

**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, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Date of event requiring this shell company report \_\_\_\_\_

Commission file number: 1-7952

**Kyocera Kabushiki Kaisha**

(Exact name of Registrant as specified in its charter)

**Kyocera Corporation**

(Translation of Registrant's name into English)

Japan  
(Jurisdiction of incorporation or organization)

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

Shoichi Aoki, +81-75-604-3556, kyocera-ir@kyocera.jp, +81-75-604-3557,  
6, Takeda Tobadono-cho, Fushimi-ku, Kyoto 612-8501, Japan  
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

<u>Title of Each Class</u>	<u>Name of Each Exchange On Which Registered</u>
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Common Stock (Shares)*	New York Stock Exchange
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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, 2013, 183,439,820 shares of common stock were outstanding, comprised of 181,353,780 Shares and 2,086,040 American Depositary Shares (equivalent to 2,086,040 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 2013” refers to Kyocera’s fiscal year ended March 31, 2013, 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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
	(Yen in millions and shares in thousands, except per share amounts)				
<b>For the years ended March 31:</b>					
Net sales . . . . .	¥1,128,586	¥1,073,805	¥1,266,924	¥1,190,870	¥1,280,054
Profit from operations . . . . .	43,419	63,860	155,924	97,675	76,926
Net income attributable to shareholders of Kyocera Corporation . . . . .	29,506	40,095	122,448	79,357	66,473
<b>Earnings per share:</b>					
Net income attributable to shareholders of Kyocera Corporation:					
Basic . . . . .	¥ 157.27	¥ 218.47	¥ 667.23	¥ 432.58	¥ 362.36
Diluted . . . . .	157.23	218.47	667.23	432.58	362.36
Weighted average number of shares outstanding:					
Basic . . . . .	187,618	183,525	183,517	183,451	183,442
Diluted . . . . .	187,661	183,525	183,517	183,451	183,442
<b>Cash dividends declared per share:</b>					
Per share of common stock . . . . .	¥ 120	¥ 120	¥ 130	¥ 120	¥ 120
Per share of common stock* . . . . .	\$ 1.26	\$ 1.32	\$ 1.58	\$ 1.51	\$ 1.33
<b>At March 31:</b>					
Total assets . . . . .	¥1,773,802	¥1,848,717	¥1,946,566	¥1,994,103	¥2,282,853
Long-term debt . . . . .	28,538	29,067	24,538	21,197	20,855
Common stock . . . . .	115,703	115,703	115,703	115,703	115,703
Kyocera Corporation shareholders' equity . . . . .	1,323,663	1,345,235	1,420,263	1,469,505	1,646,157
Total equity . . . . .	1,383,088	1,407,262	1,483,359	1,534,241	1,714,942
<b>Depreciation . . . . .</b>	<b>¥ 83,753</b>	<b>¥ 60,602</b>	<b>¥ 59,794</b>	<b>¥ 62,374</b>	<b>¥ 63,119</b>
<b>Capital expenditures . . . . .</b>	<b>¥ 63,055</b>	<b>¥ 37,869</b>	<b>¥ 70,680</b>	<b>¥ 66,408</b>	<b>¥ 56,688</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
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
2013 .....	96.16	77.41	82.96	94.16
<b>For most recent six months</b>				
December 2012 .....	86.64	81.86	83.79	86.64
January 2013 .....	91.28	86.92	89.06	91.28
February 2013 .....	93.64	91.38	93.00	92.36
March 2013 .....	96.16	93.32	94.77	94.16
April 2013 .....	99.61	92.96	97.76	97.52
May 2013 .....	103.52	97.28	100.92	100.83

The noon buying rate for Japanese yen on June 21, 2013 was \$1.00 = 97.48

#### **B. Capitalization and Indebtedness**

Not applicable.

#### **C. Reasons for the Offer and Use of Proceeds**

Not applicable.

#### **D. Risk Factors**

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

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

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

Kyocera conducts business not only in Japan but also around the world and provides products for a variety of markets such as digital consumer equipment, industrial machinery and the environmental and energy-related markets. In the event that stagnation in global economies has an adverse effect on production activities in our principal market and capital investment and consumption 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 2013. 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 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 2013 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 adversely affect Kyocera's results of operations, financial condition and cash flows.

***(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.

### **Risks 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 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. Accordingly, Kyocera cannot assure that:

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

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

**Risks Related to Disasters or Unpredictable Events**

***(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 suffers from adverse damages, traffic disturbance and electric power outages could occur and they may affect Kyocera's supply chains or manufacturing operations. Furthermore, Kyocera may be unable to obtain raw materials if our suppliers sustain damage and Kyocera may also face difficulties shipping its products if its customers sustain damage. Those damages set forth above, as well as any resulting general economic slowdown and lower consumption levels, may have a material adverse effect on Kyocera's consolidated results of operations, financial condition and cash flows.

**Risks Related to Financial and Accounting**

***(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, 2013. 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 Audit & Supervisory Board and the Companies Act of Japan govern our corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, directors' and officers' fiduciary duties and shareholders' rights may be different from those that would apply if we were a U.S. company. Shareholders' rights under Japanese law may not be as extensive as shareholders' rights under the laws of the United States. You may have more difficulty in asserting your rights as a shareholder than you would as a shareholder of a U.S. corporation. In addition, Japanese courts may not be willing to enforce liabilities against us in actions brought in Japan which are based upon the securities laws of the United States or any U.S. state.

### ***(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, printers and multifunctional products 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 Document Solutions Inc. to further enhance our information equipment business by pursuing group synergies.

With the aim of becoming a more global enterprise and enhancing our profitability, we have been expanding our production in China located in Shanghai and Dongguan since the middle of the 1990s. Kyocera also established a sales company, Kyocera (Tianjin) Sales & Trading Corporation (currently Kyocera (China) Sales and Trading

Corporation), in 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 Crystal Device 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 Crystal Device 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 October 2004.

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 the Information Equipment Group, Kyocera Document Solutions Inc. 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 a voluntary public takeover offer in January 2009. In October 2010, Kyocera Document Solutions Inc. acquired all of the remaining shares of TA. As a result, TA has become a wholly-owned subsidiary of Kyocera Document Solutions Inc. As well as broadening sales channels through the acquisition of TA, we established a subsidiary, Kyocera Document Technology Vietnam Company Limited, to produce information equipment for expanding our production capacity in July 2011.

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 August 2011, Kyocera established Kyocera Vietnam Management Company Limited (currently Kyocera Vietnam Company Limited).

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, 2013, we had 187 subsidiaries and 4 affiliates outside Japan and 31 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 Flat Panel Display (FPD) Manufacturing Equipment, Information & Telecommunication Components, General Industrial Machinery Components, Sapphire Substrates, and 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, and Organic Multilayer Packages

### **(3) Applied Ceramic Products Group**

Residential and Commercial Use Solar Power Generating Systems, Solar Cells and Modules, Cutting Tools, Micro Drills, Medical and Dental Implants, and Jewelry and Applied Ceramic Related 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, and Touch Panels

### **(5) Telecommunications Equipment Group**

Mobile Phones, and PHS-related Products such as PHS Handsets and PHS Base Stations

### **(6) Information Equipment Group**

Monochrome and Color Printers and Multifunctional Products, Wide Format Systems, Document Solutions, Application Software, and Supplies

## (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 Business, and 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 nitride as well as zirconia, utilizing their characteristics of heat resistance, corrosion resistance, wear resistance and electrical insulation.

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, substrates for HDD thin-film magnetic heads, sapphire substrates for Light Emitting Diodes (LEDs) used for back-lighting for devices such as mobile phones and TVs, components for semiconductor processing equipment, components for FPD manufacturing equipment, components for the automobiles, mechanical seals for pumps, friction 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 superior characteristics of hermeticity, heat resistance and heat dissipation. In addition, they can be smaller and thinner and have good high frequency properties as well as facilitate the embedding of functions 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, CMOS/CCD sensors, LSI such as ball grid array ceramic packages and optical communication, and ceramic parts for fiber-optic 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 for image sensor equipped in mobile phone handsets with cameras and digital cameras. Ball grid array packages are used in MPUs and other logic ICs, mainly for 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), flip-chip chip-scale packages (FCCSPs) and module 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, Czech Republic, and Mexico.

## 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 crystal related products. 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, industrial machinery and automobiles. 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 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 information 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 the mobile phone business such as smartphones and PHS handsets and base stations. Mobile phones 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 and handsets for WILLCOM, Inc., which provides PHS services in Japan.

(6) Information Equipment Group

Kyocera Document Solutions Inc. conducts this reporting segment. The major products in this reporting segment comprise page printers and multifunctional products. Our equipment is marketed under the “ECOSYS” concept, a focus on the characteristic of long life cycle and lower running cost, which use amorphous silicon photoreceptor drums developed by Kyocera Corporation and positive-charged single-layer photoconductor drums developed by Kyocera Document Solutions Inc.

We develop equipment and software in Japan, the United States and the Philippines, and manufacture equipment mainly in China and Vietnam. In terms of supplies such as toner, we develop them in Japan and manufacture them in each production facility in Japan and overseas. We currently manage sales offices in 31 countries and conduct business in more than 140 countries worldwide.

(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. provides various corporate information and communications services such as system integration service, content distribution service for smart devices and mobile phones through data centers, and cloud computing service. This company also operates an engineering business from system design and construction to maintenance for such as wireless base stations. 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 in line with increasing awareness of the importance of environmental preservation and energy saving.

***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 modules and solar power generating systems are sold primarily to global users via sales subsidiaries, distributors and our franchise chains. In addition, power storage systems and energy management systems are sold to users in Japan through Kyocera's franchise stores and home builders. Cutting tools are sold to users such as automobile parts manufacturers through wholesale dealers and distributors. Jewelry and applied ceramic products such as ceramic knives are sold through direct retail shops and general retailers. In the medical and dental implant business, joint prostheses, artificial bones and dental implants are sold 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., WILLCOM, Inc. in Japan and Sprint Nextel Corporation in the United States.

The information Equipment Group provides document solutions and application software and sells Kyocera brand printers and multifunctional products globally through a sales network of distributors and wholesale dealers that spans over 140 countries. Hardware such as printers and multifunctional products is also sold through OEM (Original Equipment Manufacturing) suppliers.

In the Others reporting segment, 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 engineering business to telecommunications carriers, wireless equipment vendors and solar power generation business operators. 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. dollar 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 2013, 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, 2013, with respect to our significant patents and license agreements.

(a) License permitted to produce products

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

(b) License—cross agreements

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

### ***Competitive Position***

(1) 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 business, Kyocera SLC Technologies Corporation (KST) produces flip-chip packages for servers, routers and game consoles as well as smaller and thinner packages 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 manufactures. In pursuit of excellence in engineering and production technologies 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. 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 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 generating systems for public and commercial use in Japan. In addition to selling solar modules, Kyocera manages the design of solar power generation systems through their construction and maintenance services with subsidiaries. Besides this, Kyocera is working to expand sales of systems such as the Home Energy Management System (HEMS), which combines a solar generating system with a power storage system.

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. We are increasing sales in the European market and expanding business in new markets such as the aviation and wind-power generation markets through Kyocera Unimerco A/S, which joined the Kyocera Group in July 2011.

### (4) Electronic Device Group

Kyocera develops, manufactures and sells a wide variety of capacitors, crystal related products, connectors and thin-film products. Although competitors in this reporting segment are Japanese, Asian and U.S. manufactures and differ in each product, one of our competitive advantages is that we can supply a wide variety of components.

AVX Corporation and 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 the tantalum capacitor business, we newly added the tantalum business of Nichicon Corporation to the Kyocera Group in February 2013 and worked to further strengthen our market position and enhance our product line-up.

In the LCD business, we are focusing on the development of small- and medium-sized products and are seeking to expand business mainly for industrial and automotive applications while also growing the touch panel business. In addition, we have become one of the largest suppliers of thermal printheads that are equipped in various printers, such as barcode printers.

### (5) Telecommunications Equipment Group

In the mobile phone business, our competitors are U.S., Asian and Japanese manufacturers both in Japan and overseas. Our production volume ranks in the top class among Japanese manufacturers, even though our global market share is not large. Kyocera strives to differentiate itself in this business by releasing distinctive handsets that make use of our unique component technology.

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

Our competitors are mainly U.S. and Japanese manufactures in the printer and multifunctional product businesses. Kyocera's printers and multifunctional products employ our uniquely developed long-life

photoreceptors (Amorphous Silicon Drum and Positive-charged Single-layer Photoconductor Drum) that boast exceptional resistance to wear. Through this, our document equipment, which is based on the “ECOSYS” concept aimed at realizing longer life, lower running costs and reduced waste of supplies during usage, has received high praise from customers worldwide as well as independent evaluation organizations, even though there are many competitors in this market.

In addition, we provide high-value-added solutions that meet individual customer needs through our unique solutions platform, “HyPAS” (Hybrid Platform for Advanced Solutions), which is based on standard technology for the internet. “HyPAS” enables users to embed various applications in document equipment and connect with a cloud computing environment or mobile equipment. We are also expanding our MDS (Managed Document Services) business to provide the optimal document environment for each customer.

Moreover, we are promoting further enhancement of our sales network by securing external management resources. We also started manufacturing at a new plant in Vietnam in October 2012 in order to expand business in emerging markets and strengthen product competitiveness by reducing costs.

### ***Government Regulation***

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

### ***Environmental Regulation***

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

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

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

As to the proposed financial settlement among AVX Corporation, the EPA and Commonwealth of Massachusetts regarding the New Bedford Harbor Superfund Site, and the effects on our financial condition or results of operations with respect to this matter, please refer to “The proposed financial settlement among AVX Corporation, the U.S. Environmental Protection Agency and Commonwealth of Massachusetts regarding the New Bedford Harbor Superfund Site” in Item 5.A. “Operating Results” of this annual report on Form 20-F on page 31.

#### *Other Regulation*

Kyocera’s subsidiary conducted transactions with Iran-related organizations in fiscal 2013, which Kyocera is required to disclose under Section 13(r) of the Securities Exchange Act of 1934, as amended. TA Triumph-Adler Norddeutschland GmbH (TANG), a wholly-owned subsidiary of TA Triumph-Adler GmbH, which is a wholly-owned German-based subsidiary of Kyocera Document Solutions Inc., has a lease and service maintenance contract for multifunctional peripheral machines and printers with a branch of Bank Saderat Iran in Hamburg, Germany, of which one of the major shareholders is the Government of Iran. This contract began from October 2007 and will end in September 2013, and currently TANG does not intend to renew this contract. Total sales and interest revenue under this contract were approximately ¥172 thousand and ¥55 thousand, respectively. The total net profits were substantially less than those amounts. TANG also has a lease and service maintenance contract for multifunctional peripheral machines with Intra Chem Trading GmbH in Hamburg, Germany, a petrochemical company which is a German-based subsidiary of a petrochemical company in Iran. This contract began from August 2008 and will end in July 2013, and currently TANG does not intend to renew this contract. Total sales and interest revenue under this contract were approximately ¥49 thousand and ¥18 thousand, respectively. The total net profits were substantially less than those amounts. Kyocera believes these transactions made by TANG were conducted in compliance with the applicable laws in Germany.

### C. Organizational Structure

We had 228 subsidiaries and affiliates as of March 31, 2013. 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, 2013, 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
Kyocera Medical 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 Connector Products Corporation . . . . .	Japan	100.00%	Development, manufacture and sale of electronic devices
Kyocera Crystal Device Corporation . . . . .	Japan	100.00%	Development and manufacture of electronic devices
Kyocera Crystal Device (Thailand) Co., Ltd. . . . .	Thailand	100.00%	Manufacture of electronic devices
Kyocera Display Corporation . . . . .	Japan	100.00%	Development and sale of electronic devices
Kyocera Display (Zhangjiagang) Co., Ltd. . . . .	China	100.00%	Manufacture of electronic devices
Dongguan Shilong Kyocera Co., Ltd. . . . .	China	90.00%	Manufacture of cutting tools and thin-film devices
AVX Corporation . . . . .	United States	72.23%	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 Document Solutions Inc. . . . .	Japan	100.00%	Development and manufacture of information equipment
Kyocera Document Solutions Japan Inc. . . . .	Japan	100.00%	Sale of information equipment mainly in Japan
Kyocera Document Technology (Dongguan) Co., Ltd. . . . .	China	92.76%	Manufacture of information equipment
Kyocera Document Solutions America, Inc. . . . .	United States	100.00%	Sale of information equipment mainly in North America
Kyocera Document Solutions Europe B.V. . . . .	Netherlands	100.00%	Sale of information equipment mainly in Europe
Kyocera Document Solutions 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 (China) 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 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 181 other consolidated subsidiaries as of March 31, 2013. 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, 2013.

On April 1, 2013, Kyocera Crystal Device Corporation absorbed Kyocera Crystal Device Yamagata Corporation and Kyocera Crystal Device Miyama Corporation, which were its wholly owned subsidiaries.

On April 1, 2013, Kyocera Display Corporation absorbed Kyocera Display Hiroshima Corporation which was its wholly owned subsidiary, and succeeded to the liquid crystal display (LCD) related business, which was split off from Kyocera 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. 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, three 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 loss of \$64,312 thousand in fiscal 2013 and its performance has a significant impact on 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, 2013, we had property, plants and equipment with a net book value of ¥268,824 million. During the five years ended March 31, 2013, we invested a total of ¥294,700 million for additions to property, plants and equipment. Our property, plants and equipment are subject to some material encumbrances or environmental issues. See Item 5.A. "Operating Results" of this annual report on Form 20-F.

The following table sets forth information with respect to our principal manufacturing facilities as of March 31, 2013.

<u>Name of Plant</u>	<u>Location</u>	<u>Status</u>	<u>Floor Space</u> <u>(in thousands</u> <u>of square feet)</u>	<u>Lease</u> <u>Expires</u>	<u>Principal Products</u> <u>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	292		Information equipment
Shiga Gamo Plant . . . . .	Higashi-Ohmi, Shiga	Owned	690		Fine ceramic parts, Semiconductor parts
Shiga Yokaichi Plant . . . . .	Higashi-Ohmi, Shiga	Owned	1,486		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 packages, Organic multilayer printed circuit boards
Hirakata Plant . . . . .	Hirakata, Osaka	Owned	604		Information equipment

<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>
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
<b><u>United States</u></b>					
Balboa Plant . . . . .	San Diego, California	Owned	300		Semiconductor parts
Myrtle Beach Plant . . . . .	Myrtle Beach, South Carolina	Owned	308		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 modules
<b><u>China</u></b>					
Tianjin Plant . . . . .	Tianjin	Owned	520		Electronic components
Tianjin Plant . . . . .	Tianjin	Owned	355		Electronic components
Tianjin Plant . . . . .	Tianjin	Owned	308		Solar modules
Shanghai Pudong Plant . . . . .	Shanghai	Owned	1,132		Semiconductor parts, Electronic components
Zhangjiagang Plant . . . . .	Zhangjiagang, Jiangsu	Owned	365		Thin-film components
Shilong Plant . . . . .	Dongguan, Guangdong	Owned	2,331		Information equipment
Shilong Plant . . . . .	Dongguan, Guangdong	Owned	696		Cutting tools, 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>Thailand</u></b>					
Thailand Plant .....	Thailand	Owned	264		Electronic components
<b><u>Malaysia</u></b>					
Malaysia Plant .....	Malaysia	Owned	315		Telecommunications equipment
Malaysia Plant .....	Malaysia	Leased	300	2014	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, 2013 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 2013, despite increases in public investment and personal consumption, the Japanese economy weakened due primarily to a decrease in exports reflecting a slowdown from the second quarter (July 1 to September 30, 2012) in economies overseas, particularly in Europe and Asia, and to stagnant growth in capital investment in the corporate sector. With respect to the overseas economic environment, the U.S. economy

expanded moderately on the back of growth in personal consumption and recovery in housing investment. On the other hand, the European economy remained in a recessionary phase due to the lingering impact of the financial crisis. The slowdown in the Chinese economy intensified due mainly to weakening exports.

In the digital consumer equipment market, which is the principal market for Kyocera, shipment volume was slow overall for conventional mobile phone handsets, PCs and flat-screen TVs despite significant growth for smartphones and tablet PCs compared with fiscal 2012. In contrast, the solar energy market in Japan expanded substantially due primarily to growth in demand in the residential sector and a sharp increase in demand in the public and industrial sectors, which includes mega-solar power projects, as a result of the introduction of the feed-in tariff for renewable energy in July 2012.

Average exchange rates for fiscal 2013 were ¥83 to the U. S. dollar, marking depreciation of ¥4 (approximately 5%) from ¥79 for fiscal 2012, and ¥107 to the Euro, marking appreciation of ¥2 (approximately 2%) from ¥109 for fiscal 2012. Mainly as a result of the effect of the yen's depreciation against the U.S. dollar, net sales and income before income taxes for fiscal 2013 were pushed up by approximately ¥21 billion and ¥2.5 billion, respectively, compared with fiscal 2012.

Consolidated net sales for fiscal 2013 increased by ¥89,184 million, or 7.5%, to ¥1,280,054 million, compared with ¥1,190,870 million for fiscal 2012, due primarily to sales growth in the Applied Ceramic Products Group and the Semiconductor Parts Group and the full-year contribution from Kyocera Display Corporation, which became a consolidated subsidiary in February 2012. Profit from operations decreased by ¥20,749 million, or 21.2%, to ¥76,926 million, compared with ¥97,675 million for fiscal 2012 due to the recording of a charge of ¥21,300 million for environmental remediation in New Bedford Harbor, Massachusetts in the United States by AVX Corporation, a U.S. subsidiary. Income before income taxes decreased by ¥13,530 million, or 11.8%, to ¥101,363 million, compared with ¥114,893 million for fiscal 2012. Net income attributable to shareholders of Kyocera Corporation for fiscal 2013 decreased by ¥12,884 million, or 16.2%, to ¥66,473 million, compared with ¥79,357 million for fiscal 2012.

#### **The proposed financial settlement among AVX Corporation, the U.S. Environmental Protection Agency and Commonwealth of Massachusetts regarding the New Bedford Harbor Superfund Site**

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

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

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 ¥12,267 million (\$130.5 million).

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 as set forth in the UAO, for the harbor clean-up, pursuant to the reopener provision. The original effective date set forth in the UAO was June 18, 2012 (and subsequently extended to September 3, 2013), pursuant to which AVX Corporation had to inform the EPA if it intends to comply with the UAO.

On October 10, 2012, the EPA, the United States, and the Commonwealth of Massachusetts and AVX Corporation announced that they had reached a financial settlement with respect to the EPA's ongoing clean-up of the harbor. That agreement is contained in a Supplemental Consent Decree that modifies certain provisions of the 1992 Consent Decree, including elimination of the governments' right to invoke the clean-up reopener provisions in the future. In accordance with the settlement, AVX Corporation will pay ¥34,428 million (\$366.25 million), plus interest computed from August 1, 2012, in three installments over a two-year period for use by the EPA and the Commonwealth to complete the clean-up of the harbor, and the EPA will withdraw the UAO. The settlement requires approval by the United States District Court before becoming final. The timing of any such approval is uncertain.

AVX Corporation has recorded a liability for the full amount of the proposed settlement, resulting in charges of ¥7,900 million (\$100 million) and ¥21,300 million (\$266.25 million) in the years ended March 31, 2012 and 2013, respectively. Kyocera included these charges in selling, general and administrative expenses in the consolidated statements of income for the years ended March 31, 2012 and 2013, respectively.

## **Results of Operations**

### ***Fiscal 2013 compared with Fiscal 2012***

The following table shows a summary of Kyocera's results of operations for fiscal 2012 and fiscal 2013:

	Years ended March 31,				Increase (Decrease)	
	2012		2013		Amount	%
	Amount	%	Amount	%		
	(Yen in millions)					
Net sales	¥1,190,870	100.0	¥1,280,054	100.0	¥ 89,184	7.5
Cost of sales	870,143	73.1	952,350	74.4	82,207	9.4
Gross profit	320,727	26.9	327,704	25.6	6,977	2.2
Selling, general and administrative expenses	223,052	18.7	250,778	19.6	27,726	12.4
Profit from operations	97,675	8.2	76,926	6.0	(20,749)	(21.2)
Interest and dividend income	13,966	1.2	14,666	1.1	700	5.0
Interest expense	(2,042)	(0.2)	(1,890)	(0.2)	152	—
Foreign currency transaction gains, net	4,533	0.4	5,136	0.4	603	13.3
Gains on sales of securities, net	337	0.0	4,542	0.4	4,205	—
Other, net	424	0.0	1,983	0.2	1,559	367.7
	17,218	1.4	24,437	1.9	7,219	41.9
Income before income taxes	114,893	9.6	101,363	7.9	(13,530)	(11.8)
Income taxes	30,135	2.5	34,012	2.6	3,877	12.9
Net income	84,758	7.1	67,351	5.3	(17,407)	(20.5)
Net income attributable to noncontrolling interests	(5,401)	(0.4)	(878)	(0.1)	4,523	—
Net income attributable to shareholders of Kyocera Corporation	¥ 79,357	6.7	¥ 66,473	5.2	¥(12,884)	(16.2)



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

In fiscal 2013, cost of sales increased by ¥82,207 million, or 9.4%, to ¥952,350 million from ¥870,143 million in fiscal 2012. This is due mainly to the full-year impact from the production activity of Kyocera Display Corporation, which became a consolidated subsidiary in February 2012, as well as the expansion of production volume in the solar energy business.

Raw material costs of ¥384,509 million accounted for 40.4% of total cost of sales in fiscal 2013, which increased by ¥51,338 million, or 15.4%, from ¥333,171 million in fiscal 2012. Labor costs of ¥179,040 million accounted for 18.8% of total cost of sales in fiscal 2013, which increased by ¥8,045 million, or 4.7%, from ¥170,995 million in fiscal 2012. Depreciation expense of ¥54,214 million accounted for 5.7% of total cost of sales in fiscal 2013, which increased by ¥1,976 million, or 3.8%, from ¥52,238 million in fiscal 2012.

As a result, gross profit in fiscal 2013 increased by ¥6,977 million, or 2.2%, to ¥327,704 million from ¥320,727 million in fiscal 2012. The gross profit ratio to net sales decreased by 1.3 percentage points from 26.9% to 25.6%.

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

In fiscal 2013, selling, general and administrative expenses increased by ¥27,726 million, or 12.4%, to ¥250,778 million from ¥223,052 million in fiscal 2012. This is due to an increase by ¥13,400 million of the environmental remediation charge at AVX Corporation as well as the full-year impact from the sales activity of Kyocera Display Corporation, which became a consolidated subsidiary in February 2012. The ratio of selling, general and administrative expenses to net sales was 19.6% in fiscal 2013, an increase of 0.9 percentage points as compared with 18.7% in fiscal 2012.

Labor costs of ¥126,691 million accounted for 50.5% of total selling, general and administrative expenses in fiscal 2013, which increased by ¥11,433 million, or 9.9%, from ¥115,258 million in fiscal 2012. Sales promotion and advertising costs of ¥38,246 million accounted for 15.3% in fiscal 2013, which increased by ¥3,474 million, or 10.0%, from ¥34,772 million in fiscal 2012. Depreciation expense of ¥13,886 million accounted for 5.5% in fiscal 2013, which increased by ¥96 million, or 0.7%, from ¥13,790 million in fiscal 2012.

As a result, profit from operations in fiscal 2013 decreased by ¥20,749 million, or 21.2%, to ¥76,926 million, compared with ¥97,675 million in fiscal 2012. The operating margin decreased by 2.2 percentage points to 6.0% in fiscal 2013, compared with 8.2% in fiscal 2012.

### **Interest and Dividend Income**

Interest and dividend income in fiscal 2013 increased by ¥700 million, or 5.0%, to ¥14,666 million, compared with ¥13,966 million in fiscal 2012. This was due mainly to an increase in dividend income from KDDI Corporation.

### **Interest Expense**

Interest expense in fiscal 2013 decreased by ¥152 million, or 7.4%, to ¥1,890 million, compared with ¥2,042 million in fiscal 2012. This was due mainly to a decrease in short-term and long-term debts at TA Triumph-Adler GmbH, a German subsidiary of Kyocera Document Solutions Inc.

### **Foreign Currency Translation**

During fiscal 2013, the average exchange rate for the yen depreciated by ¥4, or 5.1%, against the U.S. dollar and appreciated by ¥2, or 1.8%, against the Euro, as compared with fiscal 2012. At March 31, 2013, the yen depreciated by ¥12, or 14.6%, against the U.S. dollar, and by ¥11, or 10.0%, against the Euro, as compared with March 31, 2012. Kyocera recorded foreign currency transaction gains of ¥5,136 million in fiscal 2013.

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

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

Losses on equity method investments in fiscal 2013 resulted in ¥155 million, an increase of ¥119 million, or 330.6%, compared with ¥36 million in fiscal 2012.

Gains on sales of securities in fiscal 2013 increased by ¥4,205 million to ¥4,542 million, compared with ¥337 million in fiscal 2012.

Losses on impairment of securities in fiscal 2013 decreased by ¥531 million, or 42.1%, to ¥729 million, compared with ¥1,260 million in fiscal 2012.

### **Income before Income Taxes**

Income before income taxes in fiscal 2013 decreased by ¥13,530 million, or 11.8%, to ¥101,363 million compared with ¥114,893 million in fiscal 2012. Margin of income before income taxes against net sales decreased by 1.7 percentage points to 7.9% compared with 9.6% in fiscal 2012.

Profit from operations decreased due to the recording of the charge of ¥21,300 million for an environmental remediation at AVX Corporation. Income before income taxes decreased due to the decrease of profit from operations, despite of an increase in other income, such as gains on sales of securities, dividend income and foreign currency transaction gains. Income before income taxes after translation into the yen for fiscal 2013 was pushed up by approximately ¥2,500 million due to the impact of the yen's depreciation against the U.S. dollar compared with fiscal 2012.

Operating profit in the Components Business in fiscal 2013 decreased by ¥10,968 million, or 17.4%, to ¥51,903 million, compared with ¥62,871 million in fiscal 2012. Operating profit in the Equipment Business in fiscal 2013 decreased by ¥7,830 million, or 25.3%, to ¥23,090 million, compared with ¥30,920 million in fiscal 2012.

For a detail of income before taxes, please refer to page 36, "Business Overview by Reporting Segment."

### **Income Taxes**

Current and deferred income taxes in fiscal 2013 increased by ¥3,877 million, or 12.9%, to ¥34,012 million compared with ¥30,135 million in fiscal 2012.

The effective tax rate of 33.6% in fiscal 2013 was 7.4 percentage points higher than the effective rate of 26.2% in fiscal 2012. The increases were due mainly to the enactment of new Japanese tax rates in fiscal 2012, which decreased the statutory tax rates for temporary difference expected to be realized in the subsequent periods. The enactment resulted in the reduction of income tax in fiscal 2012 due to the amounts of reversal related to deferred tax liabilities exceeded the amounts of reversal related to deferred tax assets. The effective tax rate in fiscal 2013 is lower than the Japanese statutory tax rate of 38.0% by 4.4 percentage points, due mainly to a decrease related to the difference in statutory tax rates of foreign subsidiaries.

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

Net income attributable to noncontrolling interests in fiscal 2013 amounted to ¥878 million. Net income attributable to noncontrolling interests in fiscal 2013 decreased by ¥4,523 million, or 83.7%, compared

with ¥5,401 million in fiscal 2012. This mainly reflected that AVX Corporation, which accounted for approximately 30% of noncontrolling ownership interests, posted net loss due mainly to the recording of an environmental remediation charge.

### Business Overview by Reporting Segment

The following table shows a breakdown of Kyocera's total consolidated net sales in fiscal 2012 and fiscal 2013 by the seven reporting segments:

	Years ended March 31,				Increase (Decrease)	
	2012		2013		Amount	%
	Amount	%	Amount	%		
	(Yen in millions)					
Fine Ceramic Parts Group . . . . .	¥ 80,372	6.7	¥ 74,852	5.9	¥(5,520)	(6.9)
Semiconductor Parts Group . . . . .	153,420	12.9	167,241	13.1	13,821	9.0
Applied Ceramic Products Group . . . . .	179,784	15.1	211,439	16.5	31,655	17.6
Electronic Device Group . . . . .	228,721	19.2	271,570	21.2	42,849	18.7
Total Components Business . . . . .	642,297	53.9	725,102	56.7	82,805	12.9
Telecommunications Equipment Group . . . . .	178,669	15.0	177,314	13.8	(1,355)	(0.8)
Information Equipment Group . . . . .	243,457	20.4	250,534	19.6	7,077	2.9
Total Equipment Business . . . . .	422,126	35.4	427,848	33.4	5,722	1.4
Others . . . . .	151,987	12.8	159,902	12.5	7,915	5.2
Adjustments and eliminations . . . . .	(25,540)	(2.1)	(32,798)	(2.6)	(7,258)	—
Net sales . . . . .	¥1,190,870	100.0	¥1,280,054	100.0	¥89,184	7.5

The following table shows a breakdown of Kyocera's total consolidated income before income taxes, and operating profit for fiscal 2012 and fiscal 2013 by the seven reporting segments:

	Years ended March 31,				Increase (Decrease)	
	2012		2013		Amount	%
	Amount	%*	Amount	%*		
	(Yen in millions)					
Fine Ceramic Parts Group . . . . .	¥ 12,622	15.7	¥ 7,614	10.2	¥ (5,008)	(39.7)
Semiconductor Parts Group . . . . .	27,754	18.1	30,379	18.2	2,625	9.5
Applied Ceramic Products Group . . . . .	6,459	3.6	17,924	8.5	11,465	177.5
Electronic Device Group . . . . .	16,036	7.0	(4,014)	—	(20,050)	—
Total Components Business . . . . .	62,871	9.8	51,903	7.2	(10,968)	(17.4)
Telecommunications Equipment Group . . . . .	1,469	0.8	1,340	0.8	(129)	(8.8)
Information Equipment Group . . . . .	29,451	12.1	21,750	8.7	(7,701)	(26.1)
Total Equipment Business . . . . .	30,920	7.3	23,090	5.4	(7,830)	(25.3)
Others . . . . .	8,054	5.3	10,542	6.6	2,488	30.9
Operating profit . . . . .	101,845	8.6	85,535	6.7	(16,310)	(16.0)
Corporate gains and equity in losses of affiliates and unconsolidated subsidiaries . . . . .	13,840	—	17,248	—	3,408	24.6
Adjustments and eliminations . . . . .	(792)	—	(1,420)	—	(628)	—
Income before income taxes . . . . .	¥114,893	9.6	¥101,363	7.9	¥(13,530)	(11.8)

\* % to net sales of each corresponding segment

#### (1) Fine Ceramic Parts Group

Sales in this reporting segment for fiscal 2013 decreased by ¥5,520 million, or 6.9%, to ¥74,852 million, compared with ¥80,372 million in fiscal 2012. The decrease in sales was due to stagnation in component demand in the industrial machinery market, including for semiconductor fabrication equipment, and in the digital consumer equipment market, despite sales being pushed up by approximately ¥500 million compared with fiscal 2012 due to the yen's depreciation.

Operating profit in this reporting segment for fiscal 2013 decreased by ¥5,008 million, or 39.7%, to ¥7,614 million, compared with ¥12,622 million in fiscal 2012. The main reasons for this decrease were a decline in capacity utilization ratio in line with the decline in sales as well as product price erosion.

#### (2) Semiconductor Parts Group

Sales in this reporting segment for fiscal 2013 increased by ¥13,821 million, or 9.0%, to ¥167,241 million, compared with ¥153,420 million in fiscal 2012. The increase in sales was due to growth in demand for ceramic packages mainly for smartphones and the effects of the yen's depreciation, which pushed up sales by approximately ¥4,500 million compared with fiscal 2012.

Operating profit in this reporting segment for fiscal 2013 increased by ¥2,625 million, or 9.5%, to ¥30,379 million, compared with ¥27,754 million in fiscal 2012. The main reasons for this were an increase of approximately ¥2,000 million due to sales growth and the effects of the yen's depreciation, which also pushed up profit by approximately ¥2,000 million, despite an increase of approximately ¥1,000 million in depreciation due to an increase in capital expenditures.

#### (3) Applied Ceramic Products Group

Sales in this reporting segment for fiscal 2013 increased by ¥31,655 million, or 17.6%, to ¥211,439 million, compared with ¥179,784 million in fiscal 2012. This increase was due to growth in the solar energy business as well as the yen's depreciation, which pushed up sales by approximately ¥2,500 million compared with fiscal 2012.

Sales in the solar energy business increased significantly due to increased shipment volume of around 50% on a global basis compared with fiscal 2012 on the back of considerable growth in demand in the Japanese market, despite a decline of around 20% in product prices compared with fiscal 2012, affected by intensifying competition.

Operating profit in this reporting segment for fiscal 2013 increased by ¥11,465 million, or 177.5%, to ¥17,924 million, compared with ¥6,459 million in fiscal 2012. Despite an increase of approximately ¥1,000 million as the combined total for depreciation and R&D expenses compared with fiscal 2012, the surge in operating profit was due to the effects of higher sales, which pushed up profit by approximately ¥6,500 million, an increase of approximately ¥4,500 million as a result of a decrease in write-down of inventories, and promoting cost reductions by approximately ¥1,000 million, as well as an increase of approximately ¥500 million as a result of the yen's depreciation.

#### (4) Electronic Device Group

Sales in this reporting segment for fiscal 2013 increased by ¥42,849 million, or 18.7%, to ¥271,570 million, compared with ¥228,721 million in fiscal 2012. The increase in sales was due to the full-year contribution from Kyocera Display Corporation, which became a consolidated subsidiary in February 2012, despite a decrease in sales of components for the digital consumer equipment and industrial machinery markets due primarily to stagnant demand and price declines. In addition, sales were pushed up by approximately ¥9,500 million compared with fiscal 2012 due to the yen's depreciation.

Operating loss of ¥4,014 million was recorded in this reporting segment for fiscal 2013, marking a decrease of ¥20,050 million compared with operating profit of ¥16,036 million in fiscal 2012. This decline was due to an increase by ¥13,400 million of the environmental remediation charge at AVX Corporation coupled with the impact of a decrease in sales of major components in this reporting segment, despite profit being pushed up by approximately ¥2,000 million due to the yen's depreciation.

#### (5) Telecommunications Equipment Group

Sales in this reporting segment for fiscal 2013 decreased by ¥1,355 million, or 0.8%, to ¥177,314 million, compared with ¥178,669 million in fiscal 2012. The decrease in sales was due to a decline in sales volume of mobile phone handsets in Japan resulting from deceleration of growth and intensifying competition, despite growth in sales overseas on a local currency basis and the yen's depreciation, which pushed up sales by approximately ¥4,000 million compared with fiscal 2012.

Operating profit in this reporting segment for fiscal 2013 decreased slightly by ¥129 million, or 8.8%, to ¥1,340 million, compared with ¥1,469 million in fiscal 2012. The year-on-year decline in operating profit was due to an increase of approximately ¥5,000 million in write-down of inventories, despite an increase of approximately ¥2,500 million due primarily to improved profitability in the overseas business, an increase of approximately ¥1,500 million due to lower depreciation and amortization costs, and the yen's depreciation, which pushed up profit by approximately ¥1,000 million.

#### (6) Information Equipment Group

Sales in this reporting segment for fiscal 2013 increased by ¥7,077 million, or 2.9%, to ¥250,534 million, compared with ¥243,457 million in fiscal 2012. This increase was due mainly to an increase of approximately 20% in sales in developing countries mainly Asia and Russia compared with fiscal 2012 on the back of efforts to actively introduce new products and cultivate new markets amid a tough business environment characterized by sluggish growth in the global market and fierce price competition.

Operating profit in this reporting segment for fiscal 2013 decreased by ¥7,701 million, or 26.1%, to ¥21,750 million, compared with ¥29,451 million in fiscal 2012. Although profit was pushed up by approximately ¥3,000 million due to the effects of higher sales, the main reasons for the decrease were an increase of approximately ¥7,000 million in selling, general and administrative expenses, primarily consisting of sales promotion costs, and the impact of the yen's appreciation against Euro, which pushed down profit by approximately ¥3,000 million.

#### (7) Others

Sales in this reporting segment for fiscal 2013 increased by ¥7,915 million, or 5.2%, to ¥159,902 million, compared with ¥151,987 million in fiscal 2012. The increase in sales was due to growth in sales of approximately ¥10,000 million at Kyocera Communication Systems Co., Ltd., led by the engineering business.

Operating profit in this reporting segment for fiscal 2013 increased by ¥2,488 million, or 30.9%, to ¥10,542 million, compared with ¥8,054 million in fiscal 2012. This was due to an increase of approximately ¥1,500 million as a result of higher sales coupled with a decrease of approximately ¥1,500 million in R&D expenses for new businesses.

#### (8) Corporate gains and equity in losses of affiliates and unconsolidated subsidiaries

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. The income increased by ¥3,408 million, or 24.6%, to ¥17,248 million, due mainly to an increase in gains on sales of securities, compared with ¥13,840 million in fiscal 2012.

## 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 43, "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***

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 43, “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	¥1,266,924	100.0	¥1,190,870	100.0	¥(76,054)	(6.0)

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	¥172,332	13.6	¥114,893	9.6	¥(57,439)	(33.3)

\* % 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.

### **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 2012, Kyocera recognized inventory write-downs of ¥11,486 million mainly in the Applied Ceramic Products Group and the Telecommunications Equipment Group, and in fiscal 2013, recognized inventory write-downs of ¥11,507 million mainly in 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 ¥1,260 million and ¥729 million in fiscal 2012 and 2013, 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, 2013 had increased by ¥136,297 million, or 235.3%, to ¥194,216 million compared with that of ¥57,919 million at March 31, 2012, 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, 2013.

The goodwill of ¥9,996 million which Kyocera acquired in fiscal 2013 was due mainly to the acquisition of the Tantalum Components Division of Nichicon Corporation by AVX Corporation included in Electronic Device Group and due mainly to the acquisition of the common stocks of MOTEX Inc. by Kyocera Communication Systems Co., Ltd. included in Others.

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, 2013, deferred tax assets amounted to ¥107,271 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 2013.

## 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, 2013</b>
	<b>(Yen in millions)</b>
Discount rates:	
0.25% decrease .....	¥ 5,184
0.25% increase .....	(4,992)
	<b>Effect on income before income taxes for the year ending March 31, 2014</b>
	<b>(Yen in millions)</b>
Discount rates:	
0.25% decrease .....	¥ (60)
0.25% increase .....	67
Expected rate of return on plan assets:	
0.25% decrease .....	(359)
0.25% increase .....	359

## 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.

As to a liability recorded at AVX Corporation for environmental remediation in New Bedford Harbor, Massachusetts in the U.S., please refer to “The proposed financial settlement among AVX Corporation, the U.S. Environmental Protection Agency and Commonwealth of Massachusetts regarding the New Bedford Harbor Superfund Site” in Item 5.A. “Operating Results” of this annual report on Form 20-F on page 31.

### **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 personnel. These procedures require the exercise of significant judgments. Kyocera believes that these procedures enable Kyocera to make reliable estimates of future returns under the stock rotation program. Kyocera's actual results have historically approximated its estimates. When the products are returned and verified, the distributor is given credit against their accounts receivables.

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

Ship-from-Stock and Debit (ship and debit) is a program designed to assist distributors in meeting competitive prices in the marketplace on sales to their end customers. Ship and debit programs require a request from the distributor for a pricing adjustment of a specific part for a sale to the distributor's end customers from the distributor's stock. Ship and debit authorizations may cover current and future distributor activity for a specific part for a sale to their customers. In accordance with ASC 605, 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 personnel. These procedures require the exercise of significant judgments. Kyocera believes that these procedures enable Kyocera to make reliable estimates of future credits under the ship and debit program. Kyocera's actual results have historically approximated its estimates.

*Sales Rebates*

In the case of sales to distributors in the 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, "Income Taxes."

At March 31, 2013, gross unrecognized tax benefits amounted to ¥4,064 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, 2012, Kyocera adopted the Financial Accounting Standard Board (FASB)'s Accounting Standards Update (ASU) No. 2011-05, "Presentation of Comprehensive Income" and 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." ASU No. 2011-05 requires entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. It eliminates the current option to present the components of other comprehensive income as part of the statement of equity. ASU No. 2011-05 also requires reclassification adjustments and the effect of those adjustments on net income and other comprehensive income to be disclosed on the face of financial statements, however, the effective date of this requirement is deferred indefinitely by ASU No. 2011-12. As these accounting standards are a provision for presentation, the adoption of these accounting standards did not have an impact on Kyocera's consolidated results of operations, financial condition and cash flows.

On April 1, 2012, Kyocera adopted the FASB's ASU No. 2011-08, "Testing Goodwill for Impairment." This accounting standard permits 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. 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.

### **Recently Issued Accounting Standards**

In July 2012, the FASB issued ASU No. 2012-02, "Testing Indefinite-Lived Intangible Assets for Impairment." This accounting standard permits an entity to first assess qualitative factors to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the impairment test. An entity is not required to calculate the fair value of the indefinite-lived intangible asset unless the entity determines that it is more likely than not that the indefinite-lived intangible asset is impaired. This accounting standard will be effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. 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 January 2013, the FASB issued ASU No. 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities." This accounting standard clarifies that the scope of ASU No. 2011-11 applies to derivatives accounted for in accordance with ASC 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with ASC 210-20-45 or ASC 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. 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.

In February 2013, the FASB issued ASU No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." This accounting standard requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, this accounting standard requires an entity to present, either on the face of the statement where net income is presented or in the notes,

significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, this accounting standard required an entity to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. This accounting standard will be effective prospectively for annual reporting periods beginning after December 15, 2012, 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.

In February 2013, the FASB issued ASU No. 2013-04, "Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date." This accounting standard requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the following: (a) The amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors (b) Any additional amount the reporting entity expects to pay on behalf of its co-obligors. The accounting standard also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. This accounting standard will be effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. 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 March 2013, the FASB issued ASU No. 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity." This accounting standard resolves the diversity in practice about whether ASC 810-10, Consolidation—Overall, or ASC 830-30, Foreign Currency Matters—Translation of Financial Statements, applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. In addition, this accounting standard resolves the diversity in practice for the treatment of business combinations achieved in stages involving a foreign entity. This accounting standard will be effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2013. The impact of this accounting standard on Kyocera's consolidated results of operations, financial condition and cash flows will depend on the nature and significance of transactions after the adoption date.

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

### **Capital Resources**

Kyocera's net cash provided by operating activities in fiscal 2013 was ¥109,489 million, and cash and cash equivalents at March 31, 2013 were ¥305,454 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, 2013, Kyocera's short-term borrowings and long-term debt including current portion totaled ¥33,807 million. The ratio to total assets of 1.5% continues to reflect a low level of dependence. Most borrowings were denominated in the Euro, the Japanese yen and the U.S. dollar, 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 2013 decreased by ¥9,720 million, or 14.6%, to ¥56,688 million compared with ¥66,408 million in fiscal 2012. In fiscal 2013, although Kyocera constructed new plants in Vietnam, it reduced its capital expenditures in the Components Business due mainly to the weak condition of the digital consumer equipment market. As a result, in fiscal 2013, capital expenditures decreased compared with fiscal 2012. R&D expenses in fiscal 2013 increased by ¥1,960 million, or 4.3%, to ¥47,519 million compared with ¥45,559 million in fiscal 2012. Almost all capital and R&D expenditures were funded by using cash at hand.

During fiscal 2014, Kyocera expects total capital expenditures to be approximately ¥75,000 million and total R&D expenses to be approximately ¥52,000 million. Kyocera expects that total capital expenditures will increase due mainly to the construction of new plants in Semiconductor Parts Group and Information Equipment Group in order to expand their production capacity. Kyocera also expects that R&D expenses will increase compared with fiscal 2013. Kyocera will promote R&D of new products in order to expand the business. Nearly all capital and R&D expenditures will be funded by using cash on hand. Kyocera intends to maintain proportion of capital and R&D expenditures to sales in fiscal 2014 almost as same level as in fiscal 2013. 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 ¥12,748 million to its benefit pension plans in fiscal 2013 and Kyocera expects to contribute ¥15,442 million to its benefit pension plans in fiscal 2014. At March 31, 2013, 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 2013, Kyocera Corporation paid cash dividends totaling ¥22,013 million, at ¥120 per share. Kyocera Corporation received approval at the general meeting of shareholders held on June 26, 2013 for the payment of year-end dividends totaling ¥11,006 million, or ¥60 per share, on June 27, 2013 to all shareholders of record on March 31, 2013.

As described in Note 2 to the Consolidated Financial Statements, Kyocera acquired several businesses. In fiscal 2013, these acquisition costs, net of cash acquired were ¥18,533 million, and all acquisitions were funded by using cash at hand.

At March 31, 2013, Kyocera's working capital totaled ¥941,753 million, an increase of ¥98,198 million, or 11.6%, compared with ¥843,555 million at March 31, 2012. Our working capital requirements, capital expenditures, debt repayments and other obligations were funded by using cash at hand.

Undistributed earnings of foreign subsidiaries which are intended to be reinvested indefinitely amounted to ¥268,554 million yen as of March 31, 2013. Accordingly, cash and cash equivalents and investments in securities amounts held by Kyocera's foreign subsidiaries, totaling ¥205,857 million yen as of March 31, 2013, are not intended to be used as dividend distributions to Kyocera for use in Japan at present. Kyocera currently believes it does not need the cash and investments held by its foreign subsidiaries to be repatriated back to Japan at least in fiscal 2014 as it has adequate liquidity within Japan to support its Japanese operations.

Kyocera believes cash at hand will be sufficient to fund all cash requirements outlined above at least during fiscal 2014. 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 72.1% at March 31, 2013, 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 2013 compared with Fiscal 2012*

The following table shows a summary of Kyocera's cash flows for fiscal 2012 and fiscal 2013:

	<u>Years ended March 31,</u>	
	<u>2012</u>	<u>2013</u>
	<u>Amount</u>	<u>Amount</u>
	(Yen in millions)	
Cash flows from operating activities . . . . .	¥109,065	¥109,489
Cash flows from investing activities . . . . .	(56,051)	(66,142)
Cash flows from financing activities . . . . .	(50,769)	(31,431)
Effect of exchange rate changes on cash and cash equivalents . . . . .	(2,428)	20,250
Net increase (decrease) in cash and cash equivalents . . . . .	(183)	32,166
Cash and cash equivalents at beginning of year . . . . .	273,471	273,288
Cash and cash equivalents at end of year . . . . .	273,288	305,454

Net cash provided by operating activities for fiscal 2013 was ¥109,489 million, which was almost flat compared to ¥109,065 million for fiscal 2012. This was mainly because a decrease in net income and cash flow adjustment related to notes and accounts payable were offset by cash flow adjustments related to inventories and other non-current liabilities.

Net cash used in investing activities for fiscal 2013 increased by ¥10,091 million, or 18.0%, to ¥66,142 million from ¥56,051 million for fiscal 2012. This was mainly because an increase in acquisition and a decrease in withdrawal of time deposits and certificate of deposits exceeded decreases in acquisitions of business and in payments for purchases of held-to-maturity securities.

Net cash used in financing activities for fiscal 2013 decreased by ¥19,338 million, or 38.1%, to ¥31,431 million from ¥50,769 million for fiscal 2012. This was due mainly to decreases in payments of short-term borrowings and long-term debts as well as a decrease in dividend paid.

An increase in the effect of exchange rate changes on cash and cash equivalents of ¥20,250 million was due mainly to the yen's depreciation against the Euro and the U.S. dollar between March 31, 2012 and March 31, 2013.

Cash and cash equivalents at March 31, 2013 totaled ¥305,454 million, an increase of ¥32,166 million, or 11.8%, from those of ¥273,288 million at March 31, 2012. 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 2012 compared with Fiscal 2011***

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

	Years ended March 31,	
	2011	2012
	Amount	Amount
	(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.

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

Cash and cash equivalents at March 31, 2012 totaled ¥273,288 million, a decrease of ¥183 million, or 0.1%, from those of ¥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.

### **Assets, Liabilities and Equity**

Kyocera's total assets at March 31, 2013 increased by ¥288,750 million, or 14.5% to ¥2,282,853 million, compared with ¥1,994,103 million at March 31, 2012.

Cash and cash equivalents increased by ¥32,166 million, or 11.8%, to ¥305,454 million, due mainly to the sales and redemption of securities and increases from net cash gained by operating activities.

Other short-term investments in debt securities increased by ¥21,078 million, or 13.3%, to ¥179,843 million, due mainly to acquisitions of time deposits at Kyocera Corporation.

Trade receivables-accounts increased by ¥43,349 million, or 19.2%, to ¥268,927 million, due mainly to increases in sales driven.

Inventories increased by ¥26,114 million, or 9.7%, to ¥296,450 million, due mainly to increases in orders.

Investments in debt and equity securities increased by ¥133,711 million or, 35.9%, to ¥506,490 million, due mainly to increases in market values of the shares of KDDI Corporation and other equity securities at March 31, 2013 compared with March 31, 2012.

Total property, plant and equipment at cost, net of accumulated depreciation, increased by ¥8,287 million, or 3.2%, to ¥268,824 million. Capital expenditure in fiscal 2013 was ¥56,688 million, and depreciation was ¥63,119 million.

Goodwill increased by ¥14,386 million, or 16.2%, to ¥103,425 million, due mainly to the acquisition of the Tantalum Components Division of Nichicon Corporation by AVX Corporation and the acquisition of the common stocks of MOTEX Inc. by Kyocera Communication Systems Co., Ltd.

Other assets increased by ¥10,093 million, or 17.3%, to ¥68,487 million, due mainly to increases of deferred taxes assets for the recording of a liability for an environmental remediation charge at AVX Corporation.

Kyocera's total liabilities at March 31, 2013 increased by ¥108,049 million, or 23.5%, to ¥567,911 million, compared with ¥459,862 million at March 31, 2012.

Deferred taxes liabilities increased by ¥56,050 million or, 62.2%, to ¥146,229 million, due mainly to increases in market values of the shares of KDDI Corporation and other equity securities at March 31, 2013 compared with March 31, 2012.

Other non-current liabilities increased by ¥22,878 million, or 152.6%, to ¥37,875 million, due mainly to the recording of a liability for an environmental remediation charge at AVX Corporation.

Total equity at March 31, 2013 increased by ¥180,701 million, or 11.8%, to ¥1,714,942 million, compared with ¥1,534,241 million at March 31, 2012.

Retained earnings at March 31, 2013 increased by ¥44,460 million, or 3.4%, due to a net income for fiscal 2013 of ¥66,473 million offset by cash dividend payments of ¥22,013 million.

Accumulated other comprehensive income increased by ¥131,777 million, to ¥50,138 million. Net unrealized gains on securities increased by ¥94,513 million, or 232.0%, due mainly to increases in market values of the shares of KDDI Corporation and other equity securities at March 31, 2013 compared with March 31, 2012.

Foreign currency translation adjustments increased by ¥48,387 million to a loss of ¥(61,627) million, due mainly to the effect of the yen's depreciation.

Pension adjustments decreased by ¥11,125 million to a loss of ¥(23,415) million. Despite the improvement in performance of benefit plan assets affected by stability of financial markets, unamortized actuarial losses increased due mainly to 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, 2013 was 72.1%, decreased by 1.6 percentage points compared with 73.7% at March 31, 2012.

Noncontrolling interests in subsidiaries, principally AVX Corporation, increased by ¥4,049 million, or 6.3%, to ¥68,785 million, compared with ¥64,736 million at March 31, 2012.

### **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.

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 markets by leveraging fine ceramic materials technology, processing technology and design technology that we have accumulated since our earliest days. In the industrial machinery market, we are strengthening the development of parts for next-generation semiconductor fabrication equipment, which includes increasing the size of silicon wafers, parts for the environment and energy market and LED-related products, which are attracting attention for use in lighting.

In the automotive market, efforts are being undertaken for camera modules for rearview detection and for preventing collision, an area where demand is forecast to increase due to new legislation concerning safety regulations in the United States. At the same time, we are concentrating development on ceramic parts for diesel engines that contribute to a reduction of carbon dioxide and exhaust gas.

In the digital consumer equipment market, we are pushing ahead with development primarily of a Smart Sonic Receiver for mobile phones that makes maximum use of the exceptional piezoelectric properties of ceramics.

#### **(2) Semiconductor Parts Group**

In the digital consumer equipment market, needs are continuing to grow for products such as smartphones that are more multifunctional as well as smaller and thinner. In line with this, electronic components used in such equipment are getting smaller while semiconductors are becoming more refined. In the information and communications network market, there is demand for the creation of fast, large-capacity infrastructure. In order to respond to these market trends, Kyocera is working to develop new high-value-added products that leverage our own unique material, design and layering technologies. Specifically, we are working on the development of high-strength, high-rigidity ultra-small and thin ceramic packages that employ micro wiring as well as ceramic packages for optical communications that are capable of higher frequency.

We are also strengthening the development of fine-pitch, thin, highly precise flip-chip organic packages and module substrates.

#### **(3) Applied Ceramic Products Group**

In the solar energy business, we are working to further improve the conversion efficiency of multicrystalline silicon solar cells and the output of modules. We are also pushing forward with the development of single crystal silicon solar cells and thin-film solar cells with the aim of expanding our range of products that meet various applications and needs. In addition, we are focusing on the development of energy management systems, which control energy efficiently, amid a projection of further proliferation going forward.

In the cutting tool business, we are working on the development of high quality and high precision products that contribute to increased productivity for users.

#### **(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 mobile equipment such as smartphones

and tablet PCs, which are getting more multifunctional and smaller. In addition, we are pushing ahead with the development of high-voltage ceramic capacitors and connectors suitable for high-speed data transfer for the industrial equipment market.

In LCD related products, we are developing TFT color LCDs with high luminance, high contrast and wide viewing angles for the industrial equipment market and automotive market as well as slim touch panels for consumer equipment and industrial equipment. Additionally, we are developing high-speed, high-definition inkjet printheads mainly for the commercial printing market.

#### (5) Telecommunications Equipment Group

Kyocera is focusing on the development of smartphones based on the Android operating system that are capable of high-speed wireless communications such as Long Term Evolution (LTE). We are also strengthening the development of high-value-added terminals that realize differentiation in user interface for equipment by leveraging our unique component technology in addition to slim design, waterproofing and dust prevention technologies that we have amassed in-house. We are also concentrating on the development of new products for various domains such as car electronics, industrial equipment, medical equipment and digital home electronics where networking continues apace.

#### (6) Information Equipment Group

Kyocera is working to further innovate printers based on the “ECOSYS” concept and multifunctional products based on the “TASKalfa” brand, which realize longer life and minimal waste of consumables. This involves focusing on development to further extend the life of the amorphous silicon drum, the nucleus of image forming, and of the positively-charged single-layer photoconductor (PSLP) drum as well as a processing system that maintains high image quality over a long period. From the perspective of energy conservation, we are strengthening the development of energy-saving toner, which is effective in reducing power consumption, the power supply and the ASICs as well as software that controls the power supply and ASICs.

In addition, we are accelerating new product development in the solution services field. This includes developing various applications capable of connecting with the external environment such as mobile equipment and cloud systems as well as creating a system for the global development of MDS that optimize and provide continuous support to users’ document environments. 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 working on development in a wide range of areas from core systems to software that drive the future of the IT market, including the creation of cloud computing systems, meeting needs for rapidly expanding mobile communications and for sending and receiving high-capacitance data, and strengthening information security systems.

Kyocera Chemical Corporation is working on technology related themes concerned with environmental preservation and to this end is developing sealing materials for semiconductors and casting resin based on halogen-free epoxy materials, which feature environmental properties. In addition, we are developing various application products such as thermo-setting epoxy resin sheets primarily for the purpose of protecting and affixing electronic components mounted on equipment.

Efforts are also being made to strengthen the development of advanced ceramic cell stacks for residential-use Solid Oxide Fuel Cells (SOFCs) in order to further improve energy efficiency.

R&D expenses by reporting segment are as follows.

	Years ended March 31,			Increase (Decrease)
	2011	2012	2013	
	Amount	Amount	Amount	%
	(Yen in millions)			
Fine Ceramic Parts Group .....	¥ 2,363	¥ 2,943	¥ 2,878	(2.2)
Semiconductor Parts Group .....	3,026	2,551	2,353	(7.8)
Applied Ceramic Products Group .....	5,794	5,010	5,778	15.3
Electronic Device Group .....	5,742	5,852	8,058	37.7
Total Components Business .....	16,925	16,356	19,067	16.6
Telecommunications Equipment Group .....	8,310	4,431	4,445	0.3
Information Equipment Group .....	18,369	17,813	18,373	3.1
Total Equipment Business .....	26,679	22,244	22,818	2.6
Others .....	5,870	6,959	5,634	(19.0)
R&D expenses .....	¥49,474	¥45,559	¥47,519	4.3
% to net sales .....	3.9%	3.8%	3.7%	

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 the digital consumer equipment market in fiscal 2013, although demand for smartphones and tablet PCs increased significantly compared with fiscal 2012, production activities for digital consumer equipment slumped on the whole due to the impact of stagnation in the Japanese and overseas economies coupled with weak demand for other digital consumer equipment. As a result, component demand for digital consumer equipment increased only moderately relative to fiscal 2012.

In fiscal 2014, we expect the global economy to be on a recovery track and production activities to expand gradually in the digital consumer equipment market primarily on the back of aggressive new product introductions by equipment manufacturers.

In the environment and energy market, the global solar energy market expanded steadily in fiscal 2013, led by growth in the U.S. and Japanese markets. In particular, it is estimated that the solar energy market in Japan has almost doubled in size due in part to the introduction of a feed-in tariff for renewable energy for commercial use in July 2012.

In fiscal 2014, although demand in the global solar energy market is forecast to remain roughly unchanged compared with fiscal 2013 due mainly to contraction in the European market, demand for solar power generation systems is projected to continue increasing in Japan owing to continuation of the feed-in tariff system. In addition, demand is expected to rise for energy management systems that not only create energy but also store the created energy and control energy consumption particularly in the Japanese market.

#### 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, 2013. 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 . . . . .	¥ 3,135	¥ —	¥ —	¥ —	¥ 3,135
Interest payments for short-term borrowings* . . . . .	45	—	—	—	45
Long-term debt (including due within one year) . . . . .	9,817	14,734	4,901	1,220	30,672
Interest payments for long-term debt* . . . . .	1,141	1,063	209	23	2,436
Supply agreement material used in operation . . . . .	30,304	55,299	58,005	71,884	215,492
Operating leases . . . . .	5,486	5,818	2,507	1,778	15,589
Obligations for the acquisition or construction of property, plant and equipment . . . . .	9,009	224	—	—	9,233
Total contractual obligations . . . . .	¥58,937	¥77,138	¥65,622	¥74,905	¥276,602

\* For Kyocera's variable interest rate of borrowings and debt, Kyocera utilized the rates in effect as of March 31, 2013 when estimating schedule of interest payments.

In addition to contractual obligations shown in the above tables, Kyocera forecasts to contribute ¥15,442 million to its defined benefit pension plans in fiscal 2014. Kyocera recorded liabilities of ¥4,064 million for gross unrecognized tax benefits in accordance with FASB's ASC 740, "Income Taxes" at March 31, 2013, 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 vice chairman and the president. With this setup, the chairman takes on the position as the head of the board of directors, providing guidance to the president, while the president has total responsibility for daily business execution. It is also believed that more accurate management decisions can be made with this management system, as the chairman, the vice chairman and the president can provide diverse perspectives on critical issues.

The following table shows Kyocera's Directors and Audit & Supervisory Board Members as of June 26, 2013.

<u>Name</u>	<u>Date of Birth</u>	<u>Position</u>	<u>Since</u>	<u>Term</u>
Tetsuo Kuba . . . . .	February 2, 1954	Representative Director and Chairman	2008 (Chairman 2013)	*1
Tatsumi Maeda . . . . .	January 1, 1953	Representative Director and Vice Chairman	2008	*1
Goro Yamaguchi . . . . .	January 21, 1956	Representative Director and President	2009 (President 2013)	*1
Katsumi Komaguchi . . . . .	March 5, 1951	Senior Managing Director	2009	*1
Yasuyuki Yamamoto . . . . .	April 2, 1951	Senior Managing Director	2009	*1
Ken Ishii . . . . .	October 6, 1953	Director	2012	*1
Yoshihito Ohta . . . . .	June 26, 1954	Director	2010	*1
Shoichi Aoki . . . . .	September 19, 1959	Director	2009	*1
Hiroshi Fure . . . . .	February 24, 1960	Director	2013	*1
Yoji Date . . . . .	September 20, 1956	Director	2013	*1
John S. Gilbertson . . . . .	December 4, 1943	Director	1995	*1
John S. Rigby . . . . .	May 13, 1955	Director	2012	*1
Tadashi Onodera . . . . .	February 3, 1948	Outside Director	2013	*1
Yoshihiro Kano . . . . .	April 5, 1953	Full-time Audit & Supervisory Board Member	2011	*2
Kouji Mae . . . . .	January 19, 1949	Full-time Audit & Supervisory Board Member	2013	*3
Osamu Nishieda . . . . .	January 10, 1943	Audit & Supervisory Board Member	1993	*4
Yoshinori Yasuda . . . . .	November 24, 1946	Audit & Supervisory Board Member	2012	*4
Nichimu Inada . . . . .	November 24, 1940	Audit & Supervisory Board Member	2012	*4
Yasunari Koyano . . . . .	December 6, 1942	Audit & Supervisory Board Member	2013	*3

\*1 The term of office of a Director is two years after his election at the close of the ordinary general meeting of shareholders held on June 26, 2013.

\*2 The term of office of an Audit & Supervisory Board Member is four years after his election at the close of the ordinary general meeting of shareholders held on June 28, 2011.

\*3 The term of office of an Audit & Supervisory Board Member is four years after his election at the close of the ordinary general meeting of shareholders held on June 26, 2013.

\*4 The term of office of an Audit & Supervisory Board Member is four years after his election at the close of the ordinary general meeting of shareholders held on June 27, 2012.

*Tetsuo Kuba* has served as a Representative Director and Chairman of Kyocera Corporation since 2013. He became an Executive Officer in 2003, a Managing Executive Officer in 2005, a Senior Managing Executive Officer in 2007, a Director in 2008 and a Representative Director and President in 2009. 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., Authorized Representative and Chairman of Kyocera Vietnam Co., Ltd., Representative Director and Chairman of Kyoto Purple Sanga Co., Ltd., Representative Director and Chairman of Kyocera SLC Technologies Corporation, Representative Director and Chairman of Kyocera Crystal Device Corporation, Representative Director and Chairman of Kyocera Display Corporation, Representative Director and Chairman of Kyocera Document Solutions, Representative Director and Chairman of Kyocera Chemical Corporation, Representative Director and Chairman of Kyocera Optec Co., Ltd. and Representative Director and Chairman of Kyocera Realty Development.

*Tatsumi Maeda* has served as a Representative Director and Vice Chairman of Kyocera Corporation since 2013. 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 became a Representative Director and Vice President in 2009. He joined Kyocera Corporation in 1975 and has served as a Charge of Engineering and Technology.

*Goro Yamaguchi* has served as a Representative Director and President of Kyocera Corporation since 2013. He became an Executive Officer in 2003, a Senior Executive Officer in 2005 and a Managing Executive Officer in 2009. He joined Kyocera Corporation in 1978 and has served as the Representative Director and Chairman and President in Kyocera Korea Co., Ltd. and Chairman of the Board of Directors of Kyocera (China) Sales & Trading Corporation.

*Katsumi Komaguchi* has served as a Senior Managing Director of Kyocera Corporation since 2013. He became an Executive Officer in 2008, a Managing Executive Officer and a Director in 2009. He joined Kyocera Corporation in 1986 and has served as a Senior Managing Executive Officer, and the Representative Director and President of Kyocera Document Solutions Inc.

*Yasuyuki Yamamoto* has served as a Senior Managing Director of Kyocera Corporation since 2013. He became an Executive Officer in 2003, a Senior Executive Officer in 2008, a Managing Executive Officer and a Director in 2009. He joined Kyocera Corporation in 1976 and has served as a Senior Managing Executive Officer and the General Manager of Corporate Communication Equipment Group.

*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.

*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 General Affairs Group.

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

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

*Yoji Date* has served as a Director of Kyocera Corporation since 2013. He became an Executive Officer in 2012. He joined Kyocera Corporation in 1979 and has served as a Managing Executive Officer, and a Representative Director and President of Kyocera Connector Products Corporation.

*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, Chairman 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.

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

*Yoshihiro Kano* has served as a Full-time Audit & Supervisory Board Member 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.

*Kouji Mae* has served as a Full-time Audit & Supervisory Board Member of Kyocera Corporation since 2013. He became a Director in 2001 and retired in 2003. He became a Senior Executive Officer in 2003 and retired in 2004. He became an Executive Officer in 2009 and retired in 2013. He joined Kyocera Corporation in 1972.

*Osamu Nishieda* has served as an Audit & Supervisory Board Member of Kyocera Corporation since 1993. He has served as an In-House Council of Kyocera Corporation.

*Yoshinori Yasuda* has served as an Audit & Supervisory Board Member 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 an Audit & Supervisory Board Member 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.

*Yasunari Koyano* has served as an Audit & Supervisory Board Member of Kyocera Corporation since 2013. He has served as Representative Lawyer of Koyano LPC.

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 26, 2013.

<u>Name</u>	<u>Position</u>
Goro Yamaguchi . . . . .	Executive Officer and President
Katsumi Komaguchi . . .	Senior Managing Executive Officer (Representative Director and President of Kyocera Document Solutions Inc.)
Yasuyuki Yamamoto . .	Senior Managing Executive Officer (General Manager of Corporate Communication Equipment Group)
Ken Ishii . . . . .	Managing Executive Officer (General Manager of Corporate Cutting Tool Group)
Yoshihito Ohta . . . . .	Managing Executive Officer (General Manager of Corporate General Affairs Group)
Shoichi Aoki . . . . .	Managing Executive Officer (General Manager of Corporate Financial and Accounting Group)
Hiroshi Fure . . . . .	Managing Executive Officer (General Manager of Corporate Automotive Components Group)
Yoji Date . . . . .	Managing Executive Officer (Representative Director and President of Kyocera Connector Products Corporation)
Nobuo Kitamura . . . . .	Senior Executive Officer (General Manager of Corporate Solar Energy Group)
Yoshiharu Nakamura . .	Senior Executive Officer (President of Dongguan Shilong Kyocera Co., Ltd.)
Junichi Jinno . . . . .	Senior Executive Officer (General Manager of Corporate Legal and Intellectual Property Group)

<b>Name</b>	<b>Position</b>
Tadashi Otsuji . . . . .	Executive Officer (General Manager of Corporate Semiconductor Components Group)
Setsuo Sasaki . . . . .	Executive Officer (Representative Director and President of Kyocera Communication Systems Co., Ltd.)
Kazuyuki Nada . . . . .	Executive Officer (Representative Director and President of Kyocera SLC Technologies Corporation)
Shigeaki Kinori . . . . .	Executive Officer (Representative Director and President of Kyocera Crystal Device Corporation)
Masaaki Itoh . . . . .	Executive Officer (Deputy General Manager of Corporate General Affairs Group)
Masaki Iida . . . . .	Executive Officer (General Manager of Corporate Purchasing Group)
Yuji Goto . . . . .	Executive Officer (President of Kyocera (China) Sales & Trading Corporation)
Hitoshi Takao . . . . .	Executive Officer (General Manager of Corporate Printing Device Group)
Yoichi Yamashita . . . . .	Executive Officer (General Manager of Corporate Production Technology & Development Division, Corporate R&D Group)
Kazumasa Umemura . . . . .	Executive Officer (Deputy General Manager of Office of the Chief Executives, Corporate General Affairs Group)
Shigeru Koyama . . . . .	Executive Officer (Representative Director and President of Kyocera Fineceramics GmbH)
Koichi Kano . . . . .	Executive Officer (General Manager of Corporate Development Group)
Naoki Kawai . . . . .	Executive Officer (General Manager of Corporate Fine Ceramics Group)
Toshiki Kawaguchi . . . . .	Executive Officer (Deputy General Manager of Corporate Communication Equipment Group)
Masaharu Goto . . . . .	Executive Officer (Representative Director and President of Kyocera Solar Corporation)
Hideo Yoshida . . . . .	Executive Officer (Deputy General Manager of Corporate Semiconductor Components Group)
Toshihide Koyano . . . . .	Executive Officer (Deputy General Manager of Corporate Solar Energy Group)
Yasumichi Okuda . . . . .	Executive Officer (Deputy General Manager of Corporate Fine Ceramics Group)
Masahiro Inagaki . . . . .	Executive Officer (General Manager of Corporate R&D Group)
Hironao Kudo . . . . .	Executive Officer (General Manager of Corporate Electronic Components Group)
Takashi Sato . . . . .	Executive Officer (General Manager of Corporate Human Resources Group)
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 2013 to all Directors, Audit & Supervisory Board Members and Executive Officers of Kyocera Corporation was ¥1,729 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 Audit & Supervisory Board Member 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)					
Tetsuo Kuba	Representative Director and Chairman of the Board of Kyocera Corporation	60	42	—	—	—	¥105
	Director of AVX Corporation	1	—	2	—	—	
John S. Gilbertson	Director of Kyocera Corporation	10	5	—	—	—	¥151
	Director, Chairman of the Board and Chief Executive Officer of AVX Corporation	70	5	18	33	10	

### 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 the 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. dollars at AVX Corporation was translated into the yen at a rate of ¥83 per \$1.00, which was the average rate during fiscal 2013.
3. The above position shows the current position of each Director as of the filing date of this annual report on Form 20-F.

In addition to the above, Japanese regulations require public companies to disclose details of compensation paid to Directors and Audit & Supervisory Board Members 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 Audit & Supervisory Board Members as follows.

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

	Total amount of compensation	Amounts of compensation by types		Number of Directors and Audit & Supervisory Board Members
		Basic remuneration	Bonus	
		(Yen in millions)		
Director .....	¥325	¥199	¥126	14
Full-time Audit & Supervisory Board Member .....	55	55	—	3
Outside Audit & Supervisory Board Member .....	18	18	—	5
Total .....	<u>¥398</u>	<u>¥272</u>	<u>¥126</u>	<u>22</u>

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

### C. Board Practices

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

In accordance with the requirements of the Companies Act of Japan (the Companies Act), our Articles of Incorporation provide for not more than six Audit & Supervisory Board Members. Audit & Supervisory Board

Members are elected at a general meeting of shareholders, and their normal term of office is four years. However, Audit & Supervisory Board Members may serve any number of consecutive terms. At least half of the Audit & Supervisory Board Members must be persons who have not been Directors or employees of Kyocera Corporation or its subsidiaries (Outside Audit & Supervisory Board Members). Audit & Supervisory Board Members form the Audit & Supervisory Board. Audit & Supervisory Board Members are under a statutory duty to oversee the administration of our affairs by the Directors, to examine our financial statements and business reports to be submitted by the Board of Directors to the general meetings of shareholders and to report their opinions thereon to the shareholders. They are obliged to attend meetings of the Board of Directors and to express their opinions, but they are not entitled to vote. Audit & Supervisory Board Members also have a statutory duty to provide their report on the audit report prepared by our independent certified public accountants to the Audit & Supervisory Board, which must submit its audit report to the Board of Directors. The Audit & Supervisory Board will also determine matters relating to the duties of the Audit & Supervisory Board Members, such as audit policy and methods of investigation of our affairs.

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

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

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

#### **D. Employees**

The numbers of Kyocera's employees by reporting segments at March 31, 2013 are as follows:

Fine Ceramic Parts Group .....	2,951
Semiconductor Parts Group .....	8,843
Applied Ceramic Products Group .....	8,067
Electronic Device Group .....	24,176
Telecommunications Equipment Group .....	4,013
Information Equipment Group .....	15,983
Others .....	6,008
Corporate .....	1,604
Total .....	<u>71,645</u>

Kyocera Corporation had 14,786 employees, and their average age and average service years were 40.0 and 16.4 respectively.

The numbers of Kyocera Corporation's employees by reporting segments at March 31, 2013 are as follows:

Fine Ceramic Parts Group .....	2,673
Semiconductor Parts Group .....	3,578
Applied Ceramic Products Group .....	2,336
Electronic Device Group .....	2,224
Telecommunications Equipment Group .....	2,387
Information Equipment Group .....	—
Others .....	933
Corporate .....	655
Total .....	<u>14,786</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, Audit & Supervisory Board Members and Executive Officers as of June 26, 2013 owned 396,619 shares of Kyocera Corporation in total (380,819 shares of common stock of Kyocera Corporation and 15,800 ADRs of Kyocera Corporation), or 0.2% of the outstanding shares of Kyocera Corporation at March 31, 2013. The numbers of shares owned by each Director, Audit & Supervisory Member and Executive Officer are shown in the following table.

Name	Title	Number of Shares
Tetsuo Kuba	Representative Director and Chairman	8,096
Tatsumi Maeda	Representative Director and Vice Chairman	3,709
Goro Yamaguchi	Representative Director and President	8,158
Katsumi Komaguchi	Senior Managing Director	4,244
Yasuyuki Yamamoto	Senior Managing Director	4,411
Ken Ishii	Director	2,136
Yoshihito Ohta	Director	3,928
Shoichi Aoki	Director	2,548
Hiroshi Fure	Director	624
Yoji Date	Director	2,669
John S. Gilbertson	Director	13,436 (ADR)
John S. Rigby	Director	725 (ADR)
Tadashi Onodera	Outside Director	—
Yoshihiro Kano	Full-time Audit & Supervisory Board Member	2,218
Kouji Mae	Full-time Audit & Supervisory Board Member	5,200
Osamu Nishieda	Audit & Supervisory Board Member	306,181
Yoshinori Yasuda	Audit & Supervisory Board Member	89
Nichimu Inada	Audit & Supervisory Board Member	839
Yasunari Koyano	Audit & Supervisory Board Member	—
Nobuo Kitamura	Senior Executive Officer	520
Yoshiharu Nakamura	Senior Executive Officer	2,122
Junichi Jinno	Senior Executive Officer	383
Tadashi Otsuji	Executive Officer	627
Setsuo Sasaki	Executive Officer	2,870
Kazuyuki Nada	Executive Officer	1,651
Shigeaki Kinori	Executive Officer	1,957
Masaaki Itoh	Executive Officer	1,457
Masaki Iida	Executive Officer	1,370
Yuji Goto	Executive Officer	2,198
Hitoshi Takao	Executive Officer	1,898
Yoichi Yamashita	Executive Officer	528
Kazumasa Umemura	Executive Officer	682
Shigeru Koyama	Executive Officer	1,265
Koichi Kano	Executive Officer	1,322
Naoki Kawai	Executive Officer	1,371
Toshiki Kawaguchi	Executive Officer	375
Masaharu Goto	Executive Officer	773
Hideo Yoshida	Executive Officer	726
Toshihide Koyano	Executive Officer	179
Yasumichi Okuda	Executive Officer	697
Masahiro Inagaki	Executive Officer	33
Hironao Kudo	Executive Officer	109
Takashi Sato	Executive Officer	656
Robert E. Whisler	Executive Officer	1,639 (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, 2013.

Name	Shares owned (in thousands)	Ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account) . . . . .	13,903	7.27
Japan Trustee Services Bank, Ltd. (Trust Account) . . . . .	11,863	6.20
Kyocera Corporation . . . . .	7,869	4.11
The Bank of Kyoto, Ltd. . . . .	7,218	3.77
Kazuo Inamori . . . . .	5,606	2.93
State Street Bank and Trust Company (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited) . . . . .	5,399	2.82
Inamori Foundation . . . . .	4,680	2.45
SSBT OD05 Omnibus Account-Treaty Clients (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited) . . . . .	3,574	1.87
KI Enterprise Co., Ltd. . . . .	3,550	1.86
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.) . . . . .	3,216	1.68
Total . . . . .	66,879	34.96

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 March 6, 2013, Sumitomo Mitsui Trust Bank, Limited and its related partners sent a copy of such a report to us, setting forth information regarding shareholders as of February 28, 2013 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, 2013.

Name	Shares owner (in thousands)	Ownership (%)
Sumitomo Mitsui Trust Bank, Limited . . . . .	5,131	2.68
Sumitomo Mitsui Trust Asset Management Co., Ltd. . . . .	406	0.21
Nikko Asset Management Co., Ltd. . . . .	3,976	2.08
Total . . . . .	9,513	4.97

According to Citibank N.A., depositary for Kyocera's ADSs, as of March 31, 2013, 2,084,105 shares of Kyocera's common stock were held in the form of ADSs and there were 690 ADS holders of record in the United States.

According to Kyocera's register of shareholders, as of March 31, 2013, there were 59,734 holders of Kyocera's common stock of record worldwide. As of March 31, 2013, there were 150 record holders of Kyocera's common stock with addresses in the United States, holding 24,317,826 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 2013, Kyocera's sales to KDDI Corporation amounted to ¥92,901 million, or 7.3% 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, 2013, 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***

##### **(1) Payment term of dividends**

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.

##### **(2) Basic profit distribution 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 that dividend amounts 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.

Based on performance during the year ended March 31, 2013 and pursuant to these policies, Kyocera distributed a year-end dividend for the year ended March 31, 2013 of 60 yen per share. When aggregated with the interim dividend in the amount of 60 yen per share, which was resulted by a board of directors meeting held on October 31, 2012, the total annual dividend was 120 yen per share.

### (3) Amendment of basic profit distribution policy

In order to further enhance the return of profit to shareholders and expand its shareholder base, Kyocera will amend its policy to aim for a consolidated dividend ratio of 30% or more commencing in the year ending March 31, 2014, replacing the current dividend ratio of approximately 20% to 25%. Other basic policies are not amended.

Kyocera will decide dividend amounts for the year ending March 31, 2014 pursuant to this amended basic profit distribution policy and it currently forecasts a total annual dividend in the amount of 160 yen per share, based on its financial forecast for the year ending March 31, 2014.

## B. Significant Changes

Except as disclosed in this annual report on Form 20-F, there have been no significant changes since March 31, 2013.

## 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.

Years ended March 31,	Tokyo Stock Exchange		New York Stock Exchange	
	Price per Share of Common Stock		Price per American Depositary Share*	
	High	Low	High	Low
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
2013	9,130	6,000	98.54	77.39
<b>Most Recent 6 months</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
December 2012	¥ 7,920	¥7,410	\$ 94.00	\$88.55
January 2013	8,480	7,730	93.67	87.73
February 2013	8,460	7,870	89.80	86.03
March 2013	9,130	7,900	95.99	85.21
April 2013	10,120	8,350	101.56	89.54
May 2013	11,760	9,590	114.16	97.75

\* 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 21, 2013, the closing price of our shares of Common Stock on the Tokyo Stock Exchange was ¥9,930 per share.



## **Item 10. Additional Information**

### **A. Share Capital**

Not applicable.

### **B. Memorandum and Articles of Association**

#### ***General***

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

#### ***Organization***

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

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

The Companies Act specifically requires a resolution of the Board of Directors for a joint stock corporation, among other things, to acquire or dispose of material assets; to borrow substantial amounts of money; to employ or discharge from employment important employees, such as executive officers; to establish, change or abolish a material corporate organization such as a branch office; or to issue bonds. A resolution of the Board of Directors is also specifically required for the establishment of a control system to ensure adequacy of 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 Companies Act and the Book-Entry Law, in order to assert shareholders' rights against Kyocera Corporation, a shareholder must have its name and address registered in the register of shareholders of Kyocera Corporation, except 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 Companies Act, distributions of cash or other assets by joint stock corporations to their shareholders, so-called "dividends," are referred to as "distributions of Surplus" ("Surplus" is defined in "—Restriction on distributions of Surplus"). Kyocera Corporation may make distributions of Surplus to its shareholders any number of times per fiscal year, subject to certain limitations described in "—Restriction on distributions of Surplus". 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 Companies Act.

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

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

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

*Restriction on distributions of Surplus*

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

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

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

In the above formula:

- “A” = the total amount of other capital surplus and other retained earnings, each such amount being that appearing on Kyocera Corporation’s non-consolidated balance sheet as of the end of the last fiscal year
- “B” = (if Kyocera Corporation has disposed of its treasury stock after the end of the last fiscal year) the amount of the consideration for such treasury stock received by Kyocera Corporation less the book value thereof
- “C” = (if Kyocera Corporation has reduced its stated capital after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any)

- “D” = (if Kyocera Corporation has reduced its additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any)
- “E” = (if Kyocera Corporation has cancelled its treasury stock after the end of the last fiscal year) the book value of such treasury stock
- “F” = (if Kyocera Corporation has distributed Surplus to its shareholders after the end of the last fiscal year) the total book value of the Surplus so distributed
- “G” = certain other amounts set forth in ordinances of the Ministry of Justice, including (if Kyocera Corporation has reduced Surplus and increased its stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction and (if Kyocera Corporation has distributed Surplus to its shareholders after the end of the last fiscal year) the amount set aside in its additional paid-in capital or legal reserve (if any) as required by ordinances of the Ministry of Justice

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

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

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

#### *General Meeting of Shareholders*

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

Notice of a 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 Companies Act, such notice may be given to shareholders by electronic means, subject to the consent of the relevant shareholders.

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

#### *Voting rights*

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

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

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

- (i) purchase of shares by Kyocera Corporation from a specific shareholder other than a Kyocera Corporation subsidiary;
- (ii) consolidation of shares;
- (iii) issuance or transfer of new shares or existing shares held by Kyocera Corporation as treasury stock to persons other than the shareholders at a "specially favorable" price;
- (iv) issuance of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) to persons other than the shareholders under "specially favorable" conditions;
- (v) removal of Kyocera Corporation's Audit & Supervisory Board Members;
- (vi) exemption from a portion of liability of Kyocera Corporation's Directors, Audit & Supervisory Board Members or independent auditors;
- (vii) reduction of stated capital (subject to certain exceptions);
- (viii) distribution of Surplus in kind with respect to which shareholders are not granted the right to require Kyocera Corporation to make distribution in cash instead of in kind;
- (ix) any amendment to Kyocera Corporation's Articles of Incorporation (except for such amendments that may be made without approval by shareholders under the Companies Act);

- (x) transfer of the whole or a substantial part of Kyocera Corporation's business;
- (xi) 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 Companies Act, Kyocera Corporation's shareholders will possess various rights, such as the right to review and make copies of its Articles of Incorporation and the register of shareholders, to require the convocation of a general meeting of shareholders, to propose a matter to be considered at a general meeting of shareholders, and to bring derivative actions, depending upon the number of shares held by them and the duration of their shareholding.

#### *Subscription rights*

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

#### *Liquidation rights*

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

#### *Transfer agent*

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

#### *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 Companies Act permits Kyocera Corporation to hold shares acquired by it as treasury stock. Treasury stock may be held by Kyocera Corporation for any time period and may be cancelled by resolution of its Board of Directors. Kyocera Corporation may also transfer to any person shares held by it as treasury stock, subject to a resolution of its Board of Directors, and subject also to other requirements similar to those applicable to the issuance of new shares. Kyocera Corporation may also utilize its treasury stock for the purpose of transfer to any person upon exercise of stock acquisition rights or for the purpose of acquiring another company by way of merger, share exchange or corporate split through exchange of treasury stock for shares or assets of the acquired company. No specific approval by the Board of Directors or shareholders at a shareholders meeting is required for this utilization of treasury stock, although the grant of the relevant stock acquisition rights or the relevant merger, share exchange or corporate split must be approved, as the case may be, by the Board of Directors or shareholders at Kyocera Corporation's 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 Companies Act or an ordinance of the Ministry of Justice, including the right to receive distribution of Surplus.

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

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

#### *Miscellaneous*

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

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

A similar report must also be filed in respect of any subsequent change of one percent or more in any such holding, with certain exceptions. (For this purpose, any shares of Kyocera Corporation 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 Companies Act or Kyocera Corporation's Articles of Incorporation on the rights of shareholders applicable regardless of residence or nationality, there is no limitation under Japanese laws and regulations applicable to Kyocera Corporation or under its Articles of Incorporation on the rights of non-resident or foreign shareholders to hold or exercise voting rights on the shares of capital stock of Kyocera Corporation.

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

#### *Daily Price Fluctuation Limits under Japanese Stock Exchange Rules*

Share prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges set daily price limits, which limit the maximum range of fluctuation within a single trading day. Daily price limits are set according to the previous day's closing price or special quote. Although

transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell his or her shares at such price on a particular trading day, or at all.

The closing price of our shares of Common Stock on the Tokyo Stock Exchange on the latest available date is set forth at *Price Range of Shares* in Item 9. The following table shows the daily price 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

On October 10, 2012, AVX Corporation reached a proposed financial settlement with the U.S. Environmental Protection Agency and Commonwealth of Massachusetts regarding the New Bedford Harbor Superfund Site.

For this summary of the proposed financial settlement, please refer to "The proposed financial settlement among AVX Corporation, the U.S. Environmental Protection Agency and Commonwealth of Massachusetts regarding the New Bedford Harbor Superfund Site" in Item 5.A. "Operating Results" of this annual report on Form 20-F on page 31.

The proposed financial settlement, which is Exhibit 4.1 "Supplemental Consent Decree with Defendant AVX Corporation containing agreement among AVX Corporation, the United States Environmental Protection Agency and the Commonwealth of Massachusetts, dated October 10, 2012" to this annual report on Form 20-F, is incorporated herein by reference.

#### 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%, to be amended to less than 50% when the Protocol Amending the Convention between the United States of America and Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Tax on Income signed on January 24, 2013 becomes effective (effective date to be determined)) of the voting stock of the issuing company. The Treaty provides that no Japanese tax will be imposed on dividends paid to a qualified pension fund that is a United States resident, if such dividends are not derived from the carrying on of a business, directly or indirectly, by such pension fund.

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

Japan has income tax treaties, conventions or agreements, which generally provide that the rate of withholding tax may not exceed 15% for portfolio investors, with, among others, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore, 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) is added to the withholding tax rates from and including January 1, 2013 to and including December 31, 2037. Under Japanese tax law, whichever is the lower of the maximum rate provided in the relevant tax treaty, convention or agreement and the Japanese statutory rate will be applicable. Gains derived from the sale outside Japan of the shares or ADSs by a non-resident of Japan or a non-Japanese corporation are in general not subject to Japanese income or corporation taxes. In addition, gains derived from the sale of shares or ADSs within Japan by a non-resident of Japan or non-Japanese corporation not having a permanent establishment in Japan are in general not subject to Japanese income or corporation taxes.

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

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

### *United States Taxation*

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

- a dealer in securities,
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,
- a tax-exempt organization,
- certain insurance companies,
- a person liable for alternative minimum tax,
- a person that actually or constructively owns 10% or more of 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 that constitute qualified dividend income will be taxable at the preferential rates applicable to long-term capital gains 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 preferential tax rates. 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 preferential rates 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 may be required to 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 in effect at March 31, 2013 will generally mature within four months. The following tables provide information about Kyocera's major foreign currency forward contracts existing at March 31, 2013, 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)		
	US\$/Yen	EURO/Yen	EURO/US\$
	(Yen in millions)		
Contract amounts	¥74,450	¥62,724	¥2,805
Fair value	(3,682)	(4,014)	68
Weighted average contractual rates	0.011	0.009	0.759

Forward exchange contracts to purchase foreign currencies	(Receive/Pay) (Except average contractual rates)		
	Yen/US\$	US\$/Yen	EURO/Yen
	(Yen in millions)		
Contract amounts	¥ 6,290	¥ 5,920	¥2,252
Fair value	(126)	(66)	(20)
Weighted average contractual rates	92.503	0.011	0.008

### Interest Rate Risk

Kyocera enters into interest rate swaps 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
		during the year ending March 31,							
		2014	2015	2016	2017	2018	Thereafter		
		(Yen in millions)							
Loans from banks and others	4.46%	¥9,817	9,167	5,567	3,370	1,531	1,220	¥30,672	¥30,691

Notional principal amounts	Average receive rate	Average pay rate	Expected maturity date						Total	Fair value
			during the year ending March 31,							
			2014	2015	2016	2017	2018	Thereafter		
			(Yen in millions)							
(Variable to Fixed)										
¥119	0.50%	3.55%	¥59	60	—	—	—	—	¥119	¥(22)

### 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 ¥219,400 million, included ¥194,216 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, 2012 and 2013 amounted to ¥1,258 million and ¥728 million, respectively. At March 31, 2013, Kyocera held the following available-for-sale marketable equity and debt securities.

	<u>March 31, 2013</u>	
	<u>Cost</u>	<u>Fair Value</u>
	(Yen in millions)	
Due within 1 year .....	¥ —	¥ —
Due after 1 year to 5 years .....	3,070	3,080
Due after 5 years .....	4,479	4,521
Equity securities .....	<u>273,719</u>	<u>493,119</u>
	<u>¥281,268</u>	<u>¥500,720</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.

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

### *Charges*

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

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

### *Reimbursement fees and payments*

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

## PART II

### **Item 13. Defaults, Dividend Arrearages and Delinquencies**

None.

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

None.

### **Item 15. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

Kyocera's management, with the participation of its principal executive and principal financial officers, evaluated the effectiveness of Kyocera's disclosure controls and procedures (as defined in Rules 13a-15(e) under the U.S. Securities Exchange Act of 1934, as amended) as of March 31, 2013. 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 (1992) 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, 2013. Kyocera's independent registered public accounting firm, PricewaterhouseCoopers Kyoto, which changed its English name from Kyoto Audit Corporation effective March 1, 2013, has audited the effectiveness of Kyocera's internal control over financial reporting as of March 31, 2013, as stated in their report which appears on page F-1 of this annual report on Form 20-F.

#### **Evaluation of Changes in Internal Control over Financial Reporting**

Kyocera's management, with the participation of its principal executive and principal financial officers, also carried out an evaluation of changes in our internal control over financial reporting during the year ended March 31, 2013. Based on that evaluation, there was no change in Kyocera's internal control over financial reporting that occurred during the year ended March 31, 2013 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 Audit & Supervisory Board 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 Audit & Supervisory Board. Kyocera believes that the combined knowledge, skills and experience of the Audit & Supervisory Board 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 Audit & Supervisory Board Members 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**

PricewaterhouseCoopers Kyoto, which changed its English name from Kyoto Audit Corporation effective March 1, 2013, served as our independent registered public accounting firm for fiscal 2012 and fiscal 2013 and audited our Consolidated Financial Statements included in this annual report on Form 20-F.

The following table presents the aggregate fees for professional services and other services rendered by PricewaterhouseCoopers Kyoto, and other member firms of PricewaterhouseCoopers to Kyocera in fiscal 2012 and fiscal 2013.

	<b>Years ended March 31,</b>	
	<b>2012</b>	<b>2013</b>
	<b>(Yen in millions)</b>	
Audit Fees <sup>(1)</sup> . . . . .	¥1,316	¥1,457
Audit-related Fees <sup>(2)</sup> . . . . .	9	3
Tax Fees <sup>(3)</sup> . . . . .	205	271
All Other Fees <sup>(4)</sup> . . . . .	9	3
Total . . . . .	<u>¥1,539</u>	<u>¥1,734</u>

- (1) Amounts represent fees for the annual audit of Kyocera for fiscal 2012 and fiscal 2013, reviews of Kyocera’s financial statements for interim periods, other regulatory filings in fiscal 2012 and fiscal 2013 and the statutory audit of internal control over financial reporting for fiscal 2012 and fiscal 2013.
- (2) 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 2012 and fiscal 2013.
- (4) Amounts in fiscal 2012 for all other fees primarily included fees for advisory assurance service of the preparation of Kyocera’s sustainability report.

#### **Policies and Procedures of the Audit & Supervisory Board**

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

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

Under the pre-approval procedure for “Specific Pre-Approval,” if any proposed services are not on the General Pre-Approved List, each of Kyocera group companies (other than AVX Corporation) must submit an application to Kyocera’s Audit & Supervisory Board for such services. After reviewing the details and estimated fee levels for each engagement, Kyocera’s Audit & Supervisory Board may make a specific pre-approval decision on these services. Also, if any approved services in the General Pre-Approved List exceed the fee levels prescribed on the List, each of Kyocera group companies (other than AVX Corporation) must submit an application to Kyocera’s Audit & Supervisory Board for new fee levels for such services. Kyocera’s Audit & Supervisory Board may make a pre-approval decision after reviewing the details of the services and the estimated fee levels for each engagement.

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

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

With respect to the requirements of Rule 10A-3 under the Securities Exchange Act of 1934 relating to listed company audit committees, which 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 audit & supervisory board meeting certain requirements. For a New York Stock Exchange-listed Japanese company with an audit & supervisory board, the requirements for relying on paragraph (c)(3) of Rule 10A-3 are as follows:

- (a) The audit & supervisory board must be established, and its members must be selected, pursuant to Japanese law expressly requiring such a board for Japanese companies that elect to have a corporate governance system with audit & supervisory board members.
- (b) Japanese law must and does require the audit & supervisory board to be separate from the board of directors.
- (c) None of the audit & supervisory board members is elected by management, and none of the listed company’s executive officers is a member of the audit & supervisory board.
- (d) Japanese law must and does set forth standards for the independence of all audit & supervisory board members from the listed company or its management. Also, under Japanese law, at least half of a company’s audit & supervisory board members must be “outside” audit & supervisory board members, to whom additional independence requirements apply.
- (e) The audit & supervisory board, in accordance with Japanese law or the listed company’s governing documents, must be responsible, to the extent permitted by Japanese law, for the appointment, retention and oversight of the work of any registered public accounting firm engaged (including, to the extent permitted by Japanese law, the resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed company, including its principal accountant which audits its Consolidated Financial Statements included in its annual reports on Form 20-F.

(f) To the extent permitted by Japanese law:

- the audit & supervisory board must establish procedures for (i) the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls, or auditing matters, and (ii) the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- the audit & supervisory board must have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties; and
- the listed company must provide for appropriate funding, as determined by its audit & supervisory board, for payment of (i) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for us, (ii) compensation to any advisers employed by the audit & supervisory board, and (iii) ordinary administrative expenses of the audit & supervisory board that are necessary or appropriate in carrying out its duties.

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

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

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

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 1 to April 30, 2012 . . . . .	81	7,250.00	—	—
May 1 to May 31, 2012 . . . . .	298	7,304.16	—	—
June 1 to June 30, 2012 . . . . .	296	6,565.87	—	—
July 1 to July 31, 2012 . . . . .	675	6,508.41	—	—
August 1 to August 31, 2012 . . . . .	348	6,335.45	—	—
September 1 to September 30, 2012 . . . . .	192	6,732.50	—	—
October 1 to October 31, 2012 . . . . .	493	6,875.92	—	—
November 1 to November 30, 2012 . . . . .	176	7,436.70	—	—
December 1 to December 31, 2012 . . . . .	272	7,618.60	—	—
January 1 to January 31, 2013 . . . . .	415	7,971.22	—	—
February 1 to February 28, 2013 . . . . .	569	8,189.31	—	—
March 1 to March 31, 2013 . . . . .	357	8,335.93	—	—
Total . . . . .	<u>4,172</u>	<u>7,265.72</u>	<u>—</u>	<u>—</u>

Note: Under the Companies Act, a holder of shares constituting less than one full unit may request Kyocera to purchase such shares at their market value. (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.

<u>Corporate Governance Practices Followed by NYSE-listed U.S. Companies</u>	<u>Corporate Governance Practices Followed by Kyocera Corporation</u>
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>For large Japanese companies, including Kyocera Corporation, which employ a corporate governance system based on an audit &amp; supervisory board (the “audit &amp; supervisory board system”), the Companies Act of Japan (the Companies Act) has no independence requirement with respect to directors. The task of overseeing management and independent auditors is assigned to the audit &amp; supervisory board members, who are separate from Kyocera Corporation’s management. All audit &amp; supervisory board members must meet certain independence requirements under the Companies Act.</p> <p>For large Japanese companies with an audit &amp; supervisory board, including Kyocera Corporation, at least half of the members of such board must be “outside” audit &amp; supervisory board members. Such “outside” audit &amp; supervisory board members must meet additional independence requirements under the Companies Act. An “outside” audit &amp; supervisory board member means an audit &amp; supervisory board member 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 26, 2013, Kyocera Corporation had six audit &amp; supervisory board members, of whom three were “outside” audit &amp; supervisory board members.</p> <p>In addition to the independence requirements under the Companies Act described above, the rules of the Japanese stock exchanges require that at least one of Kyocera Corporation’s outside directors or outside audit &amp; supervisory board members 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 audit & supervisory board system as described above. Under this system, the audit & supervisory board is a legally separate and independent body from the board of directors. The main function of the audit & supervisory board is similar to that of independent directors, including those who are members of the audit committee of a U.S. company: to monitor the performance of the directors, and review and express opinions on the method of auditing by Kyocera Corporation's independent auditors and on such independent auditors' audit reports, for the protection of Kyocera Corporation's shareholders.

Kyocera Corporation and other large Japanese companies which employ the audit & supervisory board system are required to have at least three audit & supervisory board members. As of June 26, 2013, Kyocera Corporation had six audit & supervisory board members. Each audit & supervisory board member serves a four-year term of office. In contrast, the term of office of each director of Kyocera Corporation is two years.

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

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

**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 and must impose procedural and disclosure requirements with respect to the use of compensation consultants, independent legal counsel and other advisors.

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

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

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

**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, 2012 and 2013 . . . . .	F-2 & F-3
(3) Consolidated Statements of Income for the years ended March 31, 2011, 2012 and 2013 . . . . .	F-4
(4) Consolidated Statements of Comprehensive Income for the years ended March 31, 2011, 2012 and 2013 . . . . .	F-5
(5) Consolidated Statements of Equity for the years ended March 31, 2011, 2012 and 2013 . . . . .	F-6 & F-7
(6) Consolidated Statements of Cash Flows for the years ended March 31, 2011, 2012 and 2013 . . . . .	F-8
(7) Notes to the Consolidated Financial Statements . . . . .	F-9 to F-64

### 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 Audit & Supervisory Board of the Registrant (English translation)
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))
4.1	Supplemental Consent Decree with Defendant AVX Corporation containing agreement among AVX Corporation, the United States Environmental Protection Agency and the Commonwealth of Massachusetts, dated October 10, 2012
8.1	List of Significant Subsidiaries (See "Organizational Structure" in Item 4.C. of the Registrant's annual report on Form 20-F)

<b>Exhibit Number</b>	<b>Description</b>
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 PricewaterhouseCoopers Kyoto 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, comprehensive 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, 2013 and March 31, 2012, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2013 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, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* 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.

/s/ PricewaterhouseCoopers Kyoto

Kyoto, Japan  
June 27, 2013

**Consolidated Balance Sheets**  
**Kyocera Corporation and Consolidated Subsidiaries**  
**March 31, 2012 and 2013**

ASSETS	2012	2013
	(Yen in millions and shares in thousands)	
Current assets:		
Cash and cash equivalents . . . . .	¥ 273,288	¥ 305,454
Short-term investments in debt and equity securities (Notes 3 and 4) . . . . .	47,175	43,893
Other short-term investments (Note 3) . . . . .	158,765	179,843
Trade receivables		
Notes (Note 7) . . . . .	19,349	27,061
Accounts (Notes 7 and 10) . . . . .	225,578	268,927
Less allowances for doubtful accounts and sales returns (Note 6) . . . . .	(4,583)	(4,705)
	240,344	291,283
Inventories (Note 5) . . . . .	270,336	296,450
Advance payments . . . . .	68,685	65,812
Deferred income taxes (Note 16) . . . . .	45,049	47,349
Other current assets (Notes 4, 6, 8, 10 and 13) . . . . .	40,961	38,299
Total current assets . . . . .	1,144,603	1,268,383
Investments and advances:		
Long-term investments in debt and equity securities (Notes 3 and 4) . . . . .	372,779	506,490
Other long-term investments (Notes 3, 4, 6 and 7) . . . . .	19,098	12,661
Total investments and advances . . . . .	391,877	519,151
Property, plant and equipment (Notes 4 and 10):		
Land . . . . .	60,600	61,808
Buildings . . . . .	301,911	323,014
Machinery and equipment . . . . .	719,146	788,692
Construction in progress . . . . .	17,035	13,546
Less accumulated depreciation . . . . .	(838,155)	(918,236)
Total property, plant and equipment . . . . .	260,537	268,824
Goodwill (Notes 2 and 9) . . . . .	89,039	103,425
Intangible assets (Notes 2, 9 and 10) . . . . .	49,653	54,583
Other assets (Notes 6, 8, 10 and 16) . . . . .	58,394	68,487
Total assets . . . . .	¥1,994,103	¥2,282,853

The accompanying notes are an integral part of these statements.

**Consolidated Balance Sheets—(Continued)**  
**Kyocera Corporation and Consolidated Subsidiaries**  
**March 31, 2012 and 2013**

LIABILITIES AND EQUITY	2012	2013
	(Yen in millions and shares in thousands)	
Current liabilities:		
Short-term borrowings (Note 10) . . . . .	¥ 4,062	¥ 3,135
Current portion of long-term debt (Notes 4 and 10) . . . . .	10,610	9,817
Trade notes and accounts payable . . . . .	102,699	111,249
Other notes and accounts payable . . . . .	60,993	52,018
Accrued payroll and bonus . . . . .	49,880	52,420
Accrued income taxes . . . . .	13,496	22,214
Other accrued liabilities (Note 14) . . . . .	29,940	39,135
Other current liabilities (Notes 4, 13 and 16) . . . . .	29,368	36,642
Total current liabilities . . . . .	<u>301,048</u>	<u>326,630</u>
Non-current liabilities:		
Long-term debt (Notes 4 and 10) . . . . .	21,197	20,855
Accrued pension and severance liabilities (Note 11) . . . . .	32,441	36,322
Deferred income taxes (Note 16) . . . . .	90,179	146,229
Other non-current liabilities (Note 16) . . . . .	14,997	37,875
Total non-current liabilities . . . . .	<u>158,814</u>	<u>241,281</u>
Total liabilities . . . . .	<u>459,862</u>	<u>567,911</u>
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 . . . . .	162,617	163,062
Retained earnings . . . . .	1,324,052	1,368,512
Accumulated other comprehensive income . . . . .	(81,639)	50,138
Common stock in treasury, at cost:		
7,865 shares at March 31, 2012 and		
7,869 shares at March 31, 2013 . . . . .	(51,228)	(51,258)
Total Kyocera Corporation shareholders' equity . . . . .	<u>1,469,505</u>	<u>1,646,157</u>
Noncontrolling interests . . . . .	64,736	68,785
Total equity . . . . .	<u>1,534,241</u>	<u>1,714,942</u>
Total liabilities and equity . . . . .	<u>¥1,994,103</u>	<u>¥2,282,853</u>

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, 2013**

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	(Yen in millions and shares in thousands, except per share amounts)		
Net sales (Notes 7 and 13) . . . . .	¥1,266,924	¥1,190,870	¥1,280,054
Cost of sales (Note 13) . . . . .	<u>888,869</u>	<u>870,143</u>	<u>952,350</u>
Gross profit . . . . .	378,055	320,727	327,704
Selling, general and administrative expenses (Notes 2, 4, 14 and 17) . . .	<u>222,131</u>	<u>223,052</u>	<u>250,778</u>
Profit from operations . . . . .	155,924	97,675	76,926
Other income (expenses):			
Interest and dividend income . . . . .	12,963	13,966	14,666
Interest expense (Note 13) . . . . .	(2,259)	(2,042)	(1,890)
Foreign currency transaction gains, net (Note 13) . . . . .	3,824	4,533	5,136
Gains on sales of securities, net (Note 3) . . . . .	52	337	4,542
Other, net (Note 4) . . . . .	<u>1,828</u>	<u>424</u>	<u>1,983</u>
	<u>16,408</u>	<u>17,218</u>	<u>24,437</u>
Income before income taxes . . . . .	172,332	114,893	101,363
Income taxes (Note 16):			
Current . . . . .	35,744	34,199	39,655
Deferred . . . . .	<u>6,470</u>	<u>(4,064)</u>	<u>(5,643)</u>
	<u>42,214</u>	<u>30,135</u>	<u>34,012</u>
Net income . . . . .	130,118	84,758	67,351
Net income attributable to noncontrolling interests . . . . .	<u>(7,670)</u>	<u>(5,401)</u>	<u>(878)</u>
Net income attributable to shareholders of Kyocera Corporation . . . . .	<u>¥ 122,448</u>	<u>¥ 79,357</u>	<u>¥ 66,473</u>
Earnings per share (Note 19):			
Net income attributable to shareholders of Kyocera Corporation:			
Basic . . . . .	¥ 667.23	¥ 432.58	¥ 362.36
Diluted . . . . .	667.23	432.58	362.36
Cash dividends declared per share:			
Per share of common stock . . . . .	130.00	120.00	120.00
Average number of shares of common stock outstanding:			
Basic . . . . .	183,517	183,451	183,442
Diluted . . . . .	183,517	183,451	183,442

The accompanying notes are an integral part of these statements.

**Consolidated Statements of Comprehensive Income**  
**Kyocera Corporation and Consolidated Subsidiaries**  
**For the three years ended March 31, 2013**

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	(Yen in millions)		
Net income .....	¥130,118	¥84,758	¥ 67,351
Other comprehensive income (loss)—net of taxes			
Net unrealized gains on securities (Notes 3 and 15) .....	8,863	8,520	94,577
Net unrealized gains (losses) on derivative financial instruments			
(Notes 13 and 15) .....	63	(58)	8
Pension adjustments (Notes 11 and 15) .....	(4,619)	(8,941)	(11,677)
Foreign currency translation adjustments (Note 15) .....	(33,923)	(6,429)	55,468
Total other comprehensive income (loss) .....	<u>(29,616)</u>	<u>(6,908)</u>	<u>138,376</u>
Comprehensive income .....	100,502	77,850	205,727
Comprehensive income (loss) attributable to noncontrolling interests ....	<u>(2,626)</u>	<u>(4,320)</u>	<u>(7,202)</u>
Comprehensive income attributable to shareholders of Kyocera Corporation .....	<u>¥ 97,876</u>	<u>¥73,530</u>	<u>¥198,525</u>

**Consolidated Statements of Equity**  
**Kyocera Corporation and Consolidated Subsidiaries**  
**For the three years ended March 31, 2013**

(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, 2010 (183,521) . . . . .	¥115,703	¥163,044	¥1,168,122	¥(51,010)	¥(50,624)	¥1,345,235	¥62,027	¥1,407,262
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)
Balance, March 31, 2011 (183,513) . . . . .	<u>115,703</u>	<u>162,336</u>	<u>1,268,548</u>	<u>(75,633)</u>	<u>(50,691)</u>	<u>1,420,263</u>	<u>63,096</u>	<u>1,483,359</u>
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)

**Consolidated Statements of Equity—(Continued)**  
**Kyocera Corporation and Consolidated Subsidiaries**  
**For the three years ended March 31, 2013**

(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, 2012 (183,444) . . . . .	115,703	162,617	1,324,052	(81,639)	(51,228)	1,469,505	64,736	1,534,241
Comprehensive income:								
Net income . . . . .			66,473			66,473	878	67,351
Change in net unrealized gains on securities—net of taxes (Note 3) . . . . .				94,513		94,513	64	94,577
Change in net unrealized gains on derivative financial instruments— net of taxes (Note 13) . . . . .				2		2	6	8
Change in pension adjustments—net of taxes (Note 11) . . . . .				(11,111)		(11,111)	(566)	(11,677)
Change in foreign currency translation adjustments—net of taxes . . . . .				48,648		48,648	6,820	55,468
Total comprehensive income . . . . .						<u>198,525</u>	<u>7,202</u>	<u>205,727</u>
Cash dividends paid to Kyocera Corporation's shareholders . . . . .			(22,013)			(22,013)		(22,013)
Cash dividends paid to noncontrolling interests . . . . .							(2,229)	(2,229)
Purchase of treasury stock (4) . . . . .					(30)	(30)		(30)
Reissuance of treasury stock (0) . . . . .					0	0		0
Stock option plan of subsidiaries . . . . .		80				80	32	112
Other . . . . .		365		(275)		90	(956)	(866)
Balance, March 31, 2013 (183,440) . . . . .	<u>¥115,703</u>	<u>¥163,062</u>	<u>¥1,368,512</u>	<u>¥ 50,138</u>	<u>¥(51,258)</u>	<u>¥1,646,157</u>	<u>¥68,785</u>	<u>¥1,714,942</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, 2013**

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	(Yen in millions)		
Cash flows from operating activities:			
Net income	¥ 130,118	¥ 84,758	¥ 67,351
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	71,544	73,120	73,597
Provision for doubtful accounts and loss on bad debts	2,039	370	238
Write-down of inventories	5,291	11,486	11,507
Deferred income taxes (Note 16)	6,470	(4,064)	(5,643)
Gains on sales of securities, net	(52)	(337)	(4,542)
Foreign currency adjustments	506	(759)	(2,003)
Change in assets and liabilities:			
Increase in receivables	(38,043)	(3,803)	(14,876)
Increase in inventories	(69,368)	(39,762)	(13,910)
(Increase) decrease in advance payment	(20,008)	3,507	2,872
(Increase) decrease in other current assets	(616)	(1,094)	2,035
Increase (decrease) in notes and accounts payable	29,422	(10,092)	(35,557)
Increase (decrease) in accrued income taxes	2,039	(6,680)	8,151
Increase in other current liabilities	3,033	4,411	9,242
Increase (decrease) in other non-current liabilities	(2,871)	(5,287)	14,739
Other, net	183	3,291	(3,712)
Net cash provided by operating activities	<u>119,687</u>	<u>109,065</u>	<u>109,489</u>
Cash flows from investing activities:			
Payments for purchases of available-for-sale securities	(11,837)	(18,970)	(30,052)
Payments for purchases of held-to-maturity securities	(67,174)	(74,369)	(49,583)
Payments for purchases of other securities	(5,173)	(149)	(19)
Proceeds from sales and maturities of available-for-sale securities	9,568	29,346	37,593
Proceeds from maturities of held-to-maturity securities	42,534	74,083	71,167
Acquisitions of businesses, net of cash acquired (Notes 2 and 20)	(1,581)	(35,454)	(18,533)
Investment in affiliates	—	(793)	(2,150)
Payments for purchases of property, plant and equipment	(65,844)	(67,765)	(58,416)
Payments for purchases of intangible assets	(6,568)	(6,744)	(6,553)
Acquisition of time deposits and certificate of deposits	(303,482)	(258,032)	(289,694)
Withdrawal of time deposits and certificate of deposits	287,376	299,531	276,436
Other, net	817	3,265	3,662
Net cash used in investing activities	<u>(121,364)</u>	<u>(56,051)</u>	<u>(66,142)</u>
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net (Note 2)	4,044	(13,615)	(1,465)
Proceeds from issuance of long-term debt	10,708	10,141	9,055
Payments of long-term debt (Note 2)	(15,707)	(19,166)	(12,733)
Dividends paid	(23,654)	(25,874)	(24,336)
Purchase of treasury stock	(69)	(540)	(30)
Other, net	(2,142)	(1,715)	(1,922)
Net cash used in financing activities	<u>(26,820)</u>	<u>(50,769)</u>	<u>(31,431)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(11,158)</u>	<u>(2,428)</u>	<u>20,250</u>
Net increase (decrease) in cash and cash equivalents	(39,655)	(183)	32,166
Cash and cash equivalents at beginning of year	313,126	273,471	273,288
Cash and cash equivalents at end of year	<u>¥ 273,471</u>	<u>¥ 273,288</u>	<u>¥ 305,454</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 personnel. These procedures require the exercise of significant judgments. Kyocera believes that these procedures enable Kyocera to make reliable estimates of future returns under the stock rotation program. Kyocera’s actual results have historically approximated its estimates. When the products are returned and verified, the distributor is given credit against their accounts receivables.

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

Ship-from-Stock and Debit (ship and debit) is a program designed to assist distributors in meeting competitive prices in the marketplace on sales to their end customers. Ship and debit programs require a request from the distributor for a pricing adjustment of a specific part for a sale to the distributor’s end customers from the distributor’s stock. Ship and debit authorizations may cover current and future distributor activity for a specific part for a sale to their customers. In accordance with ASC 605, 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 personnel. These procedures require the exercise of significant judgments. Kyocera believes that these procedures enable Kyocera to make reliable estimates of future credits under the ship and debit program. Kyocera’s actual results have historically approximated its estimates.

*Sales Rebates*

In the case of sales to distributors in the 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 based on the grant date fair value over the measurement method.

**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, 2012, Kyocera adopted the FASB’s ASU No. 2011-05, “Presentation of Comprehensive Income” and 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.” ASU No. 2011-05 requires entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. It eliminates the current option to present the components of other comprehensive income as part of the statement of equity. ASU No. 2011-05 also requires reclassification adjustments and the effect of those adjustments on net income and other comprehensive income to be disclosed on the face of financial statements, however, the effective date of this requirement is deferred indefinitely by ASU No. 2011-12. As these accounting standards are a provision for presentation, the adoption of these accounting standards did not have an impact on Kyocera’s consolidated results of operations, financial condition and cash flows.

On April 1, 2012, Kyocera adopted the FASB’s ASU No. 2011-08, “Testing Goodwill for Impairment.” This accounting standard permits 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. 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.

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

**Recently Issued Accounting Standards:**

In July 2012, the FASB issued ASU No. 2012-02, “Testing Indefinite-Lived Intangible Assets for Impairment.” This accounting standard permits an entity to first assess qualitative factors to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the impairment test. An entity is not required to calculate the fair value of the indefinite-lived intangible asset unless the entity determines that it is more likely than not that the indefinite-lived intangible asset is impaired. This accounting standard will be effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. 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 January 2013, the FASB issued ASU No. 2013-01, “Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities.” This accounting standard clarifies that the scope of ASU No. 2011-11 applies to derivatives accounted for in accordance with ASC 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with ASC 210-20-45 or ASC 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. 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.

In February 2013, the FASB issued ASU No. 2013-02, “Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.” This accounting standard requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, this accounting standard requires an entity to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, this accounting standard required an entity to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. This accounting standard will be effective prospectively for annual reporting periods beginning after December 15, 2012, 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.

In February 2013, the FASB issued ASU No. 2013-04, “Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date.” This accounting standard requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the following: (a) The amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors (b) Any additional amount the reporting entity expects to pay on behalf of its co-obligors. The accounting standard also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. This accounting standard will be effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. 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 March 2013, the FASB issued ASU No. 2013-05, “Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an

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

Investment in a Foreign Entity.” This accounting standard resolves the diversity in practice about whether ASC 810-10, Consolidation—Overall, or ASC 830-30, Foreign Currency Matters—Translation of Financial Statements, applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. In addition, this accounting standard resolves the diversity in practice for the treatment of business combinations achieved in stages involving a foreign entity. This accounting standard will be effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2013. The impact of this accounting standard on Kyocera’s consolidated results of operations, financial condition and cash flows will depend on the nature and significance of transactions after the adoption date.

**Reclassifications:**

Certain reclassifications and changes have been made to the consolidated balance sheet at March 31, 2012, the consolidated statements of income and the consolidated statements of cash flows for the year ended March 31, 2012 and 2011 and footnotes to conform to the current presentation.

**2. BUSINESS COMBINATION**

**Business combinations in the year ended March 31, 2013**

On June 5, 2012, Kyocera Document Solutions Deutschland GmbH, a subsidiary of Kyocera Document Solutions Inc., a Japan based subsidiary, acquired 100% of the common stock of AKI GmbH to strengthen its document solutions business.

On August 1, 2012, Kyocera Document Solutions America, Inc., a subsidiary of Kyocera Document Solutions Inc., acquired information equipment sales business, related assets and liabilities from Nevill Business Machines, Inc. to expand its sales channels in the United States of America.

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.

On November 5, 2012, Kyocera Communication Systems Co., Ltd., a Japan based subsidiary, acquired 100% of the common stock of MOTEX Inc., a development and sales company of information technology assets management package software, and made it consolidated subsidiary with the aim of strengthening its security service business in information systems & telecommunication services business.

Going forward, Kyocera Communication Systems Co., Ltd. will strive to further expand its information systems & telecommunication services business through the pursuit of synergies with MOTEX Inc.

The results of operations of MOTEX Inc. was included into Kyocera’s consolidated financial statements since the acquisition date. For segment reporting, it is reported in the Others.

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, 2013. 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 ¥101 million were included in selling, general and administrative expenses in the consolidated statement of income for the year ended March 31, 2013.

	<u>November 5, 2012</u> (Yen in millions)
Current assets .....	¥ 5,069
Intangible assets .....	4,247
Other non-current assets .....	1,400
Total assets .....	10,716
Current liabilities .....	1,907
Non-current liabilities .....	1,607
Total liabilities .....	3,514
Total identified assets and liabilities .....	7,202
Purchase price (Cash) .....	13,507
Goodwill .....	¥ 6,305

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

The pro forma results are not presented as the revenue and earnings were not material.

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

	<u>November 5, 2012</u> (Yen in millions)
Intangible assets subject to amortization:	
Customer relationships .....	¥3,452
Software .....	616
Trademarks .....	179
Total .....	¥4,247

The weighted average amortization periods for customer relationships, software and trademarks are ten years, five years and ten years, respectively.

On February 6, 2013, AVX Corporation, a U.S. based subsidiary, acquired by merger all of the outstanding capital stock of the Tantalum Components Division of Nichicon Corporation (Nichicon Tantalum) for ¥8,054 million (\$86 million) in cash. Nichicon Tantalum designs, develops, manufactures and markets tantalum electronic components. Nichicon Tantalum's products are used in a broad range of commercial applications. Nichicon Tantalum has manufacturing facilities located in Adogawa, Japan and Tianjin, China. The acquisition enhances AVX Corporation's leadership position in the passive electronic component industry and provides further opportunities for expansion in the Asian region and tantalum component manufacturing efficiencies.

The results of operations of Nichicon Tantalum was included into Kyocera's consolidated financial statements since the acquisition date. For segment reporting, it is reported in the Electronic Device Group.

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

Kyocera has used the acquisition method of accounting to record the transaction in accordance with ASC 805, “Business Combinations.” In accordance with the purchase method, the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values with the excess being allocated to goodwill. Factors that contributed to the recognition of goodwill include expected synergies and the trained workforce.

As of March 31, 2013, the allocation of the purchase price was prepared based on estimates of fair values, as shown in the following table. The purchase price allocation of assets and liabilities is preliminary and subject to change as Kyocera awaits the completion of the fair value appraisal of certain personal and real tangible assets as well as certain intangible assets.

	<b>February 6, 2013</b> <b>(Yen in millions)</b>
Accounts receivables . . . . .	¥ 727
Inventories . . . . .	1,414
Other current assets and liabilities . . . . .	(200)
Working capital . . . . .	1,941
Property, plant and equipment . . . . .	2,873
Accrued benefit liability . . . . .	(179)
Total identified assets and liabilities . . . . .	4,635
Purchase price (Cash) . . . . .	8,054
Goodwill . . . . .	¥3,419

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

The pro forma results are not presented as the revenue and earnings were not material.

**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.”

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

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

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.

	<u>July 11, 2011</u> (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:

	<u>July 11, 2011</u> (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 Document Solutions India Pte. Ltd., a subsidiary of Kyocera Document Solutions Inc., 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 Document Solutions Canada, Ltd, a subsidiary of Kyocera Document Solutions Inc., 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 Document Solutions Inc. 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.

**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, 2012 and 2013 are as follows:

	March 31,	
	2012	2013
	(Yen in millions)	
Gross unrealized gains on shares of KDDI .....	¥57,919	¥194,216

Other-than-temporary loss on debt and equity securities for the years ended March 31, 2011, 2012 and 2013 are as follows:

	Years ended March 31,		
	2011	2012	2013
	(Yen in millions)		
Other-than-temporary loss on debt and equity securities .....	¥341	¥1,260	¥729

**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, 2012 and 2013, 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,							
	2012				2013			
	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 . . . . .	¥266,070	¥333,840	¥68,057	¥ 287	¥269,819	¥488,748	¥218,929	¥ 0
Investment trusts . . . . .	3,690	3,704	145	131	3,900	4,371	471	—
Total equity securities . . . . .	<u>269,760</u>	<u>337,544</u>	<u>68,202</u>	<u>418</u>	<u>273,719</u>	<u>493,119</u>	<u>219,400</u>	<u>0</u>
Corporate bonds . . . . .	12,735	11,941	0	794	7,549	7,601	108	56
Government bonds and public bonds . . . . .	1,501	1,203	—	298	—	—	—	—
Total debt securities . . . . .	<u>14,236</u>	<u>13,144</u>	<u>0</u>	<u>1,092</u>	<u>7,549</u>	<u>7,601</u>	<u>108</u>	<u>56</u>
Total available-for-sale securities . . . . .	<u>283,996</u>	<u>350,688</u>	<u>68,202</u>	<u>1,510</u>	<u>281,268</u>	<u>500,720</u>	<u>219,508</u>	<u>56</u>
Held-to-maturity securities:								
Corporate bonds . . . . .	54,317	54,325	123	115	48,658	48,736	98	20
Government bonds and public bonds . . . . .	13,949	13,949	13	13	5	5	—	—
Others . . . . .	1,000	1,000	0	—	1,000	1,000	0	—
Total held-to-maturity securities . . . . .	<u>69,266</u>	<u>69,274</u>	<u>136</u>	<u>128</u>	<u>49,663</u>	<u>49,741</u>	<u>98</u>	<u>20</u>
Total . . . . .	<u>¥353,262</u>	<u>¥419,962</u>	<u>¥68,338</u>	<u>¥1,638</u>	<u>¥330,931</u>	<u>¥550,461</u>	<u>¥219,606</u>	<u>¥ 76</u>

At March 31, 2013, the contractual maturities of available-for-sale and held-to-maturity securities are summarized as follows:

	March 31, 2013			
	Available-for-Sale		Held-to-Maturity	
	Cost*	Aggregate Fair Value	Cost*	Aggregate Fair Value
	(Yen in millions)			
Due within 1 year . . . . .	¥ —	¥ —	¥43,893	¥43,910
Due after 1 year to 5 years . . . . .	3,070	3,080	5,770	5,831
Due after 5 years . . . . .	4,479	4,521	—	—
Equity securities . . . . .	<u>273,719</u>	<u>493,119</u>	<u>—</u>	<u>—</u>
	<u>¥281,268</u>	<u>¥500,720</u>	<u>¥49,663</u>	<u>¥49,741</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.

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

Proceeds from sales of available-for-sale securities and the related gross realized gains and losses for the years ended March 31, 2011, 2012 and 2013 are as follows:

	Years ended March 31,		
	2011	2012	2013
	(Yen in millions)		
Proceeds from sales of available-for-sale securities . . . . .	¥8,500	¥16,705	¥34,587
Gross realized gains . . . . .	608	1,196	5,858
Gross realized losses . . . . .	445	1,162	1,156

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, 2012 and 2013 are as follows:

	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
Total . . . . .	¥13,542	¥451	¥3,883	¥1,059	¥17,425	¥1,510

	March 31, 2013					
	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 . . . . .	¥ 1	¥ 0	¥ 2	¥ 0	¥ 3	¥ 0
Investment trusts . . . . .	—	—	—	—	—	—
Corporate bonds . . . . .	5,145	56	—	—	5,145	56
Government bonds and public bonds . . . . .	—	—	—	—	—	—
Total . . . . .	¥5,146	¥ 56	¥ 2	¥ 0	¥5,148	¥ 56

At March 31, 2013, Kyocera held available-for-sale securities in unrealized loss positions of ¥56 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. Kyocera considered the decline in fair value of corporate bonds 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.

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

(2) Other investments

Kyocera holds time deposits and certificates of deposits which are due over three months to original maturity, non-marketable equity securities, long-term loans and investments in affiliates and unconsolidated subsidiaries. Carrying amounts of these investments at March 31, 2012 and 2013, included in other short-term investments and in other long-term investments, are summarized as follows:

	March 31,	
	2012	2013
	(Yen in millions)	
Time deposits and certificates of deposits (due over 3 months) .....	¥160,796	¥179,875
Non-marketable equity securities .....	15,393	9,441
Long-term loans .....	77	43
Investments in affiliates and unconsolidated subsidiaries .....	1,597	3,145
Total .....	¥177,863	¥192,504

**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,							
	2012				2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(Yen in millions)							
<b>Current Assets:</b>								
Marketable equity securities . . . . .	¥ 25	¥ —	¥—	¥ 25	¥ —	¥ —	¥—	¥ —
Investment trusts . . . . .	2,386	—	—	2,386	—	—	—	—
Total equity securities . . . . .	2,411	—	—	2,411	—	—	—	—
Corporate bonds . . . . .	2,859	—	—	2,859	—	—	—	—
Government bonds and public bonds . . . . .	168	—	—	168	—	—	—	—
Total debt securities . . . . .	3,027	—	—	3,027	—	—	—	—
Foreign currency forward contracts . . . . .	—	459	—	459	—	956	—	956
Total derivatives . . . . .	—	459	—	459	—	956	—	956
Total current assets . . . . .	5,438	459	—	5,897	—	956	—	956
<b>Non-Current Assets:</b>								
Marketable equity securities . . . . .	333,815	—	—	333,815	488,748	—	—	488,748
Investment trusts . . . . .	66	1,252	—	1,318	21	4,350	—	4,371
Total equity securities . . . . .	333,881	1,252	—	335,133	488,769	4,350	—	493,119
Corporate bonds . . . . .	9,082	—	—	9,082	7,601	—	—	7,601
Government bonds and public bonds . . . . .	1,035	—	—	1,035	—	—	—	—
Total debt securities . . . . .	10,117	—	—	10,117	7,601	—	—	7,601
Total non-current assets . . . . .	343,998	1,252	—	345,250	496,370	4,350	—	500,720
Total assets . . . . .	¥349,436	¥1,711	¥—	¥351,147	¥496,370	¥5,306	¥—	¥501,676
<b>Current Liabilities:</b>								
Foreign currency forward contracts . . . . .	¥ —	¥5,140	¥—	¥ 5,140	¥ —	¥9,233	¥—	¥ 9,233
Interest rate swaps . . . . .	—	28	—	28	—	22	—	22
Total derivatives . . . . .	—	5,168	—	5,168	—	9,255	—	9,255
Total current liabilities . . . . .	¥ —	¥5,168	¥—	¥ 5,168	¥ —	¥9,255	¥—	¥ 9,255

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, 2011, 2012 and 2013.

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

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.

(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, 2011.

	<u>Balance at March 31, 2011</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total gains (losses) for the year ended March 31, 2011</u>
		(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.

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

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, 2013.

	<u>Balance at March 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total gains (losses) for the year ended March 31, 2013</u>
		(Yen in millions)			
Property, plant and equipment . . . . .	¥—			¥—	¥(286)
Non-marketable equity securities . . . . .	0			0	(1)

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 ¥712 million, ¥241 million and ¥286 million, which were included in selling, general and administrative expenses in the consolidated statements of income for the years ended March 31, 2011, 2012 and 2013, 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 ¥3 million, ¥2 million and ¥1 million, which were included in other, net in the consolidated statements of income for the years ended March 31, 2011, 2012 and 2013, respectively.

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

(3) Fair Value of Financial Instruments

The fair values of financial instruments and the methods and assumptions used to estimate the fair value are as follows:

	March 31,			
	2012		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Yen in millions)			
Assets (a):				
Short-term investments in debt and equity securities . . . . .	¥ 47,175	¥ 47,116	¥ 43,893	¥ 43,910
Long-term investments in debt and equity securities . . . . .	372,779	372,846	506,490	506,551
Other long-term investments (excluding investments in affiliates and unconsolidated subsidiaries) . . . . .	17,501	17,526	9,516	9,516
Total . . . . .	<u>¥437,455</u>	<u>¥437,488</u>	<u>¥559,899</u>	<u>¥559,977</u>
Liabilities (b):				
Long-term debt (including due within one year) . . . . .	¥ 31,807	¥ 32,028	¥ 30,672	¥ 30,691
Total . . . . .	<u>¥ 31,807</u>	<u>¥ 32,028</u>	<u>¥ 30,672</u>	<u>¥ 30,691</u>

- (a) For investments with active markets, fair value is based on quoted market prices. For non-marketable equity securities, it is not practicable to estimate the fair value because of the lack of the market price and difficulty in estimating fair value without incurring excessive cost. In addition, Kyocera did not identify any events or changes in circumstances that may have had a significant adverse effect on these investments. The aggregated carrying amounts of these investments included in the above table at March 31, 2012 and 2013 were ¥15,380 million and ¥9,428 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.

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, 2012 and 2013 are as follows:

	March 31,	
	2012	2013
	(Yen in millions)	
Finished goods . . . . .	¥117,337	¥142,175
Work in process . . . . .	54,700	54,248
Raw materials and supplies . . . . .	98,299	100,027
	<u>¥270,336</u>	<u>¥296,450</u>

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

**6. VALUATION ALLOWANCES**

Changes in valuation allowances for the years ended March 31, 2011, 2012, and 2013 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, 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	<u>¥6,796</u>	<u>¥7,443</u>	<u>¥(375)</u>	<u>¥(6,245)</u>	<u>¥7,619</u>
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	<u>¥7,619</u>	<u>¥5,198</u>	<u>¥ (9)</u>	<u>¥(5,715)</u>	<u>¥7,093</u>
For the year ended March 31, 2013:					
Allowance for doubtful accounts	¥4,951	¥ 969	¥ 320	¥(1,695)	¥4,545
Allowance for sales returns	2,142	3,931	414	(3,959)	2,528
Total	<u>¥7,093</u>	<u>¥4,900</u>	<u>¥ 734</u>	<u>¥(5,654)</u>	<u>¥7,073</u>

\* Charged (credited) to other accounts mainly consists of foreign currency translation adjustments.

The location of valuation allowances in the consolidated balance sheets at March 31, 2012 and 2013 are as follows:

	<u>March 31, 2012</u>	<u>March 31, 2013</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	<u>¥4,583</u>	<u>¥4,705</u>
The location of valuation allowances that are deducted from the related receivables in the consolidated balance sheets:		
Other current assets	¥ 518	¥ 387
Other long-term investments	¥ 44	¥ 1
Other assets	<u>¥1,948</u>	<u>¥1,980</u>
Subtotal	<u>¥2,510</u>	<u>¥2,368</u>
Total	<u>¥7,093</u>	<u>¥7,073</u>

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

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

	<u>March 31,</u>	
	<u>2012</u>	<u>2013</u>
	(Yen in millions)	
Kyocera's investments in and advances to affiliates	¥1,184	¥2,756
Kyocera's trade receivables from affiliates	1,048	127

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

	Years ended March 31,		
	2011	2012	2013
	(Yen in millions)		
Kyocera's equity in earnings of affiliates .....	¥ 83	¥(279)	¥(330)
Kyocera's sales to affiliates .....	314	661	200

**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,	
	2012	2013
	(Yen in millions)	
Total minimum lease payments receivable .....	¥ 32,683	¥ 34,073
Unguaranteed residual values .....	1,522	1,176
Unearned income .....	(2,544)	(2,325)
Executory costs .....	(21)	(12)
	31,640	32,912
Less, allowance for doubtful receivables .....	(382)	(238)
	31,258	32,674
Less, portion due within one year .....	(11,307)	(11,720)
Total .....	¥ 19,951	¥ 20,954

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

	Years ended March 31,		
	2011	2012	2013
	(Yen in millions)		
Balance at beginning of year .....	¥571	¥493	¥ 382
Charged to costs or expenses, or charge-off .....	(44)	(69)	(187)
Others* .....	(34)	(42)	43
Balance at end of year .....	¥493	¥382	¥ 238

\* Others consist mainly of foreign currency translation adjustments.

TA estimates allowances for doubtful accounts related to lease receivables at the portfolio level.

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

The future minimum lease payments to be received under financing leases for future years are as follows:

Years ending March 31,	(Yen in millions)
2014 .....	¥12,717
2015 .....	9,004
2016 .....	6,375
2017 .....	4,196
2018 .....	1,485
2019 and thereafter .....	296
Total .....	<u>¥34,073</u>

TA transferred the capital lease receivables to a third party in exchange for cash, however, the transfer was not qualified as a sale for financial reporting purpose because TA has a right to repurchase the receivables. Accordingly, Kyocera has accounted for the cash received as a secured borrowing and it has been included in long-term debt. As a result of the transaction, the capital lease receivables in the amount of ¥28,086 million and ¥27,065 million have been recorded on the balance sheets as of March 31, 2012 and 2013, respectively.

**9. GOODWILL AND OTHER INTANGIBLE ASSETS**

Intangible assets are summarized as follows:

	March 31,			
	2012		2013	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(Yen in millions)			
Intangible assets subject to amortization:				
Software .....	¥31,493	¥21,906	¥ 35,522	¥24,764
Patent rights .....	16,818	14,170	12,773	9,686
Customer relationships .....	31,473	12,214	37,314	16,454
Other .....	16,281	6,966	16,698	6,678
Total .....	<u>¥96,065</u>	<u>¥55,256</u>	<u>¥102,307</u>	<u>¥57,582</u>

	March 31,	
	2012	2013
	Gross Carrying Amount	Gross Carrying Amount
	(Yen in millions)	
Intangible assets not subject to amortization:		
Trademark .....	¥8,842	¥9,856
Other .....	2	2
Total .....	<u>¥8,844</u>	<u>¥9,858</u>

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

Intangible assets acquired during the year ended March 31, 2013 are as follows:

	<b>Year ended March 31, 2013</b>
	<b>(Yen in millions)</b>
Intangible assets subject to amortization:	
Software .....	¥ 4,949
Patent rights .....	1,811
Customer relationships .....	4,014
Other .....	<u>452</u>
Total .....	<u><u>¥11,226</u></u>

The weighted average amortization periods for software, patent rights and customer relationships which were acquired during the year ended March 31, 2013 are three years, seven years and ten years, respectively.

Total amortization of intangible assets during the years ended March 31, 2011, 2012 and 2013 amounted to ¥11,410 million, ¥10,387 million and ¥10,292 million, respectively.

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

<b>Years ending March 31,</b>	<b>(Yen in millions)</b>
2014 .....	¥7,819
2015 .....	6,357
2016 .....	5,584
2017 .....	4,194
2018 .....	3,652

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

The changes in the amounts of goodwill by reporting segment in the years ended March 31, 2012 and 2013 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, 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)
	100	1,262	13,645	40,863	18,456	12,813	1,900	89,039
Goodwill acquired during the year . . . . .	—	—	—	3,419	—	272	6,305	9,996
Impairment of goodwill . . . . .	—	—	—	—	—	—	—	—
Translation adjustments and reclassification to other accounts . . . . .	—	51	1,453	1,390	—	1,496	—	4,390
Balance at March 31, 2013								
Goodwill . . . . .	100	1,313	20,513	45,672	18,456	14,603	10,900	111,557
Accumulated impairment losses . . . . .	—	—	(5,415)	—	—	(22)	(2,695)	(8,132)
	<u>¥100</u>	<u>¥1,313</u>	<u>¥15,098</u>	<u>¥45,672</u>	<u>¥18,456</u>	<u>¥14,581</u>	<u>¥ 8,205</u>	<u>¥103,425</u>

The goodwill of ¥9,996 million which Kyocera acquired during the year ended March 31, 2013 was mainly based on the acquisition of the Tantalum Components Division of Nichicon Corporation by AVX Corporation, a U.S. based subsidiary of Kyocera Corporation, included in Electronic Device Group and based on the acquisition of the common stocks of MOTEX Inc. by Kyocera Communication Systems Co., Ltd., a Japan based subsidiary of Kyocera Corporation, included in Others.

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

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

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, 2013.

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

Short-term borrowings at March 31, 2012 and 2013 are comprised of the following:

	March 31,	
	2012	2013
Average interest rates on loans from banks and others .....	1.56%	1.43%

	March 31,	
	2012	2013
	(Yen in millions)	
Secured .....	¥ 132	¥ 135
Unsecured .....	3,930	3,000
	¥4,062	¥3,135

Long-term debt at March 31, 2012 and 2013 are comprised of the following:

	March 31,	
	2012	2013
Range of interest rates on loans from banks and others .....	0.20%-11.60%	0.20%-7.01%

	March 31,	
	2012	2013
	(Yen in millions)	
Secured .....	¥ 30,036	¥ 29,086
Unsecured .....	1,771	1,586
	31,807	30,672
Less, portion due within one year .....	(10,610)	(9,817)
	¥ 21,197	¥ 20,855

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

Aggregate maturities of long-term debt at March 31, 2013 are as follows:

<u>Years ending March 31,</u>	<u>(Yen in millions)</u>
2015 .....	¥ 9,167
2016 .....	5,567
2017 .....	3,370
2018 .....	1,531
2019 and thereafter .....	1,220
	<u>¥20,855</u>

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, 2012 and 2013 are as follows:

	<u>March 31,</u>	
	<u>2012</u>	<u>2013</u>
	<u>(Yen in millions)</u>	
Trade account receivables .....	¥ 56	¥ —
Property, plant and equipment, net of accumulated depreciation .....	4,556	3,869
Intangible assets .....	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 ¥28,086 million and ¥27,065 million as of March 31, 2012 and 2013 have been recorded on the balance sheets, respectively.

**11. BENEFIT PLANS**

**Domestic:**

**Defined benefit plans**

At March 31, 2013, 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, 2012 and 2013 are as follows:

	<u>March 31,</u>	
	<u>2012</u>	<u>2013</u>
	(Yen in millions)	
Change in projected benefit obligations:		
Projected benefit obligations at beginning of year	¥145,807	¥159,988
Service cost	9,410	10,049
Interest cost	2,506	2,324
Actuarial loss	5,056	10,558
Benefits paid	(5,646)	(6,329)
Acquisitions of Business	2,121	972
Other	734	—
Projected benefit obligations at end of year	<u>159,988</u>	<u>177,562</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	150,226	156,856
Actual return on plan assets	1,557	5,612
Employer's contribution	9,147	9,651
Benefits paid	(5,585)	(6,215)
Acquisitions of Business	818	793
Other	693	—
Fair value of plan assets at end of year	<u>156,856</u>	<u>166,697</u>
Funded status	<u>¥ (3,132)</u>	<u>¥(10,865)</u>

The business acquisition in the year ended March 31, 2012 and 2013 was due to the acquisition of the common stocks of Kyocera Display Corporation and the domestic operation of the Tantalum Components Division of Nichicon Corporation by AVX Corporation, a U.S. based subsidiary, respectively.

Amounts recognized in the consolidated balance sheets consist of:

	<u>March 31,</u>	
	<u>2012</u>	<u>2013</u>
	(Yen in millions)	
Prepaid benefit cost	¥ 7,613	¥ 372
Accrued benefit liability	(10,745)	(11,237)
Net amount recognized	<u>¥ (3,132)</u>	<u>¥(10,865)</u>

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

	<u>March 31,</u>	
	<u>2012</u>	<u>2013</u>
	(Yen in millions)	
Prior service cost	¥ 32,932	¥ 28,603
Actuarial loss	(42,454)	(49,357)
Accumulated other comprehensive loss	<u>¥ (9,522)</u>	<u>¥(20,754)</u>

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

	March 31,	
	2012	2013
	(Yen in millions)	
Accumulated benefit obligation at end of year	¥159,465	¥176,982
Pension plans with an accumulated benefit obligation in excess of plan assets at the end of year are as follows:		
Projected benefit obligation	¥ 25,478	¥172,778
Accumulated benefit obligation	24,956	172,198
Fair value of plan assets	14,733	161,541

Net periodic pension costs at Kyocera Corporation and its major domestic subsidiaries in the years ended March 31, 2011, 2012 and 2013, include the following components:

	Years ended March 31,		
	2011	2012	2013
	(Yen in millions)		
Service cost	¥ 8,662	¥ 9,410	¥10,049
Interest cost	2,637	2,506	2,324
Expected return on plan assets	(3,255)	(3,358)	(3,467)
Amortization of prior service cost	(4,329)	(4,329)	(4,329)
Recognized actuarial loss	772	1,140	1,510
Net periodic pension costs	¥ 4,487	¥ 5,369	¥ 6,087

Changes in other comprehensive income (loss) at Kyocera Corporation and its major domestic subsidiaries in the years ended March 31, 2011, 2012 and 2013 mainly consist of the following components:

	Years ended March 31,		
	2011	2012	2013
	(Yen in millions)		
Prior service cost due to plan amendments	¥ —	¥ (3)	¥ —
Net actuarial loss incurred during the year	(5,621)	(6,857)	(8,413)
Amortization of prior service cost	(4,329)	(4,329)	(4,329)
Recognized actuarial loss	772	1,140	1,510
Total	¥(9,178)	¥(10,049)	¥(11,232)

Prior service cost and actuarial loss expected to be amortized at Kyocera Corporation and its major domestic subsidiaries in the year ending March 31, 2014 are as follows:

	Year ending March 31, 2014
	(Yen in millions)
Amortization of prior service cost	¥(4,306)
Recognized actuarial loss	1,886

Assumptions used to determine projected benefit obligations at Kyocera Corporation and its major domestic subsidiaries at March 31, 2012 and 2013 are as follows:

	March 31,	
	2012	2013
Discount rate (%)	0.75-1.50	0.25-1.00

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

Assumptions used to determine net periodic pension costs at Kyocera Corporation and its major domestic subsidiaries for the years ended March 31, 2011, 2012 and 2013 are as follows:

	Years ended March 31,		
	2011	2012	2013
Discount rate (%) . . . . .	1.00-2.00	1.00-1.75	0.75-1.50
Expected long-term rate of return on plan assets (%) . . . . .	2.00-2.20	2.00-2.20	1.35-2.20

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, 2011, 2012 and 2013 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 in real estate funds, 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, 2013, 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, 2012 and 2013 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,							
	2012				2013			
	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 . . . . .	¥ —	¥ 93,969	¥ —	¥ 93,969	¥ —	¥ 92,160	¥ —	¥ 92,160
Equity securities:								
Domestic . . . . .	1,789	—	—	1,789	1,312	—	—	1,312
International . . . . .	7,836	—	—	7,836	7,740	—	—	7,740
Pooled funds <sup>(1)</sup> . . . . .	—	12,638	—	12,638	—	14,119	—	14,119
Debt securities:								
Corporate bonds . . . . .	16,081	—	—	16,081	19,066	—	—	19,066
Pooled funds <sup>(2)</sup> . . . . .	—	4,541	—	4,541	—	6,290	—	6,290
Other types of investments:								
Equity long/short								
Domestic <sup>(3)</sup> . . . . .	—	783	—	783	—	—	—	—
International <sup>(4)</sup> . . . . .	—	3,680	—	3,680	—	3,973	—	3,973
Debt long/short <sup>(5)</sup> . . . . .	—	8,090	—	8,090	—	6,847	—	6,847
Real Estate funds <sup>(6)</sup> . . . . .	—	—	—	—	—	—	6,015	6,015
Other . . . . .	—	2,146	1,757	3,903	—	2,048	1,419	3,467
Cash and cash equivalents . . . . .	3,546	—	—	3,546	5,708	—	—	5,708
Total . . . . .	<u>¥29,252</u>	<u>¥125,847</u>	<u>¥1,757</u>	<u>¥156,856</u>	<u>¥33,826</u>	<u>¥125,437</u>	<u>¥7,434</u>	<u>¥166,697</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.
- (6) This category includes private open-ended real estate funds.

**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, 2012 and 2013. Plan assets of Level 3 are invested in real estate funds and 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>2012</u>	<u>2013</u>
	(Yen in millions)	
Balance at beginning of year . . . . .	¥1,449	¥1,757
Actual return on plan assets:		
Relating to assets still held at end of year . . . . .	(19)	72
Relating to assets sold during the year . . . . .	(45)	(26)
Purchases, sales and settlements . . . . .	<u>372</u>	<u>5,631</u>
Balance at end of year . . . . .	<u>¥1,757</u>	<u>¥7,434</u>

Kyocera Corporation and its major domestic subsidiaries forecast to contribute ¥14,401 million to the defined benefit pension plans in the year ending March 31, 2014.

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>
2014 . . . . .	¥ 6,478
2015 . . . . .	6,943
2016 . . . . .	7,265
2017 . . . . .	7,591
2018 . . . . .	8,745
2019 to 2023 . . . . .	53,142

**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. In the year ended March 31, 2013, KII made a partial settlement of its pension plan by implementing lump sum payments to a certain portion of terminated vested participants.

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 Document Solutions Inc., maintains a defined benefit pension plan, which covers certain employees in Germany. TA does not maintain an external fund for this benefit pension plan.



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

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

	March 31,	
	2012	2013
	(Yen in millions)	
Prior service cost .....	¥ (69)	¥ (66)
Actuarial loss .....	(8,893)	(13,892)
Accumulated other comprehensive loss .....	¥ (8,962)	¥ (13,958)

	March 31,	
	2012	2013
	(Yen in millions)	
Accumulated benefit obligation at end of year .....	¥36,759	¥ 44,741

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

	March 31,	
	2012	2013
	(Yen in millions)	
Projected benefit obligation .....	¥37,845	¥46,504
Accumulated benefit obligation .....	36,759	44,741
Fair value of plan assets .....	18,751	24,209

Net periodic pension costs at KII, AVX and TA in the years ended March 31, 2011, 2012 and 2013 include the following components:

	Years ended March 31,		
	2011	2012	2013
	(Yen in millions)		
Service cost .....	¥ 311	¥ 293	¥ 348
Interest cost .....	1,886	1,764	1,667
Expected return on plan assets .....	(1,210)	(1,259)	(1,225)
Amortization of prior service cost .....	9	8	9
Recognized actuarial loss .....	250	204	422
Partial settlement of pension plan .....	—	—	451
Net periodic pension costs .....	¥ 1,246	¥ 1,010	¥ 1,672

Changes in other comprehensive income (loss) at KII, AVX and TA in the years ended March 31, 2011, 2012 and 2013 mainly consist of the following components:

	Years ended March 31,		
	2011	2012	2013
	(Yen in millions)		
Net actuarial gain (loss) incurred during the year .....	¥ 788	¥ (3,498)	¥ (4,362)
Amortization of prior service cost .....	9	8	9
Recognized actuarial loss .....	250	204	422
Partial settlement of pension plan .....	—	—	451
Total .....	¥1,047	¥ (3,286)	¥ (3,480)

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

Prior service cost and actuarial loss expected to be amortized at KII, AVX and TA in the year ending March 31, 2014 are as follows:

	<b>Year ending March 31, 2014</b>	
	<b>(Yen in millions)</b>	
Amortization of prior service cost .....	¥	9
Recognized actuarial loss .....		945

Assumptions used to determine projected benefit obligations of the plans at KII, AVX and TA as of March 31, 2012 and 2013 are as follows:

	<b>March 31,</b>	
	<b>2012</b>	<b>2013</b>
Discount rate (%) .....	4.00-5.00	3.10-4.57
Rate of increase in compensation levels (%) .....	2.50-3.80	2.50-3.90

Assumptions used to determine net periodic pension costs at KII, AVX and TA in the years ended March 31, 2011, 2012 and 2013 are as follows:

	<b>Years ended March 31,</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
Discount rate (%) .....	4.80-6.00	5.15-5.75	4.00-5.00
Rate of increase in compensation levels (%) .....	2.00-4.25	2.50-4.00	2.50-3.80
Expected long-term rate of return on plan assets (%) .....	6.50-8.50	6.40-7.75	5.52-7.75

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.

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

Plan assets

KII's and AVX's plan assets categories at March 31, 2012 and 2013 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,							
	2012				2013			
	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 . . . . .	¥5,071	¥ —	¥—	¥ 5,071	¥6,200	¥ —	¥—	¥ 6,200
Debt securities:								
Government bonds . . . . .	350	—	—	350	453	—	—	453
Government agency bonds . . . . .	—	842	—	842	—	841	—	841
Corporate bonds . . . . .	—	340	—	340	—	573	—	573
Pooled separate accounts * . . .	—	11,614	—	11,614	—	14,499	—	14,499
Other . . . . .	—	477	—	477	—	1,575	—	1,575
Cash and cash equivalents . . .	57	—	—	57	68	—	—	68
Total . . . . .	<u>¥5,478</u>	<u>¥13,273</u>	<u>¥—</u>	<u>¥18,751</u>	<u>¥6,721</u>	<u>¥17,488</u>	<u>¥—</u>	<u>¥24,209</u>

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

KII's long-term strategy is for target allocation of 70%-80% equity securities and 20%-30% debt securities for its defined benefit plans. AVX's long-term strategy is for target allocation of 40% equity and 60% fixed income for its U.S. defined benefit plans and 60% equity and 40% fixed income for its European defined benefit plans.

KII and AVX forecast to contribute ¥1,041 million to the defined benefit pension plans in the year ending March 31, 2014.

Estimated future benefit payments of the plans at KII, AVX and TA are as follows:

Years ending March 31,	(Yen in millions)
2014 . . . . .	¥ 2,278
2015 . . . . .	2,323
2016 . . . . .	2,354
2017 . . . . .	2,391
2018 . . . . .	2,413
2019 to 2023 . . . . .	12,391

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

**(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:

	<b>Years ended March 31,</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<b>(Yen in millions)</b>		
Contributions to the plans .....	¥632	¥505	¥493

**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, 2013, there were 11,741 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.

Activity under the stock option plans is summarized as follows:

	<b>Number of Options (in thousands)</b>	<b>Weighted Average Exercise Price (U.S. dollar)</b>	<b>Weighted Average Contractual Life Remaining (years)</b>	<b>Aggregated Intrinsic Value (Yen in millions)</b>
Outstanding at March 31, 2012 .....	4,344	\$14.12		
Granted .....	538	10.79		
Exercised .....	(16)	9.71		¥ 2
Expired and cancelled .....	(619)	16.24		¥ 11
Outstanding at March 31, 2013 .....	4,247	\$13.40	5.10	¥165
Exercisable at March 31, 2013 .....	2,994	\$13.83	3.79	¥ 86

The total aggregate intrinsic value of options exercised is ¥149 million, ¥24 million and ¥2 million for the years ended March 31, 2011, 2012 and 2013, respectively.

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

Unvested share activity under stock option plans at March 31, 2013 is summarized as follows:

	<u>Number of Options (in thousands)</u>	<u>Weighted Average Grant-Date Fair Value (U.S. dollar)</u>
Unvested balance at March 31, 2012 .....	1,301	\$2.99
Options granted .....	538	2.09
Options forfeited .....	(68)	2.79
Options vested .....	<u>(518)</u>	<u>3.00</u>
Unvested balance at March 31, 2013 .....	<u>1,253</u>	\$2.61

The weighted average estimated fair value of options granted at grant date market prices was \$3.29, \$3.03 and \$2.09 per option for the years ended March 31, 2011, 2012 and 2013, respectively. The total aggregate fair value of options vested is ¥192 million, ¥146 million and ¥129 million for the years ended March 31, 2011, 2012 and 2013, 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, 2013 was 7.1%. 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>2011</u>	<u>2012</u>	<u>2013</u>
Expected life .....	5 years	6 years	6 years
Interest rate .....	2.3%	1.8%	1.0%
Volatility .....	27%	23%	28%
Expected dividends .....	1.3%	1.5%	2.8%

The total unrecognized compensation costs related to unvested awards as of March 31, 2011, 2012 and 2013 are as follows, which are expected to be recognized over the vesting period, approximately four years.

	<u>March 31,</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
	(Yen in millions)		
Total unrecognized compensation costs related to unvested awards .....	¥142	¥95	¥86

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, 2011, 2012 and 2013.

	<u>Years ended March 31,</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
	(Yen in millions)		
Stock based compensation expense (net of tax benefit) .....	¥190	¥93	¥74
Tax benefit associated with stock based compensation expense .....	23	50	40
Cash received from the exercise of options .....	517	79	13
Excess tax benefit from stock-based payment arrangements .....	44	8	1

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

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 (U.S. dollar)	Weighted Average Contractual Life Remaining (years)	Aggregated Intrinsic Value (Yen in millions)
Outstanding at March 31, 2012 .....	269	\$2.20		
Granted .....	—	—		
Exercised .....	—	—		—
Expired and cancelled .....	(26)	2.85		
Outstanding at March 31, 2013 .....	<u>243</u>	\$2.13	1.68	—
Exercisable at March 31, 2013 .....	<u>243</u>	\$2.13	1.68	—

Since all options were vested by March 31, 2010, there was no stock based compensation expense for the year ended March 31, 2013. In addition, there were no unrecognized compensation costs related to unvested awards at March 31, 2013.

**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 net sales are generated from overseas customers, which exposes Kyocera to foreign currency exchange rates fluctuations. These financial 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,

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

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.

The aggregate contractual amounts of derivative financial instruments at March 31, 2012 and 2013 are as follows:

	March 31,	
	2012	2013
	(Yen in millions)	
Derivatives designated as hedging instruments:		
Foreign currency forward contracts .....	¥ 12,941	¥ 12,225
Interest rate swaps .....	963	120
Total .....	¥ 13,904	¥ 12,345
Derivatives not designated as hedging instruments:		
Foreign currency forward contracts .....	¥130,346	¥163,526
Total derivatives .....	¥144,250	¥175,871

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

The location and fair value of derivative financial instruments in the consolidated balance sheets at March 31, 2012 and 2013 are as follows:

	Location	March 31,	
		2012	2013
(Yen in millions)			
Derivative assets:			
Derivatives designated as hedging instruments:			
Foreign currency forward contracts .....	Other current assets	¥ 135	¥ 105
Derivatives not designated as hedging instruments:			
Foreign currency forward contracts .....	Other current assets	¥ 324	¥ 851
Total derivative assets .....		¥ 459	¥ 956
Derivative liabilities:			
Derivatives designated as hedging instruments:			
Foreign currency forward contracts .....	Other current liabilities	¥ 256	¥ 192
Interest rate swaps .....	Other current liabilities	28	22
Total .....		¥ 284	¥ 214
Derivatives not designated as hedging instruments:			
Foreign currency forward contracts .....	Other current liabilities	¥4,884	¥9,041
Total derivative liabilities .....		¥5,168	¥9,255

The location and amount of derivative financial instruments included in the comprehensive income for the years ended March 31, 2011, 2012 and 2013 are as follows:

Derivatives designated as cash flow hedge:

Gains (losses) recognized in net unrealized gains (losses) on derivative financial instruments

	Years ended March 31,		
	2011	2012	2013
(Yen in millions)			
Foreign currency forward contracts .....	¥27	¥(51)	¥ 23
Interest rate swaps .....	25	10	(21)
Total .....	¥52	¥(41)	¥ 2

Gains (losses) recognized in income, which are reclassified from net unrealized gains (losses) on derivative financial instruments (effective portion)

	Location	Years ended March 31,		
		2011	2012	2013
(Yen in millions)				
Foreign currency forward contracts ....	Net sales	¥(102)	¥12	¥ 97
Foreign currency forward contracts ....	Cost of sales	259	9	(248)
Interest rate swaps .....	Interest expense	20	13	24
Total .....		¥ 177	¥34	¥(127)

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

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

<u>Location</u>	Years ended March 31,		
	2011	2012	2013
	(Yen in millions)		
Foreign currency forward contracts . . . . Foreign currency transaction gains, net	¥9	¥(14)	¥(21)

Derivatives not designated as hedging instruments:

Gains (losses) recognized in income

<u>Location</u>	Years ended March 31,		
	2011	2012	2013
	(Yen in millions)		
Foreign currency forward contracts . . . . Foreign currency transaction gains, net	¥(3,114)	¥(1,310)	¥(3,630)
Currency swaps . . . . . Foreign currency transaction gains, net	16	(7)	—
Total . . . . .	<u>¥(3,098)</u>	<u>¥(1,317)</u>	<u>¥(3,630)</u>

**14. COMMITMENTS AND CONTINGENCIES**

As of March 31, 2013, Kyocera had contractual obligations for the acquisition or construction of property, plant and equipment aggregating ¥9,233 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 ¥8,310 million, ¥10,586 million and ¥11,465 million for the years ended March 31, 2011, 2012 and 2013, respectively.

The future minimum lease commitments under non-cancelable operating leases as of March 31, 2013 are as follows:

<u>Years ending March 31,</u>	<u>(Yen in millions)</u>
2014 . . . . .	¥ 5,486
2015 . . . . .	3,591
2016 . . . . .	2,227
2017 . . . . .	1,422
2018 . . . . .	1,085
2019 and thereafter . . . . .	1,778
	<u>¥15,589</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, 2013, Kyocera purchased ¥14,973 million and is obligated to purchase ¥215,492 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, 2013, the total amount of these guarantees was ¥581 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.

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

AVX corporation (AVX), a U.S. based subsidiary, has been identified by the United States Environmental Protection Agency (EPA), state governmental agencies or other private parties as a potentially responsible party (PRP) under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) or equivalent state or local laws for clean-up and response costs associated with certain sites at which remediation is required with respect to prior contamination. Because CERCLA has generally been construed to authorize joint and several liability, the EPA could seek to recover all clean-up costs from any one of the PRPs at a site despite the involvement of other PRPs. At certain sites, financially responsible PRPs other than AVX 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 (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 ¥12,267 million (\$130.5 million).

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 as set forth in the UAO, for the harbor clean-up, pursuant to the reopener provision. The original effective date set forth in the UAO was June 18, 2012 (and subsequently extended to September 3, 2013), pursuant to which AVX had to inform the EPA if it intends to comply with the UAO.

On October 10, 2012, the EPA, the United States, and the Commonwealth of Massachusetts and AVX announced that they had reached a financial settlement with respect to the EPA's ongoing clean-up of the harbor. That agreement is contained in a Supplemental Consent Decree that modifies certain provisions of the 1992 Consent Decree, including elimination of the governments' right to invoke the clean-up reopener provisions in the future. In accordance with the settlement, AVX will pay ¥34,428 million (\$366.25 million), plus interest computed from August 1, 2012, in three installments over a two-year period for use by the EPA and the Commonwealth to complete the clean-up of the harbor, and the EPA will withdraw the UAO. The settlement requires approval by the United States District Court before becoming final. The timing of any such approval is uncertain.

AVX has recorded a liability for the full amount of the proposed settlement, resulting in charges of ¥7,900 million (\$100 million) and ¥21,300 million (\$266.25 million) in the years ended March 31, 2012 and 2013, respectively. Kyocera included these charges in selling, general and administrative expenses in the consolidated statements of income for the years ended March 31, 2012 and 2013, respectively.

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.

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

Kyocera is also subject to various lawsuits and claims which arise, in the ordinary course of business. Kyocera consults with legal counsel and assesses the likelihood of adverse outcome of these contingencies. Kyocera records liabilities for these contingencies when the likelihood of an adverse outcome is probable and the amount can be reasonably estimated. Based on the information available, management believes that damages, if any, resulting from these actions will not have a significant impact on Kyocera's consolidated results of operations, financial condition and cash flows.

**15. EQUITY**

Under the Companies Act of Japan (the Companies Act), the entire amount paid in for the shares is principally required to be capitalized as stated capital, although Kyocera Corporation may, by resolution of its Board of Directors, capitalize an amount not exceeding one-half of the amount paid in for the shares as additional paid-in capital.

The Companies Act requires a domestic company to appropriate as legal reserve or additional paid-in capital, an amount equal to 10% of the amount paid out for dividends until the sum of the legal reserve and additional paid-in capital equals 25% of its stated capital. The legal reserve and additional paid-in capital, which could be decreased due to shareholder actions, may be transferred to stated capital or used to reduce a deficit principally. The appropriated legal reserve at March 31, 2013 included in retained earnings was ¥18,510 million.

The Companies Act does not permit any payment of dividends in connection with repurchased treasury stock. Kyocera repurchased treasury stock mainly for the expeditious execution of capital strategies in the future, which are restricted as to the payment of cash dividends. The amount of statutory retained earnings of Kyocera Corporation available for the payment of dividends to shareholders at March 31, 2013 was ¥748,606 million.

The accompanying consolidated financial statements for the year ended March 31, 2013 do not include any provision for the year-end dividend of ¥60 per share aggregating ¥11,006 million payable on June 27, 2013 which was approved by the shareholders at the shareholder's meeting held on June 26, 2013.

Kyocera's equity in retained earnings or deficits of affiliates and unconsolidated subsidiaries accounted for by the equity method of accounting aggregating ¥(2,079) million at March 31, 2013 was included in retained earnings.

Changes in accumulated other comprehensive income are as follows:

	Net Unrealized Gains on Securities	Net Unrealized Losses on Derivative Financial Instruments	Pension Adjustments	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income
	(Yen in millions)				
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	40,735	(70)	(12,290)	(110,014)	(81,639)
Net change for the year	94,513	2	(11,111)	48,648	132,052
Other	—	0	(14)	(261)	(275)
Balance at March 31, 2013	<u>¥135,248</u>	<u>¥(68)</u>	<u>¥(23,415)</u>	<u>¥ (61,627)</u>	<u>¥ 50,138</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, 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 income (loss) . . . . .	¥(22,204)	¥ (2,368)	¥(24,572)
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 . . .	1,365	(560)	805
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 . . .	(30)	10	(20)
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 . . .	(2,983)	1,152	(1,831)
Net change for the year . . . . .	(13,229)	4,479	(8,750)
Foreign currency translation adjustments . . . . .	(5,538)	—	(5,538)
Other comprehensive income (loss) . . . . .	¥ (7,035)	¥ 1,208	¥ (5,827)
For the year ended March 31, 2013:			
Net unrealized gains on securities:			
Amount arising during the year . . . . .	¥151,607	¥(55,708)	¥ 95,899
Reclassification adjustments for gains and losses realized in net income . . .	(3,800)	2,414	(1,386)
Net change for the year . . . . .	147,807	(53,294)	94,513
Net unrealized gains on derivative financial instruments:			
Amount arising during the year . . . . .	(170)	24	(146)
Reclassification adjustments for gains and losses realized in net income . . .	182	(34)	148
Net change for the year . . . . .	12	(10)	2
Pension adjustments:			
Amount arising during the year . . . . .	(13,508)	3,689	(9,819)
Reclassification adjustments for gains and losses realized in net income . . .	(1,940)	648	(1,292)
Net change for the year . . . . .	(15,448)	4,337	(11,111)
Foreign currency translation adjustments . . . . .	48,648	—	48,648
Other comprehensive income (loss) . . . . .	¥181,019	¥(48,967)	¥132,052

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

**16. INCOME TAXES**

Income before income taxes and income taxes for the years ended March 31, 2011, 2012 and 2013 are comprised of the following components:

	Years ended March 31,		
	2011	2012	2013
	(Yen in millions)		
Income before income taxes:			
Domestic . . . . .	¥112,374	¥ 77,813	¥ 81,713
Foreign . . . . .	59,958	37,080	19,650
Total income before income taxes . . . . .	¥172,332	¥114,893	¥101,363
Income taxes:			
Current income taxes:			
Domestic . . . . .	¥ 21,297	¥ 20,685	¥ 27,906
Foreign . . . . .	14,447	13,514	11,749
Total current income taxes . . . . .	35,744	34,199	39,655
Deferred income taxes:			
Domestic . . . . .	11,892	(1,148)	1,045
Foreign . . . . .	(5,422)	(2,916)	(6,688)
Total deferred income taxes . . . . .	6,470	(4,064)	(5,643)
Total income taxes . . . . .	¥ 42,214	¥ 30,135	¥ 34,012

In Japan, a company is subject to a number of taxes, based on income, which in the aggregate indicate normal statutory income tax rates of approximately 41.0%, 41.0% and 38.0% for the years ended 2011, 2012 and 2013, respectively.

Reconciliations between the Japanese statutory income tax rate and Kyocera's effective income tax rate for the years ended March 31, 2011, 2012 and 2013 are as follows:

	Years ended March 31,		
	2011	2012	2013
Japanese statutory income tax rate . . . . .	41.0%	41.0%	38.0%
Difference in statutory tax rates of foreign subsidiaries . . . . .	(5.0)	(6.4)	(4.8)
Change in valuation allowance . . . . .	(8.1)	(1.1)	2.8
Tax credit for research and development expenses . . . . .	(2.1)	(2.1)	(3.1)
Uncertainty in income taxes . . . . .	(2.1)	1.3	(0.2)
Tax rate change* . . . . .	—	(7.2)	—
Other . . . . .	0.8	0.7	0.9
Effective income tax rate . . . . .	24.5%	26.2%	33.6%

\* 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

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

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.

The components of the deferred tax assets and deferred tax liabilities at March 31, 2012 and 2013 are as follows:

	<u>March 31,</u>	
	<u>2012</u>	<u>2013</u>
	(Yen in millions)	
Deferred tax assets:		
Enterprise tax . . . . .	¥ 728	¥ 1,643
Inventories . . . . .	19,057	20,250
Provision for doubtful accounts and loss on bad debts . . . . .	1,255	1,399
Accrued expenses . . . . .	10,982	20,517
Employee benefits . . . . .	24,528	26,063
Depreciation and amortization . . . . .	33,171	35,898
Securities . . . . .	2,744	1,530
Net operating losses and tax credit carry forwards . . . . .	20,454	30,241
Other . . . . .	6,163	4,144
Total gross deferred tax assets . . . . .	119,082	141,685
Valuation allowance . . . . .	(25,192)	(34,414)
Net deferred tax assets . . . . .	<u>¥ 93,890</u>	<u>¥107,271</u>
Deferred tax liabilities:		
Depreciation and amortization . . . . .	¥ 13,952	¥ 16,365
Securities . . . . .	99,918	152,251
Prepaid benefit cost . . . . .	2,786	165
Other . . . . .	4,708	7,203
Total deferred tax liabilities . . . . .	<u>¥121,364</u>	<u>¥175,984</u>
Net deferred tax liabilities . . . . .	<u>¥(27,474)</u>	<u>¥(68,713)</u>

Net deferred tax assets and liabilities at March 31, 2012 and 2013 are reflected in the consolidated balance sheets under the following captions.

	<u>March 31,</u>	
	<u>2012</u>	<u>2013</u>
	(Yen in millions)	
Deferred income taxes—current assets . . . . .	¥ 45,049	¥ 47,349
Other assets . . . . .	20,245	35,753
Other current liabilities . . . . .	(2,589)	(5,586)
Deferred income taxes—non-current liabilities . . . . .	(90,179)	(146,229)
Net deferred tax liabilities . . . . .	<u>¥(27,474)</u>	<u>¥ (68,713)</u>

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

At March 31, 2013, Kyocera had net operating losses carried forward of approximately ¥105,961 million, which are available to offset future taxable income. Of these net operating losses carried forward, the amount of ¥33,633 million recorded at domestic subsidiaries will expire within next nine years, and the amount of approximately ¥14,291 million recorded at U.S. subsidiaries will expire within next 20 years. Certain other foreign subsidiaries have net operating losses carried forward totaling approximately ¥58,037 million of which most have no expiration date.

At March 31, 2013, Kyocera had tax credits carried forward of ¥2,563 million, which are available to offset future income taxes. Of these tax credits carried forward, the amount of ¥692 million and ¥1,520 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 ¥9,550 million at March 31, 2013. The undistributed earnings of these subsidiaries are ¥268,554 million at March 31, 2013.

Total gross deferred tax assets at March 31, 2012 and 2013 were reduced by valuation allowances of ¥25,192 million and ¥34,414 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,		
	2011	2012	2013
	(Yen in millions)		
Balance at beginning of year . . . . .	¥ 40,270	¥24,687	¥25,192
Increase . . . . .	1,226	2,667	9,824
Decrease . . . . .	(15,885)	(3,523)	(4,356)
Other* . . . . .	(924)	1,361	3,754
Balance at end of year . . . . .	<u>¥ 24,687</u>	<u>¥25,192</u>	<u>¥34,414</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,		
	2011	2012	2013
	(Yen in millions)		
Balance at beginning of year . . . . .	¥ 8,352	¥ 6,874	¥3,050
Increase—tax position in prior years . . . . .	1,112	277	1,430
Increase—tax position in current year . . . . .	1,936	2,135	51
Decrease—tax position in prior years . . . . .	(2,517)	(868)	(33)
Settlements with taxing authorities . . . . .	(2,002)	(5,350)	(428)
Lapse of statute of limitations . . . . .	(7)	(18)	(6)
Balance at end of year . . . . .	<u>¥ 6,874</u>	<u>¥ 3,050</u>	<u>¥4,064</u>

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

Gross unrecognized tax benefits on the consolidated balance sheets that if recognized would affect the effective tax rate were ¥3,050 million and ¥4,064 million, at March 31, 2012 and 2013, 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.

Kyocera recorded interest and penalties related to unrecognized tax benefits as current income tax expenses in the consolidated statement of income in the amount of ¥(92) million, ¥59 million and ¥(25) million for the year ended March 31, 2011, 2012 and 2013, respectively, and as other non-current liabilities in the consolidated balance sheet in the amounts of ¥275 million and ¥228 million at March 31, 2012 and 2013, respectively. The above table excludes this accrual for estimated interest and penalties.

At March 31, 2013 Kyocera is subject to income tax examinations by tax authorities for the tax year 2012 onwards in Japan, and for the tax year 2009 onwards in the United States for its major jurisdictions.

**17. SUPPLEMENTAL EXPENSE INFORMATION**

Supplemental expense information is as follows:

	Years ended March 31,		
	2011	2012	2013
	(Yen in millions)		
Research and development expenses .....	¥49,474	¥45,559	¥47,519
Advertising expenses .....	7,583	7,912	7,221
Shipping and handling cost included in selling, general and administrative expenses .....	16,883	17,203	19,636

**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 Flat Panel Display (FPD) Manufacturing Equipment, Information & Telecommunication Components, General Industrial Machinery Components, Sapphire Substrates, and Automotive Components

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

(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, and Organic Multilayer Packages

(3) Applied Ceramic Products Group

Residential and Commercial Use Solar Power Generating Systems, Solar Cells and Modules, Cutting Tools, Micro Drills, Medical and Dental Implants, and Jewelry and Applied Ceramic Related 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, and Touch Panels

(5) Telecommunications Equipment Group

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

(6) Information Equipment Group

Monochrome and Color Printers and Multifunctional Products, Wide Format Systems, Document Solutions, Application Software, and Supplies

(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 Business, and 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.

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

Operating profit for each reporting segment represents net sales, less related costs and operating expenses, excluding corporate gains and equity in losses of affiliates and unconsolidated subsidiaries, income taxes and net income attributable to noncontrolling interests.

Assets for each 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.

Kyocera's sales to KDDI Corporation and its consolidated subsidiaries which are mainly recorded in the Telecommunications Equipment Group are as follows:

	<u>Years ended March 31,</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Amount of sales to KDDI Corporation and its consolidated subsidiaries (Yen in millions) . . . . .	¥130,554	¥121,130	¥92,901
Ratio of amount of sale to KDDI Corporation and its consolidated subsidiaries to consolidated net sales (%) . . . . .	10.3	10.2	7.3

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

Information by reporting segment at and for the years ended March 31, 2011, 2012 and 2013 is summarized on the following page:

**Reporting segments**

	Years ended March 31,		
	2011	2012	2013
(Yen in millions)			
Net sales:			
Fine Ceramic Parts Group	¥ 76,269	¥ 80,372	¥ 74,852
Semiconductor Parts Group	174,687	153,420	167,241
Applied Ceramic Products Group	197,642	179,784	211,439
Electronic Device Group	242,641	228,721	271,570
Telecommunications Equipment Group	225,168	178,669	177,314
Information Equipment Group	239,916	243,457	250,534
Others	139,383	151,987	159,902
Adjustments and eliminations	(28,782)	(25,540)	(32,798)
Net sales	<u>¥1,266,924</u>	<u>¥1,190,870</u>	<u>¥1,280,054</u>

	Years ended March 31,		
	2011	2012	2013
(Yen in millions)			
Income before income taxes:			
Fine Ceramic Parts Group	¥ 11,969	¥ 12,622	¥ 7,614
Semiconductor Parts Group	37,331	27,754	30,379
Applied Ceramic Products Group	29,049	6,459	17,924
Electronic Device Group	41,646	16,036	(4,014)
Telecommunications Equipment Group	2,121	1,469	1,340
Information Equipment Group	25,845	29,451	21,750
Others	9,651	8,054	10,542
Total operating profit	157,612	101,845	85,535
Corporate gains and Equity in losses of affiliates and unconsolidated subsidiaries	16,722	13,840	17,248
Adjustments and eliminations	(2,002)	(792)	(1,420)
Income before income taxes	<u>¥ 172,332</u>	<u>¥ 114,893</u>	<u>¥ 101,363</u>

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

	Years ended March 31,		
	2011	2012	2013
	(Yen in millions)		
Depreciation and amortization:			
Fine Ceramic Parts Group	¥ 5,106	¥ 6,767	¥ 6,403
Semiconductor Parts Group	10,786	11,795	12,850
Applied Ceramic Products Group	13,786	14,843	15,152
Electronic Device Group	13,818	13,762	15,155
Telecommunications Equipment Group	10,172	8,949	7,514
Information Equipment Group	11,027	10,131	9,723
Others	4,767	4,668	4,734
Corporate	2,082	2,205	2,066
Total	<u>¥71,544</u>	<u>¥73,120</u>	<u>¥73,597</u>

	Years ended March 31,		
	2011	2012	2013
	(Yen in millions)		
Write-down of inventories:			
Fine Ceramic Parts Group	¥ 146	¥ 105	¥ 252
Semiconductor Parts Group	266	703	228
Applied Ceramic Products Group	1,000	6,115	1,498
Electronic Device Group	265	991	956
Telecommunications Equipment Group	2,581	2,216	7,127
Information Equipment Group	972	1,169	1,106
Others	61	187	340
Corporate	—	—	—
Total	<u>¥ 5,291</u>	<u>¥11,486</u>	<u>¥11,507</u>

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

	Years ended March 31,		
	2011	2012	2013
	(Yen in millions)		
Capital expenditures:			
Fine Ceramic Parts Group	¥ 11,319	¥ 11,050	¥ 3,348
Semiconductor Parts Group	12,998	13,279	14,727
Applied Ceramic Products Group	17,660	13,001	7,963
Electronic Device Group	12,118	14,193	14,071
Telecommunications Equipment Group	3,886	4,142	3,069
Information Equipment Group	7,437	6,199	6,536
Others	2,747	2,800	2,837
Corporate	2,515	1,744	4,137
Total	¥ 70,680	¥ 66,408	¥ 56,688
	March 31,		
	2011	2012	2013
	(Yen in millions)		
Assets by reporting segment:			
Fine Ceramic Parts Group	¥ 57,682	¥ 68,637	¥ 62,453
Semiconductor Parts Group	111,406	112,121	118,524
Applied Ceramic Products Group	258,618	265,093	327,465
Electronic Device Group	351,432	417,105	448,141
Telecommunications Equipment Group	111,634	109,975	119,894
Information Equipment Group	247,486	246,834	263,837
Others	132,381	138,304	158,617
	1,270,639	1,358,069	1,498,931
Corporate and investments in and advances to affiliates and unconsolidated subsidiaries	749,603	729,646	892,098
Adjustments and eliminations	(73,676)	(93,612)	(108,176)
Total assets	¥1,946,566	¥1,994,103	¥2,282,853

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

Information for revenue from external customers by destination and long-lived assets based on physical location as of and for the years ended March 31, 2011, 2012 and 2013 are summarized as follows:

**Geographic segments**

	Years ended March 31,		
	2011	2012	2013
(Yen in millions)			
Net sales:			
Japan .....	¥ 559,883	¥ 559,344	¥ 574,202
Asia .....	215,913	205,469	235,520
United States of America .....	220,706	166,706	215,032
Europe .....	210,131	204,887	198,868
Others .....	60,291	54,464	56,432
Net sales .....	<u>¥1,266,924</u>	<u>¥1,190,870</u>	<u>¥1,280,054</u>
March 31,			
	2011	2012	2013
(Yen in millions)			
Long-lived assets:			
Japan .....	¥ 185,969	¥ 187,566	¥ 182,987
Asia .....	29,293	35,545	45,585
United States of America .....	11,164	12,787	14,293
Europe .....	14,974	18,725	19,623
Others .....	6,354	5,914	6,336
Total .....	<u>¥ 247,754</u>	<u>¥ 260,537</u>	<u>¥ 268,824</u>

There are no individually material countries with respect to revenue from external customers and long-lived assets in Asia, Europe and Others.

**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,		
	2011	2012	2013
(Yen in millions except per share amounts)			
Net income attributable to shareholders of Kyocera Corporation .....	¥122,448	¥79,357	¥66,473
Basic earnings per share:			
Net income attributable to shareholders of Kyocera Corporation .....	667.23	432.58	362.36
Diluted earnings per share:			
Net income attributable to shareholders of Kyocera Corporation .....	667.23	432.58	362.36

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

	Years ended March 31,		
	2011	2012	2013
	(shares in thousands)		
Basic average number of shares outstanding .....	183,517	183,451	183,442
Diluted average number of shares outstanding .....	183,517	183,451	183,442

**20. SUPPLEMENTAL CASH FLOW INFORMATION**

Supplemental information related to the Consolidated Statements of Cash Flows is as follows:

	Years ended March 31,		
	2011	2012	2013
	(Yen in millions)		
Cash paid during the year:			
Interest .....	¥ 1,637	¥ 1,741	¥ 1,433
Income taxes .....	34,994	34,889	26,112
Non-cash investing and financing activities:			
Obtaining assets by entering into capital lease .....	¥ 1,003	¥ 804	¥ 1,547
Acquisitions of businesses:			
Fair value of assets acquired .....	¥ 2,475	¥ 85,003	¥27,329
Fair value of liabilities assumed .....	(608)	(45,621)	(4,793)
Cash acquired .....	(422)	(3,928)	(4,003)
Subtotal .....	1,445	35,454	18,533
Additional payment for acquisitions of businesses in the past years ..	136	—	—
Total .....	¥ 1,581	¥ 35,454	¥18,533

## 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 Accounting Group

June 28, 2013

## 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 Audit & Supervisory Board of the Registrant (English translation)
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))
4.1	Supplemental Consent Decree with Defendant AVX Corporation containing agreement among AVX Corporation, the United States Environmental Protection Agency and the Commonwealth of Massachusetts, dated October 10, 2012
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 PricewaterhouseCoopers Kyoto 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 26, 2013

**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) The Board of Directors
- (2) Audit & Supervisory Board Members
- (3) The Audit & Supervisory Board
- (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* (in English "The Nikkei").

**CHAPTER II**  
**SHARES**

**Article 6. Total Number of Shares Authorized to Be Issued**

The total number of shares authorized 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 Companies 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 Companies Act;
- (2) The right to make a request provided for in the provisions of Article 166, Paragraph 1 of the Companies 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 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 the 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 Chairperson**

1. A General Meeting of Shareholders shall be convened by the President, and the President shall act as the chairperson.

2. Should the President be unable to so act, other Director designated by the Board of Directors in advance (in that order) shall convene the General Meeting of Shareholders and act as the chairperson.

**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. Adoption of Resolutions**

1. Unless otherwise provided for by the laws and regulations or the 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 Companies 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/her 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/her proxy right at each General Meeting of Shareholders.

**CHAPTER IV**  
**DIRECTORS AND THE BOARD OF DIRECTORS**

**Article 19. Number of Directors**

The authorized number of Directors of the Company shall be twenty (20).

**Article 20. Method of Election of Directors**

1. Directors shall be elected at the 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 Directors, Executive Directors, Chairman Emeritus, Advisors and Counselors**

1. The Board of Directors shall appoint, by resolution, Representative Directors.
2. The Board of Directors may appoint, by resolution, a Chairperson of the Board of Directors and a President and Directors, one or more Vice-Chairpersons 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 Chairperson Emeritus.
4. The Board of Directors may appoint, by resolution, Advisors and Counselors.

**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 Chairperson**

1. Unless otherwise provided for by the laws and regulations, the Chairperson of the Board of Directors shall convene the meeting of the Board of Directors and act as the chairperson.
2. Should there be a vacancy for the Chairperson of the Board of Directors or should the Chairperson of the Board of Directors be unable to so act, the President shall, and should the President be unable to so act, other Director designated by the Board of Directors in advance (in that order) shall convene the Board of Directors and act as the chairperson.

**Article 25. Convocation Notice of Meetings of the Board of Directors**

1. Convocation notice of meetings of the Board of Directors shall be dispatched to each Director and Audit & Supervisory Board Member 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. The Board of Directors may be held without taking convocation procedures if unanimous consent is obtained from all Directors and Audit & Supervisory Board Members.

**Article 26. Omission of Resolution in the Board of Directors**

The Company may deem that resolution at the meeting of the Board of Directors to approve the matter that requires resolution at the meeting of the Board of Directors has been adopted, when all Directors who are able to participate in resolution of such matter have given their consents thereto in writing or through electronic record, except for the case where any of the Audit & Supervisory Board Members raises objection against it.

**Article 27. The Board of Directors Regulations**

Unless otherwise provided for by the laws and regulations or the 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.

**Article 28. Exemption from Liability of Outside Directors**

The Company may, under the provisions of Article 427, Paragraph 1 of the Companies Act, enter into a contract with any Outside Director, to limit the liability for damages caused by his/her 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 Article 425, Paragraph 1 of the Companies Act.

**CHAPTER V**  
**AUDIT & SUPERVISORY BOARD MEMBERS**  
**AND THE AUDIT & SUPERVISORY BOARD**

**Article 29. Number of Audit & Supervisory Board Members**

The authorized number of Audit & Supervisory Board Members of the Company shall be six (6).

**Article 30. Method of Election of Audit & Supervisory Board Members**

1. Audit & Supervisory Board Members shall be elected at a General Meeting of Shareholders.

2. The election of Audit & Supervisory Board Members 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 31. Term of Office of Audit & Supervisory Board Members**

1. The term of office of an Audit & Supervisory Board Member 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 Audit & Supervisory Board Member elected to fill a vacancy shall terminate when the term of office of the other Audit & Supervisory Board Members in office shall expire.

**Article 32. Full-time Audit & Supervisory Board Member(s)**

The Audit & Supervisory Board shall elect, by resolution, full-time Audit & Supervisory Board Member(s).

**Article 33. Remuneration etc. of Audit & Supervisory Board Members**

Remuneration etc. of Audit & Supervisory Board Members shall be determined by resolution at a General Meeting of Shareholders.

**Article 34. Convocation Notice of Meetings of the Audit & Supervisory Board**

1. Convocation notice of meetings of the Audit & Supervisory Board shall be dispatched to each Audit & Supervisory Board Member 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. The Audit & Supervisory Board may be held without taking the convocation procedures if unanimous consent is obtained from all Audit & Supervisory Board Members.

**Article 35. Regulations of the Audit & Supervisory Board**

Unless otherwise provided for by the laws and regulations or the Articles of Incorporation, matters concerning the Audit & Supervisory Board shall be provided for in the Regulations of the Audit & Supervisory Board established by the Audit & Supervisory Board.

**Article 36. Exemption from Liability of Outside Audit & Supervisory Board Members**

The Company may, under the provisions of Article 427, Paragraph 1 of the Companies Act, enter into a contract with any Outside Audit & Supervisory Board Member, to limit the liability for damages caused by his/her 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 Article 425, Paragraph 1 of the Companies Act.

**CHAPTER VI**  
**ACCOUNTS**

**Article 37. 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 38. 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 39. Interim Dividends**

The Company may distribute interim dividends, by resolution of the Board of Directors by setting a record date as of September 30 in each year.

**Article 40. 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.

(TRANSLATION)

**REGULATIONS OF THE AUDIT & SUPERVISORY BOARD**

**KYOCERA CORPORATION  
THE AUDIT & SUPERVISORY BOARD**

Amended on November 1, 2012 (English translation only)

**REGULATIONS OF THE AUDIT & SUPERVISORY BOARD  
OF  
KYOCERA CORPORATION**

Article 1. Purpose

All matters relating to the Audit & Supervisory Board of the Company shall be governed by laws and regulations and the Articles of Incorporation and by these Regulations.

Article 2. Organization

1. The Audit & Supervisory Board shall consist of all Audit & Supervisory Board Members.

2. The Audit & Supervisory Board shall appoint Standing Audit & Supervisory Board Members and a Chairman of the Audit & Supervisory Board.

Article 3. Purpose of the Audit & Supervisory Board

The Audit & Supervisory Board shall receive reports on, discuss and resolve important matters relating to the auditing; provided, however, that each Audit & Supervisory Board Member shall not be prevented from exercising its powers.

Article 4. Duties of the Audit & Supervisory Board

The Audit & Supervisory Board shall undertake the following duties; provided, however, that no decision as set forth in item (3) may prevent each Audit & Supervisory Board Member from exercising its powers:

- (1) Preparation of Audit Reports;
- (2) Appointment and dismissal of Standing Audit & Supervisory Board Members; and
- (3) Determination of auditing guidelines, methods of research on status of business and assets and other matters related to conduct of duties of Audit & Supervisory Board Members.

Article 5. Appointment and Dismissal of Standing Audit & Supervisory Board Members

The Audit & Supervisory Board shall appoint or dismiss Standing Audit & Supervisory Board Members from among the Audit & Supervisory Board Members by resolution of the Audit & Supervisory Board.

Article 6. Chairman

1. The Audit & Supervisory Board shall elect a Chairman from among the Audit & Supervisory Board Members by resolution of the Audit & Supervisory Board.

2. The Chairman of the Audit & Supervisory Board shall conduct these duties delegated to him/her by the Audit & Supervisory Board, as well as the duties set forth in paragraph 1 of Article 9; provided, however, that, the Chairman shall not prevent each Audit & Supervisory Board Member from exercising its powers.

Article 7. Specified Audit & Supervisory Board Member

The Audit & Supervisory Board shall appoint the Chairman as a Specified Audit & Supervisory Board Member, and such Specified Audit & Supervisory Board Member shall undertake the following duties:

- (1) Receiving from the Directors the business report and its annexed detailed specifications and financial-related statements and delivering the same to the other Audit & Supervisory Board Members;

- (2) Notifying the Representative Directors of the contents of the Audit Report prepared by the Audit & Supervisory Board concerning the business report and its annexed detailed specifications;
- (3) Establishing an agreement with the Representative Directors as to the date on which the notice referred to in the preceding item shall be provided;
- (4) Receiving notice of the contents of the Accounting Audit Report prepared by the Accounting Auditors and notifying the other Audit & Supervisory Board Members of the contents of the same;
- (5) Establishing an agreement with the Representative Directors and the Accounting Auditors as to the date on which the notice referred to in the preceding item shall be received;
- (6) Notifying the Representative Directors and the Accounting Auditors of the contents of the Audit Report prepared by the Audit & Supervisory Board concerning the financial-related statements; and
- (7) Establishing an agreement with the Representative Directors as to the date on which the notice referred to in the preceding item shall be provided.

#### Article 8. Meetings

Meetings of the Audit & Supervisory Board shall, in principle, be held at least four (4) times each fiscal year; provided, however, that extraordinary meetings may be held whenever necessary.

#### Article 9. Person Entitled to Convene Meetings

1. The Chairman shall convene and manage the meetings of the Audit & Supervisory Board.
2. Any Audit & Supervisory Board Member may request the Chairman, to convene a meeting of the Audit & Supervisory Board.
3. If, notwithstanding any request as set forth in the immediately preceding paragraph, the Chairman does not convene a meeting of the Audit & Supervisory Board, the requesting Audit & Supervisory Board Member may convene and manage such meeting of the Audit & Supervisory Board.

#### Article 10. Convocation Procedure

1. In order to convene a meeting of the Audit & Supervisory Board, a notice of the meeting of the Audit & Supervisory Board shall be dispatched to each Audit & Supervisory Board Member at least three (3) days prior to the date of such meeting.
2. The convocation procedure for a meeting of the Audit & Supervisory Board may be omitted with the consent of all Audit & Supervisory Board Members.

#### Article 11. Manner of Adopting Resolutions

1. Resolutions of the Audit & Supervisory Board shall be adopted by the majority vote of the Audit & Supervisory Board Members.
2. Resolutions shall be adopted following deliberation based on sufficient materials.

#### Article 12. Resolutions on Auditing Policy

1. Matters such as auditing policy, auditing plan, auditing methods and allocation of duties shall be determined by resolution of the Audit & Supervisory Board.

2. All matters other than those referred to in the immediately preceding paragraph, which any Audit & Supervisory Board Member deems necessary in conducting its duties, including budget for auditing expenses, shall be determined by resolution of the Audit & Supervisory Board.

3. Substance of the following systems and other matters shall be determined by resolution of the Audit & Supervisory Board, and the Audit & Supervisory Board shall request the Directors to improve such systems and other matters:

- (1) Matters concerning employee supporting the Audit & Supervisory Board Members' conduct of their duties;
- (2) Matters concerning independence from the Directors of the employees referred to in the immediately preceding paragraph;
- (3) A system concerning reports to the Audit & Supervisory Board Members, including those from the Directors and employees; and
- (4) Other systems to ensure the audits by the Audit & Supervisory Board Members are conducted effectively.

Article 13. Regular Meetings with Representative Directors, etc.

1. The Audit & Supervisory Board shall seek to promote mutual understanding between the Representative Directors and the Audit & Supervisory Board by, among other things, holding meetings with the Representative Directors on a regular basis and exchanging opinions on issues to be addressed by the Company, improvement of the environment for audit by the Audit & Supervisory Board Members and important auditing issues, etc., as well as by making requests judged to be necessary.

2. The Audit & Supervisory Board shall explain auditing policy, auditing plan and status of implementation of auditing and the effect thereof, as appropriate, to the Representative Directors and the Board of Directors.

3. The Audit & Supervisory Board shall, based on the system provided in paragraph 3, item 3 of the immediately preceding Article, receive reports from Directors and employees on matters determined, in consultation with the Directors, to be reported to the Audit & Supervisory Board by the Directors and the employees, as well as such matters as may be provided by law.

Article 14. Reports to the Audit & Supervisory Board

1. Each Audit & Supervisory Board Member shall report to the Audit & Supervisory Board on the status of conducting its duties on a regular basis and from time to time as well as whenever requested by the Audit & Supervisory Board.

2. An Audit & Supervisory Board Member who receives a report from the Accounting Auditors, the Directors, the employees of any internal auditing department, etc. or other staff shall report the same to the Audit & Supervisory Board.

3. The Audit & Supervisory Board shall request the Accounting Auditors, the Directors, the employees of any internal auditing department, etc. and other staff, to make reports whenever necessary.

4. In connection with paragraphs 1 through 3 of this Article, if any of the Audit & Supervisory Board Members, the Accounting Auditors, the Directors, the employees of any internal auditing department, etc. or other staff reports to all of the Audit & Supervisory Board Members any matter that should be reported to the Audit & Supervisory Board, no further report to the Audit & Supervisory Board on such matter will be necessary.

Article 15. Measures for Reports

If the Audit & Supervisory Board receives any of the following reports, the Audit & Supervisory Board shall conduct necessary research and take appropriate measures depending on the situation:

- (1) A report from a Director stating that such Director has discovered a fact which may be materially prejudicial to the Company;
- (2) A report from an Accounting Auditor that such Accounting Auditor has discovered misconduct or a material fact violating laws or regulations or the Articles of Incorporation, in connection with a Director's conduct of duties; or
- (3) A report from a Director or an employee on such matters as have been determined in advance upon consultation with the Directors.

Article 16. Preparation of Audit Report

1. The Audit & Supervisory Board shall prepare an Audit Report based on the Audit Report(s) prepared by each of the Audit & Supervisory Board Members after deliberation.

2. If the content of the Audit Report prepared by the Audit & Supervisory Board differs from that of the Audit Report prepared by any of the Audit & Supervisory Board Members, and if such Audit & Supervisory Board Member so requests, the Audit & Supervisory Board shall append the matters set forth in such Audit & Supervisory Board Member's Audit Report to the Audit Report prepared by the Audit & Supervisory Board.

3. Either the signature or the name and seal (including electronic signature) of each Audit & Supervisory Board Member shall be affixed to the Audit Report prepared by the Audit & Supervisory Board. The Standing Audit & Supervisory Board Members and outside Audit & Supervisory Board Members shall be identified or recorded as such in the Audit Report.

4. Paragraphs 1 through 3 of this Article shall apply *mutatis mutandis* to interim financial statements or consolidated statements, if prepared by the Company.

Article 17. Consent to the Appointment of the Audit & Supervisory Board Members

1. The following matters relating to the appointment of the Audit & Supervisory Board Members shall be handled by resolution of the Audit & Supervisory Board:

- (1) Consent to submission to the General Meeting of Shareholders of any proposal relating to the appointment of Audit & Supervisory Board Member(s);
- (2) Request to include in the agenda of the General Meeting of Shareholders any appointment of Audit & Supervisory Board Member(s); and
- (3) Request to submit to the General Meeting of Shareholders any proposal relating to the appointment of Audit & Supervisory Board Member(s).

2. The immediately preceding paragraph shall apply *mutatis mutandis* to appointment of Audit & Supervisory Board Member(s) to fill a vacancy.

Article 18. Consent, etc. to Appointment of Accounting Auditors

1. The Audit & Supervisory Board shall evaluate the appropriateness of re-appointment of Accounting Auditors.

2. The following matters relating to the appointment, non-reappointment and dismissal of the Accounting Auditors shall be handled by resolution of the Audit & Supervisory Board:

- (1) Consent to submission to the General Meeting of Shareholders of any proposal relating to the appointment of Accounting Auditor(s);
- (2) Consent to inclusion in the agenda of the General Meeting of Shareholders of the dismissal or non-reappointment of Accounting Auditor(s);
- (3) Request to submit to the General Meeting of Shareholders any proposal relating to the appointment of Accounting Auditor(s);
- (4) Request to include in the agenda of the General Meeting of Shareholders the appointment, dismissal or non-reappointment of Accounting Auditor(s); and
- (5) Appointment of a provisional Accounting Auditor in the case of absence of an Accounting Auditor.

3. Consent, to be given by all Audit & Supervisory Board Members, to dismiss any Accounting Auditor for any of the reasons as provided by law shall be obtained upon consultation at a meeting of the Audit & Supervisory Board. In such case, an Audit & Supervisory Board Member nominated by the Audit & Supervisory Board shall report such dismissal and the reason therefor at the General Meeting of Shareholders to be held immediately following such dismissal.

4. The consent referred to in the immediately preceding paragraph may be given in written form or by electronic record in case of urgent necessity.

#### Article 19. Consent to Remuneration, etc. of Accounting Auditors

Consent to remuneration of the Accounting Auditors or those who provisionally conduct the duties of an Accounting Auditor shall be resolved at the Audit & Supervisory Board.

#### Article 20. Consent to Partial Exemption of Directors from their Liability

1. The following consents, to be given by all Audit & Supervisory Board Members, shall be obtained upon consultation at a meeting of the Audit & Supervisory Board:

- (1) Consent to submission to the General Meeting of Shareholders of any proposal relating to partial exemption of Directors from their liability;
- (2) Consent to submission to the General Meeting of Shareholders of any proposal relating to amendment of the Articles of Incorporation to make it possible to partly exempt Directors from their liability; and
- (3) Consent to submission to the General Meeting of Shareholders of any proposal relating to amendment of the Articles of Incorporation to make it possible to enter into agreements with outside Directors providing partial exemption of outside Directors from their liability.

2. The consents referred to in the immediately preceding paragraph may be given in written form or by electronic record in case of urgent necessity.

#### Article 21. Consent to Participate for Assistance

1. Consent, to be given by all Audit & Supervisory Board Members, to participation by the Company in any shareholder litigation in order to assist a defendant Director shall be obtained upon consultation at a meeting of the Audit & Supervisory Board.

2. The consent referred to in the immediately preceding paragraph may be given in written form or by electronic record in case of urgent necessity.

Article 22. Consultation concerning Exercising Powers of the Audit & Supervisory Board Members

The Audit & Supervisory Board Members may consult at a meeting of the Audit & Supervisory Board about the following matters prior to exercise of their powers or performance of their duties:

- (1) Explanation responding to inquiries posed in a notification by a shareholder prior to the General Meeting of Shareholders;
- (2) Reporting to the Board of Directors and requesting convocation of a meeting of the Board of Directors;
- (3) Results of research on proposals and documents to be submitted to the General Meeting of Shareholders;
- (4) Request for suspension of action by a Director that is beyond the purposes of the Company or otherwise in violation of laws or regulations or the Articles of Incorporation;
- (5) Providing an opinion at the General Meeting of Shareholders as to, among others, the appointment, dismissal, resignation and remuneration of the Audit & Supervisory Board Members;
- (6) Matters relating to litigation between the Company and any of the Directors; and
- (7) Other matters relating to litigation.

Article 23. Consultation concerning Remuneration, etc.

Consultation concerning remuneration, etc. of the Audit & Supervisory Board Members may be conducted by the Audit & Supervisory Board, subject to the unanimous consent from all Audit & Supervisory Board Members.

Article 24. Minutes

1. The Audit & Supervisory Board shall prepare minutes stating the following matters, and either the signature or the name and seal (including electronic signature) of each Audit & Supervisory Board Member present at the meeting shall be affixed to the minutes:

- (1) The time and place at which the meeting was held (including methods of attendance of Audit & Supervisory Board Members, Directors or Accounting Auditors attending such meeting from other places, if any);
- (2) Substance of the proceedings of the meeting and the results thereof;
- (3) If any opinion or statement regarding the following matters is expressed at such meeting, a summary of such opinion or statement:
  - (a) a report from a Director stating that such Director has discovered a fact which may be materially prejudicial to the Company; and
  - (b) a report from an Accounting Auditor that such Accounting Auditor has discovered misconduct or a material fact violating laws or regulations or the Articles of Incorporation in connection with a Director's conduct of duties;
- (4) Names of the Directors and/or Accounting Auditors who attended the meeting of the Audit & Supervisory Board; and
- (5) The name of the Chairman of the Audit & Supervisory Board.

2. If a report to the Audit & Supervisory Board is deemed unnecessary pursuant to paragraph 4 of Article 14, minutes setting forth the following matters shall be prepared:

- (1) The substance of the matter on which a report was deemed unnecessary;
- (2) The date on which a report to the Audit & Supervisory Board was deemed unnecessary; and
- (3) The name(s) of the Audit & Supervisory Board Member(s) who engaged in preparation of the minutes.

3. The minutes referred to in paragraphs 1 and 2 of this Article, shall be kept for ten (10) years at the head office of the Company.

Article 25. Secretariat of the Audit & Supervisory Board

Employees supporting the Audit & Supervisory Board Members' conduct of their duties, such as staff for the Audit & Supervisory Board, shall handle secretarial business concerning convocation of meetings of the Audit & Supervisory Board, preparation of the minutes thereof and other affairs concerning the management of the Audit & Supervisory Board.

Article 26. Auditing Standards of the Audit & Supervisory Board Members

Matters concerning the Audit & Supervisory Board and audits by the Audit & Supervisory Board Members shall be governed by laws and regulations, the Articles of Incorporation, these Regulations and the auditing standards of the Audit & Supervisory Board Members determined by the Audit & Supervisory Board.

Article 27. Amendment to and Abolishment of these Regulations

Amendment to and abolishment of these Regulations shall be made by the Audit & Supervisory Board.

SUPPLEMENTARY PROVISIONS

These Regulations came into force on June 1, 2010.

These Regulations:

- Established on June 30, 1994.
- Amended in part on July 29, 1997.
- Amended in part on May 1, 2002.
- Amended on July 30, 2004.
- Amended on July 19, 2006.
- Amended on June 1, 2010.
- Amended on November 1, 2012. (English translation only)

UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS

_____	)	
UNITED STATES OF AMERICA,	)	
Plaintiff,	)	
	)	
v.	)	
	)	
AVX CORPORATION, <i>et al.</i> ,	)	CIVIL ACTION NO. 83-3882-Y
Defendants.	)	
	)	
COMMONWEALTH OF MASSACHUSETTS,	)	
Plaintiff,	)	
	)	
v.	)	
	)	
AVX CORPORATION, <i>et al.</i> ,	)	
Defendants.	)	
_____	)	

**SUPPLEMENTAL CONSENT DECREE WITH DEFENDANT AVX CORPORATION**

This Supplemental Consent Decree (“Supplemental Decree”), upon entry by the Court, supplements and modifies the Consent Decree with Defendant AVX Corporation that was entered by this Court on February 3, 1992 with regard to the New Bedford Harbor Site (the “1992 Consent Decree”) by adding new provisions, deleting certain provisions, and revising certain other provisions, which affect the parties’ rights and obligations only on and after the date of entry of this Supplemental Decree. Except as specifically provided in this Supplemental Decree, all provisions of the 1992 Consent Decree otherwise remain in full force and effect. The 1992 Consent Decree is attached hereto as Appendix A.

The 1992 Consent Decree resolved the claims that the United States of America ("United States") and the Commonwealth of Massachusetts ("Commonwealth") (collectively referred to as "Plaintiffs") then had against AVX Corporation ("AVX").

This Supplemental Decree resolves claims that Plaintiffs now seek to assert against AVX, which claims Plaintiffs contend are authorized or provided for in Paragraphs 16 and 18 of the 1992 Consent Decree.

Together, the 1992 Consent Decree and this Supplemental Decree resolve Plaintiffs' claims against AVX with regard to the New Bedford Harbor Site except as set forth in these Decrees.

### **Introduction**

Subsequent to the entry of the 1992 Consent Decree, the United States Environmental Protection Agency ("EPA") implemented the remedy for Operable Unit 2 ("OU2") at the Site, as set forth in the April 6, 1990 Record of Decision ("ROD"), as modified. EPA completed the work for the OU2 remedy in May 2000.

On September 25, 1998, EPA issued a ROD selecting the remedy for Operable Unit 1 ("OU1") at the Site, including the State enhanced remedy. The Commonwealth concurred on the OU1 selected remedy. The remedy for OU1, as modified, at the Site includes: the dredging and disposal of contaminated sediment; construction of on-site containment facilities for dredged sediment contaminated with polychlorinated biphenyls; long-term monitoring and maintenance of the facilities; long-term monitoring of the Site; and institutional controls.

Following the issuance of the OU1 ROD, from 1999 through 2004, EPA performed remedial design and remedial action activities. In 2004, EPA began full-scale dredging of contaminated sediment as part of the OU1 remedy.

Pursuant to a cost-sharing agreement known as the "Superfund State Contract Between the Commonwealth of Massachusetts and the U.S. Environmental Protection Agency for the Response Related to the New Bedford Harbor Site Upper and Lower Harbor Operable Unit, New

Bedford, Massachusetts,” last executed on February 28, 2000, as amended, the Commonwealth has been, *inter alia*, obligated to fund and has funded a portion of the OU1 remedy that EPA has performed, and the Commonwealth has been obligated to perform certain operation and maintenance activities.

The United States and the Commonwealth assert that the conditions giving rise to claims against AVX, as set forth in the reservations of rights in Paragraphs 16 and 18 of the 1992 Consent Decree, have occurred, thereby allowing Plaintiffs to seek from AVX response costs or performance of the OU1 remedy.

On April 18, 2012, EPA issued to AVX a Unilateral Administrative Order (Docket No. CERCLA-01-2012-0045) (“Administrative Order”), pursuant to Section 106 of CERCLA, 42 U.S.C. § 9606, and the 1992 Consent Decree, directing AVX to perform a remedial design and to implement the remedial design by performing a remedial action and performing operation and maintenance of such remedial action for the OU1 remedy.

The parties have engaged in good faith negotiations with one another to resolve the allegations and rights of Plaintiffs under Paragraphs 16 and 18 of the 1992 Consent Decree and the defenses and rights of AVX regarding Plaintiffs’ claims.

The United States, the Commonwealth, and AVX agree, and by modifying the 1992 Consent Decree as provided in this Supplemental Decree, this Court finds that the settlement memorialized in this Supplemental Decree, without prolonged and complicated litigation and without the admission or adjudication of any issue of fact or law, is the most appropriate means of resolving the parties’ claims and defenses, will expedite the cleanup of the New Bedford Harbor Site, and that this Supplemental Decree is fair, reasonable, and in the public interest.

Upon entry of this Supplemental Decree by this Court, EPA will withdraw the Administrative Order and AVX will withdraw its Freedom of Information Act requests (to EPA, the United States Department of Justice and the United States Army Corps of Engineers) and Massachusetts Public Records Law requests to the Commonwealth (including to the Department of Environmental Protection).

The parties to the 1992 Consent Decree have entered into this Supplemental Decree supplementing or modifying certain provisions of the 1992 Consent Decree specifically related to the claims asserted by Plaintiffs, by adding new provisions, deleting certain provisions, and revising certain other provisions subject to Court approval, as specified herein.

NOW, THEREFORE, it is hereby ORDERED, ADJUDGED, AND DECREED:

This Supplemental Decree supplements or modifies those provisions of the 1992 Consent Decree as specified herein by adding new provisions, deleting certain provisions, and revising certain other provisions, which affect the parties' rights and obligations only on and after the date of entry of this Supplemental Decree. Except as specifically provided in this Supplemental Decree, all provisions of the 1992 Consent Decree otherwise remain in full force and effect. In the case of any conflict between the 1992 Consent Decree and this Supplemental Decree, this Supplemental Decree shall control. Further, nothing in this Supplemental Decree shall limit, modify or otherwise affect the rights or obligations of any party in either the *Administrative Settlement Agreement and Order on Consent for Non-Time Critical Removal Action* (CERCLA Docket No. 01-2010-0017) between AVX and EPA, effective June 3, 2010, or the *Administrative Consent Order and Notice of Responsibility in the Matter of AVX Corporation*, File No. ACO-SE-09-3P-016, Release Tracking Number 4-0601 between AVX and the Commonwealth, having an effective date of June 3, 2010.

**Jurisdiction**

1. The United States District Court for the District of Massachusetts ("Court") has jurisdiction over the subject matter of this action and the parties to this Supplemental Decree pursuant to 28 U.S.C. §§ 1331 and 1345, Section 113(b) of CERCLA, 42 U.S.C. § 9613(b), Section 7003 of RCRA, 42 U.S.C. § 6973, Section 504 of the CWA, 33 U.S.C. § 1564, and Section 13 of the 1899 Act, 33 U.S.C. § 407, and has pendent jurisdiction over the claims arising under state law. This Court has personal jurisdiction over AVX which, for purposes of this Supplemental Decree, waives all objections and defenses that it may have to jurisdiction of the Court or to venue in this District.

**Applicability of Supplemental Decree**

2. Paragraph 2 in the 1992 Consent Decree is unchanged except that:

A. In the first sentence of Paragraph 2.A., the location of AVX's executive offices is changed from "New York, New York" to "Fountain Inn, South Carolina";

B. At the end of the initial clause of the final sentence of Paragraph 2.A., "of the 1992 Consent Decree and Paragraph 16 of this Supplemental Decree" is inserted after "Paragraphs 14 and 15" and before the comma; and

C. At the end of Paragraph 2.C. "including the Massachusetts Department of Transportation, including as successor to Massachusetts Department of Public Works" is inserted after "permitted by law" and before the period.

3. The provisions of this Supplemental Decree shall apply to and be binding on the United States and the Commonwealth and on AVX and its successors and assigns. Changes in the ownership or corporate form or status of AVX shall have no effect on AVX's obligations under this Supplemental Decree.

**Effect of Settlement**

4. This Supplemental Decree was negotiated and executed by the parties hereto in good faith to avoid expensive and protracted litigation and is a fair and equitable settlement of claims which were contested as to validity, liability and amount. Neither this Supplemental Decree, nor any part thereof, nor the entry into, nor any performance under this Supplemental Decree by AVX shall constitute or be construed as a finding or admission or acknowledgement of the factual or legal allegations contained in the Complaints, Administrative Order, or other pleadings in this case, of any liability, fault or wrongdoing, or evidence of such, or an admission of violation of any law, rule, regulation, or policy, by AVX, or by its parent company, affiliates, subsidiaries or related entities, directors, officers, stockholders, employees, agents, assigns, trustees, contractors, or successors or predecessors (including their respective parent companies, affiliates, subsidiaries or related entities, directors, officers, stockholders, employees, agents, assigns, trustees, and contractors), nor shall this Supplemental Decree nor any performance hereunder create any rights on behalf of any other person not a party to this Supplemental Decree. AVX expressly reserves any and all rights (including any right to contribution), defenses, claims, demands, and causes of action which it may have with respect to any matter, action, event, claim or proceeding relating in any way to the New Bedford Harbor Site (as hereafter defined) against any other person not a party to this Supplemental Decree. AVX further specifically reserves the right to contest any allegations in the Complaints, Administrative Order, or other pleadings in this case, except as otherwise specified herein. Additionally, pursuant to Section 122(d)(1)(B) of CERCLA, 42 U.S.C. § 9622(d)(1)(B), the fact of AVX's participation in this Supplemental Decree shall not be admissible in any judicial or

administrative proceeding other than as provided in this Supplemental Decree, or in a suit for contribution.

5. Upon approval and entry of this Supplemental Decree by the Court, the 1992 Consent Decree, as modified by this Supplemental Decree, shall constitute a final judgment between and among Plaintiffs and AVX.

### **Definitions**

6. This Supplemental Decree incorporates the definitions set forth in Section 101 of CERCLA, 42 U.S.C. § 9601. In addition, all initially-capitalized terms used herein, unless defined in this Supplemental Decree, shall have the meaning provided in the 1992 Consent Decree.

A. "Aerovox Facility" has the same meaning as "Site" in Paragraph 8.ee. of the *Administrative Settlement Agreement and Order on Consent for Non-Time Critical Removal Action* (CERCLA Docket No. 01-2010-0017) between AVX and EPA, effective June 3, 2010, the text of which is attached hereto as Appendix B.

B. "New Bedford Harbor Site" or "Site." The definition in the 1992 Consent Decree is unchanged except that the final sentence is deleted and replaced with "The Site does not include any portion of the Aerovox Facility."

C. "RODs" means the record of decision for OU2 at the New Bedford Harbor Site signed on April 6, 1990, and the record of decision for OU1 at the New Bedford Harbor Site signed on September 25, 1998.

D. "Superfund Interest Rate" means the rate specified for interest on investments of the EPA Hazardous Substance Superfund established by 26 U.S.C. § 9507, compounded annually on October 1 of each year, in accordance with 42 U.S.C. § 9607(a). The

applicable rate of interest shall be the rate in effect at the time the interest accrues. The rate of interest is subject to change on October 1 of each year.

**Payment Terms**

7. Payments Required Under this Supplemental Decree

A. AVX shall pay \$366,250,000, plus interest, in three payments as specified herein to Plaintiffs, to resolve Plaintiffs' claims against AVX, which claims Plaintiffs contend are authorized or provided for in Paragraphs 16 and 18 of the 1992 Consent Decree.

(1) As an initial payment, within thirty (30) days after the date of entry of this Supplemental Decree, AVX shall pay to Plaintiffs not less than \$133,350,000.00, plus interest on \$366,250,000 at the Superfund Interest Rate from August 1, 2012 through the date of the initial payment.

(2) As a second payment, within one year after the date of entry of this Supplemental Decree, AVX shall pay to Plaintiffs not less than the amount that makes the sum of all payments made by AVX through the date of the second payment, exclusive of all interest payments, total not less than \$244,166,666.67, plus interest at the Superfund Interest Rate on the unpaid balance from the date of the initial payment or, in the event that one or more prepayment(s) pursuant to Paragraph 7.B. below has been made during the intervening time period, from the date of the immediately prior payment through the date of this second payment.

(3) As a third and final payment, within two years after the date of entry of this Supplemental Decree, AVX shall pay to Plaintiffs not less than the amount that makes the sum of all payments, exclusive of all interest payments, made by AVX through the date of the third and final payment equal to \$366,250,000, plus interest at the

Superfund Interest Rate on the unpaid balance from the date of the second payment or, in the event that one or more prepayment(s) pursuant to Paragraph 7.B. below has been made during the intervening time period, from the date of the immediately prior payment through the date of this third and final payment.

B. Notwithstanding the terms of Paragraph 7.A. above, AVX may prepay any scheduled payment, or portion of any scheduled payment, provided that any prepayment includes interest at the Superfund Interest Rate on the unpaid balance from the date of the prior payment through the date of the prepayment.

C. In the event of AVX's failure to make any payment pursuant to Paragraph 7.A. on the date such payment is due, or in the event of AVX's failure to satisfy any of the Financial Guarantee provisions of Paragraphs 11 through 14 of this Supplemental Decree, Plaintiffs jointly or individually may, without notice or demand, declare the entire unpaid balance and any accrued interest and stipulated penalties then unpaid immediately due and payable.

8. Payments pursuant to Paragraph 7 of this Supplemental Decree shall be made to EPA by Fedwire Electronic Funds Transfer ("EFT") to:

Federal Reserve Bank of New York  
ABA = 021030004  
Account = 68010727  
SWIFT address = FRYNUS33  
33 Liberty Street  
New York, NY 10045  
Field Tag 4200 of Fedwire message should read  
"D 68010727 Environmental Protection Agency"

9. At the time of any payment, AVX shall send notice that payment has been made to:

A. EPA Region 1 by email at stanley.elainet@epa.gov, and by mail to:

Elaine T. Stanley  
Remedial Project Manager  
United States Environmental Protection Agency  
Region 1, New England  
5 Post Office Square, Suite 100  
Boston, MA 02109

B. EPA Cincinnati Finance Office by email at acctsreceivable.cinwd@epa.gov, or by mail to:

EPA Cincinnati Finance Office  
26 Martin Luther King Drive  
Cincinnati, Ohio 45268

C. Commonwealth recipients:

By mail to:

Office of the Attorney General  
Chief, Environmental Protection Division  
One Ashburton Place  
Boston, MA 02108

and

Chief Financial Officer  
MassDEP  
One Winter Street  
Boston, MA 02108

and by e-mail to paul.craffey@state.ma.us.

Any notice of payment shall refer to Site/Spill ID Number 0143 and Department of Justice case number 90-11-2-32/2 for this action, case name: United States and Commonwealth of Massachusetts v. AVX Corporation, et al., and to MassDEP Release Tracking Number 4-0000122.

10. Any payments received by EPA, on behalf of Plaintiffs, pursuant to Paragraph 7 above shall be deposited by EPA in the New Bedford Harbor Reopener Special Account to be retained and used to conduct or finance future response actions at or in connection with the Site. If response actions are completed and funds remain in the Special Account, Plaintiffs shall distribute the remaining balance towards their past costs at the Site, pursuant to an agreement between Plaintiffs. If response actions are complete and all past costs have been reimbursed, and all obligations under said agreement between Plaintiffs have been satisfied, remaining funds may be transferred to the EPA Hazardous Substance Superfund.

**Financial Guarantee**

11. AVX shall establish and maintain a financial guarantee in the amount of the outstanding balance due under this Supplemental Decree following AVX's initial payment pursuant to Paragraph 7.A.(1) above, plus accrued and unpaid interest, if any, at the Superfund Interest Rate starting on August 1, 2012, for the sole benefit of Plaintiffs until the final payment is made under Paragraph 7.A.(3) above. Any payments made pursuant to the Financial Guarantee provisions in Paragraphs 11 through 14 of this Supplemental Decree shall be paid to Plaintiffs in accordance with Paragraphs 8 and 9 above, and shall be deposited in accordance with Paragraph 10 above, to be retained and used as provided therein. The financial guarantee, which must be satisfactory in form and substance to Plaintiffs, shall be in the form of one or more of the following mechanisms (provided that, if AVX intends to use multiple mechanisms, such multiple mechanisms shall be limited to surety bonds guaranteeing payment, letters of credit, trust funds, and insurance policies):

A. A surety bond unconditionally guaranteeing payment that is issued by a surety company among those listed as acceptable sureties on federal bonds as set forth in Circular 570 of the U.S. Department of the Treasury;

B. One or more irrevocable letters of credit, payable to or at the direction of Plaintiffs, that is issued by one or more financial institution(s) (1) that has the authority to issue letters of credit and (2) whose letter-of-credit operations are regulated and examined by a federal or state agency;

C. A trust fund established for the benefit of Plaintiffs, that is administered by a trustee (1) that has the authority to act as a trustee and (2) whose trust operations are regulated and examined by a federal or state agency;

D. A policy of insurance that (1) provides Plaintiffs with acceptable rights as a beneficiary thereof, and (2) is issued by an insurance carrier (i) that has the authority to issue insurance policies in the applicable jurisdiction(s), and (ii) whose insurance operations are regulated and examined by a federal or state agency;

E. A demonstration by AVX that it meets the financial test criteria of 40 C.F.R. § 264.143(f), provided that all other requirements of 40 C.F.R. § 264.143(f) are met to Plaintiffs' satisfaction; or

F. A written guarantee executed in favor of Plaintiffs, by one or more of the following: (1) a direct or indirect parent company of AVX, or (2) a company that has a "substantial business relationship" (as defined in 40 C.F.R. § 264.141(h)); provided, however, that any company providing such a guarantee must demonstrate to the satisfaction of Plaintiffs that it satisfies the financial test and reporting requirements for owners and operators set forth in subparagraphs (1) through (8) of 40 C.F.R. § 264.143(f) that it proposes to guarantee hereunder.

12. AVX has selected and Plaintiffs have found satisfactory, as an initial financial guarantee, the financial test pursuant to Paragraph 11.E. above in the form attached hereto as Appendix C.1. Within ten (10) days after the date of entry of this Supplemental Decree, AVX shall execute or otherwise finalize all instruments or other documents required in order to make the selected financial guarantee(s) legally binding in a form substantially identical to the document attached hereto as Appendix C.1., and such financial guarantee(s) shall thereupon be fully effective. Within thirty (30) days after the date of entry of this Supplemental Decree, AVX shall submit copies of all executed and/or otherwise finalized instruments or other documents required in order to make the selected financial guarantee(s) legally binding to the EPA Regional Financial Management Officer at 5 Post Office Square, Suite 100, Boston, MA 02109, with a copy to the Regional Administrator at the same address. AVX shall simultaneously submit to Chief Financial Officer, MassDEP, One Winter Street, Boston, MA 02108 a duplicate copy of all submittals to EPA made pursuant to this Paragraph.

13. If, at any time after the date of entry of this Supplemental Decree, AVX provides a financial guarantee by means of a demonstration pursuant to Paragraph 11.E., AVX shall effect, in accordance with the requirements of 40 C.F.R. § 264.143(f), the following:

A. The initial submission of required financial reports and statements from AVX's chief financial officer ("CFO") and independent certified public accountant ("CPA"), in the forms attached hereto as Appendices C.1. and C.3., respectively;

B. The annual resubmission of such documents within ninety (90) days after the close of AVX's fiscal year in the forms attached hereto as Appendices C.2. and C.3.;

C. The prompt notification of EPA after AVX determines that it no longer satisfies the financial test requirements set forth at 40 C.F.R. § 264.143(f)(1), and in any event

within ninety (90) days after the close of any fiscal year in which AVX no longer satisfies such financial test requirements; and

D. In addition to the initial submission and annual resubmissions from AVX's CFO pursuant to Paragraphs 13.A. and 13.B. above, quarterly certifications (based on the most recent financial statements and in the form attached hereto as Appendix C.4.) indicating that, based on a reasonable inquiry, the CFO is not aware of any transactions or events likely to arise within the next reporting period that would materially impair AVX's ability to make the payments on the outstanding balance. AVX shall simultaneously submit to MassDEP at the address provided in Paragraph 12 above a duplicate copy of all submittals to EPA made pursuant to this Paragraph.

14. In the event that Plaintiffs determine at any time that a financial guarantee provided by AVX under Paragraph 11.E. above is inadequate based on the requirements of 40 C.F.R. § 264.143(f) and the Financial Guarantee provisions in Paragraphs 11 through 13 of this Supplemental Decree, or in the event that AVX becomes aware of information indicating that a financial guarantee provided is inadequate or otherwise no longer satisfies the requirements due to any other reason, AVX, within thirty (30) days after receipt of notice of Plaintiffs' determination or, as the case may be, within thirty (30) days after AVX becomes aware of such information, shall obtain and present to Plaintiffs for approval a proposal for a revised or alternative form of financial guarantee listed in Paragraph 11 above that satisfies all requirements set forth in that Paragraph; provided, however, that if AVX cannot obtain such revised or alternative form of financial guarantee within such 30-day period, and provided further that AVX shall have commenced to obtain such revised or alternative form of financial guarantee within such 30-day period, and thereafter diligently proceeds to obtain the same,

Plaintiffs shall extend such period for such time as is reasonably necessary for AVX in the exercise of due diligence to obtain such revised or alternative form of financial guarantee, such additional period not to exceed thirty (30) days.

**Covenants Not To Sue By Plaintiffs**

15. In consideration of the payments made pursuant to Paragraph 7 above, and except as specifically provided in Paragraphs 19, 20.A. and 20.B. of the 1992 Consent Decree and Paragraph 16 of this Supplemental Decree:

A. The United States and the Commonwealth covenant not to sue or to take any other civil judicial or administrative action against AVX as authorized or provided for in Paragraphs 16, 17, and 18 of the 1992 Consent Decree;

B. The United States and the Commonwealth further covenant not to sue or to take any other civil judicial or administrative action against AVX for claims reserved by Plaintiffs in Paragraphs 20.C. and 20.D. of the 1992 Consent Decree, subject to the further exception of the reservations set forth in Paragraphs 16.C. and 16.D. below; and

C. Furthermore, the last two sentences of Paragraph 14 of the 1992 Consent Decree shall be deleted and the following sentence added: "These covenants not to sue shall take effect upon receipt by the Plaintiffs of the payments required in Paragraphs 7-13 above."

D. The covenants not to sue set forth in Paragraphs 15.A. and 15.B. above, and the modification to Paragraph 14 of the 1992 Consent Decree set forth in Paragraph 15.C. above, shall take effect upon AVX's payment of all monetary amounts including interest that are required pursuant to Paragraph 7 above and payment of all interest accrued on late payments and accrued stipulated penalties described in Paragraph 18 below, if any.

16. As to the covenants not to sue in Paragraph 15 above, the United States and the Commonwealth reserve all rights against AVX with respect to all matters other than those expressly specified in Paragraph 15 above, including:

- A. Claims based on a failure by AVX to satisfy the requirements of this Supplemental Decree;
- B. Claims for criminal liability;
- C. Claims arising from the past, present, or future disposal, release or threat of release of hazardous substances or oil or hazardous materials outside of the New Bedford Harbor Site; and
- D. Claims arising from the past, present, or future disposal, release or threat of release of hazardous substances or oil or hazardous materials taken from the New Bedford Harbor Site (but excluding claims arising from the past, present, or future disposal, release or threat of release of hazardous substances or oil or hazardous materials taken from the New Bedford Harbor Site after the date of entry of this Supplemental Decree consistent with Section 122(f)(2)(A) of CERCLA, 42 U.S.C. § 9622(f)(2)(A)).

**Covenants by Defendant AVX**

17. A. Paragraph 21 in the 1992 Consent Decree is deleted in its entirety and is replaced with Paragraphs 17.B. through 17.E. in this Supplemental Decree.

B. AVX hereby releases and covenants not to sue or assert any claims, or to bring any administrative action, against the United States or the Commonwealth for any claims arising from the New Bedford Harbor Site or any response actions taken at the Site, including but not limited to the counterclaims asserted in AVX's Answers to the Complaints, and including but not limited to any direct or indirect claim pursuant to Section 112 of CERCLA, 42 U.S.C.

§ 9612, or pursuant to any other statute, regulation, common law, or legal theory, against the Hazardous Substances Superfund, for reimbursement relating to the New Bedford Harbor Site, provided, however, that: (i) in the event that Plaintiffs institute proceedings against AVX pursuant to Paragraph 19 of the 1992 Consent Decree, AVX reserves the right to reassert the counterclaim against the U.S. Army Corps of Engineers as set forth in its Answer to the Complaints solely as, and to the extent of, a setoff against the claims asserted by Plaintiffs; and (ii) as described in Paragraph 17.E. of this Supplemental Decree, AVX reserves its rights as set forth in Paragraph 17.E. of this Supplemental Decree. AVX hereby releases and covenants not to sue or assert any claims, or to bring any administrative action against the United States or the Commonwealth arising out of the implementation of the RODs, as modified, including the State enhanced remedy. Nothing in this Supplemental Decree shall be deemed to constitute preauthorization of a claim within the meaning of Section 111 of CERCLA, 42 U.S.C. § 9611.

C. AVX waives any rights it may have to seek judicial or administrative review of the RODs, as modified, and of any actions taken to implement the RODs, as modified, including the State enhanced remedy. AVX further waives any direct or indirect claim relating to the New Bedford Harbor Site pursuant to M.G.L. c. 30, §§ 61-62H and 301 C.M.R. § 11.00 et seq.

D. AVX waives any rights it may have to seek a setoff or offsets pursuant to Paragraph 22 of the 1992 Consent Decree; accordingly Paragraph 22 of the 1992 Consent Decree is deleted.

E. To the extent that the United States or the Commonwealth assert a claim against AVX for non-compliance with the terms of this Supplemental Decree, AVX reserves its rights and defenses arising from that claim.

**Stipulated Penalties**

18. A. If any payment required by Paragraph 7 of this Supplemental Decree is not made by the date specified in that Paragraph, AVX shall be liable to the United States for interest on 90% of the overdue amount(s), from the time payment was due until full payment is made, at the higher of (1) the rate established by the Department of the Treasury under 31 U.S.C. § 3717 and 4 C.F.R. § 102.13, or (2) ten percent per annum, and AVX shall be liable to the Commonwealth for interest on 10% of the overdue amount(s), from the time payment was due until full payment is made, at the rate set forth in Section 13 of Chapter 21E, Massachusetts General Laws.

B. If any payment required by Paragraph 7 of this Supplemental Decree is not made by the date specified therein, AVX shall pay stipulated penalties in the following amounts for each day of each and every violation of said requirements:

<u>Days of Delay</u>	<u>Penalty Per Violation Per Day</u>
1-14	\$25,000/day
15-30	\$50,000/day
Beyond 30 Days	\$75,000/day

C. Stipulated penalties due to Plaintiffs under this Supplemental Decree shall be paid 90% to the United States and 10% to the Commonwealth. Payments to the United States shall be made to the United States Treasury according to EFT instructions to be provided to AVX at the time Stipulated Penalties arise. Payments due to the Commonwealth for accrued interest on late payments and for accrued stipulated penalties shall be made to the Office of the Attorney General, with a copy of such payment to MassDEP, at the addresses listed in Paragraph 9.C. above.

D. Interest and stipulated penalties shall accrue from the due date of the payment regardless of whether Plaintiffs have notified AVX of the overdue payment. AVX shall pay any accrued interest on late payments or stipulated penalties that have accrued within fifteen (15) days after receipt of a demand by the United States or the Commonwealth for payment. Such demand shall be sent by certified or express mail to: Chief Financial Officer, AVX Corporation, 1 AVX Boulevard, Fountain Inn, SC 29644. A copy of any demand shall be sent to counsel for AVX to: Mary K. Ryan and Gary L. Gill-Austern, Nutter, McClennen & Fish, Seaport West, 155 Seaport Boulevard, Boston, MA 02210. Interest under and stipulated penalties under this Paragraph do not preclude Plaintiffs from seeking any other remedies or sanctions that may be available to them on account of AVX's failure to comply with the terms of this Supplemental Decree.

E. In calculating its income tax, AVX shall not deduct any penalties under this Supplemental Decree pursuant to this Paragraph 18.

**Retention of Response Authority**

19. This Supplemental Decree shall not be construed to limit the authority of the United States or the Commonwealth to take any and all response actions relating to the New Bedford Harbor Site authorized by federal or state law.

**Compliance with Other Laws**

20. This Supplemental Decree shall not be construed to in any way to relieve AVX or any other person or entity from the obligation to comply with any federal, state or local law.

**Retention of Jurisdiction**

21. The Court shall retain jurisdiction of this matter between Plaintiffs and AVX for the purpose of entering such further orders, direction, or relief as may be appropriate for the construction, implementation, or enforcement of this Supplemental Decree.

**Public Comment**

22. This Supplemental Decree shall be subject to a 30-day public comment period consistent with Section 122(d)(2) of CERCLA, 42 U.S.C. § 9622(d)(2), and 28 C.F.R. § 50.7. The United States reserves the right to withdraw or withhold its consent if comments regarding this Supplemental Decree disclose facts or considerations which indicate that this Supplemental Decree is inappropriate, improper or inadequate. In the event of the United States' withdrawal from this Supplemental Decree, the Commonwealth reserves its right to withdraw from this Supplemental Decree. The Commonwealth also reserves the right to withdraw or withhold its consent to the entry of this Supplemental Decree if comments received disclose facts or considerations which show that this Supplemental Decree violates State law. In the event of the Commonwealth's withdrawal from this Supplemental Decree, the United States reserves its right to withdraw from this Supplemental Decree. AVX consents to the entry of this Supplemental Decree without further notice.

THE FOREGOING Supplemental Decree among plaintiffs the United States of America and the Commonwealth of Massachusetts and defendant AVX Corporation in United States v. AVX Corporation, Civ. No. 83-3882-Y (D. Mass.), is hereby

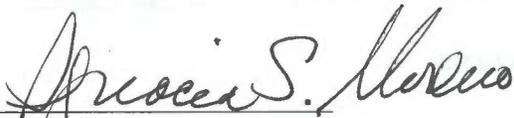
APPROVED AND ENTERED THIS \_\_ DAY OF \_\_\_\_\_, 201\_.

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United States District Judge  
District of Massachusetts

SUPPLEMENTAL CONSENT DECREE: Civ. No. 83-3882-Y (D.Mass.)

FOR THE UNITED STATES:



IGNACIA S. MORENO  
Assistant Attorney General  
Environment and Natural Resources Division  
U.S. Department of Justice


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KEITH T. TASHIMA  
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CARMEN M. ORTIZ  
United States Attorney for the  
District of Massachusetts

JENNIFER SERAFYN  
Assistant United States Attorney  
District of Massachusetts  
John Joseph Moakley Federal Courthouse  
1 Courthouse Way, Suite 9200  
Boston, MA 02210

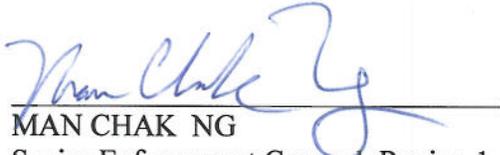
SUPPLEMENTAL CONSENT DECREE: Civ. No. 83-3882-Y (D.Mass.)

FOR THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY:



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CURT SPALDING  
Regional Administrator, Region 1  
U.S. Environmental Protection Agency  
5 Post Office Square, Suite 100  
Boston, MA 02109



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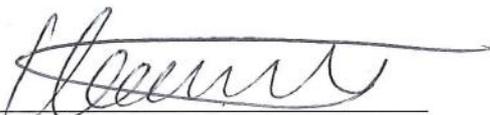
MAN CHAK NG  
Senior Enforcement Counsel, Region 1  
U.S. Environmental Protection Agency  
5 Post Office Square, Suite 100  
Boston, MA 02109

SUPPLEMENTAL CONSENT DECREE: Civ. No. 83-3882-Y (D.Mass.)

FOR THE COMMONWEALTH OF MASSACHUSETTS:



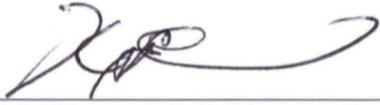
MATTHEW BROCK  
Assistant Attorney General  
Environmental Protection Division  
One Ashburton Place  
Boston, Massachusetts 02108



KENNETH KIMMELL  
Commissioner  
Department of Environmental Protection  
Commonwealth of Massachusetts  
One Winter Street  
Boston, Massachusetts 02108

SUPPLEMENTAL CONSENT DECREE: Civ. No. 83-3882-Y (D.Mass.)

FOR AVX CORPORATION:



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KURT P. CUMMINGS  
Chief Financial Officer, Vice President,  
Treasurer and Secretary  
AVX Corporation  
1 AVX Boulevard  
Fountain Inn, SC 29644

**APPENDICES**

Appendix A — 1992 Consent Decree

Appendix B — Paragraph 8.ee. from *Administrative Settlement Agreement and Order on Consent for Non-Time Critical Removal Action* (CERCLA Docket No. 01-2010-0017) between AVX and EPA, effective June 3, 2010

Appendix C — Financial Assurance Forms

- C.1. Form of Initial Submission
- C.2. Sample CFO Letter
- C.3. Sample CPA Report
- C.4. Form of Quarterly Certification

8/10/95  
I HEREBY ATTEST AND CERTIFY ON BEHALF OF THE CLERK OF THE DISTRICT OF MASSACHUSETTS THAT THE FOREGOING DOCUMENT IS A FULL, TRUE AND CORRECT COPY OF THE ORIGINAL ON FILE IN MY OFFICE AND IN MY LEGAL CUSTODY.  
ROBERT J. SMITH, JR.  
CLERK U.S. DISTRICT COURT  
DISTRICT OF MASSACHUSETTS  
[Signature]

UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS

BY: UNITED STATES OF AMERICA,  
Plaintiff,  
v.  
AVX CORPORATION, et al.,  
Defendants.  
COMMONWEALTH OF MASSACHUSETTS,  
Plaintiff,  
v.  
AVX CORPORATION, et al.,  
Defendants.

CIVIL ACTION NO.  
83-3882-Y

**RECORDED**

CONSENT DECREE WITH DEFENDANT AVX CORPORATION

This Consent Decree ("Decree") is made and entered into by the United States of America ("United States") and the Commonwealth of Massachusetts ("Commonwealth") (collectively referred to as "Plaintiffs"), and AVX Corporation ("AVX").

Introduction

The United States, on behalf of the National Oceanic and Atmospheric Administration ("NOAA"), as a federal trustee, and the Commonwealth as state trustee ("Commonwealth" or "state trustee") filed complaints in these consolidated actions on December 9 and 10, 1983, respectively, seeking damages for injury to, destruction of, and loss of natural resources resulting from releases of polychlorinated biphenyls ("PCBs") and other hazardous substances in New Bedford Harbor, Massachusetts, and adjacent waters under Section 107 of the Comprehensive

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Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9607 ("CERCLA").

Plaintiffs filed amended complaints (hereinafter "Complaints") in these actions on February 27 and 28, 1984. The United States' Complaint set forth, in addition to the claim for natural resource damages described above, claims on behalf of the United States Environmental Protection Agency ("EPA") for recovery of response costs under Section 107 of CERCLA, and for injunctive relief under Section 106 of CERCLA, 42 U.S.C. § 9606, Section 7003 of the Resource Conservation and Recovery Act, 42 U.S.C. § 6973 ("RCRA"), Section 504 of the Clean Water Act, 33 U.S.C. § 1364 ("CWA"), and Section 13 of the Rivers and Harbors Act of 1899, 33 U.S.C. § 407 ("1899 Act"). The Commonwealth's Complaint set forth, in addition to its claims for natural resource damages described above, claims for recovery of response costs incurred by the Commonwealth under Section 107 of CERCLA, 42 U.S.C. § 9607, Sections 5(a) and 13 of Chapter 21E, Massachusetts General Laws, and Section 27 of Chapter 21, Massachusetts General Laws, and claims for abatement of a public nuisance and abatement of an abnormally dangerous condition under state common law.

The Complaints assert claims against five current defendants, AVX, Aerovox Incorporated, Belleville Industries, Inc., Cornell-Dubilier Electronics, Inc., and Federal Pacific Electric Company. This Decree is solely between the Plaintiffs and AVX.

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The parties to this Decree agree that settlement of the claims in this case against AVX is in the public interest and is made in good faith, and that entry of this Decree is the most appropriate means to resolve the matters covered herein.

NOW, THEREFORE, it is hereby ORDERED, ADJUDGED, AND DECREED:

**Jurisdiction**

1. The United States District Court for the District of Massachusetts ("Court") has jurisdiction over the subject matter of this action and the parties to this Decree pursuant to 28 U.S.C. §§ 1331 and 1345, Section 113(b) of CERCLA, 42 U.S.C. § 9613(b), Section 7003 of RCRA, 42 U.S.C. § 6973, Section 504 of the CWA, 33 U.S.C. § 1564, and Section 13 of the 1899 Act, 33 U.S.C. § 407, and has pendent jurisdiction over the claims arising under state law. This Court has personal jurisdiction over AVX which, for purposes of this Consent Decree, waives all objections and defenses that it may have to jurisdiction of the Court or to venue in this District.

**Applicability of Decree**

2. A. Defendant AVX is a Delaware corporation with its executive offices in New York, New York. AVX is the successor by merger of AVX Ceramics Corporation and Aerovox Corporation. Aerovox Corporation owned and operated the Aerovox Facility (as hereinafter defined) from 1938 until January 1, 1973. AVX Corporation, AVX Ceramics Corporation, and Aerovox Corporation (including both the New York and Massachusetts corporations which

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operated under that name), together with Electrical Reactance Corporation, Precision Ceramics, Inc., Luther Manufacturing Co., Microcircuits, Inc., Wilkor Products, Inc., Acme Electronics, Inc., Henry L. Crowley & Co., Inc., and Owen Electrical Corp., and any other subsidiaries, and all divisions of each of said companies, shall be collectively referred to herein as AVX. For purposes of Paragraphs 14 and 15, AVX shall also refer to Aerovox Canada, Ltd., the corporation of that name whose assets were conveyed to Aerovox Industries, Inc., on January 1, 1973, but solely with respect to corporate activity prior to January 2, 1973.

B. Plaintiff United States of America includes all departments, divisions, independent boards, administrations or agencies of the Federal government.

C. Plaintiff Commonwealth of Massachusetts includes all departments, divisions, administrations or agencies of the State government to the extent permitted by law.

D. The provisions of this Decree shall apply to and be binding on the United States and the Commonwealth and on AVX and its successors and assigns. Changes in the ownership or corporate form or status of AVX shall have no effect on AVX's obligations under this Decree.

#### Effect of Settlement

3. This Decree was negotiated and executed by the parties hereto in good faith to avoid the continuation of expensive and protracted litigation and is a fair and equitable settlement of

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claims which were contested as to validity, liability and amount. Neither this Decree, nor any part thereof, nor the entry into, nor any performance under this Decree by AVX shall constitute or be construed as a finding or admission or acknowledgement of the factual or legal allegations contained in the Complaints or other pleadings in this case, or of any liability, fault or wrongdoing, or evidence of such, or an admission of violation of any law, rule, regulation, or policy, by AVX, or by its parent company, affiliates, subsidiaries or related entities, directors, officers, stockholders, employees, agents, assigns, trustees, contractors, or successors or predecessors (including their respective parent companies, affiliates, subsidiaries or related entities, directors, officers, stockholders, employees, agents, assigns, trustees, and contractors), nor shall this Decree nor any performance hereunder create any rights on behalf of any other person not a party to this Decree. AVX expressly reserves any and all rights (including any right to contribution), defenses, claims, demands, and causes of action which it may have with respect to any matter, action, event, claim or proceeding relating in any way to the New Bedford Harbor Site (as hereafter defined) against any other person not a party to this Decree. AVX further specifically reserves the right to contest any allegations in the Complaints, except as otherwise specified herein. Additionally, pursuant to Section 122(d)(1)(B) of CERCLA, 42 U.S.C. § 9622(d)(1)(B), the fact of AVX's participation in this Decree shall not be admissible in any

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judicial or administrative proceeding other than as provided in this Decree, in a proceeding to enforce this Decree, or in a suit for contribution.

4. Upon approval and entry of this Decree by the Court, the Decree shall constitute a final judgment between and among Plaintiffs and AVX.

#### Definitions

5. This Decree incorporates the definitions set forth in Section 101 of CERCLA, 42 U.S.C. § 9601. In addition, whenever the following terms are used in this Consent Decree, they shall have the following meanings:

A. "Aerovox Incorporated" or "Aerovox" means the Delaware corporation which has owned and operated the Aerovox Facility since October 27, 1978.

B. "Aerovox Facility" means the manufacturing plant and associated structures and land at 740 and 742 Belleville Avenue, New Bedford, Massachusetts.

C. "Covered Matters" has the meaning set forth in Paragraph 15 below.

D. "DEP" means the Massachusetts Department of Environmental Protection.

E. "Federal Trustees" means the Secretary of Commerce, acting through NOAA, and the Secretary of the Interior.

F. "Final Approval of the Decree" shall mean the earliest date on which all of the following have occurred:

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(1) the Decree has been lodged with the Court and noticed in the Federal Register, and the period for submission of public comments has expired; (2) the Court has approved and entered the Decree as a judgment; and (3) the time for appeal from that judgment has expired without the filing of an appeal, or the judgment has been upheld on appeal and either the time for further appeal has expired without the filing of a further appeal or no further appeal is allowed.

G. "Natural Resources" shall have the meaning provided in Section 101(16) of CERCLA, 42 U.S.C. § 9601(16).

H. "Natural Resource Damages" means damages, excluding costs of assessment, recoverable under Section 107 of CERCLA for injury to, destruction of, or loss of the Natural Resources of the New Bedford Harbor Site.

I. "New Bedford Harbor Site" or "Site" means the New Bedford Harbor Superfund Site, located in portions of New Bedford, Acushnet and Fairhaven, Massachusetts, including New Bedford Harbor, the Acushnet River Estuary extending north to the Wood Street Bridge, and any adjacent marine waters and sediments and shoreline areas which are the subject of EPA's current Remedial Investigation and Feasibility Study, including at least Areas 1, 2, and 3 as defined in 105 CMR 260.005. The Site does not include any portion of the Aerovox Facility westward (away from the Acushnet River Estuary) of the steel sheet pile wall which Aerovox installed along the length of the tidal mudflat

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portion of the Aerovox Facility including any point source discharges originating on the Aerovox Facility.

J. "Remedial Action" means those response actions implemented or to be implemented pursuant to CERCLA at the New Bedford Harbor Site under the first operable unit record of decision for the New Bedford Harbor Site signed on April 6, 1990, and the second operable unit record of decision for the New Bedford Harbor Site for which a Feasibility Study was released on August 21, 1990, and which is presently scheduled to be signed in 1991.

K. "Remedial Costs" means all Response Costs incurred in connection with the Remedial Action, as defined above, from the dates of signature of the respective records of decision for the first and second operable units at the New Bedford Harbor Site, but excluding any increase in costs resulting from any amendments to the RODs (as hereafter defined) within the meaning of 40 C.F.R. § 300.435(c)(2)(ii).

L. "Response" shall have the meaning provided in Section 101(25) of CERCLA, 42 U.S.C. § 9601(25), and shall include any actions taken under Section 121(c) of CERCLA, 42 U.S.C. § 9621(c).

M. "Response Costs" means all direct and indirect costs of response incurred for the New Bedford Harbor Site, including the costs of operation and maintenance of remedial action components. "Future Response Costs" means all Response Costs incurred after the lodging of this Consent Decree,

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including but not limited to the costs of remedial design/remedial action; indirect costs in overseeing the remedial design/remedial action; the costs of operation and maintenance of remedial action components; the costs the United States and the Commonwealth incur in overseeing and enforcing the obligations of parties in the above-captioned action; and including but not limited to payroll costs, contractor costs, travel costs, and laboratory costs.

N. "RODs" means the first operable unit record of decision for the New Bedford Harbor Site signed on April 6, 1990, and the second operable unit record of decision for the New Bedford Harbor Site for which a Feasibility Study was released on August 21, 1990, and which is presently scheduled to be signed in 1991.

O. "State Trustee" means the Secretary of the Executive Office of Environmental Affairs, Commonwealth of Massachusetts.

#### Payment Terms

6. A. Within fifteen (15) business days after AVX and its counsel sign this Decree, AVX shall establish an escrow account (the "Escrow") bearing interest on commercially reasonable terms at a bank or trust company with assets in excess of \$500 million, and AVX shall pay into the Escrow the principal amount of \$66 million, plus interest on the amount at the rate of eight percent (8%) from August 23, 1990 to the date of deposit. The Escrow agreement between AVX and the escrow agent shall

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provide that the escrow agent shall submit to the jurisdiction and venue of the United States District Court for the District of Massachusetts in connection with any litigation arising out of the Escrow agreement. AVX shall notify Plaintiffs in writing of the creation and funding of the Escrow immediately after the payment has been made. This notice shall be sent by hand or by overnight courier service to: Chief, Environmental Enforcement Section, Environment and Natural Resources Division, U.S. Department of Justice, Room 1541 (EES Dockets), 10th and Pennsylvania Ave, N.W., Washington, D.C., 20530; and Chief, Environmental Protection Division, Department of Attorney General, One Ashburton Place, 19th Floor, Boston, MA 02108. AVX will be responsible for all fees, costs and charges of the escrow, and those amounts will not be deducted from the principal or interest owed from the escrow account to Plaintiffs.

B. Subject only to the provisions of subparagraph C of this Paragraph, AVX's obligation to establish the Escrow and to pay the amount specified above into the Escrow within the specified time is a contractual obligation to Plaintiffs effective as of the date that the parties have signed the Decree, and that obligation shall be enforceable as a matter of contract law regardless of when or whether the Decree is entered by the Court. The consideration for that contractual undertaking by AVX includes the immediate cessation of litigation activities until a determination is made whether this Decree will be entered and the

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resolution of Plaintiffs' claims against AVX as set forth in the Decree, if the Decree is approved and entered by the Court.

C. All funds paid into the Escrow by AVX shall remain in the Escrow and may not be withdrawn by any person, except to make the payments required by Paragraphs 7-13, or unless one of the following events occurs: (1) the United States or the Commonwealth notifies AVX in writing that its authorized representative(s) will not sign the Decree; (2) the United States withdraws its consent to entry of the Decree after the Decree has been lodged, pursuant to Paragraph 31; or (3) a final judicial determination is made that the Decree will not be approved and entered. If one of these events occurs, all sums in the Escrow shall be returned to AVX.

7. Within fifteen (15) business days after Final Approval of the Decree, AVX shall cause the full principal amount of \$66 million plus interest on that amount at the rate of eight percent (8%) from August 23, 1990 to the date of deposit into the Escrow under Paragraph 6 and all accrued interest thereon from the Escrow to be disbursed from the Escrow to Plaintiffs. This amount will be allocated to response costs in the amount of \$59 million (plus interest on that amount at the rate of eight percent (8%) from August 23, 1990 to the date of deposit into the Escrow and all accrued interest on that portion from the Escrow), and to Natural Resource Damages and the costs of assessment in the amount of \$7 million (plus interest on that amount at the rate of eight percent (8%) from August 23, 1990 to the date of

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deposit into the Escrow and all accrued interest on that portion from the Escrow). These payments shall be made by AVX as described in Paragraphs 8-13.

8. A. AVX shall pay the sum of \$8.56 million (plus interest on that amount at the rate of eight percent (8%) from August 23, 1990 to the date of deposit into the Escrow and all accrued interest on that portion from the Escrow) to the EPA Hazardous Substances Superfund on account of past Response Costs incurred by the United States with respect to the New Bedford Harbor Site.

B. The payment for past United States Response Costs shall be made by certified or bank check payable to "EPA Hazardous Substances Superfund." The check shall reference on its face the New Bedford Harbor Site and CERCLIS No. MAD980731335 and shall be sent to:

EPA Region I  
Attn: Superfund Accounting  
P.O. Box 360197M  
Pittsburgh, PA 15251

C. AVX shall cause copies of such check and of any transmittal letter accompanying the check to be sent to: Chief, Superfund Office, Office of Regional Counsel, EPA Region I, JFK Federal Building (RCS), Boston, MA 02203; Chief, Environmental Enforcement Section, Department of Justice, P.O. Box 7611, Ben Franklin Station, Washington, D.C. 20044; and Chief, Environmental Protection Division, Department of the Attorney General, One Ashburton Place, Boston, MA 02108.

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9. A. AVX shall pay the sum of \$440,000 (plus interest on that amount at the rate of eight percent (8%) from August 23, 1990 to the date of deposit into the Escrow and all accrued interest on that portion from the Escrow) to the Commonwealth in reimbursement of past Response Costs incurred by the Commonwealth with respect to the New Bedford Harbor Site.

B. The payment for past Commonwealth Response Costs shall be made by certified or bank check payable to "Commonwealth of Massachusetts," and shall be sent to:

Chief, Environmental Protection Division  
Massachusetts Department of Attorney General  
One Ashburton Place, 19th Floor  
Boston, MA 02108

C. AVX shall cause copies of such check and of any transmittal letter accompanying the check to be sent to: Chief, Cost Recovery Section, Bureau of Waste Site Cleanup, Department of Environmental Protection, One Winter Street, Boston, MA 02108.

10. A. AVX shall pay the sum of \$50 million (plus interest on that amount at the rate of eight percent (8%) from August 23, 1990 to the date of deposit into the Escrow and all accrued interest on that portion from the Escrow) to Plaintiffs on account of Future Response Costs to be incurred by the United States and the Commonwealth with respect to the New Bedford Harbor Site; provided that ten percent (10%) of those amounts shall be applied toward the Commonwealth's obligation under Section 104(c)(3) of CERCLA to pay or assure payment of ten percent (10%) of the costs of the remedial action, including all

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future operation and maintenance. These amounts applied toward the Commonwealth's obligation under Section 104(c)(3) of CERCLA are the subject of an agreement between the Commonwealth and the United States Environmental Protection Agency.

B. Each payment for Future Response Costs shall be made by certified or bank check payable to Plaintiffs in a manner to be directed by Plaintiffs. Plaintiffs shall provide AVX with such directions for payment in writing by certified mail or overnight courier no later than fifteen (15) business days prior to the date payment is due to: Chief Financial Officer, AVX Corporation, 750 Lexington Avenue, New York, NY, 10022-1208. AVX is not required to make any payment for Future Response Costs, nor do the provisions of Paragraphs 23 and 24 take effect for purposes of payment of Future Response Costs, until fifteen (15) business days after Plaintiffs provide AVX with such directions for payment. A copy of the directions for payment shall be sent to counsel for AVX to: Mary K. Ryan, Nutter, McClennen & Fish, One International Place, Boston, Massachusetts, 02110-2699.

C. AVX shall cause copies of each such check and of any transmittal letter accompanying the check to be sent to: Chief, Superfund Office, Office of Regional Counsel, EPA Region I, JFK Federal Building (RCS), Boston, MA 02203; Chief, Environmental Enforcement Section, Department of Justice, P.O. Box 7611, Ben Franklin Station, Washington, D.C. 20044; and Chief, Environmental Protection Division, Department of the Attorney General, One Ashburton Place, Boston, MA 02108.

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11. A. AVX shall pay the sum of \$6,668,812.67, (plus interest on that amount at the rate of eight percent (8%) from August 23, 1990 to the date of deposit into the Escrow and all accrued interest on that portion from the Escrow) into the Registry of the Court, United States District Court for the District of Massachusetts, to be administered by the Registry of the Court for the Federal and State Trustees, in payment for Natural Resource Damages. The amount so paid and any interest accrued thereon shall be available to the Federal and State Trustees in accordance with Paragraphs 11.D. through 11.F. below.

B. The payment for Natural Resource Damages shall be made by certified or bank check payable to "Clerk, United States District Court." The check shall include on its face a statement that it is a payment for natural resource damages in Civil Action No. 83-3882-Y (D. Mass.), and shall be sent to:

Office of the Clerk  
United States District Court for the  
District of Massachusetts  
Room 707  
J.W. McCormack Post Office and Courthouse  
Boston, Massachusetts 02109

C. AVX shall cause copies of the check for Natural Resource Damages and of any transmittal letter accompanying the check to be sent to: Chief, Environmental Enforcement Section, Department of Justice, P.O. Box 7611, Ben Franklin Station, Washington, D.C. 20044; Regional Attorney, NOAA Office of General Counsel, One Blackburn Drive - Suite 205, Gloucester, MA 01930; Regional Solicitor, U.S. Department of the Interior, Northeast Region, One Gateway Center - Suite 612, Newton Corner,

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MA 02158; and Chief, Environmental Protection Division,  
Department of the Attorney General, One Ashburton Place, Boston,  
MA 02108.

D. The Registry of Court shall administer all amounts paid for Natural Resource Damages under this Decree in an interest-bearing account ("Registry Account") as provided in the Order Directing the Deposit of Natural Resource Damages Into the Registry of the Court ("Deposit Order") issued by this Court pursuant to Rule 67 of the Federal Rules of Civil Procedure, 28 U.S.C. § 2041, and Local Rule 67.2(c) of the Local Rules for the U.S. District Court for the District of Massachusetts. The Deposit Order shall be attached to this Decree.

E. All funds and all interest accrued thereon in the Registry Account shall be held in the name of the "Clerk, United States District Court," for the benefit of the Federal and State Trustees. Upon joint application by the United States and the Commonwealth, monies in the Registry account shall be disbursed to the Federal and State Trustees by further order of this Court for use by the trustees to plan, implement, and oversee actions to restore, replace, or acquire the equivalent of natural resources that have been injured, destroyed, or lost as a result of the release of hazardous substances at the New Bedford Harbor Site, in accordance with Section 107(f)(1) of CERCLA, 42 U.S.C. § 9607(f)(1). All disbursements from the Registry Account shall be made by order of the Court in accordance with the provisions

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of 28 U.S.C. § 2042 and Local Rule 67.3 of the Local Rules for the U.S. District Court for the District of Massachusetts.

F. In the event that it is later determined that the provisions of Paragraphs 11.D through 11.E are unlawful, the amounts in the Registry Account or payable under this Decree for Natural Resource Damages shall be distributed to the Federal and State Trustees as determined by further agreement of the United States and the Commonwealth or, if no such agreement is reached within a reasonable time, by an allocation of those amounts by this Court. In making any such allocation, the Court shall consider any memorandum of agreement or memorandum of understanding between the United States and the Commonwealth concerning the use of amounts recovered for Natural Resource Damages at the New Bedford Harbor Site, or, in the absence of any memorandum of agreement or understanding, the statute's goal to restore, replace, or acquire the equivalent of the injured or lost natural resources. All amounts recovered for Natural Resource Damages at the Site and all interest accrued thereon shall be used in accordance with Section 107(f)(1) of CERCLA.

12. A. AVX shall pay the sum of \$ 205,946.47 (plus interest on that amount at the rate of eight percent (8%) from August 23, 1990 to the date of deposit into the Escrow and all accrued interest on that portion from the Escrow) to NOAA in reimbursement of the federal costs of assessing Natural Resource Damages.

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B. This payment shall be made by certified or bank check payable to "The National Oceanic and Atmospheric Administration", and shall be sent to:

General Counsel  
National Oceanic and Atmospheric  
Administration  
Room 5814 Herbert Hoover Building  
14th & Constitution Avenue, N.W.  
Washington, D.C. 20230

C. AVX shall cause copies of this check and of any transmittal letter accompanying the check to be sent to: Chief, Environmental Enforcement Section, Department of Justice, P.O. Box 7611, Ben Franklin Station, Washington, D.C. 20044; and Chief, Environmental Protection Division, Department of the Attorney General, One Ashburton Place, Boston, MA 02108.

13. A. AVX shall pay the sum of \$ 125,240.86, (plus interest on that amount at the rate of eight percent (8%) from August 23, 1990 to the date of deposit into the Escrow and all accrued interest on that portion from the Escrow) to the Commonwealth in reimbursement of the state costs of assessing Natural Resource Damages.

B. This payment shall be made by certified or bank check payable to "Commonwealth of Massachusetts", and shall be sent to:

Chief, Environmental Protection Division  
Department of the Attorney General  
One Ashburton Place, 19th Floor  
Boston, MA 02108

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**Covenants Not To Sue By Plaintiffs**

14. In consideration of the payments to be made by AVX under Paragraphs 6-13 above, and except as specifically provided in Paragraphs 16-20, the United States and the Commonwealth covenant not to sue or to take any other civil judicial or administrative action against AVX for Covered Matters, as defined in Paragraph 15. With respect to liability for Covered Matters other than future liability, these covenants not to sue shall take effect upon receipt by the Plaintiffs of the payments required in Paragraphs 7-13 above. With respect to any future liability of AVX, these covenants not to sue shall take effect upon EPA's certification of completion of the Remedial Action.

15. Covered Matters means any civil judicial or administrative liability of AVX to the United States or the Commonwealth for (1) damages for injury to, destruction of, or loss of Natural Resources at the New Bedford Harbor Site, including costs of assessment, under Section 107(a) of CERCLA, M.G.L. c. 21E, M.G.L. c. 21, § 27, and federal and state common law; (2) reimbursement of response costs incurred or to be incurred by the United States or the Commonwealth with respect to the New Bedford Harbor Site under Section 107(a) of CERCLA, Section 7003 of RCRA, M.G.L. c. 21E, M.G.L. c. 21, §§ 27, 40, and state common law; and (3) injunctive relief with respect to the New Bedford Harbor Site under Section 106 of CERCLA, Section 7003 of RCRA, Section 504 of CWA, the 1899 Act, and state common law.

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16. Pre-certification reservations. Notwithstanding any other provision of this Decree, the United States and the Commonwealth reserve the right, jointly or separately, to institute proceedings in this action or in a new action, including issuance by EPA of an administrative order, seeking to compel AVX (1) to perform response actions at the New Bedford Harbor Site, and (2) to reimburse the United States and the Commonwealth for response costs, if, prior to EPA's certification of completion of the Remedial Action:

A. conditions at the New Bedford Harbor Site, previously unknown to the United States and the Commonwealth, are discovered after the issuance of the RODs, or

B. information is received, in whole or in part, after the issuance of the RODs,

and the EPA Administrator or his delegate finds, in consultation with the Commonwealth, based on these previously unknown conditions or this information, together with any other relevant information, that the Remedial Action is not protective of human health or the environment.

17. Post-certification reservations. Notwithstanding any other provision of this Decree, the United States and the Commonwealth reserve the right, jointly or separately, to institute proceedings in this action or in a new action, including issuance by EPA of an administrative order, seeking to compel AVX (1) to perform response actions at the New Bedford

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Harbor Site, and (2) to reimburse the United States and the Commonwealth for response costs, if, after EPA's certification of completion of the Remedial Action:

A. conditions at the New Bedford Harbor Site, previously unknown to the United States, are discovered after the certification of completion, or

B. information is received, in whole or in part, after the certification of completion,

and the EPA Administrator or his delegate finds, in consultation with the Commonwealth, based on these previously unknown conditions or this information, together with any other relevant information, that the Remedial Action is not protective of human health or the environment.

18. Reservations in the event that Remedial Costs exceed \$130.5 million. Notwithstanding any other provision of this Decree, the United States and the Commonwealth, reserve the right, jointly or separately, to institute proceedings against AVX in this action or in a new action seeking to compel AVX (1) to perform additional response actions in connection with the Remedial Action to the extent that the total Remedial Costs exceed \$130.5 million, and (2) to reimburse the United States and the Commonwealth for any Remedial Costs over and above the first \$130.5 million in Remedial Costs.

19. Reservations concerning natural resource injury. Notwithstanding any other provision of this Decree, the United States and the Commonwealth, on behalf of their respective

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natural resource trustees, reserve the right, jointly or separately, to institute proceedings against AVX in this action or in a new action seeking recovery of Natural Resource Damages, based on (1) conditions with respect to the Site, unknown to Plaintiffs at the date of lodging of this Decree, that result in releases of hazardous substances that contribute to injury to, destruction of, or loss of natural resources, or (2) information received, in whole or in part, after the date of lodging of the Decree which, together with any other relevant information, indicates that there is injury to, destruction of, or loss of natural resources of a type that was unknown, or of a magnitude greater than was known, to Plaintiffs at the date of lodging of this Decree; provided that the damages which Plaintiffs may seek to recover in any such proceedings shall be limited to damages for conditions that were unknown to Plaintiffs at the date of lodging, or for injury to, destruction of, or loss of, natural resources that was unknown, or of a magnitude greater than was known, to Plaintiffs at the date of lodging.

20. The covenants not to sue set forth in Paragraph 14 above do not apply to matters other than those expressly specified as Covered Matters. The United States and the Commonwealth reserve all rights against AVX with respect to all other matters. In addition, the following are specifically identified as matters that are not Covered Matters:

A. claims based on a failure by AVX to satisfy the requirements of the Decree;

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- B. claims for criminal liability;
- C. claims arising from the past, present, or future disposal, release or threat of release of hazardous substances or oil or hazardous materials outside of the New Bedford Harbor Site, including claims by the Commonwealth with respect to DEP site number 4-0127 (Substation Interceptors) and DEP site number 4-0601 (Aerovox Oil Bunker), but excluding claims for response costs incurred, or for injury to, destruction of, or loss of natural resources, in the New Bedford Harbor Site from any releases of PCBs resulting from conditions existing as of the date of lodging of the Decree at DEP site numbers 4-0127 and 4-0601; and
- D. claims arising from the past, present, or future disposal, release or threat of release of hazardous substances or oil or hazardous materials taken from the New Bedford Harbor Site.

**Covenants by Settling Defendant**

21. A. AVX hereby releases and covenants not to sue or assert any claims, or to bring any administrative action, against the United States or the Commonwealth for any claims arising from the New Bedford Harbor Site or any response actions taken at the Site, including but not limited to the counterclaims asserted in AVX's Answers to the Complaints, and including but not limited to any direct or indirect claim pursuant to Section 112 of CERCLA, 42 U.S.C. § 9612, or pursuant to any other statute, regulation,

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common law, or legal theory, against the Hazardous Substances Superfund, for reimbursement relating to the New Bedford Harbor Site; provided that, in the event that Plaintiffs institute proceedings against AVX pursuant to Paragraph 16, 17, or 19, AVX reserves the right to reassert the counterclaim against the U.S. Army Corps of Engineers set forth in its Answer to the Complaints solely as, and to the extent of, a setoff against the claims asserted by Plaintiffs. AVX reserves its rights to assert, and this Decree is without prejudice to, claims against the United States arising out of the implementation of the RODs or any amendments thereto after the date of approval of the Decree based on grossly negligent or intentional acts or omissions of the United States, provided that such claims are brought pursuant to a statute other than CERCLA and the waiver of sovereign immunity is found in a statute other than CERCLA, and provided that such claims may not be based upon a theory of derivative or vicarious liability. Nothing in this Decree shall be deemed to constitute preauthorization of a claim within the meaning of Section 111 of CERCLA, 42 U.S.C. § 9611.

B. Except as provided in subparagraph C below, AVX waives any rights it may have to seek judicial or administrative review of the RODs and of any actions taken to implement the RODs, except for any rights AVX may have to seek review of any amendments to the RODs, within the meaning of 40 C.F.R. § 300.435(c)(2)(ii), in the event the Plaintiffs institute proceedings pursuant to Paragraph 16 or 17. AVX further waives

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any direct or indirect claim relating to the New Bedford Harbor Site pursuant to M.G.L. c. 30, §§ 61-62H and 301 C.M.R. § 11.00 et seq.

C. If, pursuant to Paragraph 18, Plaintiffs (1) seek to compel AVX to perform response actions at the New Bedford Harbor Site, or (2) seek payment of additional Remedial Costs over and above the payments provided for in Paragraphs 7-13, AVX reserves, solely for the purpose of proceedings pursuant to Paragraph 18, all legal rights, defenses, and counterclaims, in the nature of setoffs, it may have under law; provided, however, that under no circumstances will AVX be entitled to any reimbursement of monies paid or reduction of monies to be paid under Paragraphs 7-13 of this Decree or to assert any challenge to Response Costs other than Remedial Costs or any challenge to response actions other than those that Plaintiffs seek to compel AVX to undertake pursuant to Paragraph 18. This reservation to AVX's covenants not to sue does not reserve any rights or defenses with respect to the payments provided for in Paragraphs 7-13. Without limiting the generality of the foregoing language, among the legal rights, defenses, and counterclaims which are hereby reserved solely for the purposes of proceedings pursuant to Paragraph 18 are the following:

1. the right to reassert the counterclaim against the U.S. Army Corps of Engineers set forth in AVX's Answer to the Complaints solely as, and to the extent of, a setoff against an action by the Plaintiffs seeking to compel AVX to

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perform response actions or seeking payment of additional Remedial Costs; and

2. the right to seek judicial or administrative review of the RODs or of any actions taken to implement the RODs solely to the extent it constitutes a challenge to Remedial Costs or to the response actions that Plaintiffs seek to compel AVX to undertake.

D. For the purposes of any proceedings instituted by the United States or the Commonwealth pursuant to Paragraph 16 or 17, nothing in this Consent Decree shall be construed to affect or to establish the appropriate scope and standard of review that the Court should apply to a finding of the EPA Administrator or his delegate that the Remedial Action is not protective of human health or the environment.

**Offset in Event of Reopener**

22. A. Because settlement of this action has been negotiated in advance of issuance of the second operable unit ROD for the Harbor, and the amount of Future Response Costs is not known, the United States and the Commonwealth agree that, in the event the United States or the Commonwealth institutes proceedings pursuant to Paragraph 16 or 17 of this Decree against AVX and receives a judgment for monies or for injunctive relief against AVX in the subsequent proceeding, or EPA issues an administrative order to AVX pursuant to Paragraph 16 or 17 of this Decree, AVX will be entitled to a setoff if the Plaintiffs have not expended the amounts recovered from all parties on

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account of Future Response Costs plus interest calculated annually on the unexpended balance at a rate for each year following payment equal to the coupon issue yield equivalent (as determined by the Secretary of the Treasury) of the average accepted auction price for the last auction of fifty-two week United States Treasury bills settled immediately prior to the anniversary date of the lodging of this Decree. Notwithstanding any other provision of this Decree, in the event EPA issues an administrative order to AVX pursuant to Paragraph 16 or 17 of this Decree, AVX shall be entitled to implement any right it has to an offset under this Paragraph by, inter alia, petitioning EPA for reimbursement pursuant to Section 106(b) of CERCLA. The amount of the setoff shall be equal to AVX's pro rata share of the following: the total amounts recovered from all parties on account of Future Response Costs in the above-captioned action, together with interest calculated as described above, minus the total amounts expended, or obligated in hereafter expended, for Future Response Costs (excluding Department of Justice enforcement costs, other than any unreimbursed costs incurred to enforce AVX's obligations under this Decree).

B. The decision of the Plaintiffs as to the amount of any settlement proceeds from any party in this action to allocate among past response costs, Future Response Costs, and natural resource damages is within their discretion, and may not be challenged by AVX.

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C. There shall be no setoff if any part of the Remedial Action, including long-term operation and maintenance, remains to be performed and has not been abandoned or superseded, unless (1) AVX assumes without reservation the obligation to finance all of the remaining Remedial Action activities, or (2) Plaintiffs agree at that time that AVX may instead assume, and AVX assumes without reservation, the obligation to perform those remaining Remedial Action activities.

D. No setoff is available to AVX for any claims by the Plaintiffs against AVX other than claims under Paragraphs 16 and 17. This paragraph may not be construed to entitle AVX to a refund or reimbursement of any amounts paid to the Plaintiffs under Paragraphs 7-13.

E. This offset provision does not give AVX any rights to challenge the manner in which the monies recovered on account of Future Response Costs may be used, except as provided in Paragraph 21.C. This provision does not require either the United States or the Commonwealth to establish a separate fund to hold monies recovered on account of Future Response Costs or otherwise to segregate funds recovered in this action from any other funds.

F. In the event that the United States and the Commonwealth institute proceedings against AVX pursuant to Paragraphs 16 and 17, the Plaintiffs agree that they will at that time provide to AVX a summary of Future Response Costs incurred for the Site, for the purpose of enabling AVX to

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calculate the setoff under this Paragraph. AVX also reserves whatever rights it may have under the federal Freedom of Information Act and the state Public Records Act to obtain cost information from Plaintiffs.

**Interest and Penalties for Late Payments**

23. If any payment required by Paragraphs 7-13 of this Decree is not made by the date specified in those Paragraphs, AVX shall be liable to Plaintiffs for interest on the overdue amount(s), from the time payment was due until full payment is made, at the higher of (a) the rate established by the Department of the Treasury under 31 U.S.C. § 3717 and 4 C.F.R. § 102.13, or (b) ten percent per annum.

24. A. If any payment required by Paragraph 6 of this Decree is not made by the date specified therein, or required by Paragraph 8, 10, or 11 of this Decree is not made by the date specified in Paragraph 7, AVX shall pay stipulated penalties in the following amounts for each day or each and every violation of said requirements:

<u>Days of Delay</u>	<u>Penalty Per Violation Per Day</u>
1-14	\$ 5,000/day
15-30	\$ 10,000/day
Beyond 30 Days	\$ 15,000/day

B. If any payment required by Paragraphs 9, 12, or 13 of this Decree is not made by the date specified in those Paragraphs, AVX shall pay stipulated penalties in the following

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amounts for each day of each and every violation of said requirements:

<u>Days of Delay</u>	<u>Penalty Per Violation Per Day</u>
1-14	\$ 500/day
15-30	\$ 1,000/day
Beyond 30 Days	\$ 1,500/day

C. AVX shall make any such stipulated penalties payments: (1) to EPA, for any payment overdue under Paragraph 8; (2) 90% to EPA and 10% to the Commonwealth for any payment overdue under Paragraph 10; (3) to the United States, for any payment overdue under Paragraph 12; (4) fifty percent (50%) to the United States and fifty (50%) percent to the Commonwealth, for any payment overdue under Paragraphs 6 or 11; and (5) to the Commonwealth, for any payment overdue under Paragraphs 9 and 13.

25. Stipulated penalties due to the United States under this Decree shall be paid by certified or bank check made payable to "Treasurer of the United States" and shall be sent to:

Chief, Civil Division  
 United States Attorneys' Office  
 1107 J.W. McCormack Post Office/Courthouse  
 Boston, MA 02109

Stipulated penalties due to EPA or the Commonwealth under this Decree shall be paid in the manner described in Paragraphs 8 and 9, respectively.

26. Interest and stipulated penalties shall accrue from the due date of the payment regardless of whether Plaintiffs have notified AVX of the overdue payment. AVX shall pay any stipulated penalties that have accrued within fifteen (15) days

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after receipt of a demand by either Plaintiff for payment. Such demand shall be sent by certified mail or overnight courier to: Chief Financial Officer, AVX Corporation, 750 Lexington Avenue, New York, NY, 10022-1208. A copy of any demand shall be sent to counsel for AVX to: Mary K. Ryan, Nutter, McClennen & Fish, One International Place, Boston, Massachusetts, 02110-2699. Interest under Paragraph 23 and stipulated penalties under Paragraph 24 do not preclude Plaintiffs from seeking any other remedies or sanctions that may be available to them on account of AVX's failure to comply with the terms of the Decree.

**Contribution Protection**

27. Upon court approval of this settlement, AVX shall have the benefits of Section 113(f) of CERCLA, 42 U.S.C. § 9613(f), Section 4 of Mass. Gen. Laws c. 231B, and any other applicable law limiting its liability to persons not a party to this Consent Decree or affording it rights of contribution or other rights to recover costs or damages relating to the New Bedford Harbor Site from such persons.

**Retention of Response Authority**

28. The Decree shall not be construed to limit the authority of the United States or the Commonwealth to take any and all response actions relating to the New Bedford Harbor Site authorized by federal or state law.

**Compliance with Other Laws**

29. The Decree shall not be construed to in any way

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relieve AVX or any other person or entity from the obligation to comply with any federal, state or local law.

Retention of Jurisdiction

30. The Court shall retain jurisdiction of this matter between Plaintiffs and AVX for the purpose of entering such further orders, direction, or relief as may be appropriate for the construction, implementation, or enforcement of this Decree.

Public Comment

31. The Decree shall be subject to a 30-day public comment period consistent with Section 122(d)(2) of CERCLA, 42 U.S.C. § 9622(d)(2), and 28 C.F.R. § 50.7. The United States reserves the right, in consultation with the Commonwealth, to withdraw its consent to the Decree if comments received disclose facts or considerations which show to the United States that the Decree is inappropriate, improper or inadequate. AVX consents to the entry of the Decree without further notice.

THE FOREGOING Consent Decree among plaintiffs the United States of America and the Commonwealth of Massachusetts and defendant AVX Corporation in United States v. AVX Corporation, Civ. No. 83-3882-Y (D. Mass.), is hereby APPROVED AND ENTERED THIS 3<sup>d</sup> DAY OF February, 1991.

*William G. Young*

WILLIAM G. YOUNG  
United States District Judge  
District of Massachusetts

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Consent Decree with AVX Corporation in United States v. AVX Corporation, Civ. No. 83-3882-Y (D. Mass.)

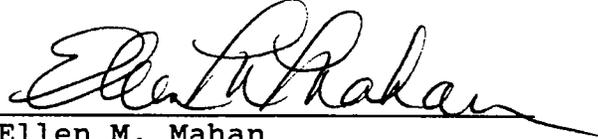
FOR THE UNITED STATES OF AMERICA

Date:

9/19/92



Barry M. Hartman, Acting  
Assistant Attorney General  
Environment and Natural Resources  
Division  
U.S. Department of Justice  
Washington, D.C. 20530



Ellen M. Mahan  
William D. Brighton  
Bruce C. Buckheit  
Senior Counsel  
Environmental Enforcement Section  
Environment and Natural Resources  
Division  
U.S. Department of Justice  
Washington, D.C. 20530

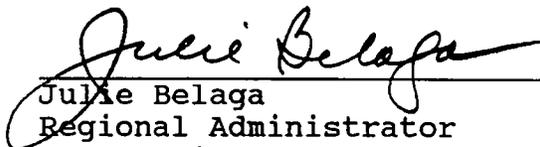
- 34 -

Consent Decree with AVX Corporation in United States v. AVX Corporation, Civ. No. 83-3882-Y (D. Mass.)



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Edward E. Reich  
Acting Assistant Administrator for  
Enforcement  
U.S. Environmental Protection Agency  
401 M Street, SW  
Washington, D.C. 20460



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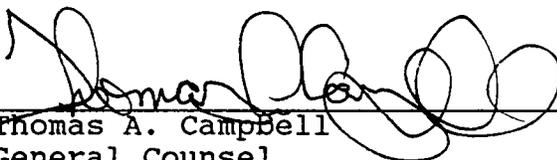
Julie Belaga  
Regional Administrator  
U.S. Environmental Protection Agency,  
Region I  
One Congress Street  
Boston, Massachusetts 02203

Consent Decree with AVX Corporation in United States v. AVX Corporation, Civ. No. 83-3882-Y (D. Mass.)

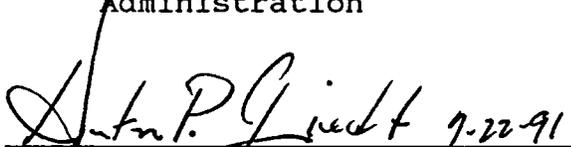
FOR THE FEDERAL NATURAL RESOURCE TRUSTEES



John A. Knauss  
Under Secretary for Oceans  
Administrator, National Oceanic and  
Atmospheric Administration  
Department of Commerce  
Washington, D.C. 20230



Thomas A. Campbell  
General Counsel  
National Oceanic and Atmospheric  
Administration



Anton P. Gient  
Attorney/Advisor  
Office of General Counsel  
National Oceanic and Atmospheric  
Administration

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Consent Decree with AVX Corporation in United States v. AVX Corporation, Civ. No. 83-3882-Y (D. Mass.)

FOR THE COMMONWEALTH OF MASSACHUSETTS

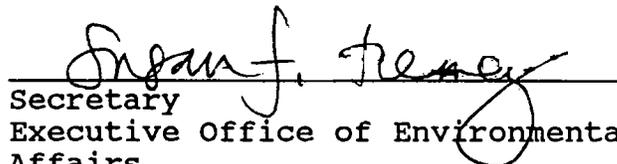


Matthew T. Brock  
Assistant Attorney General  
Environmental Protection Division  
One Ashburton Place  
Boston, Massachusetts 02108



Commissioner  
Department of Environmental Protection  
Commonwealth of Massachusetts  
One Winter Street  
Boston, Massachusetts 02108

FOR THE COMMONWEALTH OF MASSACHUSETTS  
NATURAL RESOURCE TRUSTEE

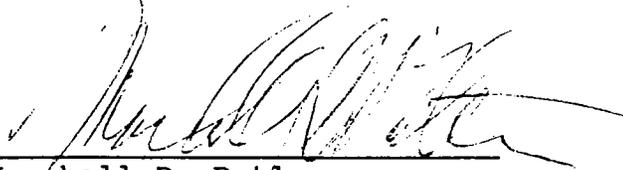


Secretary  
Executive Office of Environmental  
Affairs  
Commonwealth of Massachusetts  
100 Cambridge Street, 20th Floor  
Boston, Massachusetts 02202

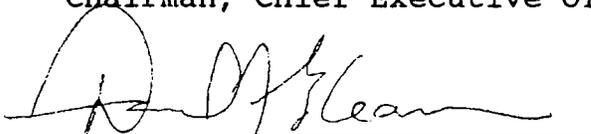
- 37 -

Consent Decree with AVX Corporation in United States v. AVX Corporation, Civ. No. 83-3882-Y (D. Mass.)

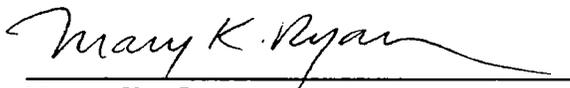
FOR AVX CORPORATION



Marshall D. Butler  
Chairman, Chief Executive Officer



Daniel J. Gleason  
Nutter, McClennen & Fish



Mary K. Ryan  
Nutter, McClennen & Fish  
One International Place  
Boston, Massachusetts 02110

UNITED STATES  
ENVIRONMENTAL PROTECTION AGENCY  
EPA NEW ENGLAND

IN THE MATTER OF:  
Aerovox  
New Bedford, Bristol County,  
Massachusetts

ADMINISTRATIVE SETTLEMENT  
AGREEMENT AND ORDER ON  
CONSENT FOR NON-TIME CRITICAL  
REMOVAL ACTION

AVX CORPORATION,  
Respondent

U.S. EPA Region 1  
CERCLA Docket No. 01-2010-0017

Proceeding Under Sections 104, 106(a), 107  
and 122 of the Comprehensive  
Environmental Response, Compensation,  
and Liability Act, as amended,  
42 U.S.C. §§ 9604, 9606(a), 9607 and 9622

ee. “Site” shall mean the Aerovox property, encompassing approximately 10.3 acres, located at 740 Belleville Avenue, New Bedford, Bristol County, Massachusetts as depicted on the map attached hereto as Appendix C, and further described below:

The **northern boundary** of the Site is the existing Aerovox northern property line, which is located approximately in the middle of the alley (Graham Street) between the Aerovox building and the Precix building as shown on Appendix C. This northern Site boundary line continues in a westerly direction until it intersects with the western property line, and in an easterly direction until it intersects with the mean high water (“MHW”) line along the Acushnet River.

In its northeast corner, the Site boundary line follows the MHW line southward until it reaches the landward face of the stone seawall. The Site boundary line then continues easterly along the landward face of the stone seawall, then turning southerly at the northeast corner of the stone seawall. The Site boundary line then continues southerly for approximately ten feet until it is due east of the northeastern corner of the sheet pile wall. The Site boundary line then continues due west approximately ten feet until it intersects the northeastern corner of the sheet pile wall. The stone seawall and the land area on the river side of the boundary line in the northeast corner is part of the New Bedford Harbor Superfund Site, and is NOT part of the Site.

The **eastern boundary** of the Site is the existing sheet pile wall (inclusive of such wall) running generally in a north-south orientation along the Acushnet River. The land area on the eastern (*i.e.*, river) side of this sheet pile wall is part of the New Bedford Harbor Superfund Site, and is NOT part of the Site.

The **southern boundary** of the Site is the existing Aerovox southern property line, which is located approximately in the middle of Hadley Street as shown on Appendix C. This southern Site boundary line continues in a westerly direction until it intersects with the western property line, and in an easterly direction until it intersects with the southeastern corner boundary line described below.

In its southeast corner, the Site boundary line extends from the southwestern terminus of the sheet pile wall due south approximately 10 feet until it intersects with the southern Site boundary line.

The **western boundary** of the Site is the existing Aerovox western property line.

The “Site” referred to herein is physically separate and distinct from the New Bedford Harbor Superfund Site.



**APPENDIX C.1.**

\_\_\_\_\_, 201\_

Regional Financial Management Officer  
U.S. Environmental Protection Agency  
Region 1, New England  
5 Post Office Square, Suite 100  
Boston, Massachusetts 02109

**Re: In the Matter of New Bedford Harbor Superfund Site, Upper and Lower Harbor Operable Unit; AVX Corporation, Respondent; Proceeding Under Section 106(a) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. § 9606(a))**

Dear Sir/Madam:

I am the Chief Financial Officer of AVX Corporation, 1 AVX Boulevard, Fountain Inn, SC 29644 (the "Company"). This letter is in support of the Company's use of a financial test to demonstrate financial assurance for the obligations of the Company under that certain Supplemental Consent Decree (the "Consent Decree"), dated \_\_\_\_\_, Docket No. \_\_\_\_\_ between the Company and the United States and the Commonwealth of Massachusetts entered pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, U.S.C. § 9601 *et seq.* ("CERCLA"). This letter confirms the Company's satisfaction of certain financial criteria, as set forth more fully below, that makes the Company eligible to utilize the financial test as financial assurance under the Consent Decree.

1. The dollar amount of financial assurance required by Paragraph 11 of the Consent Decree and covered by the Company's use of the financial test is \$232,900,000.
2. The Company is a signatory to the following CERCLA settlements (other than the Consent Decree) under which the Company is providing financial assurance to EPA through the use of a financial test. The total dollar amount of such financial assurance covered by a financial test is equal, in the aggregate, to \$5,380,000, and is shown for each such settlement as follows:
  - Olean Superfund Site: \$380,000; and
  - Sullivan's Ledge Superfund Site, Operable Unit 2: \$5,000,000.
3. The Company is the owner and/or operator of the following facilities for which the Company has demonstrated financial assurance through a financial test, including but not limited to hazardous waste Treatment, Storage, and Disposal ("TSD") facilities under 40 CFR parts 264 and 265, Municipal Solid Waste Landfill ("MSWLF") facilities under 40 CFR part 258, Underground Injection Control ("UIC") facilities under 40 CFR part 144, Underground Storage Tank ("UST") facilities under 40 CFR part 280, and Polychlorinated Biphenyl

Regional Financial Management Officer  
 U.S. Environmental Protection Agency  
 Region 1, New England  
 \_\_\_\_\_, 201\_

Page 2

(“PCB”) storage facilities under 40 CFR part 761. The total dollar amount of such financial assurance covered by a financial test is equal, in the aggregate, to \$0.00, and is shown for each such facility as follows: NONE.

4. The Company guarantees the CERCLA settlement obligations and/or the MSWLF, TSD, UIC, UST, PCB, and/or other facility obligations of the following guaranteed parties. The total dollar amount of such CERCLA settlement and regulated facility obligations so guaranteed is equal, in the aggregate, to \$0.00, and is shown for each such settlement and/or facility as follows: NONE.
5. The Company is required to file a Form 10K with the Securities and Exchange Commission (“SEC”) for the Company’s latest fiscal year.
6. The Company’s fiscal year ends on March 31. I hereby certify that the figures for the following items marked with an asterisk are derived from the Company’s independently audited, year-end financial statements for its latest completed fiscal year, ended March 31, 2012, and further certify as follows:

(\$ in millions)

A.	The aggregate total of the dollar amounts shown in Paragraphs 1 through 4 above equals: .....	\$238.3
B.	Company’s total liabilities equal [if any portion of the aggregate dollar amount from line A is included in total liabilities, you may deduct the amount of that portion from this line and add that amount to lines C and D]: .....	\$347.3*
C.	Company’s tangible net worth [2,120.8* - 162.7* - 78.2*] equals: .....	\$1,879.9*
D.	Company’s net worth equals: .....	\$2,120.8*
E.	Company’s current assets equal: .....	\$1,727.1*
F.	Company’s current liabilities equal: .....	\$297.1*
G.	Company’s net working capital [1,727.1* – 297.1*] equals: .....	\$1,430.0*
H.	Sum of Company’s net income plus depreciation, depletion, and amortization [152.8* + 46.9*] equals: .....	\$199.7*

Regional Financial Management Officer  
U.S. Environmental Protection Agency  
Region 1, New England

\_\_\_\_\_, 201\_

Page 3

- I. Company's total assets in the U.S. equal (required only if less than 90% of Company's assets are located in the U.S.):..... \$1,768.9
- J. Is line C at least \$10 million? (Yes/No):..... Yes
- K. Is line C at least 6 times line A? (Yes/No):..... Yes
- L. Is line G at least 6 times line A? (Yes/No):..... Yes
- M. Are at least 90% of Company's assets located in the U.S.? (Yes/No):..... No  
If "No," complete line N.
- N. Is line I at least 6 times line A? (Yes/No): ..... Yes
- O. Is line B divided by line D less than 2.0? (Yes/No):..... Yes
- P. Is line H divided by line B greater than 0.1? (Yes/No):..... Yes
- Q. Is line E divided by line F greater than 1.5? (Yes/No):..... Yes

I hereby certify that, to the best of my knowledge after thorough investigation, the information contained in this letter is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

Very truly yours,

Kurt P. Cummings  
Chief Financial Officer  
Vice President, Treasurer and Secretary  
\_\_\_\_\_, 201\_

[NOTARY BLOCK]

Regional Financial Management Officer  
U.S. Environmental Protection Agency  
Region 1, New England  
\_\_\_\_\_, 201\_

Page 4

cc:

Mr. Curt Spalding  
Regional Administrator  
U.S. Environmental Protection Agency  
Region 1, New England  
5 Post Office Square, Suite 100  
Boston, Massachusetts 02109

Chief Financial Officer  
MassDEP  
One Winter Street  
Boston, Massachusetts 02108

2131504.3



**CERCLA Financial Assurance Financial Test:  
Sample CFO Letter (for Test Alternative 1)**

[PRP Letterhead]

[Address Block]

[Date]

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dear [\_\_\_\_\_]:

I am the chief financial officer of [name and address of PRP] (the “Company”). This letter is in support of the Company’s use of a financial test to demonstrate financial assurance for the obligations of the Company under that certain [Consent Decree (the “Consent Decree”)], dated \_\_\_\_\_, \_\_\_\_\_, Docket No. [\_\_\_\_\_], between the PRP and EPA, entered pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9607 et seq. (“CERCLA”). This letter confirms the Company’s satisfaction of certain financial criteria, as set forth more fully below, that makes the Company eligible to utilize the financial test as financial assurance under the Consent Decree.

*[Fill out the following five paragraphs regarding CERCLA settlements, RCRA facilities, TSCA facilities, SDWA facilities, and associated financial assurance requirements. If the Company has no CERCLA settlement or RCRA/TSCA/SDWA facility obligations that belong in a particular paragraph, write “None” in the space indicated. For each settlement and facility, include its settlement Docket No. or EPA Identification Number, as the case may be, and the financial assurance dollar amount associated with such settlement and/or facility.]*

1. The dollar amount of financial assurance required by Paragraph [\_\_\_\_] of the Consent Decree and covered by the Company’s use of the financial test is [\$\_\_\_\_\_].
2. The Company is a signatory to the following CERCLA settlements (other than the Consent Decree) under which the Company is providing financial assurance to EPA through the use of a financial test. The total dollar amount of such financial assurance covered by a financial test is equal, in the aggregate, to [\$\_\_\_\_\_], and is shown for each such settlement as follows:
3. The Company is the owner and/or operator of the following facilities for which the Company has demonstrated financial assurance through a financial test, including but not limited to hazardous waste Treatment, Storage, and Disposal (“TSD”) facilities under

40 CFR parts 264 and 265, Municipal Solid Waste Landfill (“MSWLF”) facilities under 40 CFR part 258, Underground Injection Control (“UIC”) facilities under 40 CFR part 144, Underground Storage Tank (“UST”) facilities under 40 CFR part 280, and Polychlorinated Biphenyl (“PCB”) storage facilities under 40 CFR part 761. The total dollar amount of such financial assurance covered by a financial test is equal, in the aggregate, to [\$\_\_\_\_\_], and is shown for each such facility as follows:

4. The Company guarantees the CERCLA settlement obligations and/or the MSWLF, TSD, UIC, UST, PCB, and/or other facility obligations of the following guaranteed parties. The total dollar amount of such CERCLA settlement and regulated facility obligations so guaranteed is equal, in the aggregate, to [\$\_\_\_\_\_], and is shown for each such settlement and/or facility as follows:

5. The Company [insert “is required” or “is not required”] to file a Form 10K with the Securities and Exchange Commission (“SEC”) for the Company’s latest fiscal year.

6. The Company’s fiscal year ends on [month, day]. I hereby certify that the figures for the following items marked with an asterisk are derived from the Company’s independently audited, year-end financial statements for its latest completed fiscal year, ended [date], and further certify as follows:

A. The aggregate total of the dollar amounts shown in Paragraphs 1 through 4 above equals [\$\_\_\_\_\_].

\*B. Company’s total liabilities equal [if any portion of the aggregate dollar amount from line A is included in total liabilities, you may deduct the amount of that portion from this line and add that amount to lines C and D]: [\$\_\_\_\_\_]

\*C. Company’s tangible net worth equals: [\$\_\_\_\_\_]

\*D. Company’s net worth equals: [\$\_\_\_\_\_]

\*E. Company’s current assets equal: [\$\_\_\_\_\_]

\*F. Company’s current liabilities equal: [\$\_\_\_\_\_]

G. Company’s net working capital [line E minus line F] equals: [\$\_\_\_\_\_]

\*H. Sum of Company’s net income plus depreciation, depletion, and amortization equals: [\$\_\_\_\_\_]

\*I. Company’s total assets in the U.S. equal (required only if less than 90% of Company’s assets are located in the U.S.): [\$\_\_\_\_\_]

J. Is line C at least \$10 million? (Yes/No): [ \_\_\_\_\_]

K. Is line C at least 6 times line A? (Yes/No): [\_\_\_\_]

L. Is line G at least 6 times line A? (Yes/No): [\_\_\_\_]

\*M. Are at least 90% of Company's assets located in the U.S.? (Yes/No): [\_\_\_\_]  
If "No," complete line N.

N. Is line I at least 6 times line A? (Yes/No): [\_\_\_\_]

O. Is line B divided by line D less than 2.0? (Yes/No): [\_\_\_\_]

P. Is line H divided by line B greater than 0.1? (Yes/No): [\_\_\_\_]

Q. Is line E divided by line F greater than 1.5? (Yes/No): [\_\_\_\_]

I hereby certify that, to the best of my knowledge after thorough investigation, the information contained in this letter is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

\_\_\_\_\_ [Signature]

\_\_\_\_\_ [Name]

\_\_\_\_\_ [Title]

\_\_\_\_\_ [Date]

[NOTARY BLOCK]

**CERCLA Financial Assurance Financial Test:  
Sample CPA Report (for Test Alternative 1)**

[CPA Letterhead]

**Independent Accountants' Report  
on Applying Agreed-Upon Procedures**

To the Board of Directors and Management of [\_\_\_\_\_]:

We have performed the procedures outlined below, which were agreed to by [PRP] (the "Company"), to assist the Company in confirming selected financial data contained in the attached letter from [\_\_\_\_\_], the Company's Chief Financial Officer, dated [\_\_\_\_\_], to the Regional Administrator, United States Environmental Protection Agency, Region [ ] (the "CFO Letter"). We have been advised by the Company that the CFO Letter has been or will be submitted to the United States Environmental Protection Agency ("EPA") in support of the Company's use of a financial test to demonstrate financial assurance for the Company's obligations under that certain Consent Decree (the "Consent Decree"), dated \_\_\_\_\_, \_\_\_\_\_, Docket No. [\_\_\_\_\_], between the Company and EPA. The procedures outlined below were performed solely to assist the Company in complying with the financial assurance requirements contained in the Consent Decree.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our associated findings are as follows:

1. We confirm that we have audited the consolidated financial statements of the Company as of and for the fiscal year ended [December 31, 200\_] in accordance with U.S. generally accepted accounting principles (such audited, consolidated financial statements, the "Audited Financials"). Our report dated [\_\_\_\_\_], with respect thereto, is included in the Company's [200\_] Annual Report on Form 10-K.
2. Using data set forth in the Audited Financials, we calculated the amount of the Company's total liabilities as of [December 31, 200\_] as [\$\_\_\_\_\_], by [adding total current liabilities of [\$\_\_\_\_\_] to total non-current liabilities of [\$\_\_\_\_\_]]. We compared the amount of the Company's total liabilities as so calculated with the amount set forth in Line 6(B) of the CFO Letter ("Total Liabilities"), and found such amounts to be in agreement.

3. Using data set forth in the Audited Financials, we calculated the amount of the Company's tangible net worth as of [December 31, 200\_] as [\$\_\_\_\_\_], by [subtracting the amount of net intangible assets of [\$\_\_\_\_\_] from the amount of total stockholders' equity of [\$\_\_\_\_\_]]. We compared the amount of the Company's tangible net worth as so calculated with the amount set forth in Line 6(C) of the CFO Letter ("Tangible Net Worth"), and found such amounts to be in agreement.
4. We compared the amount of the Company's net worth as of [December 31, 200\_], as defined and set forth in the Audited Financials and as calculated therein as [\$\_\_\_\_\_], with the amount set forth in Line 6(D) of the CFO Letter ("Net Worth"), and found such amounts to be in agreement.
5. We compared the amount of the Company's total current assets as of [December 31, 200\_], as defined and set forth in the Audited Financials and as calculated therein as [\$\_\_\_\_\_], with the amount set forth in Line 6(E) of the CFO Letter ("Current Assets"), and found such amounts to be in agreement.
6. We compared the amount of the Company's total current liabilities as of [December 31, 200\_], as defined and set forth in the Audited Financials and as calculated therein as [\$\_\_\_\_\_], with the amount set forth in Line 6(F) of the CFO Letter ("Current Liabilities"), and found such amounts to be in agreement.
7. Using data set forth in the Audited Financials, we calculated the amount of the Company's net working capital as of [December 31, 200\_] as [\$\_\_\_\_\_], by [subtracting total current liabilities of [\$\_\_\_\_\_] from total current assets of [\$\_\_\_\_\_]]. We compared the amount of the Company's net working capital as so calculated with the amount set forth in Line 6(G) of the CFO Letter ("Net Working Capital"), and found such amounts to be in agreement.
8. Using data set forth in the Audited Financials, we calculated the sum of the Company's net income plus depreciation, depletion, and amortization as of [December 31, 200\_] as [\$\_\_\_\_\_], by [adding depreciation, depletion, and amortization of property and intangibles of [\$\_\_\_\_\_] to net income of [\$\_\_\_\_\_]]. We compared the sum of the Company's net income plus depreciation, depletion, and amortization as so calculated with the amount set forth in Line 6(H) of the CFO Letter ("Net Income Plus Depreciation, Depletion, and Amortization"), and found such amounts to be in agreement.

9. We compared the amount of the Company's total assets located in the United States as of [December 31, 200\_] of [\$\_\_\_\_\_] (as such amount was derived by the Company from its underlying accounting records that support the Audited Financials and notified to us in writing) with the amount set forth in Line 6(I) of the CFO Letter, and found such amounts to be in agreement. **OR** We calculated the percentage of Company assets located in the United States as of [December 31, 200\_] by dividing the amount of the Company's total assets located in the United States of [\$\_\_\_\_\_] (as such amount was derived by the Company from its underlying accounting records that support the Audited Financials and notified to us in writing) by the amount of the Company's total assets as defined and set forth in the Audited Financials, and found such percentage to be greater than 90%.

10. Our calculation of the amount of the Company's tangible net worth (as set forth in Line 3 above) is [greater to or equal than] [less than] \$10 million.

11. The dollar amount identified in Line 6(A) of the CFO Letter is hereinafter referred to as the "Financial Assurance Amount." Our calculation of the amount of the Company's tangible net worth (as set forth in Line 3 above) is [greater to or equal than] [less than] an amount calculated as six times the Financial Assurance Amount.

12. Our calculation of the amount of the Company's net working capital (as set forth in Line 7 above) is [greater to or equal than] [less than] an amount calculated as six times the Financial Assurance Amount.

13. [Complete Line 13 only if less than 90% of Company's assets are located in the United States] Our calculation of the amount of the Company's total assets located in the United States (as set forth in Line 9 above) is [greater to or equal than] [less than] an amount calculated as six times the Financial Assurance Amount.

14. Our calculation of the amount of the Company's total liabilities (as set forth in Line 2 above) divided by our calculation of the amount of the Company's net worth (as set forth in Line 4 above) is [greater than] [less than] 2.0.

15. Our calculation of the sum of the Company's net income plus depreciation, depletion, and amortization (as set forth in Line 8 above) divided by our calculation of the amount of the Company's total liabilities (as set forth in Line 2 above) is [greater than] [less than] 0.1.

16. Our calculation of the amount of the Company's total current assets (as set forth in Line 5 above) divided by our calculation of the amount of the Company's total current liabilities (as set forth in Line 6 above) is [greater than] [less than] 1.5.

The foregoing agreed-upon procedures do not constitute an audit of the Company's financial statements or any part thereof, the objective of which is the expression of

opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had be performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and Management of the Company and is not intended to be and should not be used by anyone other than these specified parties; provided, however, that we acknowledge and agree that the Company may provide this report to the United States Environmental Protection Agency in support of the Company's financial assurance demonstration under the Consent Decree.

\_\_\_\_\_ [Signature]

\_\_\_\_\_ [Name]

\_\_\_\_\_ [Date]

**APPENDIX C.4.**

\_\_\_\_\_, 201\_

Regional Financial Management Officer  
U.S. Environmental Protection Agency  
Region 1, New England  
5 Post Office Square, Suite 100  
Boston, Massachusetts 02109

**Re: In the Matter of New Bedford Harbor Superfund Site, Upper and Lower Harbor Operable Unit; AVX Corporation, Respondent; Proceeding Under Section 106(a) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. § 9606(a))**

Dear Sir/Madam:

I hereby certify, based on AVX Corporation's [insert reference to the most recent financial statements] and based on a reasonable inquiry, that I am not aware of any transactions or events likely to arise between today and the end of the AVX's current fiscal quarter ending on [insert date] that will materially impair AVX's ability to make the payments on the outstanding balance due under Paragraph 7 of the Supplemental Consent Decree.

I certify that the information contained in this letter is true, accurate and complete. I am aware that there are significant penalties for submitting false information including the possibility of fine and imprisonment for knowing violations.

Very truly yours,

Kurt P. Cummings  
Chief Financial Officer  
Vice President, Treasurer and Secretary  
\_\_\_\_\_, 201\_

cc:

Mr. Curt Spalding  
Regional Administrator  
U.S. Environmental Protection Agency  
Region 1, New England  
5 Post Office Square, Suite 100  
Boston, Massachusetts 02109

Chief Financial Officer  
MassDEP  
One Winter Street  
Boston, Massachusetts 02108

**CERTIFICATION**

I, Goro Yamaguchi, 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 28, 2013

/s/ GORO YAMAGUCHI

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Name: Goro Yamaguchi  
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 28, 2013

/s/ SHOICHI AOKI

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Name: Shoichi Aoki  
Title: Director, Managing Executive Officer  
and General Manager of  
Corporate Financial and Accounting Group  
(Principal Financial Officer)





**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (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 27, 2013 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers Kyoto

Kyoto, Japan  
June 27, 2013