results.

For detailed information, see Note 16 to the Consolidated Financial Statements in this annual report on Form 20-F.

### Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests in fiscal 2011 amounted to ¥7,670 million and noncontrolling interests related to AVX Corporation, which accounted for approximately 30% of noncontrolling ownership interests, amounted to ¥5,915 million. Net income attributable to noncontrolling interests in fiscal 2011 increased by ¥2,332 million, or 43.7%, compared with ¥5,338 million in fiscal 2010. This was due mainly to an increase in net income at AVX Corporation.

### Business Overview by Reporting Segment

The following table shows a breakdown of Kyocera's total consolidated net sales in fiscal 2010 and fiscal 2011 by the seven reporting segments:

	Years ended March 31,				Increase (Decrease)	
	2010		2011		Amount	%
	Amount	%	Amount	%		
	(Yen in millions)					
Fine Ceramic Parts Group . . . . .	¥ 53,056	5.0	¥ 76,269	6.0	¥ 23,213	43.8
Semiconductor Parts Group . . . . .	140,507	13.1	174,687	13.8	34,180	24.3
Applied Ceramic Products Group . . . . .	157,033	14.6	197,642	15.6	40,609	25.9
Electronic Device Group . . . . .	199,939	18.6	242,641	19.2	42,702	21.4
Total Components Business . . . . .	550,535	51.3	691,239	54.6	140,704	25.6
Telecommunications Equipment Group . . . . .	189,118	17.6	225,168	17.8	36,050	19.1
Information Equipment Group . . . . .	232,365	21.6	239,916	18.9	7,551	3.2
Total Equipment Business . . . . .	421,483	39.2	465,084	36.7	43,601	10.3
Others . . . . .	124,577	11.6	139,383	11.0	14,806	11.9
Adjustments and eliminations . . . . .	(22,790)	(2.1)	(28,782)	(2.3)	(5,992)	—
Net sales . . . . .	<u>¥1,073,805</u>	<u>100.0</u>	<u>¥1,266,924</u>	<u>100.0</u>	<u>¥193,119</u>	<u>18.0</u>

The following table shows a breakdown of Kyocera's total consolidated income before income taxes, and operating profit for fiscal 2010 and fiscal 2011 by the seven reporting segments:

	Years ended March 31,				Increase (Decrease)	
	2010		2011		Amount	%
	Amount	%*	Amount	%*		
	(Yen in millions)					
Fine Ceramic Parts Group . . . . .	¥ (788)	—	¥ 11,969	15.7	¥ 12,757	—
Semiconductor Parts Group . . . . .	17,235	12.3	37,331	21.4	20,096	116.6
Applied Ceramic Products Group . . . . .	19,858	12.6	29,049	14.7	9,191	46.3
Electronic Device Group . . . . .	13,230	6.6	41,646	17.2	28,416	214.8
Total Components Business . . . . .	49,535	9.0	119,995	17.4	70,460	142.2
Telecommunications Equipment Group . . . . .	(14,726)	—	2,121	0.9	16,847	—
Information Equipment Group . . . . .	22,091	9.5	25,845	10.8	3,754	17.0
Total Equipment Business . . . . .	7,365	1.7	27,966	6.0	20,601	279.7
Others . . . . .	6,769	5.4	9,651	6.9	2,882	42.6
Operating profit . . . . .	63,669	5.9	157,612	12.4	93,943	147.5
Corporate . . . . .	15,665	—	16,882	—	1,217	7.8
Equity in earning of affiliates and unconsolidated subsidiaries . . . . .	(18,297)	—	(160)	—	18,137	—
Adjustments and eliminations . . . . .	(239)	—	(2,002)	—	(1,763)	—
Income before income taxes . . . . .	<u>¥ 60,798</u>	<u>5.7</u>	<u>¥172,332</u>	<u>13.6</u>	<u>¥111,534</u>	<u>183.5</u>

\* % to net sales of each corresponding segment

### (1) Fine Ceramic Parts Group

Sales in this reporting segment for fiscal 2011 increased by ¥23,213 million, or 43.8%, to ¥76,269 million, compared with ¥53,056 million in fiscal 2010. The increase in sales was mainly due to rising demand overall in line with recovered production activities in various industrial machinery and automotive markets. In particular, total sales of main products such as semiconductor fabrication equipment parts, components for information and communications devices and automotive parts increased by approximately ¥18,000 million compared with fiscal 2010.

Operating profit in this reporting segment for fiscal 2011 amounted to ¥11,969 million, an improvement of ¥12,757 million from a loss of ¥788 million in fiscal 2010. The increase in operating profit was mainly due to an increase in gross profit by sales growth, reduced manufacturing costs and enhanced productivity. Gross profit increased by approximately ¥3,000 million due to the increase in sales and by approximately ¥10,000 million mainly due to a reduction in manufacturing costs.

Sales and operating profit were down by approximately ¥3,000 million and ¥1,000 million, respectively, in fiscal 2011 due to the yen's appreciation.

### (2) Semiconductor Parts Group

Sales in this reporting segment for fiscal 2011 increased by ¥34,180 million, or 24.3%, to ¥174,687 million, compared with ¥140,507 million in fiscal 2010. In addition to increasing demand for such products as mobile phone handsets, digital cameras and servers, popularity grew for multifunctional products such as smartphones that are fitted with an even higher number of components. This resulted in growth in sales as demand for ceramic packages and organic packages for these products rose. In response to this vigorous demand growth, Kyocera expanded production capacity of ceramic packages, especially for crystal and SAW devices and for CMOS/CCD image sensors by approximately 30%, respectively, compared with fiscal 2010. As a result, total sales of ceramic packages increased by approximately ¥28,000 million compared with fiscal 2010 despite a decline of approximately 10% in selling prices for fiscal 2011.

Operating profit in this reporting segment for fiscal 2011 increased by ¥20,096 million, or 116.6%, to ¥37,331 million, compared with ¥17,235 million in fiscal 2010. The increase in operating profit was mainly due to the increase in gross profit by sales growth, reduced manufacturing costs and enhanced productivity. Gross profit increased by approximately ¥7,000 million due to the increase in sales and by approximately ¥13,000 million mainly due to a reduction in manufacturing costs.

Sales and operating profit were down by approximately ¥8,000 million and ¥2,000 million, respectively, in fiscal 2011 due to the yen's appreciation.

### (3) Applied Ceramic Products Group

Sales in this reporting segment for fiscal 2011 increased by ¥40,609 million, or 25.9%, to ¥197,642 million, compared with ¥157,033 million in fiscal 2010. In particular, the increase in sales was due to sales increase in the solar energy business and the cutting tool business, the core businesses in this reporting segment. In the solar energy business, demand grew steadily in the key markets of Japan, Europe and the United States, spurred by the subsidy policies of each country. Production volume of solar cells in fiscal 2011 increased by approximately 60% to 650MW compared with fiscal 2010. On the other hand, selling prices dropped by approximately 20% for the year due to fierce competition. In the cutting tool business, demand grew considerably in line with expanded production in automotive related markets, which are main markets for this business. As a result, total sales from both the solar energy business and the cutting tool business increased by approximately ¥40,000 million compared with fiscal 2010.

Operating profit in this reporting segment for fiscal 2011 increased by ¥9,191 million, or 46.3%, to ¥29,049 million, compared with ¥19,858 million in fiscal 2010. In addition to the effect of sales growth in the solar energy business and the cutting tool business, the positive results of efforts to enhance profitability, mainly by reducing costs, emerged significantly as sales increased in the cutting tool business. As a result, operating profit in both businesses increased by approximately ¥10,000 million compared with fiscal 2010, which led to the overall operating profit increase in this reporting segment.

Sales and operating profit were down by approximately ¥10,000 million and ¥6,000 million, respectively, in fiscal 2011 due to the yen's appreciation.

#### (4) Electronic Device Group

Sales in this reporting segment for fiscal 2011 increased by ¥42,702 million, or 21.4%, to ¥242,641 million, compared with ¥199,939 million in fiscal 2010. The increase in sales was mainly due to growth in component demand for digital consumer equipment such as mobile phone handsets and for various industrial equipment. In addition to an increase in demand for such products as ceramic capacitors, timing devices and connectors, sales of thin-film components also rose substantially owing to the acquisition of the TFT LCD business at the Yasu facility from Sony Mobile Display Corporation. As a result, sales of these components increased by approximately ¥22,000 million compared with fiscal 2010. Sales at AVX Corporation, a key consolidated subsidiary in this reporting segment, also grew by approximately ¥20,000 million after translation into the yen, compared with fiscal 2010.

Operating profit in this reporting segment for fiscal 2011 increased by ¥28,416 million, or 214.8%, to ¥41,646 million, compared with ¥13,230 million in fiscal 2010. The increase in operating profit was mainly due to an increase in gross profit as a result of reduced manufacturing costs, etc. Gross profit increased by approximately ¥9,000 million due to an increase in sales and by approximately ¥19,000 million mainly due to a reduction in manufacturing costs.

Sales and operating profit were down by approximately ¥15,000 million and ¥5,000 million, respectively, in fiscal 2011 due to the yen's appreciation.

#### (5) Telecommunications Equipment Group

Sales in this reporting segment for fiscal 2011 increased by ¥36,050 million, or 19.1%, to ¥225,168 million, compared with ¥189,118 million in fiscal 2010. The increase in sales was mainly due to growing sales of mobile phone handsets in Japan and overseas. Sales volume of handsets including basic mobile phone and PHS handsets for the Japanese market increased by approximately 50% compared with fiscal 2010 and sales in Japan grew by approximately ¥20,000 million, or 20%, compared with fiscal 2010. In the mobile phone handset business for the overseas market, Kyocera augmented its line-up by releasing new products, including smartphones, while marketing efforts mostly made on low-end models. As a result, sales volume outside Japan increased by approximately 20%, and overseas sales increased by approximately ¥16,000 million, or 20%, compared with fiscal 2010.

Operating profit in this reporting segment for fiscal 2011 amounted to ¥2,121 million, an improvement of ¥16,847 million from an operating loss of ¥14,726 million in fiscal 2010. Operating profit increased substantially, as a result of the significant improvement in gross profit by sales growth and the effect of structural reforms implemented in fiscal 2010 aimed at strengthening development and marketing systems. Gross profit increased by approximately ¥3,500 million due to an increase in sales and by approximately ¥4,000 million due to the effect of structural reforms. Furthermore, Kyocera recorded an impairment loss of ¥8,961 million on account receivables from WILLCOM, Inc. in fiscal 2010, although there was an additional loss of ¥708 million in fiscal 2011, a decrease of ¥8,253 million, compared with fiscal 2010.

Sales and operating profit were down by approximately ¥9,000 million and ¥4,000 million, respectively, in fiscal 2011 due to the yen's appreciation.

#### (6) Information Equipment Group

Sales in this reporting segment for fiscal 2011 increased by ¥7,551 million, or 3.2%, to ¥239,916 million, compared with ¥232,365 million in fiscal 2010. Kyocera aggressively launched new products amid moderate recovery in information technology investment by customers in line with global economic resurgence. As a result, although average selling prices decreased by 10% to 15% compared with fiscal 2010, sales volume increased approximately 30% compared with fiscal 2010, which led to the increase in sales.

Operating profit in this reporting segment for fiscal 2011 increased by ¥3,754 million, or 17.0%, to ¥25,845 million, compared with ¥22,091 million in fiscal 2010. Kyocera recognized a one-time gain of ¥1,521 million related to the sale of real estate in fiscal 2010, while there was no such one-time gain in fiscal 2011. R&D expenses increased by ¥969 million compared with fiscal 2010 in line with a reinforcement of new product development. Due primarily to these factors, selling, general & administrative expenses increased by approximately ¥3,500 million compared with fiscal 2010. However, operating profit increased due to an increase in gross profit as a result of an increase in sales, sales growth in highly profitable consumables such as color toners and cost reductions. Gross profit increased by approximately ¥4,000 million due to an increase in sales and by approximately ¥3,000 million mainly due to sales growth in consumables and cost reductions.

Sales and operating profit were down by approximately ¥23,000 million and ¥10,000 million, respectively, in fiscal 2011 due to the yen's appreciation.

#### (7) Others

Sales in this reporting segment for fiscal 2011 increased by ¥14,806 million, or 11.9%, to ¥139,383 million, compared with ¥124,577 million in fiscal 2010. The increase in sales was mainly due to a gain of approximately ¥12,000 million in aggregate sales from Kyocera Communication Systems Co., Ltd., which deploys information and communication services, and Kyocera Chemical Corporation, which manufactures and sells products such as molding compounds for semiconductor encapsulation, in line with recovery in information technology investment in the corporate sector and in production activities in the semiconductor industry.

Operating profit in this reporting segment for fiscal 2011 increased by ¥2,882 million, or 42.6%, to ¥9,651 million, compared with ¥6,769 million in fiscal 2010. In addition to the increase in sales at Kyocera Communications Systems Co, Ltd. and Kyocera Chemical Corporation, operating profit increased due primarily to enhanced profitability at Kyocera Chemical, mainly through cost reductions.

#### (8) Corporate

Corporate income 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. Corporate income increased by ¥1,217 million, or 7.8%, to ¥16,882 million, compared with ¥15,665 million in fiscal 2010. This was mainly due to an increase in dividend income.

### **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. Write-downs are provided for excess, slow-moving and obsolete inventory as well as valuation losses required to adjust recorded cost to its market value. Kyocera generally considers all inventory aged over certain holding periods to be slow-moving or obsolete. Kyocera also records inventory write-downs based on its projections of future demand, market conditions and related management-led initiatives even though the age of corresponding inventory is shorter than certain holding periods.

In fiscal 2011, Kyocera recognized inventory write-downs of ¥5,291 million mainly in the Telecommunications Equipment Group, and in fiscal 2012, recognized inventory write-downs of ¥11,486 million mainly in the Applied Ceramic Products Group and the Telecommunications Equipment Group. Kyocera recorded these write-downs to adjust the carrying amount to market value due to decreases in sales price arising from short lives of products or rapidly worsening market conditions. If the market conditions or demand for the products are less favorable than Kyocera's projections, additional write-downs may be required.

The amounts of these inventory write-downs by reporting segments appear in Note 18 to the 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 recorded as Corporate losses.

Kyocera recognized losses on impairment of debt and equity securities of ¥341 million and ¥1,260 million in fiscal 2011 and 2012, respectively.

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, 2012 had increased by ¥12,026 million, or 26.2%, to ¥57,919 million compared with that of ¥45,893 million at March 31, 2011, 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 the 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 concluded that there was no goodwill impairment at any reporting unit as of January 1, 2012.

The fair value of the Telecommunications Equipment Group reporting unit determined by using a discounted cash flows model slightly exceeded its carrying amount by 0.2% at the annual impairment test as of January 1, 2011.

In fiscal 2012, both sales and operating profit in the Telecommunications Equipment Group reporting unit decreased compared with fiscal 2011, however, in the second half of fiscal 2012, profitability in this reporting unit improved as a result of various cost reduction efforts including a reduction in R&D expenses through selecting and centralizing R&D themes. Actual results to January 1, 2012 exceeded the forecasted cash flows used in the impairment test as of January 1, 2011. Kyocera expects the continued benefits of cost reduction efforts along with the acquisition of new customers and increases in sales of high-valued products, such as smart phones, will improve cash flows and profitability and lead to an increase in operating profit in fiscal 2013.

Based on these forecasts for this reporting unit, as of January 1, 2012, Kyocera evaluated that the fair value of this reporting unit substantially exceeded its carrying amount (which includes goodwill of ¥18,456 million in its carrying amount as of March 31, 2012). These forecasts include assumptions which are subject to uncertainty, including forecasted cash flows, changes in technology, customer demand and the pace of economic recovery from natural disasters which could materially impact actual performance.

The goodwill of ¥25,854 million which Kyocera acquired during the year ended March 31, 2012 was based on the acquisition of the common stock of Optrex Corporation by Kyocera Corporation included in the Electronic Device Group and based on the acquisition of the common stock of Kyocera Unimerco A/S by Kyocera Fineceramics GmbH, a consolidated German subsidiary of Kyocera Corporation, included in Applied Ceramic Products Group.

For detailed information of these acquisitions, see Note 2 and 9 to the 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, 2012, deferred tax assets amounted to ¥93,890 million, which Kyocera considers will reasonably be realized in the future. This estimate is reasonable when compared with the amounts of income from continuing operations before income taxes and income taxes in fiscal 2012.

### 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 such as Japanese Government Bonds. 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 increased.

### *Sensitivity Analysis of Benefit Plans*

The following table illustrates the effect of assumed changes in discount rates and the expected 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.

	<b>Effect on projected benefit obligations as of March 31, 2012</b>
	<b>(Yen in millions)</b>
Discount rates:	
0.25% decrease .....	¥ 4,740
0.25% increase .....	(4,476)
	<b>Effect on income before income taxes for the year ending March 31, 2013</b>
	<b>(Yen in millions)</b>
Discount rates:	
0.25% decrease .....	¥ (67)
0.25% increase .....	65
Expected rate of return on plan assets:	
0.25% decrease .....	(351)
0.25% increase .....	351

### 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.

AVX Corporation, a subsidiary in the United States, 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.

In 1991, in connection with a consent decree, AVX Corporation paid ¥8,878 million (\$66 million), plus interest, toward the environmental conditions at, and remediation of, New Bedford Harbor in the Commonwealth of Massachusetts (the harbor) in settlement with the United States and the Commonwealth of Massachusetts, subject to reopener provisions, including a reopener if certain remediation costs for the site exceed ¥10,701 million (\$130.5 million). In 2007, AVX Corporation received notification from the EPA and the Department of Justice indicating that the United States was preparing to exercise the cost reopener. In March 2011, the EPA issued the Fourth Explanation of Significant Differences (ESD #4) that explains the planned changes to the existing remedial action plan for the harbor to include the use of a confined aquatic disposal (CAD) cell, along with interim off-site transportation and disposal of certain contaminated dredge spoils, and the continued use of long-term on-site storage for other contaminated dredge spoils. ESD #4 provides future cost estimates under the new remedial action plan (in addition to costs incurred to date) ranging from ¥29,684 million (\$362 million) to ¥32,882 million (\$401 million), net present value, based on certain criteria included in the ESD #4. The EPA has indicated that remediation costs through December 31, 2011 were approximately ¥37,392 million (approximately \$456 million), not all of which are subject to the reopener provisions.

On April 18, 2012, the EPA issued to AVX Corporation a Unilateral Administrative Order (UAO) directing AVX Corporation to perform the Remedial Design, the Remedial Action and Operation and Maintenance for the harbor clean-up. The effective date set forth in the UAO is June 18, 2012, but, while the parties are in mediation discussions, AVX Corporation has until July 23, 2012 to inform the EPA if it intends to comply with the UAO.

AVX Corporation has not received complete documentation of past response costs from the EPA and therefore has not yet completed an investigation of the monies spent or available defenses in light of these notifications and indications. AVX Corporation has also not yet determined whether AVX Corporation can avoid responsibility for all, or some portion, of these past or future costs because the remediation method has changed over time and costs can be appropriately apportioned to parties other than AVX Corporation. AVX Corporation anticipates further discussions with the U.S. Department of Justice, the EPA, and the Commonwealth of Massachusetts in the first half of the year ending March 31, 2013.

AVX Corporation is continuing to assess the UAO as well as potential defenses and other actions with respect to the site. However, in light of the foregoing, AVX Corporation considers it to be probable and reasonably

estimable that AVX Corporation will incur cost within a range of approximately ¥7,900 million (approximately \$100 million) to ¥59,860 million (\$730 million), with no amount within that range representing a more likely outcome until such time as AVX Corporation completes an investigation with regard to monies spent, available defenses and other matters. AVX Corporation recognizes liabilities for environmental exposures when analysis indicates that is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. When a range of loss can be estimated, AVX Corporation accrues 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. Accordingly, AVX Corporation has recorded a charge for the year ended March 31, 2012 of ¥7,900 million (\$100 million) with respect to this matter. Kyocera included this charge in selling, general and administrative expenses in the consolidated statements of income for the year ended March 31, 2012.

### **Revenue Recognition**

Kyocera generates revenue principally through the sale of industrial components and telecommunications and information equipment. Kyocera's operations consist of the following seven reporting segments: 1) Fine Ceramic Parts Group, 2) Semiconductor Parts Group, 3) Applied Ceramic Products Group, 4) Electronic Device Group, 5) Telecommunications Equipment Group, 6) Information Equipment Group and 7) Others.

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 Accounting Standards Codification (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 solar power generating systems in the Applied Ceramic Products Group and information equipment in the Information Equipment 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 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 Information Equipment 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 Device Group as noted below.

### *Sales Incentives*

In the Electronic Device 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, 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. 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 approximate 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, 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, 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. 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 approximate its estimates.

*Sales Rebates*

In the case of sales to distributors in the Applied Ceramic Products Group and Information Equipment 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.

*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 Information Equipment 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.

At March 31, 2012, gross unrecognized tax benefits amounted to ¥3,050 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, 2011, Kyocera adopted the Financial Accounting Standard Board (FASB)'s Accounting Standards Update (ASU) No. 2009-13, "Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force" which addressed the accounting for multiple-deliverable arrangements to enable vendor to account for products or services separately rather than as a combined unit. This accounting standard addresses how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. The adoption of this accounting standard did not have a material impact on Kyocera's consolidated results of operations, financial condition and cash flows.

On April 1, 2011, Kyocera adopted the FASB's ASU No. 2010-28, "When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts." This accounting standard modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. As this accounting standard does not actually change how the impairment would be calculated, the adoption of this accounting standard did not have an impact on Kyocera's consolidated results of operations, financial condition and cash flows.

On April 1, 2011, Kyocera adopted the FASB's ASU No. 2010-29, "Disclosure of Supplementary Pro Forma Information for Business Combinations." The amendments in this Update require a public entity that enters into business combination(s) to disclose revenue and earnings of the combined entity in the comparative financial statements as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. As this accounting standard is a provision for disclosure, the adoption of this accounting standard did not have an impact on Kyocera's consolidated results of operations, financial condition and cash flows.

On January 1, 2012, Kyocera adopted the FASB's ASU No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." This accounting standard amends current U.S. GAAP to create more commonality with IFRSs by harmonizing definitions and disclosure requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The adoption of this accounting standard did not have a material impact on Kyocera's consolidated results of operations, financial condition and cash flows.

## **Recently Issued Accounting Standards**

In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income." In presenting other comprehensive income and its components in financial statement, this accounting standard eliminates the current option which is to present the components of other comprehensive income as part of the statement of equity. This standard also requires reclassifications between other comprehensive income and net income to be disclosed on the face of financial statements.

Furthermore, in December 2011, the FASB issued ASU No. 2011-12, “Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05.” This accounting standard supersedes certain pending paragraphs in Update No. 2011-05.

These accounting standards will be effective retrospectively for fiscal years, and interim periods within those years, beginning after December 15, 2011. As these accounting standards are a provision for presentation, the adoption of these accounting standards will not have an impact on Kyocera’s consolidated results of operations, financial condition and cash flows.

In September 2011, the FASB issued ASU No. 2011-08, “Testing Goodwill for Impairment.” This accounting standard permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. An entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. This accounting standard will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. As this accounting standard does not actually change how the impairment would be calculated, the adoption of this accounting standard will not have an impact on Kyocera’s consolidated results of operations, financial condition and cash flows.

In December 2011, the FASB issued ASU No. 2011-10, “Derecognition of in Substance Real Estate—a Scope Clarification.” This accounting standard requires the reporting entity to apply the guidance in Subtopic 360-20 to determine whether it should derecognize the in substance real estate when a parent ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary’s nonrecourse debt. This accounting standard will be effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2012. The adoption of this accounting standard is not expected to have a material impact on Kyocera’s consolidated results of operations, financial condition and cash flows.

In December 2011, the FASB issued ASU No. 2011-11, “Disclosures about Offsetting Assets and Liabilities.” This accounting standard requires entities to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This accounting standard will be effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. As this accounting standard is a provision for disclosure, the adoption of this accounting standard will not have an impact on Kyocera’s consolidated results of operations, financial condition and cash flows.

## **B. Liquidity and Capital Resources**

### **Capital Resources**

In fiscal 2012, net sales and profit decreased compared with fiscal 2011 due primarily to a decline in component demand for digital consumer equipment and a decrease in sales in the Telecommunications Equipment Group in addition to the impact of the yen’s appreciation.

Kyocera’s net cash provided by operating activities in fiscal 2012 was ¥109,065 million, and cash and cash equivalents at March 31, 2012 were ¥273,288 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 working capital and funds for capital expenditures required for the expansion of operations, contribution to pension plans and payments of dividends to shareholders. 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, 2012, Kyocera’s short-term borrowings and long-term debt including current portion totaled ¥35,869 million. The ratio to total

assets of 1.8% continues to reflect a low level of dependence. Most borrowings were denominated in the Euro, the U.S. dollar and the Japanese yen, but certain borrowings were denominated in other foreign 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 2012 decreased by ¥4,272 million, or 6.0%, to ¥66,408 million compared with ¥70,680 million in fiscal 2011. In fiscal 2011, Kyocera constructed new plants to expand production capacity in the solar energy business included in the Applied Ceramic Products Group. In addition, Kyocera actively introduced LED sapphire substrates in the Fine Ceramic Parts Group and made capital expenditures to expand production capacity of ceramic packages and organic packages in the Semiconductor Parts Group, but Kyocera reduced capital expenditures due to the trend in demand in fiscal 2012. R&D expenses in fiscal 2012 decreased by ¥3,915 million, or 7.9%, to ¥45,559 million compared with ¥49,474 million in fiscal 2011. Almost all capital and R&D expenditures were funded by using cash at hand.

During fiscal 2013, Kyocera expects total capital expenditures to be approximately ¥70,000 million and total R&D expenses to be approximately ¥55,000 million. Kyocera expects that total capital expenditures will increase due to recovery of the business environment compared with fiscal 2012 for expanding production capacity in the Semiconductor Parts Group and the solar energy business included in the Applied Ceramic Products Group and construction of a plant and introduction of production equipment for Vietnam. Kyocera also expects that R&D expenses will increase compared with fiscal 2012. Kyocera will promote R&D of new products in order to expand the business in each reporting segment. Nearly all capital and R&D expenditures will be funded by using cash on hand. Kyocera believes that Kyocera needs to invest its resources continuously in the development of new business areas and enhancement of technology in order to create new products, commercialize advanced technologies and thereby secure future earnings streams.

Kyocera contributed ¥10,229 million to its benefit pension plans in fiscal 2012 and Kyocera expects to contribute ¥10,580 million to its benefit pension plans in fiscal 2013. At March 31, 2012, 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 at hand.

In fiscal 2012, Kyocera Corporation paid cash dividends totaling ¥23,853 million, at ¥130 per share. Kyocera Corporation received approval at the general meeting of shareholders held on June 27, 2012 for the payment of year-end dividends totaling ¥11,007 million, or ¥60 per share, on June 28, 2012 to all shareholders of record on March 31, 2012.

As described in Note 2 to the Consolidated Financial Statements, Kyocera acquired several businesses. In fiscal 2012, these acquisition costs, net of cash acquired were ¥35,454 million, and all acquisitions were funded by using cash at hand.

At March 31, 2012, Kyocera’s working capital totaled ¥843,555 million, an increase of ¥14,669 million, or 1.8%, compared with ¥828,886 million at March 31, 2011. Our working capital requirements, capital expenditures, debt repayments and other obligations were funded by using cash at hand.

Kyocera believes cash at hand will be sufficient to fund all cash requirements outlined above at least during fiscal 2013. 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 73.7% at March 31, 2012, 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 2012 compared with Fiscal 2011*

The following table shows a summary of Kyocera's cash flows for fiscal 2011 and fiscal 2012:

	<u>Years ended March 31,</u>	
	<u>2011</u>	<u>2012</u>
	<u>Amount</u>	<u>Amount</u>
	(Yen in millions)	
Cash flows from operating activities . . . . .	¥ 119,687	¥109,065
Cash flows from investing activities . . . . .	(121,364)	(56,051)
Cash flows from financing activities . . . . .	(26,820)	(50,769)
Effect of exchange rate changes on cash and cash equivalents . . . . .	(11,158)	(2,428)
Net decrease in cash and cash equivalents . . . . .	(39,655)	(183)
Cash and cash equivalents at beginning of year . . . . .	313,126	273,471
Cash and cash equivalents at end of year . . . . .	273,471	273,288

Net cash provided by operating activities in fiscal 2012 decreased by ¥10,622 million, or 8.9%, to ¥109,065 million from ¥119,687 million in fiscal 2011. This was due mainly to a decrease in net income and a decrease in notes and accounts payable in fiscal 2012. Those were partly offset by decreases in cash outflows related to changes in receivables and inventories.

Net cash used in investing activities for fiscal 2012 decreased by ¥65,313 million, or 53.8%, to ¥56,051 million from ¥121,364 million for fiscal 2011. This was due mainly to increases in proceeds from sales and maturities of available-for-sales and held-to-maturity securities and a decrease in acquisition of time deposits and certificate of deposits which exceeded an increase in acquisitions of businesses.

Net cash used in financing activities for fiscal 2012 increased by ¥23,949 million, or 89.3%, to ¥50,769 million from ¥26,820 million for fiscal 2011. This was due mainly to increases in payments of short-term borrowings and long-term debts.

Decreases in the effect of exchange rate changes on cash and cash equivalents of ¥2,428 million were due mainly to the yen's appreciation against the Euro and the U.S. dollar between March 31, 2011 and March 31, 2012.

At March 31, 2012, cash and cash equivalents totaled ¥273,288 million. This represented a decrease of ¥183 million, or 0.1%, from ¥273,471 million at March 31, 2011. 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 2011 compared with Fiscal 2010***

The following table shows a summary of Kyocera's cash flows for fiscal 2010 and fiscal 2011:

	Years ended March 31,	
	2010	2011
	Amount	Amount
	(Yen in millions)	
Cash flows from operating activities . . . . .	¥137,583	¥ 119,687
Cash flows from investing activities . . . . .	(49,318)	(121,364)
Cash flows from financing activities . . . . .	(38,047)	(26,820)
Effect of exchange rate changes on cash and cash equivalents . . . . .	(6,339)	(11,158)
Net increase (decrease) in cash and cash equivalents . . . . .	43,879	(39,655)
Cash and cash equivalents at beginning of year . . . . .	269,247	313,126
Cash and cash equivalents at end of year . . . . .	313,126	273,471

Net cash provided by operating activities in fiscal 2011 decreased by ¥17,896 million, or 13.0%, to ¥119,687 million from ¥137,583 million in fiscal 2010. This was due mainly to a significant increase in net income of ¥84,685 million when compared with fiscal 2010. The amount was offset by cash outflows from an increase in inventories. As a result, net cash provided by operating activities decreased in fiscal 2011.

Net cash used in investing activities for fiscal 2011 increased by ¥72,046 million, or 146.1%, to ¥121,364 million from ¥49,318 million for fiscal 2010. This was due mainly to an increase in purchases of property, plant and equipment as well as a decrease in withdrawals of certificate deposits and time deposits.

Net cash used in financing activities for fiscal 2011 decreased by ¥11,227 million, or 29.5%, to ¥26,820 million from ¥38,047 million for fiscal 2010. This was due mainly to decreases in payments of short-term borrowings and long-term debts.

Decreases in the effect of exchange rate changes on cash and cash equivalents of ¥11,158 million were due mainly to the yen's appreciation against the Euro and the U.S. dollar between March 31, 2010 and March 31, 2011.

At March 31, 2011, cash and cash equivalents totaled ¥273,471 million. This represented a decrease of ¥39,655 million, or 12.7%, from ¥313,126 million at March 31, 2010. 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, 2012 increased by ¥47,537 million, or 2.4% to ¥1,994,103 million, compared with ¥1,946,566 million at March 31, 2011.

Other short-term investments in debt securities decreased by ¥43,052 million, or 21.3%, to ¥158,765 million, due mainly to withdrawal of time deposits at Kyocera Corporation.

Trade receivables-accounts increased by ¥17,174 million, or 8.2%, to ¥225,578 million, due mainly to an acquisition of the common stock of Optrex Corporation (currently Kyocera Display Corporation).

Inventories increased by ¥37,437 million, or 16.1%, to ¥270,336 million, due mainly to procurement of inventories of rare metals in preparation for future business expansion and to an acquisition of the common stock of Optrex Corporation.

Total property, plant and equipment at cost, net of accumulated depreciation, increased by ¥12,783 million, or 5.2%, to ¥260,537 million. Capital expenditure in fiscal 2012 was ¥66,408 million, and depreciation was ¥62,374 million.

Goodwill increased by ¥24,338 million, or 37.6%, to ¥89,039 million, and intangible assets increased by ¥7,493 million, or 17.8%, to ¥49,653 million, due mainly to the acquisition of the common stock of Optrex Corporation and Kyocera Unimerco A/S.

Other assets decreased by ¥10,177 million, or 14.8%, to ¥58,394 million, due mainly to the weak performance of benefit plan assets affected by instabilities of financial markets and an increase in projected benefit obligations resulting from a change in discount rates applied to actuarial calculation.

Kyocera's total liabilities at March 31, 2012 decreased by ¥3,345 million, or 0.7%, to ¥459,862 million, compared with ¥463,207 million at March 31, 2011.

Short-term borrowings decreased by ¥3,790 million, or 48.3%, to ¥4,062 million, due mainly to a repayment of debt.

Accrued income taxes decreased by ¥4,573 million, or 25.3%, to ¥13,496 million, due mainly to decreases of taxable income.

Total equity at March 31, 2012 increased by ¥50,882 million, or 3.4%, to ¥1,534,241 million, compared with ¥1,483,359 million at March 31, 2011.

Retained earnings at March 31, 2012 increased by ¥55,504 million, or 4.4%, due to a net income for fiscal 2012 of ¥79,357 million offset by cash dividend payments of ¥23,853 million.

Accumulated other comprehensive income decreased by ¥6,006 million, to a loss of ¥(81,639) million. Net unrealized gains on securities increased by ¥8,500 million, or 26.4%, due mainly to increases in market values of the shares of KDDI Corporation and other equity securities at March 31, 2012 compared with March 31, 2011.

Foreign currency translation adjustments decreased by ¥5,709 million to a loss of ¥(110,014) million, due mainly to the appreciation of the yen against the U.S. dollar.

Pension adjustment decreased by ¥8,756 million to a loss of ¥(12,290) million. Unamortized actuarial losses increased due mainly to the weak performance of benefit plan assets affected by instabilities of financial markets and an increase in projected benefit obligations resulting from a decrease in discount rates applied to actuarial calculation.

Kyocera Corporation shareholders' equity ratio at March 31, 2012 was 73.7%, increased by 0.7 percentage points compared with 73.0% at March 31, 2011.

Noncontrolling interests in subsidiaries, principally AVX Corporation, increased by ¥1,640 million, or 2.6%, to ¥64,736 million, compared with ¥63,096 million at March 31, 2011.

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

Kyocera seeks to create new technologies, products and markets by integrating group-wide management resources and thereby generate businesses that will become core to the group in the future. In particular, we are focusing on R&D in the information and communications market and the environment and energy market that have high-growth potential in the future.

An outline of R&D activities in each reporting segment follows.

(1) Fine Ceramic Parts Group

In this reporting segment, we are working to develop new products in a wide range of industrial fields by leveraging fine ceramics materials technology, processing technology and design technology that we have accumulated since our earliest days. In particular, we are focusing on the development of larger-size sapphire substrates for LEDs and next generation semiconductor fabrication equipment parts, where future growth in demand is forecast.

In the automotive market, efforts are being undertaken for safety related products with the development of camera modules for rearview detection and for preventing crack-up accidents, an area where global demand growth is forecast due in part to new legislation concerning safety regulations in the United States. In line with stricter regulations concerning reduction of carbon dioxide and exhaust gas, we are also concentrating development on ceramic parts that contribute to enhanced fuel efficiency in diesel engines.

(2) Semiconductor Parts Group

In the digital consumer equipment market, needs are continuing to further grow for products such as smartphones that are more multifunctional, smaller and thinner, and in line with this, miniaturization of electronic components and refinement of semiconductors is expected. In response to these market trends, Kyocera is promoting the development of high-strength, high-rigidity ultra-small and thin ceramic packages that employ micro wiring as well as fine-pitch organic packages.

In the information and communications network market, Kyocera anticipates the creation of faster, larger-capacity infrastructure and greater sophistication worldwide. We are focusing on the development of ceramic packages for optical communications that are capable of higher frequency, and of highly precise flip-chip organic packages. In addition, Kyocera is also focusing on the development of new module substrates and module mounting technologies.

(3) Applied Ceramic Products Group

In the solar energy business, we are working to further improve conversion efficiency of solar cells, increase module size and reduce costs to enhance the performance of multicrystalline silicon solar cells and strengthen cost competitiveness. We are also pushing forward with the development of thin-film solar cells with the aim of expanding our range of products that meet various applications and needs.

In addition, we are strengthening development of home energy management systems for the efficient use of energy by combining solar generating systems and storage systems.

In the cutting tool business, we are working on the development of alternative materials to reduce consumption of rare metals used as raw materials, and of high-quality, high-precision products suitable for forming complex shapes.

(4) Electronic Device Group

Kyocera is developing various components and devices, including small, thin ceramic capacitors and modules, crystal related products, and fine-pitch, low-profile connectors for use in digital consumer equipment such as smartphones and tablet PCs, which are getting more multifunctional and smaller. Additionally, we are developing high-voltage, high-capacity ceramic capacitors for the audio-visual market such as LCD panels, and high-voltage ceramic capacitors for the industrial equipment market.

We are also focusing on the development of TFT color LCDs with high luminance, high contrast and wide viewing angles for the industrial equipment market and automotive market. In addition, we are strengthening development of touch panels, where demand growth is forecast in various domains, and of items such as inkjet printheads capable of high-speed, high-resolution printing.

#### (5) Telecommunications Equipment Group

Kyocera is concentrating on the development of smartphones based on the Android operating system. We are also expanding our line-up of products with slim design and waterproofing technology amassed in-house, and developing high-value-added terminals that leverage our unique component technology.

In addition, Kyocera is strengthening the development of terminals capable of high-speed, high capacity telecommunications services for the next-generation high-speed wireless communications market such as Long Term Evolution (LTE), and is working toward product launch.

#### (6) Information Equipment Group

Kyocera developing printers based on the “ECOSYS” concept, and multifunctional peripherals based on the “TASKalfa” brand which realizes longer engine life, reduced running costs and minimal waste by employing an amorphous silicon photoreceptor drum with excellent abrasion resistance. We are also developing optimum products and services for specific users by strengthening our solutions business with the aim of expanding document management services, an area of growing demand. In emerging markets, where high growth is forecast, we are working to expand our line-up of ultra-low-priced products fitted with only the basic necessary functions.

#### (7) Others

Kyocera Communication Systems Co., Ltd. is developing systems related to cloud computing and information security systems, the popularity of which has skyrocketed. We are also conducting R&D toward the practical application of broadcasting services for information terminals through the convergence of radio waves for broadcasting and IP communications (packets).

Kyocera Chemical Corporation is developing environmentally friendly halogen-free sheet-type resin as well as epoxy material for semiconductor encapsulation and high thermal adhesive conductive paste for electronic components, which are suitable for compression and molding.

Kyocera is also working to develop advanced ceramic cell stacks for residential-use Solid Oxide Fuel Cells (SOFCs) that contribute to improve the power generation efficiency.

R&D expenses by reporting segment are as follows.

	Years ended March 31,			Increase
	2010	2011	2012	(Decrease)
	Amount	Amount	Amount	%
	(Yen in millions)			
Fine Ceramic Parts Group .....	¥ 2,594	¥ 2,363	¥ 2,943	24.5
Semiconductor Parts Group .....	3,126	3,026	2,551	(15.7)
Applied Ceramic Products Group .....	4,947	5,794	5,010	(13.5)
Electronic Device Group .....	8,444	5,742	5,852	1.9
Total Components Business .....	19,111	16,925	16,356	(3.4)
Telecommunications Equipment Group .....	8,853	8,310	4,431	(46.7)
Information Equipment Group .....	17,400	18,369	17,813	(3.0)
Total Equipment Business .....	26,253	26,679	22,244	(16.6)
Others .....	4,547	5,870	6,959	18.6
R&D expenses .....	¥49,911	¥49,474	¥45,559	(7.9)
% to net sales .....	4.6%	3.9%	3.8%	

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

In fiscal 2012, inventory adjustments for components used in digital consumer equipment were prolonged due to sluggish growth in such items as mobile phone handsets, personal computers and flat-screen TVs and to declined production activities at equipment makers caused by the Great East Japan Earthquake and flooding in Thailand.

In fiscal 2013, we expect recovery in production activities for digital consumer equipment as the impact of the Thailand floods dissipates. In particular, we project component demand to increase in the mobile phone handset market as the number of smartphones continues to increase. With an increase in sales of smartphones and enhanced sophistication in these products, the number of components used in each handset will increase.

In the environment and energy market, which is expected to continue expanding going forward, we forecast demand for energy-creating and energy-saving products to rise.

In the solar power generation system market, despite projected weak demand in Europe, demand is forecast to increase for industrial application in Japan in line with the enforcement of the Renewable Energy Law planned to be introduced in July 2012. Kyocera also expects growth in energy-saving LED lighting and demand for the Home Energy Management System (HEMS), which combines solar power generating systems with battery storage units, mainly in Japan, as well as rising demand for residential-use fuel systems.

#### E. Off-Balance Sheet Arrangements

Refer to Note 14 in the 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, 2012. 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 . . . . .	¥ 4,062	¥ —	¥ —	¥ —	¥ 4,062
Interest payments for short-term borrowings* . . . . .	63	—	—	—	63
Long-term debt (including due within one year) . . . . .	10,610	14,773	5,043	1,381	31,807
Interest payments for long-term debt* . . . . .	1,289	1,274	263	87	2,913
Supply agreement material used in operation . . . . .	18,335	45,890	51,894	86,996	203,115
Operating leases . . . . .	4,931	5,646	2,365	1,023	13,965
Obligations for the acquisition or construction of property, plant and equipment . . . . .	9,517	118	—	—	9,635
Total contractual obligations . . . . .	¥48,807	¥67,701	¥59,565	¥89,487	¥265,560

\* For Kyocera's variable interest rate of borrowings and debt, Kyocera utilized the rates in effect as of March 31, 2012 when estimating schedule of interest payments.

In addition to contractual obligations shown in the above tables, Kyocera forecasts to contribute ¥10,580 million to its defined benefit pension plans in fiscal 2013. Kyocera recorded liabilities of ¥3,050 million for gross unrecognized tax benefits in accordance with FASB's ASC 740, "Income Taxes" at March 31, 2012, 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 16 to the 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, the president and the vice presidents. 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, the president and the vice presidents can provide diverse perspectives on critical issues.

The following table shows Kyocera's Directors and Corporate Auditors as of June 27, 2012.

<u>Name</u>	<u>Date of Birth</u>	<u>Position</u>	<u>Since</u>	<u>Term</u>
Makoto Kawamura . . . . .	August 13, 1949	Representative Director and Chairman	2005 (Chairman 2009)	*1
Tetsuo Kuba . . . . .	February 2, 1954	Representative Director and President	2008 (President 2009)	*1
Tatsumi Maeda . . . . .	January 1, 1953	Representative Director and Vice President	2008	*1
Katsumi Komaguchi . . . . .	March 5, 1951	Director	2009	*1
Yasuyuki Yamamoto . . . . .	April 2, 1951	Director	2009	*1
Goro Yamaguchi . . . . .	January 21, 1956	Director	2009	*1
Ken Ishii . . . . .	October 6, 1953	Director	2012	*2
Shoichi Aoki . . . . .	September 19, 1959	Director	2009	*1
Tsutomu Yamori . . . . .	September 25, 1949	Director	2010	*1
Yoshihito Ohta . . . . .	June 26, 1954	Director	2010	*1
John S. Gilbertson . . . . .	December 4, 1943	Director	1995	*1
John S. Rigby . . . . .	May 13, 1955	Director	2012	*2
Yoshihiro Kano . . . . .	April 5, 1953	Full-time Corporate Auditor	2011	*3
Yoshihiko Nishikawa . . . . .	September 11, 1945	Full-time Corporate Auditor	2005	*4
Osamu Nishieda . . . . .	January 10, 1943	Corporate Auditor	1993	*5
Yoshinari Hara . . . . .	April 3, 1943	Corporate Auditor	2009	*4
Yoshinori Yasuda . . . . .	November 24, 1946	Corporate Auditor	2012	*5
Nichimu Inada . . . . .	November 24, 1940	Corporate Auditor	2012	*5

- \*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 28, 2011.
- \*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 27, 2012.
- \*3 The term of office of a Corporate Auditor is four years after his election at the close of the ordinary general meeting of shareholders held on June 28, 2011.
- \*4 The term of office of a Corporate Auditor is four years after his election at the close of the ordinary general meeting of shareholders held on June 25, 2009.
- \*5 The term of office of a Corporate Auditor is four years after his election at the close of the ordinary general meeting of shareholders held on June 27, 2012.

*Makoto Kawamura* has served as a Representative Director and Chairman of Kyocera Corporation since 2009. He became a Director in 2001 and retired in 2003. He rejoined as a Representative Director and President in 2005. He joined Kyocera Corporation in 1973 and has served as Representative Director and Chairman of Kyocera Document Solutions, Representative Director and Chairman of Kyocera SLC Technologies Corporation, Representative Director and Chairman of Kyocera Realty Development, Representative Director and Chairman of Kyocera Crystal Device Corporation, Representative Director and Chairman of Kyocera Optec Co., Ltd., Representative Director and Chairman of Kyocera Chemical Corporation, Representative Director and Chairman of Kyoto Purple Sanga Co., Ltd. and Representative Director and Chairman of Kyocera Display Corporation.

*Tetsuo Kuba* has served as a Representative Director and President of Kyocera Corporation since 2009. He became an Executive Officer in 2003, a Managing Executive Officer in 2005, a Senior Managing Executive Officer in 2007 and a Director in 2008. He joined Kyocera Corporation in 1982 and has served as the Chairman of the Board of Directors of Shanghai Kyocera Electronics Co., Ltd., Chairman of the Board of Directors of Dongguan Shilong Kyocera Co., Ltd., Chairman of the Board of Directors of Kyocera Management Consulting Service (Shanghai) Co., Ltd. and Chairman of the Board of Directors of Kyocera (Tianjin) Sales & Trading Corporation.

*Tatsumi Maeda* has served as a Representative Director and Vice President of Kyocera Corporation since 2009. He became a Director in 2001 and retired in 2003. He became a Managing Executive officer in 2003, a Senior Managing Executive Officer in 2007 and rejoined as a Director in 2008. He joined Kyocera Corporation in 1975 and has served as the Chairman of the Board of Kyocera (Tianjin) Solar Energy Co., Ltd., Representative Director and Chairman of Kyocera Solar Corporation and the General Manager of Corporate R&D Group and Corporate Solar Energy Group.

*Katsumi Komaguchi* has served as a Director of Kyocera Corporation since 2009. He became an Executive Officer in 2008. He joined Kyocera Corporation in 1986 and has served as a Managing Executive Officer and the Representative Director and President of Kyocera Document Solutions Inc.

*Yasuyuki Yamamoto* has served as a Director of Kyocera Corporation since 2009. He became an Executive Officer in 2003 and a Senior Executive Officer in 2008. He joined Kyocera Corporation in 1976 and has served as a Managing Executive Officer and the General Manager of Corporate Communication Equipment Group.

*Goro Yamaguchi* has served as a Director of Kyocera Corporation since 2009. He became an Executive Officer in 2003 and a Senior Executive Officer in 2005. He joined Kyocera Corporation in 1978 and has served as a Managing Executive Officer, the General Manager of Corporate Semiconductor Components Group and the Representative Director and Chairman and President in Kyocera Korea Co., Ltd.

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

*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 Financial and Business Systems Administration Group.

*Tsutomu Yamori* has served as a Director of Kyocera Corporation since 2010. He became a Director in 1997 and retired in 2003. He joined Kyocera Corporation in 1972 and has served as a Managing Executive Officer and the General Manager of Corporate General Affairs Human Resources Group.

*Yoshihito Ohta* has served as a Director of Kyocera Corporation since 2010. He became an Executive Officer in 2003 and a Senior Executive Officer in 2007. He joined Kyocera Corporation in 1978 and has served as a Managing Executive Officer and the General Manager of Corporate Office of the Chief Executives.

*John S. Gilbertson* has served as a Director of Kyocera Corporation since 1995. He became a Director in 1995 and a Managing Director in 1999. He joined AVX Corporation in 1981 and has served as Director, President and Chief Executive Officer of AVX Corporation.

*John S. Rigby* has served as a Director of Kyocera Corporation since 2012. He became an Executive Officer in 2005. He joined Kyocera International, Inc. in 1981 and has served as Director and President of Kyocera International, Inc.

*Yoshihiro Kano* has served as a Full-time Corporate Auditor of Kyocera Corporation since 2011. He became an Executive Officer in 2005 and a Managing Executive Officer and a Director in 2009. He joined Kyocera International, Inc. in 1980 and transferred to Kyocera Corporation in 1991.

*Yoshihiko Nishikawa* has served as a Full-time Corporate Auditor of Kyocera Corporation since 2005. He became a Director in 1995 and retired in 2003. He joined Kyocera Corporation in 1970.

*Osamu Nishieda* has served as a Corporate Auditor of Kyocera Corporation since 1993. He has served as an In-House Council of Kyocera Corporation.

*Yoshinari Hara* has served as a Corporate Auditor of Kyocera Corporation since 2009. He has served as Honorary Advisor of Daiwa Securities Group Inc.

*Yoshinori Yasuda* has served as a Corporate Auditor of Kyocera Corporation since 2012. He has served as Visiting Professor at Reitaku University, Member of the Royal Swedish Academy of Sciences, Senior Fellow at The Tokyo Foundation, Professor Emeritus at International Research Center for Japanese Studies, Professor at Graduate School of Environmental Studies, Tohoku University and Professor Emeritus at Graduate University for Advanced Studies.

*Nichimu Inada* has served as a Corporate Auditor of Kyocera Corporation since 2012. He has served as Representative Director and President of Family Co., Ltd., Executive Director of The Japan Federation of Medical Devices Associations and Chairman of The Japan Home-Health Apparatus Industrial Association.

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, 2012.

<u>Name</u>	<u>Position</u>
Tetsuo Kuba . . . . .	Executive Officer and President
Tatsumi Maeda . . . . .	Executive Officer and Vice President (General Manager of Corporate R&D Group and Corporate Solar Energy Group)
Katsumi Komaguchi . . .	Managing Executive Officer (Representative Director and President of Kyocera Document Solutions Inc.)
Yasuyuki Yamamoto . .	Managing Executive Officer (General Manager of Corporate Communication Equipment Group)
Goro Yamaguchi . . . . .	Managing Executive Officer (General Manager of Corporate Semiconductor Components Group)
Ken Ishii . . . . .	Managing Executive Officer (General Manager of Corporate Cutting Tool Group)
Shoichi Aoki . . . . .	Managing Executive Officer (General Manager of Corporate Financial and Business Systems Administration Group)
Tsutomu Yamori . . . . .	Managing Executive Officer (General Manager of Corporate General Affairs Human Resources Group)
Yoshihito Ohta . . . . .	Managing Executive Officer (General Manager of Corporate Office of the Chief Executives)
Nobuo Kitamura . . . . .	Senior Executive Officer (Deputy General Manager of Corporate Solar Energy Group)
Junzo Katsuki . . . . .	Senior Executive Officer (Deputy General Manager of Corporate Communication Equipment Group)
Keijiro Minami . . . . .	Senior Executive Officer (General Manager of Corporate Components and Devices R&D Division, Corporate R&D Group)
Kouji Mae . . . . .	Executive Officer (Vice Chairman of the board and Representative Director of Kyocera Display Corporation)

<b>Name</b>	<b>Position</b>
Kazuyuki Nada . . . . .	Executive Officer (Representative Director and President of Kyocera SLC Technologies Corporation)
Yoshiharu Nakamura . .	Executive Officer (President of Dongguan Shilong Kyocera Co., Ltd.)
Hiroshi Fure . . . . .	Executive Officer (General Manager of Corporate Automotive Components Group)
Shigeaki Kinori . . . . .	Executive Officer (Representative Director and President of Kyocera Crystal Device Corporation)
Yoji Date . . . . .	Executive Officer (Representative Director and President of Kyocera Connector Products Corporation)
Setsuo Sasaki . . . . .	Executive Officer (Representative Director and President of Kyocera Communication Systems Co., Ltd.)
Tsuyoshi Egami . . . . .	Executive Officer (General Manager of Corporate Communication Product Development Division, Corporate Communication Equipment Group)
Junichi Jinno . . . . .	Executive Officer (General Manager of Corporate Legal and Intellectual Property Group)
Toshimi Gejima . . . . .	Executive Officer (General Manager of R&D Center Kagoshima, Corporate R&D Group)
Yoichi Yamashita . . . . .	Executive Officer (General Manager of Corporate Production Technology & Development Division, Corporate R&D Group)
Hitoshi Takao . . . . .	Executive Officer (General Manager of Corporate Thin Film Components Group)
Takafumi Matsuda . . . .	Executive Officer (General Manager of Jewelry & Application Products Division)
Masaaki Itoh . . . . .	Executive Officer (Deputy General Manager of Corporate General Affairs Human Resources Group)
Masaki Iida . . . . .	Executive Officer (General Manager of Corporate Purchasing Group)
Yuji Goto . . . . .	Executive Officer (President of Kyocera (Tianjin) Sales & Trading Corporation)
Masaki Kozu . . . . .	Executive Officer (General Manager of Corporate Education Group)
Tadashi Otsuji . . . . .	Executive Officer (Deputy General Manager of Corporate Semiconductor Components Group)
Gen Takayasu . . . . .	Executive Officer (General Manager of Corporate Environment Group)
Kazumasa Umemura . . .	Executive Officer (Deputy General Manager of Corporate Office of the Chief Executives)
Robert E. Whisler . . . . .	Executive Officer (Director and President of Kyocera America, Inc.)

## B. Compensation

The aggregate amount of compensation provided by Kyocera Corporation and its certain subsidiaries in fiscal 2012 to all Directors, Corporate Auditors and Executive Officers of Kyocera Corporation was ¥1,809 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 provide disclosure on an individual basis for each Director or Corporate Auditor who receives aggregate compensation exceeding ¥100 million from the relevant company and its subsidiaries. In accordance with this requirement, we provide disclosure of compensation on an individual basis as follows.

Name	Position	Amounts of compensation by types					Total
		Basic remuneration	Bonus	Stock option	Incentive plan compensation	Others	
(Yen in millions)							
John S. Gilbertson	Director of Kyocera Corporation	10	4	—	—	—	¥206
	Director, President and Chief Executive Officer of AVX Corporation	63	5	24	89	11	

### Notes:

1. AVX Corporation is Kyocera's consolidated subsidiary in the United States and the determination of compensation is made by AVX's Compensation Committee pursuant to U.S. regulations and based on its consideration for general and customary levels of compensation in the United States.
2. The compensation provided originally in the U.S. dollar at AVX Corporation was translated into the yen by ¥79 per \$1.00, which was the average rate during fiscal 2012.

In addition to the above, Japanese regulations require public companies to disclose details of compensation paid to Directors and Corporate Auditors by the parent company and also to disclose the policy applied in determining such compensation. In accordance with this requirement, we provide disclosure regarding compensation for Directors and Corporate Auditors as follows.

The total amount of compensation paid to Directors and Corporate Auditors, the amounts of compensation by types, and the number of Directors and Corporate Auditors were as follows.

	Total amount of compensation	Amounts of compensation by types		Number of Directors and Corporate Auditors
		Basic remuneration	Bonus	
(Yen in millions)				
Director	¥369	¥240	¥129	13
Full-time Corporate Auditor	47	47	—	3
Outside Corporate Auditor	18	18	—	3
Total	¥434	¥305	¥129	19

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 constitutes 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 Corporate Auditors 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 Corporate Auditors shall be no more than ¥100 million annually.

**C. Board Practices**

For information regarding the terms of office of Directors and Corporate Auditors, see Item 6.A. "Directors and Senior Management" of this annual report on Form 20-F.

In accordance with the requirements of the Corporation Act of Japan (the Corporation Act), our Articles of Incorporation provide for not more than six Corporate Auditors. Corporate Auditors are elected at a general meeting of shareholders, and their normal term of office is four years. However, Corporate Auditors may serve any number of consecutive terms. At least half of the Corporate Auditors must be persons who have not been Directors or employees of Kyocera Corporation or its subsidiaries (Outside Corporate Auditors). Corporate Auditors form the Board of Corporate Auditors. Corporate Auditors 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. Corporate Auditors also have a statutory duty to provide their report on the audit report prepared by our independent certified public accountants to the Board of Corporate Auditors, which must submit its audit report to the Board of Directors. The Board of Corporate Auditors will also determine matters relating to the duties of the Corporate Auditors, such as audit policy and methods of investigation of our affairs.

Under the Corporation Act, the Directors and Corporate Auditors 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 Corporate Auditors 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 the Outside Corporate Auditors and us, up to an amount to be calculated in accordance with the relevant provisions of the Corporation 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 Corporate Auditor and any other person pursuant to which he was elected as a Director or a Corporate Auditor. There is no family relationship between any Director or Corporate Auditor and any other Director or Corporate Auditor.

#### **D. Employees**

The numbers of Kyocera's employees by reporting segments at March 31, 2012 are as follows:

Fine Ceramic Parts Group	3,010
Semiconductor Parts Group	8,780
Applied Ceramic Products Group	7,938
Electronic Device Group	25,638
Telecommunications Equipment Group	3,888
Information Equipment Group	15,049
Others	5,589
Corporate	<u>1,597</u>
Total	<u><u>71,489</u></u>

Kyocera Corporation had 14,773 employees, and their average age and average service years were 39.5 and 15.8 respectively.

The numbers of Kyocera Corporation's employees by reporting segments at March 31, 2012 are as follows:

Fine Ceramic Parts Group	2,739
Semiconductor Parts Group	3,436
Applied Ceramic Products Group	2,324
Electronic Device Group	2,337
Telecommunications Equipment Group	2,368
Information Equipment Group	—
Others	914
Corporate	<u>655</u>
Total	<u><u>14,773</u></u>

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, Corporate Auditors and Executive Officers as of June 27, 2012 owned 402,154 shares of Kyocera Corporation in total (386,627 shares of common stock of Kyocera Corporation and 15,527 ADRs of Kyocera Corporation), or 0.2% of the outstanding shares of Kyocera Corporation at March 31, 2012. The numbers of shares owned by each Directors, Corporate Auditors and Executive Officers are shown in the following table.

Name	Title	Number of Shares
Makoto Kawamura	Representative Director and Chairman	4,213
Tetsuo Kuba	Representative Director and President	6,264
Tatsumi Maeda	Representative Director and Vice President	3,106
Katsumi Komaguchi	Director	3,402
Yasuyuki Yamamoto	Director	3,540
Goro Yamaguchi	Director	7,828
Ken Ishii	Director	1,957
Shoichi Aoki	Director	2,039
Tsutomu Yamori	Director	4,380
Yoshihito Ohta	Director	3,841
John S. Gilbertson	Director	13,201 (ADR)
John S. Rigby	Director	713 (ADR)
Yoshihiro Kano	Full-time Corporate Auditor	2,105
Yoshihiko Nishikawa	Full-time Corporate Auditor	2,370
Osamu Nishieda	Corporate Auditor	306,146
Yoshinari Hara	Corporate Auditor	417
Yoshinori Yasuda	Corporate Auditor	—
Nichimu Inada	Corporate Auditor	525
Nobuo Kitamura	Senior Executive Officer	417
Junzo Katsuki	Senior Executive Officer	1,682
Keijiro Minami	Senior Executive Officer	1,368
Kouji Mae	Executive Officer	5,200
Kazuyuki Nada	Executive Officer	1,264
Yoshiharu Nakamura	Executive Officer	1,850
Hiroshi Fure	Executive Officer	293
Shigeaki Kinori	Executive Officer	1,630
Yoji Date	Executive Officer	2,239
Setsuo Sasaki	Executive Officer	3,101
Tsuyoshi Egami	Executive Officer	149
Junichi Jino	Executive Officer	187
Toshimi Gejima	Executive Officer	1,824
Yoichi Yamashita	Executive Officer	441
Hitoshi Takao	Executive Officer	1,588
Takafumi Matsuda	Executive Officer	1,577
Masaaki Itoh	Executive Officer	1,045
Masaki Iida	Executive Officer	946
Yuji Goto	Executive Officer	2,113
Masaki Kozu	Executive Officer	2,128
Tadashi Otsuji	Executive Officer	311
Gen Takayasu	Executive Officer	2,630
Kazumasa Umemura	Executive Officer	511
Robert E. Whisler	Executive Officer	1,613 (ADR)

## 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, 2012.

Name	Shares owned (in thousands)	Ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account) . . . . .	12,999	6.79
Japan Trustee Services Bank, Ltd. (Trust Account) . . . . .	12,814	6.70
Kyocera Corporation . . . . .	7,865	4.11
The Bank of Kyoto, Ltd. . . . .	7,218	3.77
State Street Bank and Trust Company (Standing proxy: The Hong Kong and Shanghai Banking Corporation Limited) . . . .	6,847	3.58
Kazuo Inamori . . . . .	5,606	2.93
Inamori Foundation . . . . .	4,680	2.45
SSBT OD05 Omnibus Account-Treaty Clients (Standing proxy: The Hong Kong and Shanghai Banking Corporation Limited) . . . .	3,753	1.96
KI Enterprise Co., Ltd. . . . .	3,550	1.86
JPMorgan Securities Japan Co., Ltd. . . . .	<u>3,032</u>	<u>1.58</u>
Total . . . . .	<u>68,364</u>	<u>35.73</u>

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 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 and send a copy of such report to the company. 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.

In accordance with the Financial Instruments and Exchange Law of Japan mentioned above, on July 22, 2011, Sumitomo Mitsui Trust Holdings, Inc. and its related partners sent a copy of such a report to us, setting forth information regarding shareholders as of July 15, 2011 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, 2012.

Name	Shares owner (in thousands)	Ownership (%)
The Sumitomo Trust and Banking Co., Ltd. . . . .	3,963	2.07
Chuo Mitsui Asset Trust and Banking Company, Limited . . . . .	3,115	1.63
Chuo Mitsui Asset Management Company, Limited . . . . .	237	0.12
Nikko Asset Management Co., Ltd. . . . .	<u>3,508</u>	<u>1.83</u>
Total . . . . .	<u>10,823</u>	<u>5.66</u>

On February 6, 2012, Mitsubishi UFJ Financial Group, Inc. and its related partners sent a copy of such a report to us, setting forth information regarding shareholders as of January 30, 2012 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, 2012.

Name	Shares owner (in thousands)	Ownership (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd. ....	2,976	1.56
Mitsubishi UFJ Trust and Banking Corporation .....	3,666	1.92
Mitsubishi UFJ Asset Management Co., Ltd .....	2,094	1.09
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. ....	<u>1,892</u>	<u>0.99</u>
Total .....	<u>10,629</u>	<u>5.56</u>

On April 18, 2012, Sumitomo Mitsui Trust Holdings, Inc. and its related partners sent a copy of such a report to us, setting forth information regarding shareholders as of April 13, 2012 as shown in the following table.

Name	Shares owner (in thousands)	Ownership (%)
Sumitomo Mitsui Trust Bank, Limited .....	7,060	3.69
Sumitomo Mitsui Trust Asset Management Co., Ltd. ....	458	0.24
Nikko Asset Management Co., Ltd. ....	<u>3,758</u>	<u>1.96</u>
Total .....	<u>11,276</u>	<u>5.89</u>

According to Citibank N.A., depository for Kyocera's ADSs, as of March 31, 2012, 2,880,306 shares of Kyocera's common stock were held in the form of ADSs and there were 728 ADS holders of record in the United States. According to Kyocera's register of shareholders, as of March 31, 2012, there were 65,055 holders of Kyocera's common stock of record worldwide. As of March 31, 2012, there were 142 record holders of Kyocera's common stock with addresses in the United States, holding 24,010,911 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**

In fiscal 2012, Kyocera's sales to KDDI Corporation amounted to ¥121,130 million, or 10.2% of consolidated net sales.

KDDI Corporation provides telecommunication services, and Kyocera sells mainly telecommunication equipment to KDDI Corporation. Kyocera Corporation made an equity investment in KDDI Corporation when it was founded, and currently a director of Kyocera Corporation is a director of KDDI Corporation. At March 31, 2012, Kyocera Corporation's equity interest in KDDI Corporation was 12.76%. 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**

#### *Financial Statements*

The information required by this item is set forth beginning on page F-2 of this annual report on Form 20-F.

#### *Dividend Policy*

Kyocera believes that the best way to increase corporate value and meet shareholders' expectations is to improve future consolidated performance on an ongoing basis. Kyocera therefore has adopted a principal guideline for dividend amounts that are within a range based on net income attributable to shareholders of Kyocera Corporation on a consolidated basis, and has set its consolidated dividend policy to maintain a consolidated dividend ratio at a level of approximately 20% to 25% of consolidated net income attributable to shareholders of Kyocera Corporation. In addition, Kyocera 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 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 of outside management resources necessary to achieve sustainable corporate growth.

Kyocera normally pays cash dividends twice per year as an interim and a year-end dividend. Year-end dividends 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 and without shareholders approval.

Based on performance during the year ended March 31, 2012 and pursuant to the aforementioned policies, Kyocera distributed a year-end dividend for the year ended March 31, 2012 of ¥60 per share, a ¥10 decrease as compared to the year ended March 31, 2011. When aggregated with the interim dividend in the amount of ¥60 per share, the total annual dividend was ¥120 per share.

We held a board of directors meeting for the interim dividend on October 27, 2011.

### **B. Significant Changes**

Except as disclosed in this annual report on Form 20-F, there have been no significant changes since March 31, 2012.

## Item 9. The Offer and Listing

### A. Offer and Listing Details

#### *Price Range of Shares*

The principal non-United States market on which the shares of Common Stock of Kyocera Corporation are traded is the Tokyo Stock Exchange, the largest stock exchange in Japan. The American Depositary Shares of Kyocera Corporation, each representing one share of Common Stock of Kyocera Corporation, are traded on the New York Stock Exchange. Citibank, N.A. acts as the Depositary in respect of the American Depositary Shares. Common Stock of Kyocera Corporation is also listed on the Osaka Securities Exchange in Japan.

	<u>Tokyo Stock Exchange</u>		<u>New York Stock Exchange</u>	
	<u>Price per Share of Common Stock</u>		<u>Price per American Depositary Share*</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
<b>Years ended March 31,</b>				
2008 .....	¥13,390	¥7,760	\$110.01	\$73.09
2009 .....	10,940	4,330	100.78	45.41
2010 .....	9,210	6,320	99.99	64.91
2011 .....	9,740	6,440	108.99	79.08
2012 .....	9,040	6,060	111.00	78.15
<b>Most Recent 6 months</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
December 2011 .....	¥ 7,020	¥6,090	\$ 89.93	\$78.15
January 2012 .....	6,670	6,060	85.92	78.71
February 2012 .....	7,360	6,450	89.97	84.29
March 2012 .....	7,780	7,000	92.90	86.01
April 2012 .....	8,030	7,100	98.54	87.40
May 2012 .....	7,790	6,380	96.35	81.86

\* 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.

On June 22, 2012, the closing price of our shares of Common Stock on the Tokyo Stock Exchange was ¥6,790 per share.

The following table shows the information about high and low sales prices for each quarterly period in fiscal 2011 and 2012 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

		2011			
		1st	2nd	3rd	4th
Common Stock:					
Market price per share (A)	—High	¥ 9,740	¥ 8,240	¥ 8,870	¥ 8,920
	—Low	7,200	6,910	7,950	6,440
Cash dividends paid per share		60	—	60	—
American Depositary Share:					
Market price per share (B)	—High	\$105.85	\$ 98.50	\$106.93	\$108.99
	—Low	80.54	79.08	95.27	84.04
Cash dividends paid per share (C)		0.66	—	0.72	—
		2012			
		1st	2nd	3rd	4th
Common Stock:					
Market price per share (A)	—High	¥ 9,040	¥ 8,590	¥ 7,210	¥ 7,780
	—Low	8,020	6,280	6,090	6,060
Cash dividends paid per share		70	—	60	—
American Depositary Share:					
Market price per share (B)	—High	\$111.00	\$108.25	\$ 96.10	\$ 92.90
	—Low	97.01	83.00	78.15	78.71
Cash dividends paid per share (C)		0.85	—	0.76	—

(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

See Item 9.A. 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 Corporation 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 Corporation Act. 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) Wholesales 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 Corporation 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 Corporation 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 taken by the Board of Directors cannot vote in such resolution. The Corporation Act and the Articles of Incorporation of Kyocera Corporation provide that remuneration of Directors and Corporate Auditors shall be determined at a general meeting of shareholders.

Except as stated below, neither the Corporation Act nor Kyocera Corporation's Articles of Incorporation make any special provision as to a Director's or Corporate Auditor'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 Corporation 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 Kyocera Corporation's affairs, 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. (including 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 managing 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 Corporation Act of Japan 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 in 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.

## ***Distributions of Surplus***

### *General*

Under the Corporation 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". 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) 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 Corporation 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 Corporation 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 Corporation 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 Corporate Auditors 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 shareholders' meeting, 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 Corporation 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 Corporation Act and Kyocera Corporation's Articles of Incorporation, however, the quorum for the election of Directors and Corporate Auditors 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 Corporation 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 Corporate Auditor;
- (vi) exemption from a portion of liability of Kyocera Corporation's Directors, Corporate Auditors 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 Corporation Act);
- (x) transfer of the whole or a substantial part of Kyocera Corporation's business;
- (xi) taking over of the whole of the business of another company requiring shareholders' approval;
- (xii) dissolution, merger or consolidation requiring shareholders' approval;
- (xiii) corporate split requiring shareholders' approval; and
- (xiv) 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 Corporation 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 convene 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".

#### *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."

The Corporation 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 shareholders' meeting.

#### *"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 in 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 Corporation 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 issuable to such person upon conversion of convertible securities or 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.) Copies of such report must also be furnished to Kyocera Corporation and to all Japanese stock exchanges on which the shares of Kyocera Corporation are listed.

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 Corporation 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 limit for a stock on the Tokyo Stock Exchange with a closing price of between ¥7,000 and ¥10,000 per share, as well as the daily price limit if our per share price were to rise to between ¥10,000 and ¥15,000, or fall to between ¥5,000 and ¥7,000. Other daily price limits would apply if our per share price moved to other ranges.

**Selected Daily Price Limits**

<u>Previous Day’s Closing Price or Special Quote</u>				<u>Maximum Daily Price Movement</u>
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% (but not more than 50%) 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, Spain and Sweden. Japan’s income tax treaties with Australia, France, the Netherlands, 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 (i) 7% for dividends due and payable on or before December 31, 2013 and (ii) 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) will be added to the withholding tax rates from and including January 1, 2012 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 our voting 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 in part upon the representations of the depositary and 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.

### ***Taxation of Dividends***

Subject to the PFIC rules discussed below, under the United States federal income tax laws, if the investor is a U.S. holder, the gross amount of any dividend paid by Kyocera Corporation out of its current or accumulated earnings and profits, as determined for United States federal income tax purposes, is subject to United States federal income taxation. If the investor is a non-corporate U.S. holder, dividends paid in taxable years beginning before January 1, 2013 that constitute qualified dividend income will be taxable at a maximum rate of 15% provided that the shares or ADSs are held for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends paid with respect to shares or ADSs generally will be qualified dividend income. The investor must include any Japanese tax withheld from the dividend payment in this gross amount even though it does not in fact receive it.

The dividend is taxable to the investor when the investor, in the case of shares, or the depositary, in the case of ADSs, receives the dividend, actually or constructively. The dividend 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.

The amount of the dividend distribution that the investor must include in its 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 the investor's income, regardless of whether the payment is in fact converted into the U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the investor includes the dividend payment in income to the date it converts the payment into the U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of the investor's basis in the shares or ADSs and thereafter as capital gain.

Subject to certain limitations, the Japanese tax withheld in accordance with the Treaty and paid over to Japan will be creditable against the investor's United States federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate. To the extent a refund of the tax withheld is available to the investor under Japanese law or under the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against the investor's United States federal income tax liability.

Dividends will, depending on the investor's circumstances, generally be either "passive" or "general" income for purposes of computing the foreign tax credit allowable to the investor.

Distributions of additional shares to the investor with respect to shares or ADSs that are made as part of a pro rata distribution to all shareholders of Kyocera Corporation generally will not be subject to United States federal income tax.

### ***Taxation of Capital Gains***

Subject to the PFIC rules discussed below, if the investor is a U.S. holder and the investor sells or otherwise disposes of its shares or ADSs, the investor will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that the investor realizes and its tax basis, determined in U.S. dollars, in its shares or ADSs. Capital gain of a non-corporate U.S. holder is generally taxed at preferential rates where the holder has a holding period greater than one year. Additionally, gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

### ***PFIC Rules***

Kyocera Corporation believes that its shares and ADSs should not be treated as stock of a PFIC for United States federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change.

In general, if the investor is a U.S. holder, Kyocera Corporation will be a PFIC with respect to the investor if for any taxable year in which the investor held our ADSs or shares:

- 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.

If Kyocera Corporation is treated as a PFIC, and the investor is a U.S. holder that did not make a mark-to-market election, as described below, the investor will be subject to special rules with respect to:

- any gain the investor realizes on the sale or other disposition of your shares or ADSs and
- any excess distribution that we make to the investor (generally, any distributions to the investor during a single taxable year that are greater than 125% of the average annual distributions received by the investor in respect of the shares or ADSs during the three preceding taxable years or, if shorter, the investor's holding period for the shares or ADSs).

Under these rules:

- the gain or excess distribution will be allocated ratably over the investor's holding period for the shares or ADSs,
- the amount allocated to the taxable year in which the investor realized the gain or excess distribution will be taxed as ordinary income,
- the amount allocated to each prior year, with certain exceptions, will be taxed at the highest tax rate in effect for that year, and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

If the investor owns shares or ADSs in a PFIC that are treated as marketable stock, the investor may make a mark-to-market election. Kyocera Corporation's shares and ADSs will be treated as marketable stock for a calendar year if they are regularly traded (within the meaning of applicable Treasury regulations) on a qualified exchange (which includes the New York Stock Exchange) during such calendar year. If the investor makes this election, the investor will not be subject to the PFIC rules described above. Instead, in general, the investor will include as ordinary income each year the excess, if any, of the fair market value of its shares or ADSs at the end of the taxable year over its adjusted basis in its 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. The investor will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of its

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). The investor's basis in the shares or ADSs will be adjusted to reflect any such income or loss amounts.

In addition, notwithstanding any election the investor makes with regard to the shares or ADSs, dividends that it receives from Kyocera Corporation will not constitute qualified dividend income to the investor if Kyocera Corporation is a PFIC either in the taxable year of the distribution or the preceding taxable year. Moreover, the investor's shares or ADSs will be treated as stock in a PFIC if Kyocera Corporation was a PFIC which was not a qualified electing fund with respect to the investor at any time during its holding period in its shares or ADSs, even if Kyocera Corporation is not currently a PFIC. For purposes of this rule, if the investor makes a mark-to-market election with respect to its shares or ADSs, the investor will be treated as having a new holding period in its shares or ADSs beginning on the first day of the first taxable year beginning after the last taxable year for which the mark-to-market election applies. Dividends that the investor receives that do not constitute qualified dividend income are not eligible for taxation at the 15% maximum rate applicable to qualified dividend income. Instead, the investor must include the gross amount of any such dividend paid by Kyocera Corporation out of our accumulated earnings and profits (as determined for United States federal income tax purposes) in its gross income, and it will be subject to tax at rates applicable to ordinary income.

If the investor owns shares or ADSs during any year that Kyocera Corporation is a PFIC with respect to the investor, it must file Internal Revenue Service Form 8621.

#### **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 at [www.sec.gov](http://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 currently in effect will generally mature within four months. The following tables provide information about Kyocera's major foreign currency forward contracts existing at March 31, 2012, 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.

Forward exchange contracts to sell foreign currencies	(Pay/Receive) (Except average contractual rates)		
	Euro/Yen	US\$/Yen	Euro/US\$
	(Yen in millions)		
Contract amounts	¥54,528	¥48,609	¥ 4,326
Fair value	(2,036)	(1,940)	(78)
Weighted average contractual rates	0.009	0.013	0.765
Forward exchange contracts to purchase foreign currencies	(Receive/Pay) (Except average contractual rates)		
	Yen/US\$	US\$/Yen	CZK/US\$
	(Yen in millions)		
Contract amounts	¥ 6,111	¥ 4,950	¥ 1,900
Fair value	(208)	(56)	52
Weighted average contractual rates	80.067	0.012	19.055

Note: "CZK" means the lawful currency of the Czech Republic.

### Interest Rate Risk

Kyocera may enter into interest rate swaps and other contracts to reduce market risk exposure to changes in interest rates. 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)	Average pay rate	Expected maturity date						Total	Fair value	
		2013	2014	2015	2016	2017	Thereafter			
(Yen in millions)										
Loans from banks and others	4.89%	¥10,610	7,884	6,889	3,442	1,601	1,381	¥31,807	¥32,028	
Interest rate swaps										
Notional principal amounts (Variable to Fixed)	Average receive rate	Average pay rate	Expected maturity date						Total	Fair value
			2013	2014	2015	2016	2017	Thereafter		
(Yen in millions)										
¥963	1.32%	4.04%	¥602	53	55	62	62	129	¥963	¥(28)

## 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 ¥68,202 million, included ¥57,919 million derived from unrealized gain of KDDI Corporation held by Kyocera. Detailed information appears in Note 3 to the 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. Other-than-temporary loss on debt and equity securities with readily determinable fair values for the years ended March 31, 2011 and 2012 amounted to ¥338 million and ¥1,258 million, respectively. At March 31, 2012, Kyocera held the following available-for-sale marketable equity and debt securities.

	March 31, 2012	
	Cost	Fair Value
	(Yen in millions)	
Due within 1 year	¥ 3,275	¥ 3,027
Due after 1 year to 5 years	9,247	8,409
Due after 5 years	1,714	1,708
Equity securities	269,760	337,544
	<u>¥283,996</u>	<u>¥350,688</u>

## 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.

Service	Rate	By Whom Paid
(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, 2012. 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 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, 2012. Kyocera's independent registered public accounting firm, Kyoto Audit Corporation, has audited the effectiveness of Kyocera's internal control over financial reporting as of March 31, 2012, as stated in their report which appears on page F-1 of this annual report on Form 20-F.

Kyocera's management has excluded Kyocera Unimerco A/S and its subsidiaries (KUA), which Kyocera acquired on July 11, 2011, and Optrex Corporation (currently Kyocera Display Corporation) and its subsidiaries (Optrex), which Kyocera acquired on February 1, 2012, from its assessment of internal control over financial reporting as of March 31, 2012. Total assets of KUA and Optrex as of March 31, 2012 and their total revenues for the period from the acquisition date through March 31, 2012 represent approximately 4% and 2%, respectively, of the related consolidated financial statement amounts of Kyocera as of and for the year ended March 31, 2012.

#### **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 the year ended March 31, 2012. Based on that evaluation, there was no change in Kyocera's internal control over financial reporting that occurred during the year ended March 31, 2012 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 Corporate Auditors of Kyocera has determined that Kyocera does not have an “audit committee financial expert” as defined in Item 16A of Form 20-F serving on the Board of Corporate Auditors. Kyocera believes that the combined knowledge, skills and experience of the Board of Corporate Auditors enables them, as a group, to act effectively in the fulfillment of their tasks and responsibilities, including those under the Sarbanes-Oxley Act of 2002. In addition, the Corporate Auditors have the power and authority to engage outside experts, including those who have the attributes described in Item 16A(b) of Form 20-F, as they deem appropriate to provide them with advice on matters related to their tasks and responsibilities.

**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**

Kyoto Audit Corporation served as our independent registered public accounting firm for fiscal 2011 and fiscal 2012 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 Kyoto Audit Corporation, a cooperating firm of PricewaterhouseCoopers, and member firms of PricewaterhouseCoopers to Kyocera in fiscal 2011 and fiscal 2012.

	<b>Years ended March 31,</b>	
	<b>2011</b>	<b>2012</b>
	<b>(Yen in millions)</b>	
Audit Fees <sup>(1)</sup> . . . . .	¥1,317	¥1,316
Audit-related Fees <sup>(2)</sup> . . . . .	14	9
Tax Fees <sup>(3)</sup> . . . . .	241	205
All Other Fees <sup>(4)</sup> . . . . .	8	9
Total . . . . .	<u>¥1,580</u>	<u>¥1,539</u>

- (1) Amounts represent fees for the annual audit of Kyocera for fiscal 2011 and fiscal 2012, reviews of Kyocera’s financial statements for interim periods, other regulatory filings in fiscal 2011 and fiscal 2012 and the statutory audit of internal control over financial reporting for fiscal 2011 and fiscal 2012.
- (2) Amounts in fiscal 2011 primarily represent fees for an advisory service in connection with its adoption of International Financial Reporting Standards, and amounts in fiscal 2012 primarily represent fees for translation support to statutory financial reporting and for an advisory service in connection with its adoption of International Financial Reporting Standards.
- (3) Amounts represent fees for tax services which are mainly international tax compliance performed by the tax department of the independent registered public accounting firm other than financial audit in fiscal 2011 and fiscal 2012.
- (4) All other fees primarily included fees for advisory assurance service of the preparation of Kyocera’s sustainability report in fiscal 2011 and 2012.

## **Policies and Procedures of the Board of Corporate Auditors**

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 Board of Corporate Auditors has adopted a pre-approval policy regarding non-audit work performed by Kyoto Audit Corporation and by 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 Board of Corporate Auditors 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 Board of Corporate Auditors includes these services in a "General Pre-Approved List." In addition, our Board of Corporate Auditors 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 Board of Corporate Auditors for such services. After reviewing the details and estimated fee levels for each engagement, Kyocera's Board of Corporate Auditors 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 Board of Corporate Auditors for new fee levels for such services. Kyocera's Board of Corporate Auditors 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 Kyoto Audit Corporation, a cooperating firms of PricewaterhouseCoopers, or by member firm of PricewaterhouseCoopers network since Rule 2-01(c)(7) of Regulation S-X became effective were approved by Kyocera's Board of Corporate Auditors 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 apply to us through Section 303A.06 of the New York Stock Exchange's Listed Company Manual, we rely on an exemption provided by paragraph (c)(3) of that Rule available to foreign private issuers with boards of corporate auditors meeting certain requirements. For a New York Stock Exchange-listed Japanese company with a board of corporate auditors, the requirements for relying on paragraph (c)(3) of Rule 10A-3 are as follows:

- (a) The board of corporate auditors 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 corporate auditors.
- (b) Japanese law must and does require the board of corporate auditors to be separate from the board of directors.
- (c) None of the members of the board of corporate auditors is elected by management, and none of the listed company's executive officers is a member of the board of corporate auditors.
- (d) Japanese law must and does set forth standards for the independence of all members of the board of corporate auditors from the listed company or its management. Also, under Japanese law, at least half of a company's corporate auditors must be "outside" corporate auditors, to whom additional independence requirements apply.

- (e) The board of corporate auditors, 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 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 board of corporate auditors 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 board of corporate auditors 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 board of corporate auditors, 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 board of corporate auditors, and (iii) ordinary administrative expenses of the board of corporate auditors that are necessary or appropriate in carrying out its duties.

In our assessment, our Board of Corporate Auditors, 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 April 30, 2011 . . . . .	185	8,387.56	—	—
May 1 to May 31, 2011 . . . . .	66,361	7,797.74	—	—
June 1 to June 30, 2011 . . . . .	294	8,320.95	—	—
July 1 to July 31, 2011 . . . . .	339	8,268.43	—	—
August 1 to August 31, 2011 . . . . .	299	7,673.17	—	—
September 1 to September 30, 2011 . . . . .	438	6,644.15	—	—
October 1 to October 31, 2011 . . . . .	124	6,551.77	—	—
November 1 to November 30, 2011 . . . . .	95	6,865.78	—	—
December 1 to December 31, 2011 . . . . .	328	6,441.21	—	—
January 1 to January 31, 2012 . . . . .	567	6,242.66	—	—
February 1 to February 29, 2012 . . . . .	282	6,796.38	—	—
March 1 to March 31, 2012 . . . . .	211	7,382.60	—	—
Total . . . . .	69,523	7,768.11	—	—

Note: Under the Corporation Act, a holder of shares constituting less than one full unit may request Kyocera to purchase such shares at their market value. (See Memorandum and Articles of Association—Capital stock—“Unit share system,” in “Item 10. Additional Information.”) 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 (NYSE) 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 Kyocera Corporation, 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. An 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 a board of corporate auditors (the “board of corporate auditors system”), the Corporation Act of Japan (the Corporation Act) has no independence requirement with respect to directors. The task of overseeing management and independent auditors is assigned to the corporate auditors, who are separate from Kyocera Corporation’s management. All corporate auditors must meet certain independence requirements under the Corporation Act.</p> <p>For large Japanese companies with a board of corporate auditors, including Kyocera Corporation, at least half of the members of such board must be “outside” corporate auditors. Such “outside” corporate auditors must meet additional independence requirements under the Corporation Act. An “outside” corporate auditor means a corporate auditor who has not served as a director, manager or other employee of Kyocera Corporation or any of its subsidiaries previously.</p> <p>As of June 27, 2012, Kyocera Corporation had six corporate auditors, of whom three were “outside” corporate auditors.</p> <p>In addition to the independence requirements under the Corporation Act described above, the rules of the Japanese stock exchanges require that, with effect from the day following the date of the annual shareholders meeting for the year ended on March 31, 2010, at least one of Kyocera Corporation’s outside directors or outside corporate auditors must meet certain additional independence criteria.</p>

**Corporate Governance Practices  
Followed by NYSE-listed U.S. Companies**

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

**Corporate Governance Practices  
Followed by Kyocera Corporation**

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Kyocera Corporation employs the board of corporate auditors system as described above. Under this system, the board of corporate auditors is a legally separate and independent body from the board of directors. The main function of the board of corporate auditors 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 board of corporate auditors system are required to have at least three corporate auditors. As of June 27, 2012, Kyocera Corporation had six corporate auditors. Each corporate auditor 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 boards of corporate auditors 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 corporate auditors are also elected at a general meeting of shareholders. A proposal by Kyocera Corporation's board of directors to elect a corporate auditor must be approved by a resolution of its board of corporate auditors. The board of corporate auditors is empowered to adopt a resolution requesting that Kyocera Corporation's directors submit a proposal for election of a corporate auditor to a general meeting of shareholders. The corporate auditors have the right to state their opinions concerning election of a corporate auditor at the general meeting of shareholders.

**Corporate Governance Practices  
Followed by NYSE-listed U.S. Companies**

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4. An NYSE-listed U.S. company must have a compensation committee composed entirely of independent directors.

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

**Corporate Governance Practices  
Followed by Kyocera Corporation**

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The total amount of compensation for Kyocera Corporation directors and the total amount of compensation for Kyocera Corporation corporate auditors 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 board of corporate auditors allocates the respective total amount among its respective members.

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 Corporation Act. Kyocera Corporation obtains approval at a general meeting of shareholders with respect to its issuance of stock acquisition rights for stock option purposes.

**Item 16H. Mine Safety Disclosure**

Not applicable.

### 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, 2011 and 2012 . . . . .	F-2 & F-3
(3) Consolidated Statements of Income for the years ended March 31, 2010, 2011 and 2012 . . . . .	F-4
(4) Consolidated Statements of Equity for the years ended March 31, 2010, 2011 and 2012 . . . . .	F-5 & F-6
(5) Consolidated Statements of Cash Flows for the years ended March 31, 2010, 2011 and 2012 . . . . .	F-7
(6) Notes to the Consolidated Financial Statements . . . . .	F-8 to F-63

#### Item 19. Exhibits

Exhibit Number	Description
1.1	Articles of Incorporation (English translation)
1.2	Share Handling Regulations of the Registrant (incorporated by reference to the Registrant's annual report on Form 20-F filed on June 29, 2011)
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)
1.4	Regulations of the Board of Corporate Auditors of the Registrant (incorporated by reference to the Registrant's annual report on Form 20-F filed on June 30, 2010)
2.1	Amended and Restated Deposit Agreement, dated as of June 29, 1998 among Kyocera Corporation, Citibank N.A. as Depository and all owners and holders from time to time of American Depositary Receipts, as amended by Amendment No. 1 thereto, dated as of January 5, 1999 (incorporated by reference to the Registrant's annual report on Form 20-F filed on September 24, 2001), as further amended by Amendment No. 2 thereto, dated as of December 21, 2007, including the form of American Depositary Receipt (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))
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)
12.1	Certification of the principal executive officer of the Registrant required by Rule 13a-14(a)
12.2	Certification of the principal financial officer of the Registrant required by Rule 13a-14(a)

<b>Exhibit Number</b>	<b>Description</b>
13.1	Certification of the principal executive officer of the Registrant required by Rule 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 Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code
15.1	Consent of Kyoto Audit Corporation with respect to its report on the audit of the financial statements included in the Registrant's annual report on Form 20-F
101	Instance Document
101	Schema Document
101	Calculation Linkbase Document
101	Labels Linkbase Document
101	Presentation Linkbase Document
101	Definition Linkbase Document

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.

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of  
Kyocera Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, equity and cash flows present fairly, in all material respects, the financial position of Kyocera Corporation and its subsidiaries (the “Company”) at March 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2012 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, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for these 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 these financial statements and on the Company’s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. 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.

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.

As described in Management’s Report on Internal Control over Financial Reporting appearing under Item 15, Kyocera’s management has excluded Kyocera Unimerco A/S and its subsidiaries (“KUA”) which Kyocera acquired on July 11, 2011, and Optrex Corporation (currently Kyocera Display Corporation) and its subsidiaries (“Optrex”), which Kyocera acquired on February 1, 2012, from its assessment of internal control over financial reporting as of March 31, 2012. We have also excluded KUA and Optrex from our audit of internal control over financial reporting. Total assets of KUA and Optrex as of March 31, 2012 and their total revenues for the period from the acquisition date through March 31, 2012 represent approximately 4% and 2%, respectively, of the related consolidated financial statement amounts of the Company as of and for the year ended March 31, 2012.

/s/ Kyoto Audit Corporation

Kyoto, Japan  
June 28, 2012

**Consolidated Balance Sheets**  
**Kyocera Corporation and Consolidated Subsidiaries**  
**March 31, 2011 and 2012**

ASSETS	2011	2012
	(Yen in millions and shares in thousands)	
Current assets:		
Cash and cash equivalents . . . . .	¥ 273,471	¥ 273,288
Short-term investments in debt and equity securities (Notes 3 and 4) . . . . .	44,012	47,175
Other short-term investments (Note 3) . . . . .	201,817	158,765
Trade receivables		
Notes (Note 7) . . . . .	19,536	19,349
Accounts (Notes 7 and 10) . . . . .	208,404	225,578
Less allowances for doubtful accounts and sales returns (Note 6) . . . . .	(4,795)	(4,583)
	223,145	240,344
Inventories (Note 5) . . . . .	232,899	270,336
Advance payments . . . . .	72,207	68,685
Deferred income taxes (Note 16) . . . . .	43,035	45,049
Other current assets (Notes 4, 6, 8, 10 and 13) . . . . .	38,915	40,961
Total current assets . . . . .	1,129,501	1,144,603
Investments and advances:		
Investments in and advances to affiliates and unconsolidated subsidiaries (Notes 6 and 7) . . . . .	1,219	1,597
Long-term investments in debt and equity securities (Notes 3 and 4) . . . . .	377,075	372,779
Other long-term investments (Notes 3, 4 and 6) . . . . .	15,585	17,501
Total investments and advances . . . . .	393,879	391,877
Property, plant and equipment (Notes 4 and 10):		
Land . . . . .	59,638	60,600
Buildings . . . . .	288,992	301,911
Machinery and equipment . . . . .	706,474	719,146
Construction in progress . . . . .	7,227	17,035
Less accumulated depreciation . . . . .	(814,577)	(838,155)
Total property, plant and equipment . . . . .	247,754	260,537
Goodwill (Notes 2 and 9) . . . . .	64,701	89,039
Intangible assets (Notes 2, 9 and 10) . . . . .	42,160	49,653
Other assets (Notes 6, 8, 10 and 16) . . . . .	68,571	58,394
Total assets . . . . .	¥1,946,566	¥1,994,103

The accompanying notes are an integral part of these statements.

**Consolidated Balance Sheets—(Continued)**  
**Kyocera Corporation and Consolidated Subsidiaries**  
**March 31, 2011 and 2012**

LIABILITIES AND EQUITY	2011	2012
	(Yen in millions and shares in thousands)	
Current liabilities:		
Short-term borrowings (Note 10) . . . . .	¥ 7,852	¥ 4,062
Current portion of long-term debt (Notes 4 and 10) . . . . .	10,687	10,610
Trade notes and accounts payable . . . . .	101,265	102,699
Other notes and accounts payable . . . . .	61,226	60,993
Accrued payroll and bonus . . . . .	49,092	49,880
Accrued income taxes . . . . .	18,069	13,496
Other accrued liabilities (Note 14) . . . . .	24,337	29,940
Other current liabilities (Notes 4, 13 and 16) . . . . .	28,087	29,368
Total current liabilities . . . . .	300,615	301,048
Non-current liabilities:		
Long-term debt (Notes 4 and 10) . . . . .	24,538	21,197
Accrued pension and severance liabilities (Note 11) . . . . .	28,924	32,441
Deferred income taxes (Note 16) . . . . .	90,005	90,179
Other non-current liabilities (Note 16) . . . . .	19,125	14,997
Total non-current liabilities . . . . .	162,592	158,814
Total liabilities . . . . .	463,207	459,862
Commitments and contingencies (Note 14)		
Kyocera Corporation shareholders' equity (Note 15):		
Common stock:		
Authorized 600,000 shares		
Issued 191,309 shares . . . . .	115,703	115,703
Additional paid-in capital . . . . .	162,336	162,617
Retained earnings . . . . .	1,268,548	1,324,052
Accumulated other comprehensive income . . . . .	(75,633)	(81,639)
Common stock in treasury, at cost:		
7,796 shares at March 31, 2011 and		
7,865 shares at March 31, 2012 . . . . .	(50,691)	(51,228)
Total Kyocera Corporation shareholders' equity . . . . .	1,420,263	1,469,505
Noncontrolling interests . . . . .	63,096	64,736
Total equity . . . . .	1,483,359	1,534,241
Total liabilities and equity . . . . .	¥1,946,566	¥1,994,103

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, 2012**

	<u>2010</u>	<u>2011</u>	<u>2012</u>
	(Yen in millions and shares in thousands, except per share amounts)		
Net sales (Notes 7 and 13) . . . . .	¥1,073,805	¥1,266,924	¥1,190,870
Cost of sales (Note 13) . . . . .	<u>787,970</u>	<u>888,869</u>	<u>870,143</u>
Gross profit . . . . .	285,835	378,055	320,727
Selling, general and administrative expenses (Notes 2, 4, 7, 14 and 17) . . . . .	<u>221,975</u>	<u>222,131</u>	<u>223,052</u>
Profit from operations . . . . .	63,860	155,924	97,675
Other income (expenses):			
Interest and dividend income . . . . .	13,202	12,963	13,966
Interest expense (Note 13) . . . . .	(2,926)	(2,259)	(2,042)
Foreign currency transaction gains, net (Note 13) . . . . .	2,830	3,824	4,533
Equity in losses of affiliates and unconsolidated subsidiaries (Notes 4, 7 and 13) . . . . .	(18,297)	(160)	(36)
Other, net (Notes 3 and 4) . . . . .	<u>2,129</u>	<u>2,040</u>	<u>797</u>
	<u>(3,062)</u>	<u>16,408</u>	<u>17,218</u>
Income before income taxes . . . . .	60,798	172,332	114,893
Income taxes (Note 16):			
Current . . . . .	24,445	35,744	34,199
Deferred . . . . .	<u>(9,080)</u>	<u>6,470</u>	<u>(4,064)</u>
	<u>15,365</u>	<u>42,214</u>	<u>30,135</u>
Net income . . . . .	45,433	130,118	84,758
Net income attributable to noncontrolling interests . . . . .	<u>(5,338)</u>	<u>(7,670)</u>	<u>(5,401)</u>
Net income attributable to shareholders of Kyocera Corporation . . . . .	<u>¥ 40,095</u>	<u>¥ 122,448</u>	<u>¥ 79,357</u>
Earnings per share (Note 19):			
Net income attributable to shareholders of Kyocera Corporation:			
Basic . . . . .	¥ 218.47	¥ 667.23	¥ 432.58
Diluted . . . . .	218.47	667.23	432.58
Cash dividends declared per share:			
Per share of common stock . . . . .	120.00	130.00	120.00
Average number of shares of common stock outstanding:			
Basic . . . . .	183,525	183,517	183,451
Diluted . . . . .	183,525	183,517	183,451

The accompanying notes are an integral part of these statements.

**Consolidated Statements of Equity**  
**Kyocera Corporation and Consolidated Subsidiaries**  
**For the three years ended March 31, 2012**

(Number of shares outstanding)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Kyocera Corporation Shareholders' Equity	Noncontrolling Interests	Equity
			(Note 15)	(Note 15)				
			(Yen in millions and shares in thousands)					
Balance, March 31, 2009 (183,528) . . .	¥115,703	¥163,151	¥1,150,050	¥(54,673)	¥(50,568)	¥1,323,663	¥59,425	¥1,383,088
Comprehensive income:								
Net income . . . . .			40,095			40,095	5,338	45,433
Change in net unrealized gains on securities—net of taxes (Note 3) . . . . .				11,847		11,847	112	11,959
Change in net unrealized gains on derivative financial instruments—net of taxes (Note 13) . . . . .				63		63	11	74
Change in pension adjustments—net of taxes (Note 11) . . . . .				1,003		1,003	(97)	906
Change in foreign currency translation adjustments—net of taxes . . . . .				(9,287)		(9,287)	(1,954)	(11,241)
Total comprehensive income . . . . .						<u>43,721</u>	<u>3,410</u>	<u>47,131</u>
Cash dividends paid to Kyocera Corporation's shareholders . . . . .			(22,023)			(22,023)		(22,023)
Cash dividends paid to noncontrolling interests . . . . .							(1,639)	(1,639)
Purchase of treasury stock (8) . . . . .					(59)	(59)		(59)
Reissuance of treasury stock (1) . . . . .		1			3	4		4
Stock option plan of subsidiaries . . . . .		132				132	54	186
Other . . . . .		(240)		37		(203)	777	574
Balance, March 31, 2010 (183,521) . . .	<u>115,703</u>	<u>163,044</u>	<u>1,168,122</u>	<u>(51,010)</u>	<u>(50,624)</u>	<u>1,345,235</u>	<u>62,027</u>	<u>1,407,262</u>
Comprehensive income:								
Net income . . . . .			122,448			122,448	7,670	130,118
Change in net unrealized gains on securities—net of taxes (Note 3) . . . . .				8,767		8,767	96	8,863
Change in net unrealized gains on derivative financial instruments—net of taxes (Note 13) . . . . .				52		52	11	63
Change in pension adjustments—net of taxes (Note 11) . . . . .				(4,530)		(4,530)	(89)	(4,619)
Change in foreign currency translation adjustments—net of taxes . . . . .				(28,861)		(28,861)	(5,062)	(33,923)
Total comprehensive income . . . . .						<u>97,876</u>	<u>2,626</u>	<u>100,502</u>
Cash dividends paid to Kyocera Corporation's shareholders . . . . .			(22,022)			(22,022)		(22,022)
Cash dividends paid to noncontrolling interests . . . . .							(1,875)	(1,875)
Purchase of treasury stock (8) . . . . .					(69)	(69)		(69)
Reissuance of treasury stock (0) . . . . .		0			2	2		2
Stock option plan of subsidiaries . . . . .		151				151	60	211
Other . . . . .		(859)		(51)		(910)	258	(652)

**Consolidated Statements of Equity—(Continued)**  
**Kyocera Corporation and Consolidated Subsidiaries**  
**For the three years ended March 31, 2012**

(Number of shares outstanding)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Kyocera Corporation Shareholders' Equity	Noncontrolling Interests	Equity
			(Note 15)	(Note 15)				
			(Yen in millions and shares in thousands)					
Balance, March 31, 2011 (183,513) . . .	115,703	162,336	1,268,548	(75,633)	(50,691)	1,420,263	63,096	1,483,359
Comprehensive income:								
Net income . . . . .			79,357			79,357	5,401	84,758
Change in net unrealized gains on securities—net of taxes (Note 3) . . . . .				8,502		8,502	18	8,520
Change in net unrealized losses on derivative financial instruments—net of taxes (Note 13) . . . . .				(41)		(41)	(17)	(58)
Change in pension adjustments— net of taxes (Note 11) . . . . .				(8,750)		(8,750)	(191)	(8,941)
Change in foreign currency translation adjustments—net of taxes . . . . .				(5,538)		(5,538)	(891)	(6,429)
Total comprehensive income . . . . .						<u>73,530</u>	<u>4,320</u>	<u>77,850</u>
Cash dividends paid to Kyocera Corporation's shareholders . . . . .			(23,853)			(23,853)		(23,853)
Cash dividends paid to noncontrolling interests . . . . .							(2,124)	(2,124)
Purchase of treasury stock (69) . . . . .					(540)	(540)		(540)
Reissuance of treasury stock (0) . . . . .		0			3	3		3
Stock option plan of subsidiaries . . . . .		103				103	41	144
Other . . . . .		178		(179)		(1)	(597)	(598)
Balance, March 31, 2012 (183,444) . . .	<u>¥115,703</u>	<u>¥162,617</u>	<u>¥1,324,052</u>	<u>¥(81,639)</u>	<u>¥(51,228)</u>	<u>¥1,469,505</u>	<u>¥64,736</u>	<u>¥1,534,241</u>

The accompanying notes are an integral part of these statements.

**Consolidated Statements of Cash Flows**  
**Kyocera Corporation and Consolidated Subsidiaries**  
**For the three years ended March 31, 2012**

	<u>2010</u>	<u>2011</u>	<u>2012</u>
	(Yen in millions)		
Cash flows from operating activities:			
Net income	¥ 45,433	¥ 130,118	¥ 84,758
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	72,829	71,544	73,120
Provision for doubtful accounts and loss on bad debts (Note 7)	9,389	2,039	370
Write-down of inventories	9,207	5,291	11,486
Deferred income taxes (Note 16)	(9,080)	6,470	(4,064)
Equity in losses of affiliates and unconsolidated subsidiaries (Notes 4, 7 and 13)	18,297	160	36
Foreign currency adjustments	1,100	506	(759)
Change in assets and liabilities:			
Increase in receivables	(38,823)	(38,043)	(3,803)
(Increase) decrease in inventories	10,416	(69,368)	(39,762)
(Increase) decrease in advance payment	(22,734)	(20,008)	3,507
Increase in other current assets	(174)	(616)	(1,094)
Increase (decrease) in notes and accounts payable	40,400	29,422	(10,092)
Increase (decrease) in accrued income taxes	6,152	2,039	(6,680)
Increase in other current liabilities	4,420	3,033	4,411
Decrease in other non-current liabilities	(5,724)	(2,871)	(5,287)
Other, net	(3,525)	(29)	2,918
Net cash provided by operating activities	<u>137,583</u>	<u>119,687</u>	<u>109,065</u>
Cash flows from investing activities:			
Payments for purchases of available-for-sale securities	(27,613)	(11,837)	(18,970)
Payments for purchases of held-to-maturity securities	(59,841)	(67,174)	(74,369)
Payments for purchases of other securities	(4,207)	(5,173)	(149)
Proceeds from sales and maturities of available-for-sale securities	21,483	9,568	29,346
Proceeds from maturities of held-to-maturity securities	38,649	42,534	74,083
Acquisitions of businesses, net of cash acquired (Notes 2 and 20)	(4,715)	(1,581)	(35,454)
Payments for purchases of property, plant and equipment	(36,491)	(65,844)	(67,765)
Payments for purchases of intangible assets	(3,876)	(6,568)	(6,744)
Proceeds from sales of property, plant and equipment, and intangible assets	3,065	491	939
Acquisition of time deposits and certificate of deposits	(356,472)	(303,482)	(258,032)
Withdrawal of time deposits and certificate of deposits	377,958	287,376	299,531
Other, net	2,742	326	1,533
Net cash used in investing activities	<u>(49,318)</u>	<u>(121,364)</u>	<u>(56,051)</u>
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net (Note 2)	(6,510)	4,044	(13,615)
Proceeds from issuance of long-term debt	14,707	10,708	10,141
Payments of long-term debt (Note 2)	(20,236)	(15,707)	(19,166)
Dividends paid	(23,537)	(23,654)	(25,874)
Purchase of treasury stock	(59)	(69)	(540)
Reissuance of treasury stock	4	2	3
Other, net	(2,416)	(2,144)	(1,718)
Net cash used in financing activities	<u>(38,047)</u>	<u>(26,820)</u>	<u>(50,769)</u>
Effect of exchange rate changes on cash and cash equivalents	(6,339)	(11,158)	(2,428)
Net increase (decrease) in cash and cash equivalents	43,879	(39,655)	(183)
Cash and cash equivalents at beginning of year	269,247	313,126	273,471
Cash and cash equivalents at end of year	<u>¥ 313,126</u>	<u>¥ 273,471</u>	<u>¥ 273,288</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 conformity with accounting principles generally accepted in the United States of America.

**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 industrial components and telecommunications and information equipment. Kyocera's operations consist of the following seven reporting segments: 1) Fine Ceramic Parts Group, 2) Semiconductor Parts Group, 3) Applied Ceramic Products Group, 4) Electronic Device Group, 5) Telecommunications Equipment Group, 6) Information Equipment Group and 7) Others.

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 solar power generating systems in the Applied Ceramic Products Group and information equipment in the Information Equipment 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 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 Information Equipment 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 Device Group as noted below.

*Sales Incentives*

In the Electronic Device 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, 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. 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 approximate 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, 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, 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. 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 approximate its estimates.

*Sales Rebates*

In the case of sales to distributors in the Applied Ceramic Products Group and Information Equipment 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.

*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 Information Equipment 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. In addition, when Kyocera determines it is unable to collect receivables, Kyocera directly writes-off these receivables to expenses in the period incurred.

**Inventories:**

Inventories are accounted for under ASC 330, "Inventory." Inventories are stated at the lower of cost or market. 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-down 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 quarterly 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:

Software	2 to 10 years
Patent rights	2 to 12 years
Customer relationships	3 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.

Long-lived assets 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.

**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 and interest rate swaps as cash flow hedges. 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 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 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.

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

**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 by fair value based on measurement method. Under the modified prospective method, Kyocera recognizes compensation costs which include:

- (a) compensation cost for all stock options granted prior to, but not yet vested as of April 1, 2006, and
- (b) compensation cost for all stock options granted or modified subsequent to April 1, 2006.

**Net Income Attributable to Shareholders of Kyocera Corporation:**

Earnings per share is accounted for under ASC 260, “Earnings Per Share.” Basic earnings per share attributable to shareholders of Kyocera Corporation is computed based on the average number of shares of common stock outstanding during each period, and diluted earnings per share attributable to shareholders of Kyocera Corporation 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”, are charged to operations as incurred. Advertising expenses, are accounted for under ASC 720-35, “Other Expenses—Advertising Costs”, are charged to operations as incurred.

**Use of Estimates:**

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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, 2011, Kyocera adopted the FASB’s Accounting Standards Update (ASU) No. 2009-13, “Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force” which addressed the accounting for multiple-deliverable arrangements to enable vendors to account for products or services separately rather than as a combined unit. This accounting standard addresses how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. The adoption of this accounting standard did not have a material impact on Kyocera’s consolidated results of operations, financial condition and cash flows.

On April 1, 2011, Kyocera adopted the FASB’s ASU No. 2010-28, “When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts.” This accounting standard modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. As this accounting standard does not actually change how the impairment would be calculated, the adoption of this accounting standard did not have an impact on Kyocera’s consolidated results of operations, financial condition and cash flows.

On April 1, 2011, Kyocera adopted the FASB’s ASU No. 2010-29, “Disclosure of Supplementary Pro Forma Information for Business Combinations.” The amendments in this Update require a public entity that enters into

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

business combination(s) to disclose revenue and earnings of the combined entity in the comparative financial statements as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. As this accounting standard is a provision for disclosure, the adoption of this accounting standard did not have an impact on Kyocera's consolidated results of operations, financial condition and cash flows.

On January 1, 2012, Kyocera adopted the FASB's ASU No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." This accounting standard amends current U.S. GAAP to create more commonality with IFRSs by harmonizing definitions and disclosure requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The adoption of this accounting standard did not have a material impact on Kyocera's consolidated results of operations, financial condition and cash flows.

**Recently Issued Accounting Standards:**

In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income." In presenting other comprehensive income and its components in financial statement, this accounting standard eliminates the current option which is to present the components of other comprehensive income as part of the statement of equity. This standard also requires reclassifications between other comprehensive income and net income to be disclosed on the face of financial statements.

Furthermore, in December 2011, the FASB issued ASU No. 2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05." This accounting standard supersedes certain pending paragraphs in Update No. 2011-05.

These accounting standards will be effective retrospectively for fiscal years, and interim periods within those years, beginning after December 15, 2011. As these accounting standards are a provision for presentation, the adoption of these accounting standards will not have an impact on Kyocera's consolidated results of operations, financial condition and cash flows.

In September 2011, the FASB issued ASU No. 2011-08, "Testing Goodwill for Impairment." This accounting standard permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. An entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. This accounting standard will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. As this accounting standard does not actually change how the impairment would be calculated, the adoption of this accounting standard will not have an impact on Kyocera's consolidated results of operations, financial condition and cash flows.

In December 2011, the FASB issued ASU No. 2011-10, "Derecognition of in Substance Real Estate—a Scope Clarification." This accounting standard requires the reporting entity to apply the guidance in Subtopic 360-20 to determine whether it should derecognize the in substance real estate when a parent ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary's nonrecourse debt. This accounting standard will be effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2012. The adoption of this accounting standard is not expected to 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**

In December 2011, the FASB issued ASU No. 2011-11, “Disclosures about Offsetting Assets and Liabilities.” This accounting standard requires entities to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This accounting standard will be effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. As this accounting standard is a provision for disclosure, the adoption of this accounting standard will not have an impact on Kyocera’s consolidated results of operations, financial condition and cash flows.

**Reclassifications:**

Certain reclassifications and format changes have been made to the consolidated statements of income and the consolidated statements of cash flows for the year ended March 31, 2011 and 2010 to conform to the current presentation.

**2. BUSINESS COMBINATION**

**Business combinations in the year ended March 31, 2012**

On July 11, 2011, Kyocera Fineceramics GmbH, a consolidated German subsidiary of Kyocera Corporation, acquired 100% of the outstanding common stock of Unimerco Group A/S, a Denmark-based industrial cutting tool manufacturing and sales company and made it a consolidated subsidiary with the aim of strengthening its cutting tool business. Unimerco Group A/S has changed its name to Kyocera Unimerco A/S on July 21, 2011.

By making Kyocera Unimerco A/S a consolidated subsidiary, Kyocera has added Kyocera Unimerco A/S’s high-quality, high-precision, custom-made solid-type cutting tools for automobile engine processing as well as aviation and wind-power generation markets to its lineup while also expanding its sales network, mainly in Europe. Going forward, Kyocera will strive to further expand its cutting tool business through the pursuit of synergies with Kyocera Unimerco A/S.

The results of operations of the acquired business was included into Kyocera’s consolidated financial statements since the acquisition date. For segment reporting, it is reported in the Applied Ceramic Products Group.

Kyocera has used the acquisition method of accounting to record assets acquired and liabilities assumed in accordance with ASC 805, “Business Combinations.”

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

The allocation of fair value to the acquired assets and assumed liabilities in this business combination was completed in the year ended March 31, 2012. The related assets and liabilities were recorded based upon their estimated fair values at the date of acquisition with the excess being allocated to goodwill as shown in the following table. Acquisition-related costs of ¥160 million were included in selling, general and administrative expenses in the consolidated statement of income for the year ended March 31, 2012.

	<b>July 11, 2011</b>
	(Yen in millions)
Current assets .....	¥ 5,400
Intangible assets .....	7,691
Other non-current assets .....	4,765
Total assets .....	17,856
Current liabilities .....	1,810
Non-current liabilities .....	4,872
Total liabilities .....	6,682
Total identified assets and liabilities .....	11,174
Purchase price (Cash) .....	22,494
Goodwill .....	¥11,320

The total amount of goodwill is not expected to be deductible for tax purposes.

The pro forma results are not presented as the amounts were immaterial.

Intangible assets that Kyocera recorded due to this acquisition are summarized as follows:

	<b>July 11, 2011</b>
	(Yen in millions)
Intangible assets subject to amortization:	
Customer relationships .....	¥3,296
Unpatented technologies .....	2,735
Trademarks .....	1,318
Others .....	342
Total .....	¥7,691

The weighted average amortization periods for customer relationships, unpatented technology and trademark are 20 years, 20 years and 10 years, respectively.

On February 1, 2012, Kyocera acquired 100% of the common stock of Optrex Corporation, a specialized manufacturer of liquid crystal displays (LCD) and related products, with the aim of strengthening its LCD business, and made it a consolidated subsidiary. Optrex Corporation has changed its name to Kyocera Display Corporation on April 1, 2012.

By making Optrex Corporation a consolidated subsidiary, Kyocera will further enhance the product lines of both its conventional industrial equipment applications and newly acquired automotive applications. Moreover, Optrex Corporation also possesses excellent production technology for touchscreen panels, thus by effectively combining both companies' product technologies and operating resources including customer bases, Kyocera also expects to further enhance and expand its touchscreen panel business. Going forward, Kyocera will strive to further expand its LCD and touchscreen panel business.

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

The results of operations 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 Device Group.

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 in this business combination was completed in the year ended March 31, 2012. The related assets and liabilities were recorded based upon their estimated fair values at the date of acquisition with the excess being allocated to goodwill as shown in the following table. Acquisition-related costs of ¥159 million were included in selling, general and administrative expenses in the consolidated statement of income for the year ended March 31, 2012.

	<u>February 1, 2012</u> (Yen in millions)
Cash and cash equivalents .....	¥ 1,957
Trade receivables .....	14,358
Inventories .....	12,528
Others .....	1,308
Total current assets .....	30,151
Property, plant and equipment .....	6,104
Intangible assets .....	4,124
Others .....	397
Total non-current assets .....	10,625
Total assets .....	40,776
Short-term borrowings .....	10,058
Current portion of long-term debt .....	5,345
Trade notes and accounts payable .....	15,271
Others .....	2,800
Total current liabilities .....	33,474
Non-current liabilities .....	3,133
Total liabilities .....	36,607
Total identified assets and liabilities .....	4,169
Purchase price (Cash) .....	18,312
Goodwill .....	¥14,143

The total amount of goodwill is not expected to be deductible for tax purposes.

The short-term borrowings of ¥10,058 million and the current portion of long-term debt of ¥5,345 million were loans from several financial institutions, the repayment of which were completed in the year ended March 31, 2012.

**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:

	<b>February 1, 2012</b>
	<b>(Yen in millions)</b>
Intangible assets subject to amortization:	
Customer relationships .....	¥3,233
Technologies .....	417
Others .....	474
Total .....	¥4,124

The weighted average amortization periods for customer relationships and technology are 10 years, respectively.

**Pro forma information**

The following is the pro forma combined results of operations of Kyocera for the years ending March 31, 2011 and 2012 as if above business combination had taken place on April 1, 2010. The pro forma combined results of operations are presented for comparative purposes only and are not necessarily indicative of the results of operations that may occur in the future or that would have occurred had the acquisitions been in effect on the date indicated.

	<b>Years ending March 31,</b>	
	<b>2011</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>(Yen in millions except per share amounts)</b>	
Pro forma net sales .....	¥1,340,810	¥1,269,455
Pro forma net income attributable to shareholders of Kyocera Corporation .....	118,874	78,829
Pro forma net income attributable to shareholders of Kyocera Corporation per share:		
Basic .....	647.75	429.70
Diluted .....	647.75	429.70

The amounts of revenue and earnings of Optrex Corporation since the acquisition date included in the consolidated income statement for the year ended March 31, 2012 are not presented as the amounts were immaterial.

On August 31, 2011, Kyocera Mita India Pte. Ltd., a subsidiary of Kyocera Mita Corporation, acquired information equipment sales business, related assets and liabilities from Kilburn Office Automation Ltd. to expand its sales channels in India.

On October 1, 2011, Kyocera Mita Canada, Ltd, a subsidiary of Kyocera Mita Corporation, acquired 100% of the common stock of Copicom Inc. to expand its sales channels in Canada.

The results of operations of the acquired businesses were included into Kyocera's consolidated financial statements since the acquisition date. For reporting segment, they are reported in the Information Equipment Group. The acquisitions did not have material impacts on Kyocera's consolidated results of operations, financial condition and cash flows.

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

**Business combinations in the year ended March 31, 2011**

On June 1, 2010, Kyocera Corporation acquired thin film transistor LCD business of Yasu facility from Sony Mobile Display Corporation. The results of operations of the acquired business was included into Kyocera's consolidated financial statements since the acquisition date and for segment reporting, it is reported in the Electronic Device Group.

Kyocera Tycom Corp. has owned a 33.33% interest in Tycom Ltd., a sales company of cutting tools, and accounted for its investment by the equity method. On August 31, 2010, Kyocera Tycom Corp. acquired all of the remaining shares of Tycom Ltd. As a result, Tycom Ltd. has become a wholly-owned subsidiary of Kyocera and has been consolidated by Kyocera from that date. The results of operations of the acquired business was included into Kyocera's consolidated financial statements since the acquisition date and for segment reporting, it is reported in the Applied Ceramic Products Group.

On October 29, 2010, Kyocera Mita Corporation acquired 100% of shares of Epson Software Engineering (Philippines), Inc. which is a software developer related to information equipment. The results of operations of the acquired business was included into Kyocera's consolidated financial statements since the acquisition date and for segment reporting, it is reported in the Information Equipment Group.

These acquisitions did not have material impacts on Kyocera's consolidated results of operations, financial condition and cash flows.

**Business combinations in the year ended March 31, 2010**

On July 31, 2009, Kyocera Mita Corporation acquired 100% of the common stock of two distributors of information equipment in Korea and made them consolidated subsidiaries.

On October 1, 2009, Kyocera Mita Canada, Ltd. acquired operations and related assets of Gold Business Machines Ltd. and Gold Business Machines Brandon Ltd. to expand its sales channels in Canada.

On December 1, 2009, Kyocera Mita America, Inc., a subsidiary of Kyocera Mita Corporation, acquired 100% of the common stock of Allister Business Systems, Inc. and made it a consolidated subsidiary to expand its sales channels in the United States of America.

The results of operations of these acquired businesses were included into Kyocera's consolidated financial statements since the acquisition dates and for segment reporting, they are reported in the Information Equipment Group.

On August 3, 2009, Kyocera Communication System Co., Ltd. acquired 67% of the common stock of Net it works, Inc., a Japanese telecommunication engineering company and made it a consolidated subsidiary. The results of operations of this acquired business was included into Kyocera's consolidated financial statements since the acquisition date and for segment reporting, it is reported in the Others.

The above acquisitions did not have material impacts on Kyocera's consolidated results of operations, financial condition and cash flows.

**Business combinations of which the allocation of fair value was completed in the year ended March 31, 2010**

On November 18, 2008, Kyocera Mita Corporation announced that it submitted a takeover offer to the shareholders of TA Triumph-Adler AG (currently TA Triumph-Adler GmbH, TA), a German based sales

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

company of information equipment, which was accounted for by the equity method, with the aim of expanding mutual businesses. On December 15, 2008, this takeover offer was approved by German Federal Supervisory Authority. During December 16, 2008 to February 2, 2009, a total of 14,184,810 shares of TA were tendered, and Kyocera Mita Corporation acquired them by February 10, 2009. In addition, from December 8, 2008 to March 31, 2009, Kyocera Mita Corporation acquired 21,372,713 shares of TA directly from its shareholders or through the stock market. The total amount of the acquisition cost was ¥8,234 million, which was funded mainly by cash in hand.

As a result of these acquisitions of shares, together with shares which Kyocera Mita Corporation had already secured before the announcement of the takeover offer on November 18, 2008, Kyocera Mita Corporation secured a total shareholding of 94.19% in TA as of March 31, 2009. As the European Commission approved the purchase of shares in TA by Kyocera Mita on January 21, 2009, TA was consolidated by Kyocera from that date.

On October 13, 2010, Kyocera Mita Corporation acquired all of the remaining shares of TA. As a result, TA has become a wholly-owned subsidiary of Kyocera Mita Corporation.

Kyocera has used the purchase method of accounting to record assets acquired and liabilities assumed in accordance with Statement of Financial Accounting Standards No. 141, “Business Combinations.”

The allocation of fair value to the acquired assets and assumed liabilities in this business combination was completed during the year ended March 31, 2010. The related assets and liabilities were recorded based upon their estimated fair values at the date of acquisition with the excess being allocated to goodwill as shown in the following table.

	<u>January 21, 2009</u> (Yen in millions)
Current assets . . . . .	¥27,543
Intangible assets . . . . .	17,335
Other non-current assets . . . . .	23,337
Total assets . . . . .	68,215
Current liabilities . . . . .	25,501
Non-current liabilities . . . . .	41,004
Total liabilities . . . . .	66,505
Noncontrolling interests . . . . .	3
Total identified assets, liabilities and noncontrolling interests . . . . .	1,707
Purchase price . . . . .	8,234
Investments in TA before the consolidation as a subsidiary . . . . .	4,198
Goodwill . . . . .	¥10,725

**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:

	<b>January 21, 2009</b>
	<b>(Yen in millions)</b>
Intangible assets subject to amortization:	
Customer relationships .....	¥ 9,885
Others .....	405
Total .....	¥10,290
Intangible assets subject not to amortization:	
Trademark .....	¥ 7,045
Total .....	¥ 7,045

The weighted average amortization period for customer relationships is 10 years.

**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.

Gross unrealized gains on equity securities which derived from a fluctuation in the market value of the shares of KDDI Corporation (KDDI) at March 31, 2011 and 2012 are as follows:

	<b>March 31,</b>	
	<b>2011</b>	<b>2012</b>
	<b>(Yen in millions)</b>	
Gross unrealized gains on shares of KDDI .....	¥45,893	¥57,919

Other-than-temporary loss on debt and equity securities for the years ended March 31, 2010, 2011 and 2012 are as follows:

	<b>Years ended March 31,</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<b>(Yen in millions)</b>		
Other-than-temporary loss on debt and equity securities .....	¥217	¥341	¥1,260

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

(1) Debt and equity securities with readily determinable fair values

Investments in debt and equity securities at March 31, 2011 and 2012, included in short-term investments in debt and equity securities and in long-term investments in debt and equity securities are summarized as follows:

	March 31,							
	2011				2012			
	Cost*	Aggregate Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Cost*	Aggregate Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
	(Yen in millions)							
Available-for-sale securities:								
Marketable equity								
securities . . . . .	¥271,874	¥327,684	¥57,151	¥1,341	¥266,070	¥333,840	¥68,057	¥ 287
Investment trusts . . . . .	3,454	3,590	225	89	3,690	3,704	145	131
Total equity securities . . . . .	<u>275,328</u>	<u>331,274</u>	<u>57,376</u>	<u>1,430</u>	<u>269,760</u>	<u>337,544</u>	<u>68,202</u>	<u>418</u>
Corporate bonds . . . . .	5,122	4,395	37	764	12,735	11,941	0	794
Hybrid financial instruments . . . . .	11,976	11,976	—	—	—	—	—	—
Government bonds and public bonds . . . . .	2,789	2,423	19	385	1,501	1,203	—	298
Other debt securities . . . . .	563	554	32	41	—	—	—	—
Total debt securities . . . . .	<u>20,450</u>	<u>19,348</u>	<u>88</u>	<u>1,190</u>	<u>14,236</u>	<u>13,144</u>	<u>0</u>	<u>1,092</u>
Total available-for-sale securities . . . . .	<u>295,778</u>	<u>350,622</u>	<u>57,464</u>	<u>2,620</u>	<u>283,996</u>	<u>350,688</u>	<u>68,202</u>	<u>1,510</u>
Held-to-maturity securities:								
Corporate bonds . . . . .	51,901	52,035	208	74	54,317	54,325	123	115
Government bonds and public bonds . . . . .	18,264	18,189	6	81	13,949	13,949	13	13
Others . . . . .	300	300	0	—	1,000	1,000	0	—
Total held-to-maturity securities . . . . .	<u>70,465</u>	<u>70,524</u>	<u>214</u>	<u>155</u>	<u>69,266</u>	<u>69,274</u>	<u>136</u>	<u>128</u>
Total . . . . .	<u>¥366,243</u>	<u>¥421,146</u>	<u>¥57,678</u>	<u>¥2,775</u>	<u>¥353,262</u>	<u>¥419,962</u>	<u>¥68,338</u>	<u>¥1,638</u>

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

At March 31, 2012, the contractual maturities of available-for-sale and held-to-maturity securities are summarized as follows:

	March 31, 2012			
	Available-for-Sale		Held-to-Maturity	
	Cost*	Aggregate Fair Value	Cost*	Aggregate Fair Value
	(Yen in millions)			
Due within 1 year . . . . .	¥ 3,275	¥ 3,027	¥41,736	¥41,678
Due after 1 year to 5 years . . . . .	9,247	8,409	27,530	27,596
Due after 5 years . . . . .	1,714	1,708	—	—
Equity securities . . . . .	269,760	337,544	—	—
	<u>¥283,996</u>	<u>¥350,688</u>	<u>¥69,266</u>	<u>¥69,274</u>

\* 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.

Proceeds from sales of available-for-sale securities and the related gross realized gains and losses for the years ended March 31, 2010, 2011 and 2012 are as follows:

	Years ended March 31,		
	2010	2011	2012
	(Yen in millions)		
Proceeds from sales of available-for-sale securities . . . . .	¥11,375	¥8,500	¥16,705
Gross realized gains . . . . .	746	608	1,196
Gross realized losses . . . . .	875	445	1,162

For the purpose of computing gains and losses, the cost of those securities is determined by the moving average method.

Kyocera's available-for-sale securities classified by length of unrealized loss position at March 31, 2011 and 2012 are as follows:

	March 31, 2011					
	within 1 year		over 1 year		Total	
	Aggregate Fair Value	Gross Unrealized Losses	Aggregate Fair Value	Gross Unrealized Losses	Aggregate Fair Value	Gross Unrealized Losses
	(Yen in millions)					
Marketable equity securities . . . . .	¥7,170	¥1,338	¥ 7	¥ 3	¥ 7,177	¥1,341
Investment trusts . . . . .	1,125	89	—	—	1,125	89
Corporate bonds . . . . .	902	76	2,501	688	3,403	764
Government bonds and public bonds . . . . .	151	14	1,250	371	1,401	385
Other debt securities . . . . .	10	6	410	35	420	41
Total . . . . .	<u>¥9,358</u>	<u>¥1,523</u>	<u>¥4,168</u>	<u>¥1,097</u>	<u>¥13,526</u>	<u>¥2,620</u>

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

	March 31, 2012					
	within 1 year		over 1 year		Total	
	Aggregate Fair Value	Gross Unrealized Losses	Aggregate Fair Value	Gross Unrealized Losses	Aggregate Fair Value	Gross Unrealized Losses
	(Yen in millions)					
Marketable equity securities . . . . .	¥ 2,135	¥287	¥ 1	¥ 0	¥ 2,136	¥ 287
Investment trusts . . . . .	2,796	131	—	—	2,796	131
Corporate bonds . . . . .	8,235	32	3,055	762	11,290	794
Government bonds and public bonds . . . . .	376	1	827	297	1,203	298
Other debt securities . . . . .	—	—	—	—	—	—
Total . . . . .	¥13,542	¥451	¥3,883	¥1,059	¥17,425	¥1,510

At March 31, 2012, Kyocera held available-for-sale securities in unrealized loss positions of ¥1,510 million. Kyocera considered the decline in fair value of marketable equity securities were not other-than-temporary as the extent to which fair value was below the cost was minor and the duration of the decline in fair value was mostly within one year. Kyocera considered the decline in fair value of corporate bonds, government bonds and public bonds, and other debt securities were not other-than-temporary because the decline in fair value was not caused by credit loss and Kyocera would receive the full cost amount.

(2) Other investments

Kyocera held time deposits and certificates of deposits which were due over three months to original maturity, non-marketable equity securities and long-term loans. Carrying amounts of these investments at March 31, 2011 and 2012, included in other short-term investments and in other long-term investments, are summarized as follows:

	March 31,	
	2011	2012
	(Yen in millions)	
Time deposits and certificates of deposits (due over 3 months) . . . . .	¥201,879	¥160,796
Non-marketable equity securities . . . . .	15,376	15,393
Long-term loans . . . . .	147	77
Total . . . . .	¥217,402	¥176,266

**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,							
	2011				2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(Yen in millions)							
Current Assets:								
Marketable equity securities	¥ —	¥ —	¥—	¥ —	¥ 25	¥ —	¥—	¥ 25
Investment trusts	—	—	—	—	2,386	—	—	2,386
Total equity securities	—	—	—	—	2,411	—	—	2,411
Corporate bonds	630	12	6	648	2,859	—	—	2,859
Hybrid financial instruments	—	11,976	—	11,976	—	—	—	—
Government bonds and public bonds	—	—	—	—	168	—	—	168
Other debt securities	—	180	30	210	—	—	—	—
Total debt securities	630	12,168	36	12,834	3,027	—	—	3,027
Foreign currency forward contracts	—	331	—	331	—	459	—	459
Currency swaps	—	7	—	7	—	—	—	—
Total derivatives	—	338	—	338	—	459	—	459
Total current assets	630	12,506	36	13,172	5,438	459	—	5,897
Non-Current Assets:								
Marketable equity securities	327,684	—	—	327,684	333,815	—	—	333,815
Investment trusts	331	3,259	—	3,590	66	1,252	—	1,318
Total equity securities	328,015	3,259	—	331,274	333,881	1,252	—	335,133
Corporate bonds	3,719	19	9	3,747	9,082	—	—	9,082
Government bonds and public bonds	2,423	—	—	2,423	1,035	—	—	1,035
Other debt securities	—	295	49	344	—	—	—	—
Total debt securities	6,142	314	58	6,514	10,117	—	—	10,117
Total non-current assets	334,157	3,573	58	337,788	343,998	1,252	—	345,250
Total assets	¥334,787	¥16,079	¥ 94	¥350,960	¥349,436	¥1,711	¥—	¥351,147
Current Liabilities:								
Foreign currency forward contracts	¥ —	¥ 3,626	¥—	¥ 3,626	¥ —	¥5,140	¥—	¥ 5,140
Interest rate swaps	—	20	—	20	—	28	—	28
Total derivatives	—	3,646	—	3,646	—	5,168	—	5,168
Total current liabilities	¥ —	¥ 3,646	¥—	¥ 3,646	¥ —	¥5,168	¥—	¥ 5,168

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, 2010, 2011 and 2012.

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

The fair value of Level 3 investments is determined using input that is both unobservable and significant to the values of instruments being measured.

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 13 to the Consolidated Financial Statement.

In accordance with the provisions of ASC 815-15 “Embedded Derivatives”, Kyocera elects the fair value option for all hybrid financial instruments. Gains on hybrid financial instruments which were recorded in other, net on the consolidated statements of income for the years ended March 31, 2010, 2011 and 2012 are as follows:

	Years ended March 31,		
	2010	2011	2012
	(Yen in millions)		
Gains on Hybrid financial instruments . . . . .	¥254	¥109	¥18

(2) Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

The following table presents the financial assets and non-financial assets that were measured and recorded at fair value on a non-recurring basis for the year ended March 31, 2010.

	Balance at March 31, 2010	Level 1	Level 2	Level 3	Total gains (losses) for the year ended March 31, 2010
		(Yen in millions)			
Investment in WILLCOM, Inc. . . . .	¥—			¥—	¥(19,987)
Property, plant and equipment . . . . .	400			400	(597)
Non-marketable equity securities . . . . .	11			11	(26)
Goodwill . . . . .	—			—	(22)

The following table presents the financial assets and non-financial assets that were measured and recorded at fair value on a non-recurring basis for the year ended March 31, 2011.

	Balance at March 31, 2011	Level 1	Level 2	Level 3	Total gains (losses) for the year ended March 31, 2011
		(Yen in millions)			
Property, plant and equipment . . . . .	¥ 42			¥ 42	¥ (712)
Non-marketable equity securities . . . . .	0			0	(3)

The following table presents the financial assets and non-financial assets that were measured and recorded at fair value on a non-recurring basis for the year ended March 31, 2012.

	Balance at March 31, 2012	Level 1	Level 2	Level 3	Total gains (losses) for the year ended March 31, 2012
		(Yen in millions)			
Property, plant and equipment . . . . .	¥116			¥116	¥ (241)
Non-marketable equity securities . . . . .	1			1	(2)

In the year ended March 31, 2010, Kyocera measured the fair value and recognized an other-than-temporary impairment loss of ¥19,987 million on its investment in WILLCOM, Inc., an affiliate company of Kyocera accounted for by the equity method. The impairment loss was included in equity in earnings (losses) of affiliates

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

and unconsolidated subsidiaries in the consolidated statement of income. The fair value of this investment is based on valuation techniques using the best information available, and included market comparables, analysis of financial condition and estimated future cash flow. The investment was classified as a Level 3 asset because unobservable inputs were used to determine the fair value, which included assumptions market participants would use to value this investment due to the absence of quoted market prices.

Certain property, plant and equipment with a carrying amount were written down to their fair value due to events or circumstances that carrying value of the assets was not recoverable, resulting in impairment charge of ¥597 million, ¥712 million and ¥241 million, which were included in selling, general and administrative expenses in the consolidated statements of income for the years ended March 31, 2010, 2011 and 2012, respectively.

Certain non-marketable equity securities with a carrying amount were written down to their fair value due to other-than-temporary impairment, resulting in impairment charge of ¥26 million, ¥3 million and ¥2 million, which were included in other, net in the consolidated statements of income for the years ended March 31, 2010, 2011 and 2012, respectively.

Certain goodwill with a carrying amount was written down to its fair value due to its carrying value exceeding its fair value, resulting in impairment charge of ¥22 million, which was included in selling, general and administrative expenses in the consolidated statements of income for the year ended March 31, 2010.

(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,			
	2011		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Yen in millions)			
Assets (a):				
Short-term investments in debt and equity securities . . . . .	¥ 44,012	¥ 44,054	¥ 47,175	¥ 47,116
Long-term investments in debt and equity securities . . . . .	377,075	377,092	372,779	372,846
Other long-term investments . . . . .	15,585	15,585	17,501	17,526
Total . . . . .	<u>¥436,672</u>	<u>¥436,731</u>	<u>¥437,455</u>	<u>¥437,488</u>
Liabilities (b):				
Long-term debt (including due within one year) . . . . .	¥ 35,225	¥ 35,332	¥ 31,807	¥ 32,028
Total . . . . .	<u>¥ 35,225</u>	<u>¥ 35,332</u>	<u>¥ 31,807</u>	<u>¥ 32,028</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 fair value of non-marketable equity securities 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, 2011 and 2012 were ¥15,363 million and ¥15,380 million, respectively. Fair value of held-to-maturity investments in debt securities is mainly classified as Level 1 and 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.

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

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, 2011 and 2012 are as follows:

	March 31,	
	2011	2012
	(Yen in millions)	
Finished goods . . . . .	¥111,487	¥117,337
Work in process . . . . .	47,388	54,700
Raw materials and supplies . . . . .	74,024	98,299
	¥232,899	¥270,336

**6. VALUATION ALLOWANCES**

Changes in valuation allowances for the year ended March 31, 2010, 2011, and 2012 are as follows:

Description	Balance at Beginning of Year	Charged to Costs or Expenses	Charged (Credited) to Other Accounts*	Charge-offs	Balance at End of Year
	(Yen in millions)				
For the year ended March 31, 2010:					
Allowance for doubtful accounts . . . . .	¥5,532	¥ 826	¥ 31	¥(1,848)	¥4,541
Allowance for sales returns . . . . .	2,155	4,911	(100)	(4,711)	2,255
Total . . . . .	¥7,687	¥5,737	¥ (69)	¥(6,559)	¥6,796
For the year ended March 31, 2011:					
Allowance for doubtful accounts . . . . .	¥4,541	¥1,507	¥ (30)	¥ (804)	¥5,214
Allowance for sales returns . . . . .	2,255	5,936	(345)	(5,441)	2,405
Total . . . . .	¥6,796	¥7,443	¥(375)	¥(6,245)	¥7,619
For the year ended March 31, 2012:					
Allowance for doubtful accounts . . . . .	¥5,214	¥ 858	¥ 42	¥(1,163)	¥4,951
Allowance for sales returns . . . . .	2,405	4,340	(51)	(4,552)	2,142
Total . . . . .	¥7,619	¥5,198	¥ (9)	¥(5,715)	¥7,093

\* Foreign currency translation adjustments and the increase by business combination.

**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, 2011 and 2012 are as follows:

	<u>March 31, 2011</u>	<u>March 31, 2012</u>
	(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 . . . . .	¥4,795	¥4,583
The location of valuation allowances that are deducted from the related receivables in the consolidated balance sheets:		
Other current assets . . . . .	¥ 619	¥ 518
Investments in and advances to affiliates and unconsolidated subsidiaries . . .	¥ 229	¥ 1
Other long-term investments . . . . .	¥ 100	¥ 43
Other assets . . . . .	¥1,876	¥1,948
Subtotal . . . . .	¥2,824	¥2,510
Total . . . . .	¥7,619	¥7,093

**7. INVESTMENTS IN AND ADVANCES TO AFFILIATES**

Since October 2004, Kyocera Corporation owned a 30% interest in WILLCOM, Inc., which is engaged in the personal handy phone system (PHS) business. Kyocera sells PHS handsets and PHS base stations to WILLCOM, Inc. Kyocera accounted for its investment in WILLCOM, Inc. as an equity method investment.

On September 24, 2009, WILLCOM, Inc. applied and was accepted to undergo Alternative Dispute Resolution with the Japanese Association of Turnaround Professionals (JATP), a process for corporate revitalization prescribed in the Act on Special Measures for Industrial Revitalization. The process of Alternative Dispute Resolution is not a legal procedure like a bankruptcy or a corporate reorganization procedure, but rather constitutes a flexible private settlement mechanism that allows the subject company to continue its daily commercial operations, while securing fairness through the involvement of the JATP. The JATP has been authorized by the Minister of Economy, Trade and Industry to act as an unbiased intermediary to achieve resolution among relevant parties.

During the year ended March 31, 2010, Kyocera recognized an impairment loss of ¥19,987 million on its investment in WILLCOM, Inc., recorded as equity in losses of affiliates, reflecting management's belief that the investment might not be recoverable.

On February 18, 2010, WILLCOM, Inc. filed a petition with the Tokyo District Court for commencement of corporate reorganization procedures and applied to the Enterprise Turnaround Initiative Corporation of Japan (ETIC) for support, after terminating the process of Alternative Dispute Resolution. On March 12, 2010, the Tokyo District Court agreed to commence the corporate reorganization procedures. Upon such decision, most of the directors of WILLCOM, Inc., including all of those simultaneously serving as directors of Kyocera, resigned, and trustees and acting trustees were appointed by the Tokyo District Court. On the same day, the ETIC agreed to provide support to WILLCOM, Inc. Due to the commencement of the corporate reorganization procedures, Kyocera lost significant influence over WILLCOM, Inc. and therefore discontinued its application of equity method accounting.

Taking into consideration the decision to commence corporate reorganization procedures, Kyocera recognized a bad debt loss of ¥8,961 million on receivables from WILLCOM, Inc., recorded as selling, general and administrative expenses in the Telecommunication Equipment Group for the year ended March 31, 2010, based on publicly disclosed information such as the outline of the business revitalization plan of WILLCOM, Inc., etc.

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

On August 2, 2010, WILLCOM, Inc. entered into a sponsor agreement with SOFTBANK CORP. SOFTBANK CORP. agreed to dispatch a business trustee to WILLCOM, Inc. and to provide necessary support for business operations and execution of the reorganization plan.

On October 14, 2010, the trustees of WILLCOM, Inc. filed the reorganization plan with the Tokyo District Court.

Based on the filed reorganization plan, during the year ended March 31, 2011, Kyocera recognized an additional bad debt loss of ¥708 million on receivables from WILLCOM, Inc., in selling, general and administrative expenses in the Telecommunications Equipment Group.

On November 30, 2010, the filed reorganization plan was approved by the creditors' committees in written vote and subsequently by the Tokyo District Court.

As Kyocera has continued to sell PHS handsets and PHS base stations to WILLCOM, Inc., the implementation of the corporate reorganization plan and WILLCOM, Inc.'s business performance still have a significant effect on Kyocera's consolidated results of operations, financial condition and cash flows.

Related party transactions with the affiliates, accounted for by the equity method are as follows:

	March 31,	
	2011	2012
	(Yen in millions)	
Kyocera's investments in and advances to affiliates . . . . .	¥671	¥1,184
Kyocera's trade receivables from affiliates . . . . .	132	1,048

  

	Years ended March 31,		
	2010	2011	2012
	(Yen in millions)		
Kyocera's equity in earnings of affiliates . . . . .	¥(18,150)	¥ 83	¥(279)
Kyocera's sales to affiliates . . . . .	18,617	314	661

**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 (TA). These receivables typically have terms ranging from one year to seven 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,	
	2011	2012
	(Yen in millions)	
Total minimum lease payments receivable	¥ 35,963	¥ 32,683
Unguaranteed residual values	1,975	1,522
Unearned income	(3,056)	(2,544)
Executory costs	(20)	(21)
	34,862	31,640
Less, allowance for doubtful receivables	(493)	(382)
	34,369	31,258
Less, portion due within one year	(11,739)	(11,307)
Total	¥ 22,630	¥ 19,951

A reconciliation of the beginning and ending amounts of allowance for doubtful accounts related to lease receivables are as follows:

	Years ended March 31,		
	2010	2011	2012
	(Yen in millions)		
Balance at beginning of year	¥541	¥571	¥493
Charged to costs or expenses, or charge-off	53	(44)	(69)
Others*	(23)	(34)	(42)
Balance at end of year	¥571	¥493	¥382

\* Others consist mainly of foreign currency translation adjustments and business acquisitions during the year.

TA 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)
2013	¥12,419
2014	8,434
2015	6,127
2016	3,856
2017	1,521
2018 and thereafter	326
Total	¥32,683

TA transfers the capital lease receivables to a third party in exchange for cash, however, the transfer of the capital lease receivables did not qualify as a sale for financial reporting purpose because TA has the right to

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

repurchase the receivables. Accordingly, Kyocera has accounted for the cash received as a secured borrowing and it is included in long-term debt. As a result of the transaction, capital lease receivables in the amount of ¥31,719 million and ¥28,086 million as of March 31, 2011 and 2012 have been recorded on the balance sheet, respectively.

**9. GOODWILL AND OTHER INTANGIBLE ASSETS**

Intangible assets are summarized as follows:

	March 31,			
	2011		2012	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(Yen in millions)			
Intangible assets subject to amortization:				
Software . . . . .	¥30,409	¥21,696	¥31,493	¥21,906
Patent rights . . . . .	19,185	15,310	16,818	14,170
Customer relationships . . . . .	25,726	9,053	31,473	12,214
Other . . . . .	9,771	6,190	16,281	6,966
Total . . . . .	¥85,091	¥52,249	¥96,065	¥55,256

	March 31,	
	2011	2012
	Gross Carrying Amount	Gross Carrying Amount
	(Yen in millions)	
Intangible assets not subject to amortization:		
Trademark . . . . .	¥9,317	¥8,842
Other . . . . .	1	2
Total . . . . .	¥9,318	¥8,844

Intangible assets acquired during the year ended March 31, 2012 are as follows:

	Year ended March 31, 2012
	(Yen in millions)
Intangible assets subject to amortization:	
Software . . . . .	¥ 4,871
Patent rights . . . . .	1,067
Customer relationships . . . . .	6,690
Other . . . . .	6,960
Total . . . . .	¥19,588

The weighted average amortization periods for software, patent rights and customer relationships which were acquired during the year ended March 31, 2012 are three years, three years and 15 years, respectively.

Total amortization of intangible assets during the years ended March 31, 2010, 2011 and 2012 amounted to ¥11,888 million, ¥11,410 million and ¥10,387 million, respectively.

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

The estimated aggregate amortization expenses for intangible assets for the next five years are as follows:

<u>Years ending March 31,</u>	<u>(Yen in millions)</u>
2013 .....	¥9,141
2014 .....	5,675
2015 .....	4,052
2016 .....	3,512
2017 .....	2,897

The changes in the amounts of goodwill by reporting segment in the years ended March 31, 2011 and 2012 are as follows:

	Fine Ceramic Parts Group	Semiconductor Parts Group	Applied Ceramic Products Group	Electronic Device Group	Telecommunications Equipment Group	Information Equipment Group	Others	Total
	(Yen in millions)							
Balance at March 31, 2010								
Goodwill .....	¥100	¥1,309	¥ 8,692	¥28,517	¥18,456	¥14,064	¥ 4,596	¥75,734
Accumulated impairment losses .....	—	—	(5,415)	—	—	(22)	(2,695)	(8,132)
	100	1,309	3,277	28,517	18,456	14,042	1,901	67,602
Goodwill acquired during the year .....	—	—	—	—	—	42	—	42
Impairment of goodwill .....	—	—	—	—	—	—	—	—
Translation adjustments and reclassification to other accounts .....	—	(43)	(336)	(1,649)	—	(914)	(1)	(2,943)
Balance at March 31, 2011								
Goodwill .....	100	1,266	8,356	26,868	18,456	13,192	4,595	72,833
Accumulated impairment losses .....	—	—	(5,415)	—	—	(22)	(2,695)	(8,132)
	100	1,266	2,941	26,868	18,456	13,170	1,900	64,701
Goodwill acquired during the year .....	—	—	11,320	14,143	—	391	—	25,854
Impairment of goodwill .....	—	—	—	—	—	—	—	—
Translation adjustments and reclassification to other accounts .....	—	(4)	(616)	(148)	—	(748)	—	(1,516)
Balance at March 31, 2012								
Goodwill .....	100	1,262	19,060	40,863	18,456	12,835	4,595	97,171
Accumulated impairment losses .....	—	—	(5,415)	—	—	(22)	(2,695)	(8,132)
	<u>¥100</u>	<u>¥1,262</u>	<u>¥13,645</u>	<u>¥40,863</u>	<u>¥18,456</u>	<u>¥12,813</u>	<u>¥ 1,900</u>	<u>¥89,039</u>

The goodwill of ¥25,854 million which Kyocera acquired during the year ended March 31, 2012 was mainly based on the acquisition of the common stocks of Optrex Corporation by Kyocera Corporation included in the

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

Electronic Device Group and based on the acquisition of the common stocks of Kyocera Unimerco A/S by Kyocera Fineceramics GmbH, a consolidated German subsidiary of Kyocera Corporation, included in Applied Ceramic Products Group.

For detailed information of these acquisitions, see Note 2 to the Consolidated Financial Statements.

As described in Note 1 to the Consolidated Financial Statements, we assess our goodwill for impairment annually as of January 1, and also whenever indicators of impairment exist.

The goodwill impairment test involves a two step process. 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. 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, the 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. If the carrying amount of a reporting unit’s goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an equal amount to that excess. Kyocera concluded that there was no goodwill impairment at any reporting unit as of January 1, 2012.

**10. SHORT-TERM BORROWINGS AND LONG-TERM DEBT**

Short-term borrowings at March 31, 2011 and 2012 are comprised of the following:

	March 31,	
	2011	2012
Average interest rates on loans from banks and others .....	0.66%	1.56%
	March 31,	
	2011	2012
	(Yen in millions)	
Secured .....	¥ 171	¥ 132
Unsecured .....	7,681	3,930
	¥7,852	¥4,062

Long-term debt at March 31, 2011 and 2012 are comprised of the following:

	March 31,	
	2011	2012
Range of interest rates on loans from banks and others .....	0.20%-11.60%	0.20%-11.60%

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

	March 31,	
	2011	2012
	(Yen in millions)	
Secured .....	¥ 33,138	¥ 30,036
Unsecured .....	2,087	1,771
	35,225	31,807
Less, portion due within one year .....	(10,687)	(10,610)
	¥ 24,538	¥ 21,197

Aggregate maturities of long-term debt at March 31, 2012 are as follows:

Years ending March 31,	(Yen in millions)
2014 .....	¥ 7,884
2015 .....	6,889
2016 .....	3,442
2017 .....	1,601
2018 and thereafter .....	1,381
	¥21,197

Kyocera's assets pledged as collateral of property, plant and equipment, net of accumulated depreciation and intangible assets for loans from banks at March 31, 2011 and 2012 are as follows:

	March 31,	
	2011	2012
	(Yen in millions)	
Trade account receivables .....	¥ —	¥ 56
Property, plant and equipment, net of accumulated depreciation .....	1,893	4,556
Intangible assets .....	1,770	1,650

As described in Note 8 to the Consolidated Financial Statement, 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 ¥31,719 million and ¥28,086 million as of March 31, 2011 and 2012 have been recorded on the balance sheets, respectively.

## **11. BENEFIT PLANS**

### **Domestic:**

#### **Defined benefit plans**

At March 31, 2012, 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 instalments 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, 2011 and 2012 are as follows:

	<u>March 31,</u>	
	<u>2011</u>	<u>2012</u>
	(Yen in millions)	
Change in projected benefit obligations:		
Projected benefit obligations at beginning of year	¥134,592	¥145,807
Service cost	8,662	9,410
Interest cost	2,637	2,506
Actuarial loss	4,935	5,056
Benefits paid	(5,385)	(5,646)
Business acquisition	366	2,121
Other	—	734
Projected benefit obligations at end of year	<u>145,807</u>	<u>159,988</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	143,984	150,226
Actual return on plan assets	2,569	1,557
Employer contribution	9,005	9,147
Benefits paid	(5,332)	(5,585)
Business acquisition	—	818
Other	—	693
Fair value of plan assets at end of year	<u>150,226</u>	<u>156,856</u>
Funded status	<u>¥ 4,419</u>	<u>¥ (3,132)</u>

The business acquisition in the year ended March 31, 2012 was due to the acquisition of the common stocks of Optrex Corporation.

Amounts recognized in the consolidated balance sheets consist of:

	<u>March 31,</u>	
	<u>2011</u>	<u>2012</u>
	(Yen in millions)	
Prepaid benefit cost	¥13,437	¥ 7,613
Accrued benefit liability	(9,018)	(10,745)
Net amount recognized	<u>¥ 4,419</u>	<u>¥ (3,132)</u>

Amounts recognized in accumulated other comprehensive income (loss) consist of:

	<u>March 31,</u>	
	<u>2011</u>	<u>2012</u>
	(Yen in millions)	
Prior service cost	¥ 37,264	¥ 32,932
Actuarial loss	(36,737)	(42,454)
Accumulated other comprehensive income	<u>¥ 527</u>	<u>¥ (9,522)</u>

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

	March 31,	
	2011	2012
	(Yen in millions)	
Accumulated benefit obligation at end of year .....	¥145,311	¥159,465
Pension plans with an accumulated benefit obligation in excess of plan assets at the end of year are as follows:		
Projected benefit obligation .....	¥ 21,528	¥ 25,478
Accumulated benefit obligation .....	21,031	24,956
Fair value of plan assets .....	12,510	14,733

Net periodic pension costs at Kyocera Corporation and its major domestic subsidiaries in the years ended March 31, 2010, 2011 and 2012, include the following components:

	Years ended March 31,		
	2010	2011	2012
	(Yen in millions)		
Service cost .....	¥ 8,805	¥ 8,662	¥ 9,410
Interest cost .....	2,301	2,637	2,506
Expected return on plan assets .....	(3,054)	(3,255)	(3,358)
Amortization of prior service cost .....	(4,327)	(4,329)	(4,329)
Recognized actuarial loss .....	1,174	772	1,140
Net periodic pension costs .....	¥ 4,899	¥ 4,487	¥ 5,369

Changes in other comprehensive income (loss) at Kyocera Corporation and its major domestic subsidiaries in the years ended March 31, 2010, 2011 and 2012 mainly consist of the following components:

	Years ended March 31,		
	2010	2011	2012
	(Yen in millions)		
Prior service cost due to plan amendments .....	¥ —	¥ —	¥ (3)
Net actuarial gain (loss) incurred during the year .....	7,502	(5,621)	(6,857)
Amortization of prior service cost .....	(4,327)	(4,329)	(4,329)
Recognized actuarial loss .....	1,174	772	1,140
Total .....	¥ 4,349	¥(9,178)	¥(10,049)

Prior service cost and actuarial loss expected to be amortized at Kyocera Corporation and its major domestic subsidiaries in the year ending March 31, 2013 are as follows:

	Year ending March 31, 2013
	(Yen in millions)
Amortization of prior service cost .....	¥(4,329)
Recognized actuarial loss .....	1,507

**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, 2011 and 2012 are as follows:

	March 31,	
	2011	2012
Discount rate (%) . . . . .	1.00-1.75	0.75-1.50

Assumptions used to determine net periodic pension costs at Kyocera Corporation and its major domestic subsidiaries for the years ended March 31, 2010, 2011 and 2012 are as follows:

	Years ended March 31,		
	2010	2011	2012
Discount rate (%) . . . . .	1.25-2.00	1.00-2.00	1.00-1.75
Expected long-term rate of return on plan assets (%) . . . . .	2.00-2.20	2.00-2.20	2.00-2.20

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, 2010, 2011 and 2012 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.

Plan assets

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.

Plan assets are classified into four major types. Approximately 60% is invested in life insurance company general accounts, approximately 25% is mainly invested in equity securities that are listed on securities exchanges and in debt securities such as governments bonds, approximately 10% is invested in trust funds that invest both long and short in stocks and bonds, and approximately 5% is held in cash and cash equivalents.

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 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.

At March 31, 2012, Kyocera Corporation and its major domestic subsidiaries do not have plans to change substantially their long-term strategy about allocations of plan assets from described above.

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

Plan assets categories at Kyocera Corporation and its major domestic subsidiaries at March 31, 2011 and 2012 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, pooled funds and trust funds that invest both long and short in equity securities and bonds. Investments in life insurance company general accounts are valued at conversion value. Pooled funds and trust 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 the Consolidated Financial Statements.

	March 31,							
	2011				2012			
	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 . . . . .	¥ —	¥ 87,633	¥ —	¥ 87,633	¥ —	¥ 93,969	¥ —	¥ 93,969
Equity securities:								
Domestic . . . . .	1,774	—	—	1,774	1,789	—	—	1,789
International . . . . .	7,366	—	—	7,366	7,836	—	—	7,836
Pooled funds <sup>(1)</sup> . . . . .	—	11,598	—	11,598	—	12,638	—	12,638
Debt securities:								
Corporate bonds . . . . .	9,512	—	—	9,512	16,081	—	—	16,081
Pooled funds <sup>(2)</sup> . . . . .	—	2,830	—	2,830	—	4,541	—	4,541
Other types of investments:								
Equity long/short								
Domestic <sup>(3)</sup> . . . . .	—	2,211	—	2,211	—	783	—	783
International <sup>(4)</sup> . . . . .	—	7,455	—	7,455	—	3,680	—	3,680
Debt long/short <sup>(5)</sup> . . . . .	—	11,522	—	11,522	—	8,090	—	8,090
Other . . . . .	—	2,232	1,449	3,681	—	2,146	1,757	3,903
Cash and cash equivalents . . . . .	4,644	—	—	4,644	3,546	—	—	3,546
Total . . . . .	<u>¥23,296</u>	<u>¥125,481</u>	<u>¥1,449</u>	<u>¥150,226</u>	<u>¥29,252</u>	<u>¥125,847</u>	<u>¥1,757</u>	<u>¥156,856</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) This category includes trust funds that mainly invest both long and short in equity securities that are listed on domestic securities exchanges.
- (4) This category includes trust funds that mainly invest both long and short in equity securities that are listed on international securities exchanges.
- (5) This category includes trust funds that mainly invest both long and short in government bonds.

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

The following table presents additional information about Level 3 assets measured at fair value on recurring basis for the years ended March 31, 2011 and 2012. Plan assets of Level 3 are invested in multi-strategy hedge 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.

	<u>Years ended March 31,</u>	
	<u>2011</u>	<u>2012</u>
	(Yen in millions)	
Balance at beginning of year . . . . .	¥1,568	¥1,449
Actual return on plan assets:		
Relating to assets still held at end of year . . . . .	53	(19)
Relating to assets sold during the year . . . . .	(11)	(45)
Purchases, sales and settlements . . . . .	(161)	372
Balance at end of year . . . . .	<u>¥1,449</u>	<u>¥1,757</u>

Kyocera Corporation and its major domestic subsidiaries forecast to contribute ¥9,578 million to the defined benefit pension plans in the year ending March 31, 2013.

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>
2013 . . . . .	¥ 6,051
2014 . . . . .	6,484
2015 . . . . .	7,006
2016 . . . . .	7,347
2017 . . . . .	7,585
2018 to 2022 . . . . .	49,861

**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, a German subsidiary of Kyocera Mita, 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**

The following table sets forth the funded status of the plans at KII, AVX and TA as of March 31, 2011 and 2012:

	<u>March 31,</u>	
	<u>2011</u>	<u>2012</u>
	(Yen in millions)	
Change in benefit obligations:		
Benefit obligations at beginning of year	¥38,903	¥35,954
Service cost	311	293
Interest cost	1,886	1,764
Plan participants' contributions	11	10
Actuarial (gain) loss	(298)	3,026
Benefits paid	(2,078)	(1,880)
Foreign exchange adjustment	(2,755)	(1,308)
Other	(26)	(14)
Benefit obligations at end of year	<u>¥35,954</u>	<u>¥37,845</u>

	<u>March 31,</u>	
	<u>2011</u>	<u>2012</u>
	(Yen in millions)	
Change in plan assets:		
Fair value of plan assets at beginning of year	¥ 16,965	¥ 18,010
Actual return on plan assets	1,700	787
Employer contribution	1,784	1,082
Plan participants' contributions	11	10
Benefits paid	(997)	(845)
Foreign exchange adjustment	(1,427)	(279)
Other expenses	(26)	(14)
Fair value of plan assets at end of year	<u>18,010</u>	<u>18,751</u>
Funded status	<u>¥(17,944)</u>	<u>¥(19,094)</u>

Amounts recognized in the consolidated balance sheets consist of:

	<u>March 31,</u>	
	<u>2011</u>	<u>2012</u>
	(Yen in millions)	
Prepaid benefit cost	¥ 174	¥ —
Accrued benefit liability	(18,118)	(19,094)
Net amount recognized	<u>¥(17,944)</u>	<u>¥(19,094)</u>

Amounts recognized in accumulated other comprehensive income (loss) consist of:

	<u>March 31,</u>	
	<u>2011</u>	<u>2012</u>
	(Yen in millions)	
Prior service cost	¥ (79)	¥ (69)
Actuarial loss	(5,639)	(8,893)
Accumulated other comprehensive loss	<u>¥(5,718)</u>	<u>¥(8,962)</u>

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

	March 31,	
	2011	2012
	(Yen in millions)	
Accumulated benefit obligation at end of year .....	¥35,101	¥36,759

Pension plans with an accumulated benefit obligation in excess of plan assets at the end of year:

	March 31,	
	2011	2012
	(Yen in millions)	
Projected benefit obligation .....	¥33,252	¥37,845
Accumulated benefit obligation .....	32,399	36,759
Fair value of plan assets .....	15,133	18,751

Net periodic pension costs at KII, AVX and TA in the years ended March 31, 2010, 2011 and 2012 include the following components:

	Years ended March 31,		
	2010	2011	2012
	(Yen in millions)		
Service cost .....	¥ 297	¥ 311	¥ 293
Interest cost .....	2,123	1,886	1,764
Expected return on plan assets .....	(988)	(1,210)	(1,259)
Amortization of prior service cost .....	9	9	8
Recognized actuarial loss .....	283	250	204
Net periodic pension costs .....	¥1,724	¥ 1,246	¥ 1,010

Changes in other comprehensive income (loss) at KII, AVX and TA in the years ended March 31, 2010, 2011 and 2012 mainly consist of the following components:

	Years ended March 31,		
	2010	2011	2012
	(Yen in millions)		
Net actuarial (loss) gain incurred during the year .....	¥(2,035)	¥ 788	¥(3,498)
Amortization of prior service cost .....	9	9	8
Recognized actuarial loss .....	283	250	204
Total .....	¥(1,743)	¥1,047	¥(3,286)

Prior service cost and actuarial loss expected to be amortized at KII, AVX and TA in the year ending March 31, 2013 are as follows:

	Year ending March 31, 2013
	(Yen in millions)
Amortization of prior service cost .....	¥ 9
Recognized actuarial loss .....	421

**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, 2011 and 2012 are as follows:

	March 31,	
	2011	2012
Discount rate (%) . . . . .	5.15-5.75	4.00-5.00
Rate of increase in compensation levels (%) . . . . .	2.50-4.00	2.50-3.80

Assumptions used to determine net periodic pension costs at KII, AVX and TA in the years ended March 31, 2010, 2011 and 2012 are as follows:

	Years ended March 31,		
	2010	2011	2012
Discount rate (%) . . . . .	5.60-7.30	4.80-6.00	5.15-5.75
Rate of increase in compensation levels (%) . . . . .	2.50-4.00	2.00-4.25	2.50-4.00
Expected long-term rate of return on plan assets (%) . . . . .	6.50-8.50	6.50-8.50	6.40-7.75

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.

Plan assets

KII's and AVX's plan assets categories at March 31, 2011 and 2012 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 the Consolidated Financial Statements.

	March 31,							
	2011				2012			
	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 . . . . .	¥5,065	¥ —	¥—	¥ 5,065	¥5,071	¥ —	¥—	¥ 5,071
Debt securities:								
Government bonds . . . . .	325	—	—	325	350	—	—	350
Government agency bonds . . . . .	—	816	—	816	—	842	—	842
Corporate bonds . . . . .	—	297	—	297	—	340	—	340
Pooled separate accounts * . . . . .	—	10,960	—	10,960	—	11,614	—	11,614
Other . . . . .	—	481	—	481	—	477	—	477
Cash and cash equivalents . . . . .	66	—	—	66	57	—	—	57
Total . . . . .	¥5,456	¥12,554	¥—	¥18,010	¥5,478	¥13,273	¥—	¥18,751

\* This category includes pooled separate accounts held by AVX that mainly invest in equity securities and debt securities.

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

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 40% equity and 60% fixed income for its U.S. defined benefit plans and 60% equity and 40% fixed income for its Europe defined benefit plans.

KII and AVX forecast to contribute ¥1,002 million to the defined benefit pension plans in the year ending March 31, 2013.

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>
2013 .....	¥ 1,981
2014 .....	2,008
2015 .....	2,070
2016 .....	2,114
2017 .....	2,170
2018 to 2022 .....	11,525

**(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>2010</u>	<u>2011</u>	<u>2012</u>
	<u>(Yen in millions)</u>		
Contributions to the plans .....	¥698	¥632	¥505

**12. STOCK OPTION PLANS**

AVX has four fixed stock option plans. Under the 1995 stock option plan, as amended, AVX could grant options to employees for the purchase of up to an aggregate of 9,300 thousand shares of common stock. Under the non-employee directors' stock option plan, as amended, AVX could grant options for the purchase of up to an aggregate of 650 thousand shares of common stock. No awards were made under these two plans after August 1, 2005. Under the 2004 stock option plan, as amended, AVX may grant options to employees for the purchase of up to an aggregate of 10,000 thousand shares of common stock. Under the 2004 non-employee directors' stock option plan, as amended, AVX may grant options for the purchase of up to an aggregate of 1,000 thousand shares of common stock. Under all stock option plans, the exercise price of each option shall not be less than the market price of AVX's stock on the date of grant and an option's maximum term is 10 years. Options granted under the 1995 stock option plan and the 2004 stock option plan vest as to 25% annually and options granted under the non-employee directors' stock option plan and the 2004 non-employee directors' stock option plan vest as to one third annually. Requisite service periods related to all of the plans begin on the grant date. As of March 31, 2012, there were 12,303 thousand shares of common stock available for future issuance under all of the plans, consisting of options available to be granted and options currently outstanding.

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

Activity under the stock option plans is summarized as follows:

	<u>Number of Options (in thousands)</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Contractual Life Remaining (years)</u>	<u>Aggregated Intrinsic Value (Yen in millions)</u>
Outstanding at March 31, 2011 .....	3,955	\$14.08		
Granted .....	530	14.54		
Exercised .....	(84)	11.80		¥ 24
Expired and cancelled .....	(57)	19.43		
Outstanding at March 31, 2012 .....	<u>4,344</u>	\$14.12	5.06	¥241
Exercisable at March 31, 2012 .....	<u>3,043</u>	\$14.49	3.69	¥167

The total aggregate intrinsic value of options exercised is ¥2 million, ¥149 million and ¥24 million for the years ended March 31, 2010, 2011 and 2012, respectively.

Unvested share activity under stock option plans at March 31, 2012 is summarized as follows:

	<u>Number of Options (in thousands)</u>	<u>Weighted Average Grant-Date Fair Value</u>
Unvested balance at March 31, 2011 .....	1,295	\$3.22
Options granted .....	530	3.03
Options forfeited .....	(11)	3.01
Options vested .....	<u>(513)</u>	<u>3.61</u>
Unvested balance at March 31, 2012 .....	<u>1,301</u>	\$2.99

The weighted average estimated fair value of options granted at grant date market prices was \$2.18, \$3.29 and \$3.03 per option for the years ended March 31, 2010, 2011 and 2012, respectively. The total aggregate fair value of options vested is ¥256 million, ¥192 million and ¥146 million for the years ended March 31, 2010, 2011 and 2012, respectively.

AVX's weighted average fair value is estimated at the date of grant using Black Scholes model. AVX estimated volatility by considering AVX's historical stock volatility. AVX calculated the dividend yield based on historical dividend paid. AVX has estimated forfeitures in determining the weighted average fair value calculation. The forfeiture rate used for the year ended March 31, 2012 was 6.9%. The following are significant weighted average assumptions used for estimating the fair value of options issued under stock option plans:

	<u>Years ended March 31,</u>		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expected life .....	5 years	5 years	6 years
Interest rate .....	2.4%	2.3%	1.8%
Volatility .....	27%	27%	23%
Expected dividends .....	1.7%	1.3%	1.5%

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

The total unrecognized compensation costs related to unvested awards as of March 31, 2010, 2011 and 2012 are as follows, which are expected to be recognized over the vesting period, approximately four years.

	March 31,		
	2010	2011	2012
	(Yen in millions)		
Total unrecognized compensation costs related to unvested awards . . . . .	¥211	¥142	¥95

The following table presents the amounts recorded in AVX's consolidated financial statements related to grants and exercises of options for the years ended March 31, 2010, 2011 and 2012.

	Years ended March 31,		
	2010	2011	2012
	(Yen in millions)		
Stock based compensation expense (net of tax benefit) . . . . .	¥159	¥190	¥93
Tax benefit associated with stock based compensation expense . . . . .	31	23	50
Cash received from the exercise of options . . . . .	12	517	79
Excess tax benefit from stock-based payment arrangements . . . . .	1	44	8

KII provides key employees of its certain subsidiary with a stock option plan. The issuance of options under this plan was suspended by April 1, 2006 and all options were vested by March 31, 2010. The options were granted to a key employee, who had the right to purchase for up to an aggregate of 3,800 thousand shares of common stock. The exercise price was not less than 85% of the fair value per share of the subsidiary at the time the option was granted, and the grant has a maximum term of 10 years. Since the subsidiary is not listed, the fair value is determined based on valuation techniques using management internal assumptions.

Activity under the stock option plan is summarized as follows:

	Number of Options (in thousands)	Weighted Average Exercise Price	Weighted Average Contractual Life Remaining (years)	Aggregated Intrinsic Value (Yen in millions)
Outstanding at March 31, 2011 . . . . .	297	\$2.25		
Granted . . . . .	—	—		
Exercised . . . . .	—	—		—
Expired and cancelled . . . . .	(28)	2.77		
Outstanding at March 31, 2012 . . . . .	269	\$2.20	2.46	—
Exercisable at March 31, 2012 . . . . .	269	\$2.20	2.46	—

Since all options were vested by March 31, 2010, there was no stock based compensation expense for the year ended March 31, 2012. In addition, there were no unrecognized compensation costs related to unvested awards at March 31, 2012. The total aggregate fair value of options vested was ¥1 million for the year ended March 31, 2010.

**13. 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 55% of Kyocera's revenues are generated from overseas customers, which exposes Kyocera to foreign currency exchange rates fluctuations. These financial

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

exposures 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.

Kyocera maintains an interest rate risk management strategy that uses derivative financial instruments, such as interest rate swaps to minimize significant, unanticipated cash flow fluctuations caused by interest rate volatility.

By using derivative financial instruments to hedge exposures to changes in exchange rates and interest 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.

Kyocera does not hold or issue such derivative financial instruments for trading purposes.

**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 also 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' local 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, payables are recorded as foreign currency transaction gains, net in the consolidated statement of income. Kyocera does not adopt hedge accounting for such derivatives.

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

The aggregate contractual amounts of derivative financial instruments at March 31, 2011 and 2012 are as follows:

	March 31,	
	2011	2012
(Yen in millions)		
Derivatives designated as hedging instruments:		
Foreign currency forward contracts .....	¥ 13,852	¥ 12,941
Interest rate swaps .....	590	963
Total .....	¥ 14,442	¥ 13,904
Derivatives not designated as hedging instruments:		
Foreign currency forward contracts .....	¥144,006	¥130,346
Currency swaps .....	226	—
Total .....	¥144,232	¥130,346
Total derivatives .....	¥158,674	¥144,250

The location and fair value of derivative financial instruments in the consolidated balance sheets at March 31, 2011 and 2012 are as follows:

	Location	March 31,	
		2011	2012
(Yen in millions)			
Derivative Assets:			
Derivatives designated as hedging instruments:			
Foreign currency forward contracts .....	Other current assets	¥ 72	¥ 135
Total .....		¥ 72	¥ 135
Derivatives not designated as hedging instruments:			
Foreign currency forward contracts .....	Other current assets	¥ 259	¥ 324
Currency swaps .....	Other current assets	7	—
Total .....		¥ 266	¥ 324
Total derivatives .....		¥ 338	¥ 459
Derivative Liabilities:			
Derivatives designated as hedging instruments:			
Foreign currency forward contracts .....	Other current liabilities	¥ 117	¥ 256
Interest rate swaps .....	Other current liabilities	20	28
Total .....		¥ 137	¥ 284
Derivatives not designated as hedging instruments:			
Foreign currency forward contracts .....	Other current liabilities	¥3,509	¥4,884
Total .....		¥3,509	¥4,884
Total derivatives .....		¥3,646	¥5,168

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

The location and amount of derivative financial instruments in the comprehensive income for the years ended March 31, 2010, 2011 and 2012 are as follows:

Derivatives designated as cash flow hedge:

Gains (losses) recognized in other comprehensive income

	Years ended March 31,		
	2010	2011	2012
	(Yen in millions)		
Foreign currency forward contracts .....	¥25	¥27	¥(51)
Interest rate swaps .....	38	25	10
Total .....	¥63	¥52	¥(41)

Gains (losses) reclassified from accumulated other comprehensive income into income (effective portion)

		Years ended March 31,		
		2010	2011	2012
		(Yen in millions)		
	Location			
Foreign currency forward contracts ....	Net sales	¥ (2)	¥ (102)	¥ 12
Foreign currency forward contracts ....	Cost of sales	(139)	259	9
Interest rate swaps .....	Interest expense	20	20	13
Interest rate swaps .....	Equity in losses of affiliates and unconsolidated subsidiaries	(36)	—	—
Total .....		¥ (157)	¥ 177	¥ 34

Gains (losses) recognized in income (ineffective portion and amount excluded from effectiveness testing)

		Years ended March 31,		
		2010	2011	2012
		(Yen in millions)		
	Location			
Foreign currency forward contracts ....	Foreign currency transaction gains, net	¥ (15)	¥ 9	¥ (14)
Total .....		¥ (15)	¥ 9	¥ (14)

Derivatives not designated as hedging instruments:

Gains (losses) recognized in income

		Years ended March 31,		
		2010	2011	2012
		(Yen in millions)		
	Location			
Foreign currency forward contracts ....	Foreign currency transaction gains, net	¥3,219	¥(3,114)	¥(1,310)
Currency swaps .....	Foreign currency transaction gains, net	1	16	(7)
Total .....		¥3,220	¥(3,098)	¥(1,317)

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

**14. COMMITMENTS AND CONTINGENCIES**

As of March 31, 2012, Kyocera had contractual obligations for the acquisition or construction of property, plant and equipment aggregating ¥9,635 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 ¥9,210 million, ¥8,310 million and ¥10,586 million for the years ended March 31, 2010, 2011 and 2012, respectively.

The future minimum lease commitments under non-cancelable operating leases as of March 31, 2012 are as follows:

<u>Years ending March 31,</u>	<u>(Yen in millions)</u>
2013 .....	¥ 4,931
2014 .....	3,449
2015 .....	2,197
2016 .....	1,390
2017 .....	975
2018 and thereafter .....	<u>1,023</u>
	<u>¥13,965</u>

Kyocera has entered into purchase agreements for a certain portion of an anticipated quantity of materials used in its operations. Under those agreements, during the year ended March 31, 2012, Kyocera purchased ¥16,010 million and is obligated to purchase ¥203,115 million in total by the end of December 2020.

Kyocera guarantees the debt of employees, an investee and an unconsolidated subsidiary. As of March 31, 2012, the total amount of these guarantees was ¥588 million. The financial guarantees are made in the form of commitments and letters of awareness issued to financial institutions and generally obligate Kyocera to make payments in the event of default by the borrowers.

AVX 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 also are, or have been, involved in site investigation and clean-up activities. AVX believes that liability resulting from these sites will be apportioned between AVX and other PRPs.

To resolve its liability at the sites at which AVX has been named a PRP, AVX 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.

In 1991, in connection with a consent decree, AVX paid ¥8,878 million (\$66 million), plus interest, toward the environmental conditions at, and remediation of, New Bedford Harbor in the Commonwealth of Massachusetts

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

(the harbor) in settlement with the United States and the Commonwealth of Massachusetts, subject to reopener provisions, including a reopener if certain remediation costs for the site exceed ¥10,701 million (\$130.5 million). In 2007, AVX received notification from the EPA and the Department of Justice indicating that the United States was preparing to exercise the cost reopener. In March 2011, the EPA issued the Fourth Explanation of Significant Differences (ESD #4) that explains the planned changes to the existing remedial action plan for the harbor to include the use of a confined aquatic disposal (CAD) cell, along with interim off-site transportation and disposal of certain contaminated dredge spoils, and the continued use of long-term on-site storage for other contaminated dredge spoils. ESD #4 provides future cost estimates under the new remedial action plan (in addition to costs incurred to date) ranging from ¥29,684 million (\$362 million) to ¥32,882 million (\$401 million), net present value, based on certain criteria included in the ESD #4. The EPA has indicated that remediation costs through December 31, 2011 were approximately ¥37,392 million (approximately \$456 million), not all of which are subject to the reopener provisions.

On April 18, 2012, the EPA issued to AVX a Unilateral Administrative Order (UAO) directing AVX to perform the Remedial Design, the Remedial Action and Operation and Maintenance for the harbor clean-up. The effective date set forth in the UAO is June 18, 2012, but, while the parties are in mediation discussions, AVX has until July 23, 2012 to inform the EPA if it intends to comply with the UAO.

AVX has not received complete documentation of past response costs from the EPA and therefore has not yet completed an investigation of the monies spent or available defenses in light of these notifications and indications. AVX has also not yet determined whether AVX can avoid responsibility for all, or some portion, of these past or future costs because the remediation method has changed over time and costs can be appropriately apportioned to parties other than AVX. AVX anticipates further discussions with the U.S. Department of Justice, the EPA, and the Commonwealth of Massachusetts in the first half of the year ending March 31, 2013.

AVX is continuing to assess the UAO as well as potential defenses and other actions with respect to the site. However, in light of the foregoing, AVX considers it to be probable and reasonably estimable that AVX will incur cost within a range of approximately ¥7,900 million (approximately \$100 million) to ¥59,860 million (\$730 million), with no amount within that range representing a more likely outcome until such time as AVX completes an investigation with regard to monies spent, available defenses and other matters. AVX recognizes liabilities for environmental exposures when analysis indicates that is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. When a range of loss can be estimated, AVX accrues 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. Accordingly, AVX has recorded a charge for the year ended March 31, 2012 of ¥7,900 million (\$100 million) with respect to this matter. Kyocera included this charge in selling, general and administrative expenses in the consolidated statements of income for the year ended March 31, 2012.

In addition to the above matter, 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 sites 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

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

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.

**15. EQUITY**

Under the Corporation Act of Japan (the Corporation 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 Corporation 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, 2012 included in retained earnings was ¥23,790 million.

The Corporation 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, 2012 was ¥718,122 million.

The accompanying consolidated financial statements for the year ended March 31, 2012 do not include any provision for the year-end dividend of ¥60 per share aggregating ¥11,007 million payable on June 28, 2012 which was approved by the shareholders at the shareholder's meeting held on June 27, 2012.

Kyocera's equity in retained earnings or deficits of affiliates and unconsolidated subsidiaries accounted for by the equity method of accounting aggregating ¥(1,881) million at March 31, 2012 was included in retained earnings.

Changes in accumulated other comprehensive income are as follows:

	Net Unrealized Gains on Securities	Net Unrealized Gains (Losses) on Derivative Financial Instruments	Pension Adjustments	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income
	(Yen in millions)				
Balance at March 31, 2009	¥11,621	¥(145)	¥ 53	¥ (66,202)	¥(54,673)
Net change for the year	11,847	63	1,003	(9,287)	3,626
Other	—	—	(3)	40	37
Balance at March 31, 2010	23,468	(82)	1,053	(75,449)	(51,010)
Net change for the year	8,767	52	(4,530)	(28,861)	(24,572)
Other	—	1	(57)	5	(51)
Balance at March 31, 2011	32,235	(29)	(3,534)	(104,305)	(75,633)
Net change for the year	8,502	(41)	(8,750)	(5,538)	(5,827)
Other	(2)	0	(6)	(171)	(179)
Balance at March 31, 2012	<u>¥40,735</u>	<u>¥ (70)</u>	<u>¥(12,290)</u>	<u>¥(110,014)</u>	<u>¥(81,639)</u>

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

Tax effects allocated to each component of other comprehensive income (loss) and adjustments, excluding amounts attributable to noncontrolling interests, are as follows:

	<b>Before-tax amount</b>	<b>Tax (expense) or benefit</b>	<b>Net-of-tax amount</b>
	(Yen in millions)		
For the year ended March 31, 2010:			
Net unrealized gains on securities:			
Amount arising during the year . . . . .	¥ 19,533	¥(7,842)	¥ 11,691
Reclassification adjustments for gains and losses realized in net income . . . . .	266	(110)	156
Net change for the year . . . . .	19,799	(7,952)	11,847
Net unrealized gains on derivative financial instruments:			
Amount arising during the year . . . . .	(119)	10	(109)
Reclassification adjustments for gains and losses realized in net income . . . . .	204	(32)	172
Net change for the year . . . . .	85	(22)	63
Pension adjustments:			
Amount arising during the year . . . . .	5,784	(2,830)	2,954
Reclassification adjustments for gains and losses realized in net income . . . . .	(3,433)	1,482	(1,951)
Net change for the year . . . . .	2,351	(1,348)	1,003
Foreign currency translation adjustments . . . . .	(9,700)	413	(9,287)
Other comprehensive income . . . . .	¥ 12,535	¥(8,909)	¥ 3,626
For the year ended March 31, 2011:			
Net unrealized gains on securities:			
Amount arising during the year . . . . .	¥ 14,599	¥(5,998)	¥ 8,601
Reclassification adjustments for gains and losses realized in net income . . . . .	280	(114)	166
Net change for the year . . . . .	14,879	(6,112)	8,767
Net unrealized gains on derivative financial instruments:			
Amount arising during the year . . . . .	252	(13)	239
Reclassification adjustments for gains and losses realized in net income . . . . .	(197)	10	(187)
Net change for the year . . . . .	55	(3)	52
Pension adjustments:			
Amount arising during the year . . . . .	(5,157)	2,276	(2,881)
Reclassification adjustments for gains and losses realized in net income . . . . .	(3,015)	1,366	(1,649)
Net change for the year . . . . .	(8,172)	3,642	(4,530)
Foreign currency translation adjustments . . . . .	(28,966)	105	(28,861)
Other comprehensive loss . . . . .	¥(22,204)	¥(2,368)	¥(24,572)

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

	<u>Before-tax amount</u>	<u>Tax (expense) or benefit</u>	<u>Net-of-tax amount</u>
	(Yen in millions)		
For the year ended March 31, 2012:			
Net unrealized gains on securities:			
Amount arising during the year	¥ 10,419	¥(2,722)	¥ 7,697
Reclassification adjustments for gains and losses realized in net income	<u>1,365</u>	<u>(560)</u>	<u>805</u>
Net change for the year	11,784	(3,282)	8,502
Net unrealized losses on derivative financial instruments:			
Amount arising during the year	(22)	1	(21)
Reclassification adjustments for gains and losses realized in net income	<u>(30)</u>	<u>10</u>	<u>(20)</u>
Net change for the year	(52)	11	(41)
Pension adjustments:			
Amount arising during the year	(10,246)	3,327	(6,919)
Reclassification adjustments for gains and losses realized in net income	<u>(2,983)</u>	<u>1,152</u>	<u>(1,831)</u>
Net change for the year	<u>(13,229)</u>	<u>4,479</u>	<u>(8,750)</u>
Foreign currency translation adjustments	<u>(5,538)</u>	<u>—</u>	<u>(5,538)</u>
Other comprehensive loss	<u>¥ (7,035)</u>	<u>¥ 1,208</u>	<u>¥(5,827)</u>

**16. INCOME TAXES**

Income before income taxes and income taxes for the years ended March 31, 2010, 2011 and 2012 are comprised of the following components:

	<u>Years ended March 31,</u>		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
	(Yen in millions)		
Income before income taxes:			
Domestic	¥ 28,477	¥112,374	¥ 77,813
Foreign	<u>32,321</u>	<u>59,958</u>	<u>37,080</u>
Total income before income taxes	<u>¥ 60,798</u>	<u>¥172,332</u>	<u>¥114,893</u>
Income taxes:			
Current income taxes:			
Domestic	¥ 17,213	¥ 21,297	¥ 20,685
Foreign	<u>7,232</u>	<u>14,447</u>	<u>13,514</u>
Total current income taxes	<u>24,445</u>	<u>35,744</u>	<u>34,199</u>
Deferred income taxes:			
Domestic	(10,089)	11,892	(1,148)
Foreign	<u>1,009</u>	<u>(5,422)</u>	<u>(2,916)</u>
Total deferred income taxes	<u>(9,080)</u>	<u>6,470</u>	<u>(4,064)</u>
Total income taxes	<u>¥ 15,365</u>	<u>¥ 42,214</u>	<u>¥ 30,135</u>

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

In Japan, a company is subject to a number of taxes, based on income, which in the aggregate indicate normal statutory income tax rates for the years ended 2010, 2011 and 2012 of approximately 41.0%.

Reconciliations between the Japanese statutory income tax rate and Kyocera's effective income tax rate for the years ended March 31, 2010, 2011 and 2012 are as follows:

	<b>Years ended March 31,</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
Japanese statutory income tax rate . . . . .	41.0%	41.0%	41.0%
Difference in statutory tax rates of foreign subsidiaries . . . . .	(7.7)	(5.0)	(6.4)
Change in valuation allowance . . . . .	(1.7)	(8.1)	(1.1)
Tax credit for research and development expenses . . . . .	(4.4)	(2.1)	(2.1)
Uncertainty in income taxes . . . . .	(1.6)	(2.1)	1.3
Tax rate change* . . . . .	—	—	(7.2)
Other . . . . .	(0.3)	0.8	0.7
Effective income tax rate . . . . .	<u>25.3%</u>	<u>24.5%</u>	<u>26.2%</u>

\* In accordance with the Law to Amend a Part of the Income Tax Law to Implement a Tax System Corresponding to Changes in the Economy and Social Structure (Law No. 114 of 2011) and the Special Measures Law to Secure Necessary Financial Resources to Execute Measures for Reconstruction from the Great East Japan Earthquake (Law No. 117 of 2011), which were enacted on December 2, 2011, the corporate tax rate, etc. applied to annual reporting periods commencing on and after April 1, 2012 has been revised in Japan. As a result of such amendments, the effective Japanese statutory corporate tax rate of 41% previously applied for calculation of the amount of deferred tax assets and deferred tax liabilities has been reduced to 38% with respect to temporary differences to be realized during the annual reporting period commencing as from April 1, 2012 through the annual reporting period commencing as from April 1, 2014, and reduced to 36% with respect to temporary differences to be realized during the annual reporting periods commencing on and after April 1, 2015.

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

The components of the deferred tax assets and deferred tax liabilities at March 31, 2011 and 2012 are as follows:

	<b>March 31,</b>	
	<b>2011</b>	<b>2012</b>
	<b>(Yen in millions)</b>	
Deferred tax assets:		
Enterprise tax . . . . .	¥ 1,603	¥ 728
Inventories . . . . .	19,545	19,057
Provision for doubtful accounts and loss on bad debts . . . . .	1,394	1,255
Accrued expenses . . . . .	8,220	10,982
Employee benefits . . . . .	24,828	24,528
Depreciation and amortization . . . . .	37,432	33,171
Securities . . . . .	2,459	2,744
Net operating losses and tax credit carry forwards . . . . .	19,144	20,454
Liquidation of a foreign subsidiary . . . . .	3,696	—
Other . . . . .	4,291	6,163
	<u>122,612</u>	<u>119,082</u>
Valuation allowance . . . . .	(24,687)	(25,192)
Net deferred tax assets . . . . .	<u>¥ 97,925</u>	<u>¥ 93,890</u>
Deferred tax liabilities:		
Depreciation and amortization . . . . .	¥ 10,942	¥ 13,952
Deduction of foreign branch losses . . . . .	850	771
Securities . . . . .	108,885	99,918
Prepaid benefit cost . . . . .	5,301	2,786
Other . . . . .	3,272	3,937
	<u>¥129,250</u>	<u>¥121,364</u>
Net deferred tax liabilities . . . . .	<u>¥(31,325)</u>	<u>¥(27,474)</u>

Net deferred tax assets and liabilities at March 31, 2011 and 2012 are reflected in the consolidated balance sheets under the following captions.

	<b>March 31,</b>	
	<b>2011</b>	<b>2012</b>
	<b>(Yen in millions)</b>	
Deferred income taxes—current assets . . . . .	¥ 43,035	¥ 45,049
Other assets . . . . .	17,087	20,245
Other current liabilities . . . . .	(1,442)	(2,589)
Deferred income taxes—non-current liabilities . . . . .	(90,005)	(90,179)
Net deferred tax liabilities . . . . .	<u>¥(31,325)</u>	<u>¥(27,474)</u>

At March 31, 2012, Kyocera had net operating losses carried forward of approximately ¥91,956 million, which are available to offset future taxable income. Of these net operating losses carried forward, the amount of ¥30,967 million recorded at domestic subsidiaries will expire within next nine years, and the amount of approximately ¥12,243 million recorded at U.S. subsidiaries will expire within next 20 years. Certain other foreign subsidiaries have net operating losses carried forward totaling approximately ¥48,746 million of which most have no expiration date.

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

At March 31, 2012, Kyocera had tax credits carried forward of ¥2,956 million, which are available to offset future income taxes. Of these tax credits carried forward, the amount of ¥1,324 million and ¥1,632 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 ¥9,272 million at March 31, 2012. The undistributed earnings of these subsidiaries are ¥261,707 million at March 31, 2012.

Total gross deferred tax assets at March 31, 2011 and 2012 were reduced by valuation allowances of ¥24,687 million and ¥25,192 million, respectively. The decrease for the year ended March 31, 2011 was due mainly to a reversal of valuation allowance against deferred tax assets at certain subsidiaries with increasing realization of deferred tax assets triggered by a significantly improved operating results.

A reconciliation of the beginning and end amount of gross valuation allowance for deferred tax asset is as follows:

	March 31,		
	2010	2011	2012
	(Yen in millions)		
Balance at beginning of year . . . . .	¥43,236	¥ 40,270	¥24,687
Increase . . . . .	7,034	1,226	2,667
Decrease . . . . .	(8,905)	(15,885)	(3,523)
Other* . . . . .	(1,095)	(924)	1,361
Balance at end of year . . . . .	<u>¥40,270</u>	<u>¥ 24,687</u>	<u>¥25,192</u>

\* Other consists mainly of foreign currency translation adjustments and business combinations.

A reconciliation of the beginning and end amount of gross unrecognized tax benefits is as follows:

	March 31,		
	2010	2011	2012
	(Yen in millions)		
Balance at beginning of year . . . . .	¥10,518	¥ 8,352	¥ 6,874
Increase—tax position in prior years . . . . .	20	1,112	277
Increase—tax position in current year . . . . .	1,800	1,936	2,135
Decrease—tax position in prior years . . . . .	(1,634)	(2,517)	(868)
Settlements with taxing authorities . . . . .	(2,336)	(2,002)	(5,350)
Lapse of statute of limitations . . . . .	(16)	(7)	(18)
Balance at end of year . . . . .	<u>¥ 8,352</u>	<u>¥ 6,874</u>	<u>¥ 3,050</u>

Gross unrecognized tax benefits on the consolidated balance sheets that if recognized would affect the effective tax rate were ¥6,874 million and ¥3,050million, at March 31, 2011 and 2012, 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 taxes in the consolidated statement of income in the amount of ¥(226) million, ¥(92) million and ¥59million for the year ended March 31, 2010, 2011 and 2012, respectively, and as other non-current liabilities in the consolidated balance sheet in the amounts of ¥217 million and ¥275million at March 31, 2011 and 2012, respectively. The above table excludes this accrual for estimated interest and penalties.

At March 31, 2012 Kyocera is subject to income tax examinations by tax authorities for the tax year 2005 and forward in Japan, and for the tax year 2009 and forward in the United States for its major jurisdictions.

**17. SUPPLEMENTAL EXPENSE INFORMATION**

Supplemental expense information is as follows:

	Years ended March 31,		
	2010	2011	2012
	(Yen in millions)		
Research and development expenses . . . . .	¥49,911	¥49,474	¥45,559
Advertising expenses . . . . .	7,346	7,583	7,912
Shipping and handling cost included in selling, general and administrative expenses . . . . .	14,140	16,883	17,203

**18. SEGMENT REPORTING**

Kyocera manufactures and sells a highly diversified range of products, including components involving fine ceramic technologies and applied ceramic products, telecommunications and information equipment etc.

Kyocera categorizes its operations into seven reporting segments: (1) Fine Ceramic Parts Group, (2) Semiconductor Parts Group, (3) Applied Ceramic Products Group, (4) Electronic Device Group, (5) Telecommunications Equipment Group, (6) Information Equipment Group, and (7) Others.

Main products or businesses of each reporting segment are as follows:

(1) Fine Ceramic Parts Group

Components for Semiconductor Processing Equipment and LCD Manufacturing Equipment  
Information & Telecommunication Components  
General Industrial Ceramic Components  
Sapphire Substrates  
Automotive Components

(2) Semiconductor Parts Group

Ceramic Packages for Crystal and SAW Devices  
CMOS/CCD Image Sensor Ceramic Packages  
LSI Ceramic Packages,  
Wireless Communication Device Packages  
Optical Communication Device Packages and Components  
Organic Multilayer Packages and Substrates

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

(3) Applied Ceramic Products Group

Residential and Industrial Solar Power Generating Systems  
Solar Cells and Modules  
Cutting Tools, Micro Drills  
Medical and Dental Implants  
Jewelry and Fine Ceramic Application Products

(4) Electronic Device Group

Ceramic Capacitors, Tantalum Capacitors  
SAW Devices, RF Modules, EMI Filters  
Clock Oscillators, Crystal Units, Ceramic Resonators, Optical Low Pass Filters  
Connectors  
Thermal Printheads, Inkjet Printheads, Amorphous Silicon Photoreceptor Drums  
LCDs, Touch Panels

(5) Telecommunications Equipment Group

Mobile Phone Handsets  
PHS related Products such as PHS Mobile Phone Handsets and PHS Base Stations

(6) Information Equipment Group

Color and Black & White Office Equipment such as ECOSYS Printers and Multifunction Peripherals  
Wide Format Multifunctional Systems  
Printer and Multifunction Peripherals Supplies  
Business Solution Services such as Managed Print Service

(7) Others

Information Systems & Telecommunication Services,  
Engineering Business, Management Consulting Business  
Epoxy Molding Compounds for Semiconductor Encapsulation,  
Electrical Insulators, Flexible Printed Circuit Sheet Materials, Synthetic Resin Molded Parts  
Realty Development  
LED Lighting Systems

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 reporting segment represents net sales, less related costs and operating expenses, excluding corporate revenue and expenses, equity in earnings, income taxes and net income attributable to noncontrolling interests.

Assets for each reporting segment represent those assets associated with a specific reporting 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 reporting segment.

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

Kyocera's sales to KDDI Corporation and its consolidated subsidiaries which are mainly recorded in the Telecommunications Equipment Group are as follows:

	Years ended March 31,		
	2010	2011	2012
Amount of sales to KDDI Corporation and its consolidated subsidiaries (Yen in millions) . . . . .	¥115,538	¥130,554	¥121,130
Ratio of amount of sale to KDDI Corporation and its consolidated subsidiaries to consolidated net sales (%) . . . . .	10.8	10.3	10.2

Information by reporting segment at and for the years ended March 31, 2010, 2011 and 2012 is summarized on the following page:

**Reporting segments**

	Years ended March 31,		
	2010	2011	2012
(Yen in millions)			
Net sales:			
Fine Ceramic Parts Group . . . . .	¥ 53,056	¥ 76,269	¥ 80,372
Semiconductor Parts Group . . . . .	140,507	174,687	153,420
Applied Ceramic Products Group . . . . .	157,033	197,642	179,784
Electronic Device Group . . . . .	199,939	242,641	228,721
Telecommunications Equipment Group . . . . .	189,118	225,168	178,669
Information Equipment Group . . . . .	232,365	239,916	243,457
Others . . . . .	124,577	139,383	151,987
Adjustments and eliminations . . . . .	(22,790)	(28,782)	(25,540)
Net sales . . . . .	<u>¥1,073,805</u>	<u>¥1,266,924</u>	<u>¥1,190,870</u>

	Years ended March 31,		
	2010	2011	2012
(Yen in millions)			
Income before income taxes:			
Fine Ceramic Parts Group . . . . .	¥ (788)	¥ 11,969	¥ 12,622
Semiconductor Parts Group . . . . .	17,235	37,331	27,754
Applied Ceramic Products Group . . . . .	19,858	29,049	6,459
Electronic Device Group . . . . .	13,230	41,646	16,036
Telecommunications Equipment Group . . . . .	(14,726)	2,121	1,469
Information Equipment Group . . . . .	22,091	25,845	29,451
Others . . . . .	6,769	9,651	8,054
Total operating profit . . . . .	63,669	157,612	101,845
Corporate . . . . .	15,665	16,882	13,876
Equity in losses of affiliates and unconsolidated subsidiaries . . . . .	(18,297)	(160)	(36)
Adjustments and eliminations . . . . .	(239)	(2,002)	(792)
Income before income taxes . . . . .	<u>¥ 60,798</u>	<u>¥ 172,332</u>	<u>¥ 114,893</u>

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

	Years ended March 31,		
	2010	2011	2012
	(Yen in millions)		
Depreciation and amortization:			
Fine Ceramic Parts Group	¥ 5,719	¥ 5,106	¥ 6,767
Semiconductor Parts Group	9,795	10,786	11,795
Applied Ceramic Products Group	10,889	13,786	14,843
Electronic Device Group	16,934	13,818	13,762
Telecommunications Equipment Group	9,452	10,172	8,949
Information Equipment Group	12,846	11,027	10,131
Others	4,925	4,767	4,668
Corporate	2,269	2,082	2,205
Total	<u>¥72,829</u>	<u>¥71,544</u>	<u>¥73,120</u>

	Years ended March 31,		
	2010	2011	2012
	(Yen in millions)		
Write-down of inventories:			
Fine Ceramic Parts Group	¥ 777	¥ 146	¥ 105
Semiconductor Parts Group	508	266	703
Applied Ceramic Products Group	1,916	1,000	6,115
Electronic Device Group	817	265	991
Telecommunications Equipment Group	4,340	2,581	2,216
Information Equipment Group	580	972	1,169
Others	269	61	187
Corporate	—	—	—
Total	<u>¥ 9,207</u>	<u>¥ 5,291</u>	<u>¥11,486</u>

	Years ended March 31,		
	2010	2011	2012
	(Yen in millions)		
Capital expenditures:			
Fine Ceramic Parts Group	¥ 1,814	¥11,319	¥11,050
Semiconductor Parts Group	5,998	12,998	13,279
Applied Ceramic Products Group	14,756	17,660	13,001
Electronic Device Group	5,730	12,118	14,193
Telecommunications Equipment Group	2,876	3,886	4,142
Information Equipment Group	3,471	7,437	6,199
Others	1,923	2,747	2,800
Corporate	1,301	2,515	1,744
Total	<u>¥37,869</u>	<u>¥70,680</u>	<u>¥66,408</u>

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

	March 31,		
	2010	2011	2012
(Yen in millions)			
Assets by reporting segment:			
Fine Ceramic Parts Group	¥ 49,430	¥ 57,682	¥ 68,637
Semiconductor Parts Group	100,094	111,406	112,121
Applied Ceramic Products Group	209,170	258,618	265,093
Electronic Device Group	346,844	351,432	417,105
Telecommunications Equipment Group	112,750	111,634	109,975
Information Equipment Group	250,222	247,486	246,834
Others	128,898	132,381	138,304
	<u>1,197,408</u>	<u>1,270,639</u>	<u>1,358,069</u>
Corporate	711,508	748,184	727,849
Investments in and advances to affiliates and unconsolidated subsidiaries	1,461	1,419	1,797
Adjustments and eliminations	(61,660)	(73,676)	(93,612)
Total assets	<u>¥1,848,717</u>	<u>¥1,946,566</u>	<u>¥1,994,103</u>

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, 2010, 2011 and 2012 are summarized as follows:

**Geographic segments**

	Years ended March 31,		
	2010	2011	2012
(Yen in millions)			
Net sales:			
Japan	¥ 470,643	¥ 559,883	¥ 559,344
Asia	172,510	215,913	205,469
Europe	198,058	210,131	204,887
United States of America	180,861	220,706	166,706
Others	51,733	60,291	54,464
Net sales	<u>¥1,073,805</u>	<u>¥1,266,924</u>	<u>¥1,190,870</u>

	March 31,		
	2010	2011	2012
(Yen in millions)			
Long-lived assets:			
Japan	¥ 176,884	¥ 185,969	¥ 187,566
Asia	28,007	29,293	35,545
Europe	14,373	14,974	18,725
United States of America	12,993	11,164	12,787
Others	7,842	6,354	5,914
Total	<u>¥ 240,099</u>	<u>¥ 247,754</u>	<u>¥ 260,537</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**

**19. EARNINGS PER SHARE**

A reconciliation of the numerators and the denominators of basic and diluted earnings per share computations is as follows:

	Years ended March 31,		
	2010	2011	2012
	(Yen in millions except per share amounts)		
Net income attributable to shareholders of Kyocera Corporation . . . . .	¥ 40,095	¥122,448	¥ 79,357
Basic earnings per share:			
Net income attributable to shareholders of Kyocera Corporation . . . . .	218.47	667.23	432.58
Diluted earnings per share:			
Net income attributable to shareholders of Kyocera Corporation . . . . .	218.47	667.23	432.58
	Years ended March 31,		
	2010	2011	2012
	(shares in thousands)		
Basic average number of shares outstanding . . . . .	183,525	183,517	183,451
Diluted average number of shares outstanding . . . . .	183,525	183,517	183,451

**20. SUPPLEMENTAL CASH FLOW INFORMATION**

Supplemental information related to the Consolidated Statements of Cash Flows is as follows:

	Years ended March 31,		
	2010	2011	2012
	(Yen in millions)		
Cash paid during the year:			
Interest . . . . .	¥ 2,675	¥ 1,637	¥ 1,741
Income taxes . . . . .	20,988	34,994	34,889
Non-cash investing and financing activities:			
Obtaining assets by entering into capital lease . . . . .	¥ 1,557	¥ 1,003	¥ 804
Acquisitions of businesses:			
Fair value of assets acquired . . . . .	¥ 8,036	¥ 2,475	¥ 85,003
Fair value of liabilities assumed . . . . .	(1,780)	(608)	(45,621)
Noncontrolling interests . . . . .	(985)	—	—
Cash acquired . . . . .	(942)	(422)	(3,928)
Subtotal . . . . .	4,329	1,445	35,454
Additional payment for acquisitions of businesses in the past years . . . . .	386	136	—
Total . . . . .	¥ 4,715	¥ 1,581	¥ 35,454

## 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  
(Company)

By \_\_\_\_\_ /s/ SHOICHI AOKI

Shoichi Aoki  
Director, Managing Executive Officer and  
General Manager of  
Corporate Financial and Business Systems  
Administration Group

June 29, 2012

## INDEX OF EXHIBITS

Exhibit Number	Description
1.1	Articles of Incorporation (English translation)
1.2	Share Handling Regulations of the Registrant (incorporated by reference to the Registrant's annual report on Form 20-F filed on June 29, 2011)
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)
1.4	Regulations of the Board of Corporate Auditors of the Registrant (incorporated by reference to the Registrant's annual report on Form 20-F filed on June 30, 2010)
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 Amendment No.1 thereto, dated as of January 5, 1999 (incorporated by reference to the Registrant's annual report on Form 20-F filed on September 24, 2001), as further amended by Amendment No.2 thereto, dated as of December 21, 2007, including the form of American Depositary Receipt (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))
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)
12.1	Certification of the principal executive officer of the Registrant required by Rule 13a-14(a)
12.2	Certification of the principal financial officer of the Registrant required by Rule 13a-14(a)
13.1	Certification of the principal executive officer of the Registrant required by Rule 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 Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code
15.1	Consent of Kyoto Audit Corporation with respect to its report on the audit of the financial statements included in the Registrant's annual report on Form 20-F
101	Instance Document
101	Schema Document
101	Calculation Linkbase Document
101	Labels Linkbase Document
101	Presentation Linkbase Document
101	Definition Linkbase Document

(TRANSLATION)

**ARTICLES OF INCORPORATION**

June 27, 2012

**KYOCERA CORPORATION**

(TRANSLATION)

**ARTICLES OF INCORPORATION  
OF  
KYOCERA CORPORATION**

**CHAPTER I**  
**GENERAL PROVISIONS**

**Article 1. Trade Name**

The name of the Company shall be “KYOCERA KABUSHIKI KAISHA” (in English “KYOCERA CORPORATION”).

**Article 2. Objects**

The objects of the Company shall be to engage in the following businesses:

- (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) Wholesales 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.

**Article 3. Location of Principal Office**

The principal office of the Company shall be located in Kyoto City.

**Article 4. Organizations**

The Company shall have the following organizations other than the General Meeting of Shareholders and Directors.

- (1) Board of Directors
- (2) Corporate Auditors
- (3) Board of Corporate Auditors
- (4) Accounting Auditors

**Article 5. Public Notices**

Method to give public notices by the Company shall be electronic public notice, provided, however, that if, due to accident or other unavoidable reason, the use of the electronic public notice becomes impossible, public notices by the Company shall appear in *The Nihon Keizai Shimbun*.

**CHAPTER II**  
**SHARES**

**Article 6. Total Number of Shares Possible to be Issued**

The total number of shares possible to be issued by the Company shall be 600,000,000.

**Article 7. Acquisition of its Own Shares by the Company**

The Company may, under the provisions of Article 165, Paragraph 2 of the Corporation Act, acquire its own shares through market, etc., pursuant to a resolution of the Board of Directors.

**Article 8. Number of Shares Constituting a Share Unit**

The number of shares constituting a single share unit of the Company shall be 100.

**Article 9. Rights Relating to Shares not Constituting a Full Share Unit**

Shareholders of the Company cannot exercise their rights relating to shares not constituting a full share unit that they own except for the following:

- (1) The right provided for in the provisions of Article 189, Paragraph 2, of the Corporation Act;
- (2) The right to make a request provided for in the provisions of Article 166, Paragraph 1 of the Corporation Act;
- (3) The right to receive allocation of offered shares and offered stock acquisition rights pursuant to the number of shares that the shareholders own; and
- (4) The right to make a request provided for in the immediately following Article.

**Article 10. Request to Sell Shares by Shareholders Holding Shares not Constituting a Full Share Unit**

Shareholders of the Company may, in accordance with the provisions of the Share Handling Regulations of the Company, require the Company to sell such number of shares as will, when aggregated with the shares not constituting a full share unit owned by them, constitute a full share unit.

**Article 11. Manager of Shareholders Register**

1. The Company shall have a Manager of the Shareholders Register.
2. The Manager of the Shareholders Register and its management office shall be determined by a resolution of the Board of Directors and public notice thereof shall be given.
3. The preparation and keeping of the Shareholders Register and the Register of Stock Acquisition Rights and other matters relating to the share handling of the Shareholders Register and the Register of Stock Acquisition Rights shall be entrusted to the Manager of the Shareholders Register, and the Company shall not handle them.

**Article 12. Share Handling Regulations**

The matters relating to the share handling and fees relating to the shares of the Company shall be provided for in the Share Handling Regulations of the Company established by the Board of Directors in addition to the laws and regulations and these Articles of Incorporation.

**CHAPTER III**  
**GENERAL MEETING OF SHAREHOLDERS**

**Article 13. Convocation of General Meeting of Shareholders**

An Ordinary General Meeting of Shareholders of the Company shall be convened within three months after the last day of each business year and Extraordinary General Meeting of Shareholders shall be convened whenever necessary.

**Article 14. Record Date of Ordinary General Meeting of Shareholders**

The record date of the voting rights at the Ordinary General Meeting of Shareholders of the Company shall be March 31 in each year.

**Article 15. Person to Convene General Meeting of Shareholders and the Chairman**

1. A General Meeting of Shareholders shall be convened by the President, and the President shall take the chair.

2. Should the President be unable to so act, one of the other Directors in the order determined in advance by the Board of Directors shall convene the General Meeting of Shareholders and take the chair.

**Article 16. Internet Disclosure and Deemed Provision of Reference Documents for General Meeting of Shareholders, etc.**

The Company may, by disclosing the information relating to the matters that shall be described or indicated in reference documents for the General Meeting of Shareholders, business report, financial statements and consolidated financial statements through Internet in accordance with the Ministerial Ordinance of the Ministry of Justice, in connection with the convocation of the General Meeting of Shareholders, deem that it has provided the same to the shareholders.

**Article 17. Method of Resolutions**

1. Unless otherwise provided for by the laws and regulations or these Articles of Incorporation, resolutions of a General Meeting of Shareholders shall be adopted by a majority of the voting rights of the shareholders who are entitled to exercise the voting rights, present at the meeting.

2. Resolutions pursuant to Article 309, Paragraph 2 of the Corporation Act shall be adopted by two-thirds or more of the voting rights of the shareholders, who are entitled to exercise the voting rights, present at the meeting, at which the shareholders holding one-third or more of the voting rights of all shareholders who are entitled to exercise the voting rights must present.

**Article 18. Exercise of Voting Rights by Proxy**

1. A shareholder of the Company may exercise his voting rights at a General Meeting of Shareholders by proxy who shall be another shareholder of the Company possessing voting rights.

2. In case of the preceding paragraph, a shareholder or proxy shall submit to the Company a document evidencing his proxy right at each General Meeting of Shareholders.

**CHAPTER IV**  
**DIRECTORS AND BOARD OF DIRECTORS**

**Article 19. Number of Directors**

The Company shall have not more than twenty Directors.

**Article 20. Method of Election of Directors**

1. Directors shall be elected at a General Meeting of Shareholders.

2. The election of Directors shall be made by a majority of voting rights of shareholders, who are entitled to exercise the voting rights present at the meeting, at which the shareholders holding one-third or more of the voting rights of all shareholders who are entitled to exercise the voting rights must present.

3. For the election of Directors, no cumulative voting shall be used.

**Article 21. Term of Office of Directors**

1. The term of office of a Director shall end at the adjournment of the Ordinary General Meeting of Shareholders for the last business year ending within two years after assumption of office.

2. The term of office of the Director elected to increase the number of the Directors or to fill a vacancy shall terminate when the term of office of the other Directors in office shall expire.

**Article 22. Representative Director, Executive Directors, Chairman Emeritus, Advisors and Counsellors**

1. The Board of Directors shall appoint, by resolution, Representative Directors.

2. The Board of Directors may appoint, by resolution, a Chairman of the Board of Directors and a President and Director, one or more Vice-Chairmen and Directors, Executive Vice-Presidents and Directors, Senior Managing Directors, Managing Directors and Advisors and Directors.

3. The Board of Directors may appoint, by resolution, a Chairman Emeritus.

4. The Board of Directors may appoint, by resolution, Advisors and Counsellors.

**Article 23. Remuneration, etc. of Directors**

Remunerations, bonuses and any other financial benefits received by Directors from the Company as compensation for undertaking their functions (hereinafter referred to as the “Remuneration, etc.”) shall be determined by resolution at a General Meeting of Shareholders.

**Article 24. Person to Convene the Board of Directors and the Chairman**

1. Unless otherwise provided for by the laws and regulations, the Chairman of Board of Directors shall convene the meeting of the Board of Directors and take the chair.

2. Should there be a vacancy for the Chairman of Board of Directors or should the Chairman of the Board of Directors be unable to so act, the President shall, and should the President be unable to so act, one of the other Directors in the order determined in advance by the Board of Directors shall convene the Board of Directors and take the chair.

**Article 25. Convocation Notice of Meetings of Board of Directors**

1. Convocation notice of meetings of the Board of Directors shall be dispatched to each Director and Corporate Auditor at least three days prior to the date set for such meetings; provided, however, that such period may be shortened in case of emergency.

2. Board of Directors may be held without taking convocation procedures if unanimous consent is obtained from all Directors and the Corporate Auditors.

**Article 26. Omission of Resolution in Board of Directors**

The Company may deem that the resolution at the meeting of Board of Directors to approve the matter that requires the resolution at the meeting of Board of Directors has been adopted, when all Directors who are able to participate in a resolution of such matter have given their consents thereto in writing or through electronic record, except for the case where any of the Corporate Auditors raise objection against it.

**Article 27. Board of Directors Regulations**

Unless otherwise provided for by the laws and regulations or these Articles of Incorporation, matters concerning the Board of Directors shall be provided for in the Board of Directors Regulations established by the Board of Directors.

**CHAPTER V**  
**CORPORATE AUDITORS AND BOARD OF CORPORATE AUDITORS**

**Article 28. Number of Corporate Auditors**

The Company shall have not more than six Corporate Auditors.

**Article 29. Method of Election of Corporate Auditors**

1. Corporate Auditors shall be elected at a General Meeting of Shareholders.

2. The election of Corporate Auditors shall be made by a majority of voting rights of shareholders, who are entitled to exercise the voting rights present at the meeting, at which the shareholders holding one-third or more of the voting rights of all shareholders who are entitled to exercise the voting rights must present.

**Article 30. Term of Office of Corporate Auditors**

1. The term of office of a Corporate Auditor shall end at the adjournment of the Ordinary General Meeting of Shareholders for the last business year ending within four years after assumption of office.

2. The term of office of the Corporate Auditor elected to fill a vacancy shall terminate when the term of office of the other Corporate Auditors in office shall expire.

**Article 31. Full-time Corporate Auditor(s)**

The Board of Corporate Auditors shall elect, by resolution, full-time Corporate Auditor(s).

**Article 32. Remuneration etc. of Corporate Auditors**

Remuneration etc. of Corporate Auditors shall be determined by resolution at a General Meeting of Shareholders.

**Article 33. Convocation Notice of Meetings of Board of Corporate Auditors**

1. Convocation notice of meetings of the Board of Corporate Auditors shall be dispatched to each Corporate Auditor at least three days prior to the date set for such meetings; provided, however, that such period may be shortened in case of emergency.

2. Board of Corporate Auditors may be held without taking the convocation procedures if unanimous consent is obtained from all Corporate Auditors.

**Article 34. Regulations of Board of Corporate Auditors**

Unless otherwise provided for by the laws and regulations or these Articles of Incorporation, matters concerning the Board of Corporate Auditors shall be provided for in the Regulations of the Board of Corporate Auditors established by the Board of Corporate Auditors.

**Article 35. Exemption from Liability of Outside Corporate Auditor**

The Company may, under the provisions of Article 427, Paragraph 1 of the Corporation Act, enter into a contract with the Outside Corporate Auditor, to limit the liability for damages caused by his dereliction of duty, provided, that the maximum amount of liability pursuant to such contract shall not exceed the minimum amount of liability provided for in the Article 425, Paragraph 1 of the Corporation Act.

**CHAPTER VI**  
**ACCOUNTS**

**Article 36. Business Year**

The business year of the Company shall be a one-year period commencing on April 1 in each year and ending on March 31 of the following year.

**Article 37. Record Date of Dividends of Distributable Amount**

1. Record date of the year-end dividends of the Company shall be March 31 in each year.
2. In addition to the preceding paragraph, the Company may distribute the dividends of distributable amount by setting record dates.

**Article 38. Interim Dividends**

The Company may distribute interim dividends, by a resolution of the Board of Directors by setting a record date as of September 30 in each year.

**Article 39. Period of Limitation for Dividends**

If assets distributed as dividends are not collected within three years from the date when the distribution thereof becomes due, the Company shall be exempt from its obligation to distribute such dividends.

**CERTIFICATION**

I, Tetsuo Kuba, 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 29, 2012

/s/ TETSUO KUBA

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Name: Tetsuo Kuba  
Title: President and Representative Director  
(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 29, 2012

/s/ SHOICHI AOKI

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Name: Shoichi Aoki  
Title: Director, Managing Executive Officer  
and General Manager of  
Corporate Financial & Business  
Systems Administration 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, 2012 (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 29, 2012

\_\_\_\_\_  
/s/ TETSUO KUBA

Name: Tetsuo Kuba

Title: President and Representative Director  
(Principal Executive Officer)



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos.33-84904, 33-98132, 33-99134, 33-99140, 33-99150, 33-99154, 333-121098 and 333-138316) of Kyocera Corporation of our report dated June 28, 2012 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ Kyoto Audit Corporation

Kyoto, Japan  
June 28, 2012