

**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, 2015
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_
- OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Date of event requiring this shell company report

Commission file number: 1-7952

**Kyocera Kabushiki Kaisha**

(Exact name of Registrant as specified in its charter)

**Kyocera Corporation**

(Translation of Registrant's name into English)

Japan  
(Jurisdiction of incorporation or organization)

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

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

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

Title of Each Class  
Common Stock (Shares)\*

Name of Each Exchange On Which Registered  
New York Stock Exchange

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

None  
(Title of Class)

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

None  
(Title of Class)

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

As of March 31, 2015, 366,861,356 shares of common stock were outstanding, comprised of 363,267,929 Shares and 3,593,427 American Depositary Shares (equivalent to 3,593,427 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.

## TABLE OF CONTENTS

	<b>Page</b>
<u>Cautionary Statement Regarding Forward-Looking Statements</u>	4
<b>PART I</b>	6
<u>Item 1. Identity of Directors, Senior Management and Advisers</u>	6
<u>Item 2. Offer Statistics and Expected Timetable</u>	6
<u>Item 3. Key Information</u>	6
<u>A. Selected Financial Data</u>	6
<u>B. Capitalization and Indebtedness</u>	7
<u>C. Reasons for the Offer and Use of Proceeds</u>	7
<u>D. Risk Factors</u>	7
<u>Item 4. Information on Kyocera Corporation and its Consolidated Subsidiaries</u>	15
<u>A. History and Development of Kyocera Corporation and its Consolidated Subsidiaries</u>	15
<u>B. Business Overview</u>	16
<u>C. Organizational Structure</u>	23
<u>D. Property, Plants and Equipment</u>	26
<u>Item 4A. Unresolved Staff Comments</u>	28
<u>Item 5. Operating and Financial Review and Prospects</u>	28
<u>A. Operating Results</u>	28
<u>B. Liquidity and Capital Resources</u>	51
<u>C. Research and Development, Patents and Licenses, etc.</u>	56
<u>D. Trend Information</u>	58
<u>E. Off-Balance Sheet Arrangements</u>	58
<u>F. Tabular Disclosure of Contractual Obligations</u>	59
<u>Item 6. Directors, Senior Management and Employees</u>	60
<u>A. Directors and Senior Management</u>	60
<u>B. Compensation</u>	64
<u>C. Board Practices</u>	65
<u>D. Employees</u>	66
<u>E. Share Ownership</u>	68
<u>Item 7. Major Shareholders and Related Party Transactions</u>	69
<u>A. Major Shareholders</u>	69
<u>B. Related Party Transactions</u>	70
<u>C. Interests of Experts and Counsel</u>	70
<u>Item 8. Financial Information</u>	71
<u>A. Consolidated Statements and Other Financial Information</u>	71
<u>B. Significant Changes</u>	71
<u>Item 9. The Offer and Listing</u>	72
<u>A. Offer and Listing Details</u>	72
<u>B. Plan of Distribution</u>	73
<u>C. Markets</u>	73
<u>D. Selling Shareholders</u>	73
<u>E. Dilution</u>	74
<u>F. Expenses of the Issue</u>	74
<u>Item 10. Additional Information</u>	74
<u>A. Share Capital</u>	74
<u>B. Memorandum and Articles of Association</u>	74
<u>C. Material Contracts</u>	84
<u>D. Exchange Controls</u>	84
<u>E. Taxation</u>	84
<u>F. Dividends and Paying Agents</u>	88
<u>G. Statement by Experts</u>	88

H.	<a href="#">Documents on Display</a>	89
I.	<a href="#">Subsidiary Information</a>	89
Item 11.	<a href="#">Quantitative and Qualitative Disclosures about Market Risk</a>	90
Item 12.	<a href="#">Description of Securities Other than Equity Securities</a>	92
A.	<a href="#">Debt Securities</a>	92
B.	<a href="#">Warrants and Rights</a>	92
C.	<a href="#">Other Securities</a>	92
D.	<a href="#">American Depositary Shares</a>	92
<b>PART II</b>		94
Item 13.	<a href="#">Defaults, Dividend Arrearages and Delinquencies</a>	94
Item 14.	<a href="#">Material Modification to the Rights of Security Holders and Use of Proceeds</a>	94
Item 15.	<a href="#">Controls and Procedures</a>	94
Item 16.	<a href="#">[Reserved]</a>	94
Item 16A.	<a href="#">Audit Committee Financial Expert</a>	94
Item 16B.	<a href="#">Code of Ethics</a>	95
Item 16C.	<a href="#">Principal Accountant Fees and Services</a>	95
Item 16D.	<a href="#">Exemptions from the Listing Standards for Audit Committees</a>	97
Item 16E.	<a href="#">Purchases of Equity Securities by the Issuer and Affiliated Purchasers</a>	98
Item 16F.	<a href="#">Change in Registrant’s Certifying Accountant</a>	98
Item 16G.	<a href="#">Corporate Governance</a>	98
Item 16H.	<a href="#">Mine Safety Disclosure</a>	101
<b>PART III</b>		102
Item 17.	<a href="#">Financial Statements</a>	102
Item 18.	<a href="#">Financial Statements</a>	102
Item 19.	<a href="#">Exhibits</a>	103

## Cautionary Statement Regarding Forward-Looking Statements

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

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

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

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

## **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 2015” refers to Kyocera’s fiscal year ended March 31, 2015, 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.

	2011	2012	2013	2014	2015
(Yen in millions and shares in thousands, except per share amounts)					
<b>For the years ended March 31:</b>					
Net sales	¥ 1,266,924	¥ 1,190,870	¥ 1,280,054	¥ 1,447,369	¥ 1,526,536
Profit from operations	155,924	97,675	76,926	120,582	93,428
Net income attributable to shareholders of Kyocera Corporation	122,448	79,357	66,473	88,756	115,875
<b>Earnings per share:</b>					
Net income attributable to shareholders of Kyocera Corporation:					
Basic	¥ 333.62	¥ 216.29	¥ 181.18	¥ 241.93	¥ 315.85
Diluted	333.62	216.29	181.18	241.93	315.85
Weighted average number of shares outstanding:					
Basic	367,034	366,902	366,884	366,872	366,864
Diluted	367,034	366,902	366,884	366,872	366,864
<b>Cash dividends declared per share:</b>					
Per share of common stock	¥ 65	¥ 60	¥ 60	¥ 80	¥ 100
Per share of common stock*	\$ 0.79	\$ 0.75	\$ 0.66	\$ 0.78	\$ 0.81
<b>At March 31:</b>					
Total assets	¥ 1,946,566	¥ 1,994,103	¥ 2,282,853	¥ 2,636,704	¥ 3,021,184
Long-term debt	24,538	21,197	20,855	19,466	17,881
Common stock	115,703	115,703	115,703	115,703	115,703
Kyocera Corporation shareholders' equity	1,420,263	1,469,505	1,646,157	1,910,083	2,215,319
Total equity	1,483,359	1,534,241	1,714,942	1,987,226	2,303,623
<b>Depreciation</b>	¥ 59,794	¥ 62,374	¥ 63,119	¥ 65,760	¥ 62,413
<b>Capital expenditures</b>	¥ 70,680	¥ 66,408	¥ 56,688	¥ 56,611	¥ 56,670

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

“Earnings per share” and “Cash dividends declared per share” are calculated under the assumption that the stock split undertaken by Kyocera Corporation on October 1, 2013 had been undertaken at the beginning of the year ended March 31, 2011. For details of the stock split, please refer to “Capital Stock” in Item 10.B. “Memorandum and Articles of Association” of this annual report on Form 20-F on page 76.

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:

<b>For the years ended March 31,</b>	<b>High</b>	<b>Low</b>	<b>Average</b>	<b>Period-end</b>
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
2014	105.25	92.96	100.15	102.98
2015	121.50	101.26	109.75	119.96
<b>For most recent six months</b>				
December 2014	121.38	117.28	119.32	119.85
January 2015	120.20	116.78	118.25	117.44
February 2015	120.38	117.33	118.76	119.72
March 2015	121.50	119.01	120.39	119.96
April 2015	120.36	118.80	119.51	119.86
May 2015	124.18	119.09	120.80	123.98

The noon buying rate for Japanese yen on June 19, 2015 was \$1.00 = 122.70

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

Not applicable.

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

Not applicable.

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

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

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

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

Kyocera conducts business not only in Japan but also around the world and provides products for a variety of markets such as the digital consumer equipment, industrial machinery, automotive and environmental and energy-related markets. In the year ending March 31, 2016 (“fiscal 2016”), the Japanese economy is expected to head toward recovery as personal consumption and private capital investment rebound. Overseas, the European economy is expected to continue expanding moderately while the U.S. economy is forecast to continue growing steadily. However, in the event that the economies of respective countries around the world deteriorate beyond expectations, a reduction in private capital investment and a decline in personal consumption may affect production activities in Kyocera’s key markets. This may in turn lead to a decline in Kyocera’s business environment, consolidated results of operations, financial condition and cash flows.

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

A substantial amount of Kyocera's investment has been targeted towards expanding manufacturing and sales channels located outside Japan, such as in the United States, Europe and Asia, which includes China and Vietnam. Kyocera faces a variety of potential risks in international activities. Kyocera may encounter unexpected legal or regulatory changes due to unfavorable political or economic factors such as control on trade, restriction on investment, restriction on repatriation and transfer pricing issue. Kyocera may also have difficulties in human resources and managing operations at its international locations. As developing and emerging markets such as Brazil, Russia, India and China, become considerably more important, Kyocera may become even more susceptible to these risks.

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

Kyocera's sales to customers located outside Japan accounted for approximately 58% of its total revenues in fiscal 2015. 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 2015 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) Fluctuations in the price and ability of suppliers to provide the required quantity of raw materials for use in Kyocera's production activities***

Raw materials used in the production activities of Kyocera's respective businesses are constantly subject to price fluctuations, and as such, rising raw material prices may lead to an increase in production costs. Kyocera cannot guarantee that it will be able to maintain an appropriate differential between customer prices and Kyocera's raw material and production costs at all times, which could lead to reduced profitability. Under U.S. GAAP, Kyocera has recorded a write down in the carrying value of its raw material inventory to the lower of cost or market price and may be required to undertake further write downs in the future. Such write downs are required when the cost of inventory exceeds its estimated net realizable value, which represents estimated selling prices in the ordinary course of business less reasonably predictable costs of production, disposal and transport.

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

In order to attempt to ensure stable procurement and prices for certain raw materials, Kyocera on occasion enters into long-term purchase agreements with the aim of reducing the risk associated with the procurement of such raw materials. However, considerable changes in the business environment and other factors may cause the contract price under a purchase agreement to significantly exceed the market price, or may cause the amount of such raw materials that Kyocera consumes to significantly fall short of the sales demand projections made at the time Kyocera entered into, which are thus underlying, the agreement. Such developments may adversely affect Kyocera's production costs and profitability.

Kyocera has entered into long-term purchase agreements with a few specific suppliers for purchasing polysilicon material used in its solar energy business. Under those agreements, during the year ended March 31, 2015, Kyocera purchased ¥30,644 million worth of such material and is obligated to purchase ¥209,232 million worth of such material in total by the end of December 2020. Such purchase commitments are evaluated for impairment under a similar methodology to inventory on hand. Based on the levels of reasonably projected demand and pricing, Kyocera's commitments have not been impaired, but there is the possibility it will become impaired in the future.

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

Kyocera ordinarily outsources the fabrication of certain components and sub-assemblies of its products, often to sole source suppliers or a limited number of suppliers. Several suppliers have manufacturing processes which are very complex and require a long lead-time. Kyocera may be affected by occasional delays in obtaining components and sub-assemblies. Kyocera's production of 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. Moreover, in certain operations of which fixed cost ratio is high, decreases in production volume or capacity utilization may adversely affect Kyocera's results of operation, financial condition and cash flows.

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

As 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.

***(9) 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 or changes to Kyocera's customers' policies could lengthen development schedules and result in lower revenues based on the products or technologies developed from these initiatives. There can be no assurance that the products derived from Kyocera's in-process research and development activities will achieve desired results and market acceptance.

***(10) Companies or assets acquired by Kyocera may require more costs than expected for integration, and may not produce returns or benefits, or bring in anticipated business opportunities***

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

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

Kyocera's future success depends, in part, on its ability to attract and retain certain key personnel, including engineering, operational and management personnel. Kyocera anticipates that it will need to hire additional skilled personnel in all areas of its business. 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**

### ***(12) 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.

### ***(13) 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.

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

***(15) 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**

***(16) 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 from terrorism, outbreaks of disease, war and other similar events. In the case that those events occur, Kyocera's operating activities would be suspended. Furthermore, there would be delay, disorder or suspension in Kyocera's R&D, manufacturing, sales and services. If such delay or disruption occurs and continues for a long period of time, Kyocera's business, consolidated results of operations, financial condition and cash flows may be adversely affected.

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

Kyocera's headquarters and major facilities including plants, sales offices and R&D centers are located not only in Japan but also all over the world. It might be inevitable that Kyocera would suffer from natural disasters such as earthquakes, typhoons, tsunamis, heavy rains, floods, heavy snow or other disasters, as well as manmade disasters such as a major industrial accident affecting one of our facilities. For instance, if a strong earthquake 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**

***(18) 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.

***(19) 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, 2015. 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.

***(20) 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.

***(21) 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.

***(22) 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**

***(23) 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.

***(24) 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.

***(25) 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.

***(26) 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.

***(27) 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.

***(28) We believe Kyocera Corporation was not a passive foreign investment company (PFIC) in fiscal 2015. However this conclusion is a factual determination that is not free from doubt, and accordingly, there can be no assurances in this regard. Moreover this is a factual determination that is made annually, and thus may be subject to change. If Kyocera Corporation were to be classified as a PFIC, that could result in adverse United States federal income tax consequences to U.S. holders of Kyocera Corporation's shares and ADSs, and may result in adverse United States federal income tax consequences to such holders in subsequent years as well.***

Kyocera Corporation has substantial passive assets in the form of cash and cash equivalents, and investments in debt and equity securities. While we believe that Kyocera was not a PFIC in fiscal 2015, we can provide no assurances in this regard. Nor can we guarantee that Kyocera Corporation will not be classified as a PFIC in future taxable years. The determination of whether Kyocera Corporation a PFIC is principally based upon:

- the composition of Kyocera Corporation's assets, including goodwill, the amount of which will depend, in part, on its total net assets and the market value of its shares and ADSs, which are subject to change; and
- the amount and nature of Kyocera Corporation's income from time to time.

We have limited control over these variables. U.S. investors that hold Kyocera Corporation's shares and ADSs during any taxable year in which Kyocera Corporation is a PFIC may be subject to adverse U.S. federal income tax consequences (and may be subject to adverse U.S. Federal income tax consequences in subsequent years as well). For further discussion of the PFIC rules, please see Item 10 "Additional Information—Taxation—United States Taxation—PFIC Rules" of this annual report on Form 20-F. U.S. investors are urged to consult their own tax advisors regarding the application of the PFIC rules to their particular circumstances.

#### **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 ceramic 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 telecommunication carriers, distributors or directly to customers.

Since 2000, we have further enhanced our position in telecommunications and information equipment market. In February 2000, we acquired the code division multiple access (CDMA) mobile phone handset business from Qualcomm Inc. 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 January 2003 to cultivate the Chinese market through enhancing our marketing ability for both our products manufactured in China as well as our products imported into China. In addition, we established a subsidiary, Kyocera (Tianjin) Solar Energy Co., Ltd., to assemble solar modules, production of which commenced in May 2003, and to 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 2008, Kyocera acquired the mobile phone related business of SANYO Electric Co., Ltd. (currently Panasonic Corporation) to strengthen the Telecommunications Equipment Group.

For further enhancement of the Information Equipment Group, Kyocera 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 became a wholly-owned subsidiary of Kyocera Document Solutions Inc. We established a subsidiary, Kyocera Document Technology Vietnam Company Limited, to produce information equipment for expanding our production capacity and reducing manufacturing cost in July 2011.

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

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

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

In order to strengthen and expand the Kyocera Group's organic substrate business, Kyocera acquired NEC Toppan Circuit Solutions Inc., a printed wiring board (PWB) manufacturing company, and changed its name to Kyocera Circuit Solutions, Inc. in October 2013. Kyocera consolidated Kyocera SLC Technologies Corporation and Kyocera Circuit Solutions, Inc., which develop organic substrate business into Kyocera Circuit Solutions Inc. in October 2014.

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

## **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, 2015, we had 189 subsidiaries and 3 affiliates outside Japan and 26 subsidiaries and 7 affiliates in Japan. Our customers include individuals, corporations, governments and governmental agencies. For information on our sales by category of activity and information on our sales by geographic area and product segment, please see Item 5.A. "Operating Results" of this annual report on Form 20-F.

### ***Operations***

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 Manufacturing Equipment  
Information and Telecommunication Components  
General Industrial Machinery Components  
Sapphire Substrates  
Automotive Components

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 as well as zirconia, utilizing their characteristics of heat and corrosion resistance.

#### (2) Semiconductor Parts Group

Ceramic Packages  
Organic Multilayer Substrates  
Multilayer Printed Wiring Boards

Kyocera develops, manufactures and sells both inorganic (ceramic) and organic packages and multilayer printed wiring boards for various electronic components and devices such as crystal components, SAW devices and CMOS/CCD sensors, and for communication infrastructures and computers.

#### (3) Applied Ceramic Products Group

Solar Power Generating Systems, Power Storage Systems  
Cutting Tools, Micro Drills  
Medical and Dental Implants  
Jewelry and Applied Ceramic Related Products

This reporting segment consists of four product lines through applying fine ceramic technologies: Solar Energy Products, Cutting Tools, Medical and Dental Implants, Jewelry and Applied Ceramic Related Products. Kyocera develops, manufactures and sells monocrystalline and multicrystalline silicon solar modules and solar generating system for commercial and residential uses, cutting tools used in metal processing in industrial manufacturing, medical and dental implant products including prosthetic joints and dental prosthetics, and recrystallized jewelry and applied ceramic related products such as kitchen accessories.

#### (4) Electronic Device Group

Capacitors  
SAW Devices  
Crystal Components  
Connectors  
Liquid Crystal Displays  
Printing Devices

This reporting segment develops, manufactures and sells electronic components and devices such as capacitors, SAW devices, crystal components, and connectors mainly for information and communications market and liquid crystal displays mainly for industrial machinery and automotive markets.

#### (5) Telecommunications Equipment Group

Mobile Phones  
PHS Handsets, PHS Base Stations  
M2M Modules

Kyocera develops, manufactures and sells mobile phones such as smartphones, feature phones mainly for telecommunications carriers in Japan and the U.S. Kyocera also develops, manufactures and sells PHS handsets and base stations mainly for a telecommunications carrier in Japan.

#### (6) Information Equipment Group

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

This reporting segment develops, manufactures and sells page printers and multifunctional products which focus on attaining the characteristics of long life cycle and lower running cost by using amorphous silicon photoreceptor drums developed by Kyocera Corporation. Kyocera also provides document solution services globally for optimizing customers' document imaging environments through providing business applications that seamlessly integrate with IT systems, including mobile devices and the cloud computing systems.

#### (7) Others

Information Systems and Telecommunication Services  
Engineering Business  
Management Consulting Business  
Materials for Semiconductors, Chemical Materials  
Realty Development Business

This reporting segment provides the information and communications service and develops, manufactures and sells materials for semiconductors and chemical materials.

#### ***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 in Japan and overseas. In addition, Kyocera sells power storage systems through distributors, franchise chains and home builders in Japan, and has commenced sales through distributors in Europe. Energy management systems are sold to users in Japan through the distributor route and franchise stores of our sales subsidiary in Japan as well as through commercial distribution to housing market participants such as 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 supply mobile phones and smartphones primarily to telecommunications carriers in the Japanese and overseas markets. Our key supply destinations include KDDI Corporation, Softbank Mobile Corp., Sprint Corporation, Verizon Communications Inc., T-Mobile US, Inc. and AT&T Inc.

The Information Equipment Group provides Kyocera brand printers and multifunctional products that boast long life and produce minimal waste, from directly controlled sales companies in 32 countries and globally through sales distributors in more than 140 countries as well as document solutions and business application software that resolves customers' management issues. We are also strengthening our direct sales system which enables us to respond to major customers around the world.

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

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

We purchase a variety of raw materials and other materials for our 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. The main materials supplied for use as key components are chip sets and liquid crystal displays 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 our anticipated requirements for a fixed purchase price.

In fiscal 2015, we procured a sufficient level of raw materials and other materials to carry out our production plans.

Please refer to the “Kyocera Supply-Chain CSR Deployment Guideline” ([http://global.kyocera.com/ecology/social/images/csr\\_guide.pdf](http://global.kyocera.com/ecology/social/images/csr_guide.pdf)) for details on Kyocera’s supply chain management and to the “Conflict Minerals Report” (<http://www.kyocera.co.jp/ir/financial/cmr150529.pdf>) for details on our stance toward conflict minerals.

### **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, 2015, with respect to our significant patents and license agreements.

#### (a) License permitted to produce products

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

#### (b) License—cross agreements

Counterparty	Country	Contents	Period
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 competing companies in this reporting segment differ by region and market, our competition comprises the large ceramic manufacturers in various countries that have strong operations. Kyocera has differentiated itself 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 aim is to strengthen global competitiveness in business for ceramic packages, organic packages and multilayer printed wiring boards (PWBs).

In the ceramic package business, our main competitors are Japanese manufacturers. Kyocera has already become a global market leader. We will strive to further increase customer satisfaction by utilizing our advanced expertise in developing and manufacturing technologies, and promote the application of ceramic packages broadly in the digital consumer equipment market as well as the automotive market, optical communications market, and environment and energy market.

In the organic package and multilayer PWB business, Kyocera produces flip-chip packages and multilayer PWBs with a technically high degree of complexity for high-end communications infrastructure such as servers and routers, and we have become a leading supplier in fields demanding advanced design rules and exceptional reliability. In addition, we will strengthen business competitiveness by developing packages requiring smaller, thinner design for smartphones and mobile terminals, developing new products with component-embedded boards and expanding sales channels.

## (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 competitive advantages in realizing high conversion efficiency and long-term product reliability based on technology backed up by experience accumulated for 40 years in the development of solar power generating products.

Kyocera manufactures monocrystalline and multicrystalline silicon solar cells. Kyocera handles the integrated in-house production of multicrystalline silicon solar cells from silicon ingots to solar modules, which has led to outstanding reliability based on top-level quality control in each manufacturing process. Kyocera not only produces solar cells but also provides from design to construction and after-sales maintenance and has generated top-class results in installing solar power generating systems for public and commercial use in Japan.

Kyocera is also working to expand the scope of the business field in which it does business and strengthen competitiveness by developing a wide range of businesses that include batteries for storing electricity produced in solar power generating systems and an Energy Management System (EMS) that contributes to energy savings by increasing the visibility of power consumption.

In the cutting tool business, 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 materials technology. We are also expanding business in new markets such as the aviation and energy markets and are working to increase our market share by supplying products to a wide variety of markets and increasing our product line-up.

## (4) Electronic Device Group

Kyocera develops and manufactures a wide variety of capacitors, crystal components, connectors, liquid crystal displays and thermal printheads, and sells these products globally for different applications. One of our competitive advantages is that we develop an extensive array of products, not just passive components.

Our main competitors are Japanese manufacturers in this reporting segment. Kyocera is a leading supplier of capacitors, crystal components and connectors for smartphones, while AVX Corporation, our subsidiary, is one of the top suppliers in the tantalum capacitor market.

In the liquid crystal display 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 working to increase our market share in both of these markets. In particular, Kyocera is striving to expand our supply of liquid crystal displays for automotives, one of our areas of competitive strength.

In addition, we have become one of the largest suppliers of thermal printheads that are equipped in various printers such as barcode printers and inkjet printheads for the textile printing industry, and have expanded our share in these markets.

#### (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. Kyocera strives to differentiate itself in this business through products incorporating unique functions using our in-house component technology as well as waterproof and robustness features, which have helped us to expand sales volumes. A key feature of our operation is the development of a wide array of products in the mobile communications field, from simple mobile phones to advanced smartphones and from PHS-related products to Machine-to-Machine (M2M) communications modules.

#### (6) Information Equipment Group

Kyocera sells printers and multifunctional products and provides solution services in the global market. Our competitors are mainly the U.S. and Japanese manufacturers 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) and low power consumption systems. As a result, these products have been differentiated from competitors by lowered running costs and energy consumption. Kyocera utilizes a global distributor network to provide these distinctive products not only to industrialized nations but also to emerging nations, and our various models, from low-speed to high-speed machines, gain market share in each country.

In addition, we provide high-value-added solution services that meet each customer needs through our uniquely-developed solutions platform, "HyPAS" (Hybrid Platform for Advanced Solutions), which enables users to embed various applications in document equipment to 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.

Owing to these strengths, Kyocera has expanded its business in global markets.

#### ***Government Regulation***

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

### *Environmental Regulation*

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

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

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

### *Other Regulation*

Kyocera's subsidiary conducted transactions with Iran-related organizations in fiscal 2014, which Kyocera is required to disclose under Section 13(r) of the Securities Exchange Act of 1934, as amended. TA Triumph-Adler Deutschland GmbH (formerly TA Triumph-Adler Norddeutschland GmbH), a wholly-owned subsidiary of TA Triumph-Adler GmbH, which is a wholly-owned German-based subsidiary of Kyocera Document Solutions Inc., had 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 ended in September 2013. Total sales and interest revenue under this contract were approximately ¥105 thousand and ¥20 thousand, respectively for the six months ended September 30, 2013. The total net profits were substantially less than those amounts. TA Triumph-Adler Deutschland GmbH also had 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 ended in July 2013. Total sales and interest revenue under this contract were approximately ¥21 thousand and ¥5 thousand, respectively for the four months ended July 31, 2013. The total net profits were substantially less than those amounts. Kyocera believes these transactions made by TA Triumph-Adler Deutschland GmbH were conducted in compliance with the applicable laws in Germany.

Kyocera, including the above German subsidiary, did not conduct any transactions with Iran-related organizations in fiscal 2015.

### C. Organizational Structure

We had 225 subsidiaries and affiliates as of March 31, 2015. 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, 2015, with respect to our significant subsidiaries.

Name	Country of Incorporation	Percentage held by Kyocera	Main Business
<b><u>(1) Fine Ceramic Parts Group</u></b>			
Kyocera Industrial Ceramics Corporation	United States	100.00%	Manufacture and sale of fine ceramic-related products and thin film devices
<b><u>(2) Semiconductor Parts Group</u></b>			
Kyocera Circuit Solutions, Inc. *	Japan	100.00%	Development, manufacture and sale of organic multilayer packages and multilayer printed wiring substrates
Shanghai Kyocera Electronics Co., Ltd.	China	100.00%	Manufacture and sale of fine ceramic-related products
Kyocera Vietnam Co., Ltd.	Vietnam	100.00%	Manufacture of fine ceramic-related products
Kyocera America, Inc.	United States	100.00%	Development, manufacture and sale of fine ceramic-related products
<b><u>(3) Applied Ceramic Products Group</u></b>			
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 Precision Tools Korea Co., Ltd.	Korea	90.00%	Manufacture and sale of cutting tools
Kyocera Precision Tools, Inc.	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	100.00%	Development, manufacture and sale of medical material

Name	Country of Incorporation	Percentage held by Kyocera	Main Business
<b>(4) Electronic Device Group</b>			
Kyocera Connector Products Corporation	Japan	100.00%	Development, manufacture and sale of electronic devices
Kyocera Crystal Device Corporation	Japan	100.00%	Development, manufacture and sale of electronic devices
Kyocera Display Corporation	Japan	100.00%	Development, manufacture and sale of electronic devices
Dongguan Shilong Kyocera Co., Ltd.	China	90.00%	Manufacture of cutting tools and electronic devices
AVX Corporation	United States	72.42%	Development, manufacture and sale of electronic devices
<b>(5) Telecommunications Equipment Group</b>			
Kyocera Telecom Equipment (Malaysia) Sdn. Bhd.	Malaysia	100.00%	Manufacture of telecommunications equipment
Kyocera Communications, Inc.	United States	100.00%	Sale of telecommunications equipment
<b>(6) Information Equipment Group</b>			
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 Technology Vietnam Co., Ltd.	Vietnam	100.00%	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

Name	Country of Incorporation	Percentage held by Kyocera	Main Business
<b>(7) Others</b>			
Kyocera Communication Systems Co., Ltd.	Japan	76.30%	Information systems and telecommunication services
Kyocera Chemical Corporation	Japan	100.00%	Development, manufacture and sale of materials for semiconductors
Kyocera Realty Development Co., Ltd.	Japan	100.00%	Real estate services
<b>(8) Regional Holding or Sales Companies</b>			
Kyocera (China) Sales & Trading Corporation	China	90.00%	Sale of fine ceramic-related products, electronic devices 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 and electronic devices mainly in Europe

In addition to the above consolidated subsidiaries, Kyocera had 179 other consolidated subsidiaries as of March 31, 2015. 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, 2015.

\* On October 1, 2014, Kyocera SLC Technologies Corporation absorbed former Kyocera Circuit Solutions, Inc. and changed the company name to Kyocera Circuit Solutions, Inc.

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, four of our directors are members of AVX Corporation's board of directors. Within the Electronic Device Group, we have a close relationship with AVX Corporation in marketing, manufacturing, and research and development, and we are seeking and pursuing synergies to be a leading passive component manufacturer. AVX Corporation posted net income of \$225,871 thousand in fiscal 2015 and its performance contributed significantly to Kyocera's results of operations and financial condition. See Item 5.A. "Operating Results" of this annual report on Form 20-F.

## D. Property, Plants and Equipment

As of March 31, 2015, we had property, plants and equipment with a net book value of ¥261,491 million. During the five years ended March 31, 2015, we invested a total of ¥307,057 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, 2015.

<u>Name of Plant</u>	<u>Location</u>	<u>Status</u>	<u>Floor Space</u> (in thousands of square feet)	<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	386		Fine ceramic parts, Printing devices, Cutting tools
Niigata Shibata Plant	Shibata, Niigata	Owned	324		Organic multilayer substrates, Multilayer printed wiring boards
Tamaki Plant	Watarai, Mie	Owned	341		Information equipment
Shiga Gamo Plant	Higashi-Ohmi, Shiga	Owned	690		Fine ceramic parts, Semiconductor parts
Shiga Yokaichi Plant	Higashi-Ohmi, Shiga	Owned	1,510		Fine ceramic parts, Printing devices, Solar cells, Cutting tools
Shiga Yasu Plant	Yasu, Shiga	Owned	1,810		Solar cells, Liquid crystal displays
Toyama Nyuzen Plant	Shimoniikawa, Toyama	Owned	327		Organic multilayer substrates, Multilayer printed wiring boards
Kyoto Ayabe Plant	Ayabe, Kyoto	Owned	480		Organic multilayer substrates, Multilayer printed wiring boards
Hirakata Plant	Hirakata, Osaka	Owned	593		Information equipment
Kagoshima Sendai Plant	Satsuma-Sendai, Kagoshima	Owned	1,986		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		Printing devices

<u>Name of Plant</u>	<u>Location</u>	<u>Status</u>	<u>Floor Space</u> (in thousands of square feet)	<u>Lease Expires</u>	<u>Principal Products Manufactured</u>
<b><u>United States</u></b>					
Balboa Plant	San Diego, California	Owned	300		Semiconductor parts
Myrtle Beach Plant	Myrtle Beach, South Carolina	Owned	163		Electronic components
Fountain Inn Plant	Fountain Inn, South Carolina	Owned	340		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	542		Electronic components
Uherske Hradiste Plant	Uherske Hradiste	Owned	276		Electronic components
<b><u>China</u></b>					
Tianjin Plant	Tianjin	Owned	520		Electronic components
Tianjin Plant	Tianjin	Owned	308		Solar modules
Shanghai Pudong Plant	Shanghai	Owned	1,026		Semiconductor parts
Zhangjiagang Plant	Zhangjiagang, Jiangsu	Owned	365		Liquid crystal displays
Shilong Plant	Dongguan, Guangdong	Owned	2,331		Information equipment
Shilong Plant	Dongguan, Guangdong	Owned	696		Cutting tools, Liquid crystal displays, Printing devices
<b><u>Thailand</u></b>					
Lamphun Plant	Lamphun	Owned	264		Electronic components
<b><u>Malaysia</u></b>					
Johor Plant	Johor	Owned	315		Telecommunications equipment
<b><u>Vietnam</u></b>					
Hung Yen Plant	Hung Yen	Owned	958		Semiconductor parts
Hai Phong Plant	Hai Phong	Owned	780		Information equipment

## Item 4A. Unresolved Staff Comments

None.

## Item 5. Operating and Financial Review and Prospects

### A. Operating Results

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

### Overview

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

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."

The Japanese economy in fiscal 2015 stagnated on the whole due to a decline in personal consumption as a result of an increase in the consumption tax rate, despite an upward trend in exports and public investment. The European economy posted only moderate growth due to stagnation in capital investment, despite increasing personal consumption. The U.S. economy expanded due mainly to steady growth in personal consumption and housing investment while the Chinese economy also continued to post stable growth.

With regard to the principal markets for Kyocera, demand for smartphones grew in the digital consumer equipment market, and demand expanded in automotive market, mainly in the United States and China. Growth in the solar energy market in Japan slowed, however, due to the end of a government subsidy for introducing solar power generating systems for residential use and the impact of a halt in grid access applications by electric power companies.

During fiscal 2015, Kyocera worked to strengthen production capabilities in Japan and overseas as well as cultivate new markets with the aim of boosting sales in existing businesses. In the Components Business, sales increased mainly in automotive related markets, smartphones, communications infrastructures and various industrial machinery markets. In the Equipment Business, sales increased in overseas markets in particular due to the launch of new products and efforts to secure new customers. As a result, consolidated net sales for fiscal 2015 amounted to ¥1,526,536 million, an increase of ¥79,167 million, or 5.5%, compared with fiscal 2014. This result marked another record high following the record high posted in fiscal 2014.

Profit increased in the Fine Ceramic Parts Group, Semiconductor Parts Group, Electronic Device Group and Information Equipment Group due to higher sales and the effect of cost reductions. Nonetheless, profit from operations decreased by ¥27,154 million, or 22.5%, to ¥93,428 million compared with ¥120,582 million in fiscal 2014 and income before income taxes decreased by ¥24,406 million, or 16.7%, to ¥121,862 million compared with ¥146,268 million in fiscal 2014 due mainly to the write-down of inventories in the Applied Ceramic Products Group and the impairment loss of goodwill in the Telecommunications Equipment Group. Net income attributable to shareholders of Kyocera Corporation increased by ¥27,119 million, or 30.6%, to ¥115,875 million compared with ¥88,756 million in fiscal 2014 due primarily to revaluation of deferred tax assets and liabilities in line with a revision of the tax system in Japan resulting in an increase of approximately ¥36,300 million in net income attributable to shareholders of Kyocera Corporation.

For a detail of the revision of the tax system in Japan, please refer to page 32, “Income Taxes” under Item 5. Operating and Financial Review and Prospects.

Average exchange rates for fiscal 2015 were ¥110 to the U.S. dollar, marking depreciation of ¥10 (10.0%) from ¥100 for fiscal 2014, and ¥139 to the Euro, marking depreciation of ¥5 ( 3.7%) from ¥134 for fiscal 2014. As a result of yen’s depreciation mainly to the U.S. dollar and the Euro, net sales and income before income taxes for fiscal 2015 were pushed up by approximately ¥58,000 million and ¥7,000 million, respectively, compared with fiscal 2014.

## **Results of Operations**

### ***Fiscal 2015 compared with Fiscal 2014***

The following table shows a summary of Kyocera’s results of operations for fiscal 2014 and fiscal 2015:

	Years ended March 31,				Increase (Decrease)	
	2014		2015		Amount	%
	Amount	%	Amount	%		
	(Yen in millions)					
Net sales	¥1,447,369	100.0	¥1,526,536	100.0	¥79,167	5.5
Cost of sales	1,068,465	73.8	1,137,137	74.5	68,672	6.4
Gross profit	378,904	26.2	389,399	25.5	10,495	2.8
Selling, general and administrative expenses	258,322	17.9	295,971	19.4	37,649	14.6
Profit from operations	120,582	8.3	93,428	6.1	(27,154)	(22.5)
Interest and dividend income	18,172	1.3	22,783	1.5	4,611	25.4
Interest expense	(1,945)	(0.1)	(1,718)	(0.1)	227	—
Foreign currency transaction gains, net	5,108	0.3	4,499	0.3	(609)	(11.9)
Gains on sales of securities, net	2,875	0.2	505	0.0	(2,370)	(82.4)
Other, net	1,476	0.1	2,365	0.2	889	60.2
	<u>25,686</u>	<u>1.8</u>	<u>28,434</u>	<u>1.9</u>	<u>2,748</u>	<u>10.7</u>
Income before income taxes	146,268	10.1	121,862	8.0	(24,406)	(16.7)
Income taxes	51,254	3.5	(3,441)	(0.2)	(54,695)	—
Net income	95,014	6.6	125,303	8.2	30,289	31.9
Net income attributable to noncontrolling interests	(6,258)	(0.5)	(9,428)	(0.6)	(3,170)	—
Net income attributable to shareholders of Kyocera Corporation	<u>¥ 88,756</u>	<u>6.1</u>	<u>¥ 115,875</u>	<u>7.6</u>	<u>¥27,119</u>	<u>30.6</u>

### **Net Sales**

Net sales in fiscal 2015 increased by ¥79,167 million, or 5.5%, to ¥1,526,536 million, compared with ¥1,447,369 million in fiscal 2014.

Net sales in the Components Business in fiscal 2015 increased by ¥45,319 million, or 5.5%, to ¥870,347 million, compared with ¥825,028 million in fiscal 2014. In the Components Business, sales increased mainly in automotive related markets, smartphones, communications infrastructures and various industrial markets. Net sales in the Equipment Business in fiscal 2015 increased by ¥42,289 million, or 8.6%, to ¥536,886 million, compared with ¥494,597 million in fiscal 2014. In the Equipment Business, sales increased in overseas markets in particular due to the launch of new products and efforts to secure new customers.

Due to the impact of the yen's depreciation against the U.S. dollar and the Euro, net sales after translation into the yen in fiscal 2015 were pushed up by approximately ¥58,000 million, compared with fiscal 2014.

For details regarding net sales, please refer to page 33, "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 2014 and fiscal 2015, 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)	
	2014		2015		Amount	%
	Amount	%	Amount	%		
	(Yen in millions)					
Japan	¥ 643,423	44.4	¥ 643,577	42.2	¥ 154	0.0
Asia	274,512	19.0	301,278	19.7	26,766	9.8
Europe	247,700	17.1	265,323	17.4	17,623	7.1
United States of America	217,230	15.0	248,145	16.2	30,915	14.2
Others	64,504	4.5	68,213	4.5	3,709	5.8
Net sales	<u>¥1,447,369</u>	<u>100.0</u>	<u>¥1,526,536</u>	<u>100.0</u>	<u>¥79,167</u>	<u>5.5</u>

Sales in Japan remained on par with fiscal 2014. Sales increased in the Semiconductor Parts Group and Telecommunications Equipment Group despite a decrease in sales in the Electronic Device Group and solar energy business.

Sales in Asia increased compared with fiscal 2014 due to an increase in sales in the Components Business especially in the Semiconductor Parts Group and Electronic Device Group on the back of an increase in demand in the fields of smartphones, communications infrastructures and automotive related markets, in addition to sales growth in the Information Equipment Group.

Sales in Europe increased compared with fiscal 2014 due to an increase in sales in the Information Equipment Group and in the Electric Device Group.

Sales in the United States of America increased compared with fiscal 2014 due to sales growth in the Telecommunications Equipment Group and Information Equipment Group through efforts to secure new customers and activities to expand sales of new products.

Sales in Others increased compared with fiscal 2014 due to an increase in sales in the Information Equipment Group.

### Cost of Sales and Gross Profit

In fiscal 2015, cost of sales increased by ¥68,672 million, or 6.4%, to ¥1,137,137 million from ¥1,068,465 million in fiscal 2014. This is due mainly to in addition to the costs and expenses increased due to the higher sales and the effect of the yen's depreciation, the impact from the production activity since the beginning of fiscal 2015 from Kyocera Circuit Solutions, Inc., that joined the Kyocera Group in October 2013, and the recording of the loss for inventories and the structural reforms cost in the Solar Energy Business.

Raw material costs of ¥440,840 million accounted for 38.8% of total cost of sales in fiscal 2015, which increased by ¥14,368 million, or 3.4%, from ¥426,472 million in fiscal 2014. Labor costs of ¥207,176 million accounted for 18.2% of total cost of sales in fiscal 2015, which increased by ¥10,932 million, or 5.6%, from ¥196,244 million in fiscal 2014. Depreciation expense of ¥53,087 million accounted for 4.7% of total cost of sales in fiscal 2015, which decreased by ¥2,968 million, or 5.3%, from ¥56,055 million in fiscal 2014.

As a result, gross profit in fiscal 2015 increased by ¥10,495 million, or 2.8%, to ¥389,399 million from ¥378,904 million in fiscal 2014. The gross profit ratio to net sales decreased by 0.7 percentage points from 26.2% to 25.5%.

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

In fiscal 2015, selling, general and administrative expenses increased by ¥37,649 million, or 14.6%, to ¥295,971 million from ¥258,322 million in fiscal 2014. The miscellaneous expenses increased due mainly to in addition to higher sales, the effect of the yen's depreciation and the impairment loss on goodwill in amount of ¥18,456 million was recognized in the Telecommunications Equipment Group ("Reporting Unit").

The impairment loss was due to decline in the fair value of the Reporting Unit determined based on its updated future estimated cash flows, reflecting the slow improvement of profitability in the overseas market, especially in the U.S. market, as well as the operating loss before the impairment loss recorded in the fiscal 2015 in the midst of the market condition with low profitability.

The ratio of selling, general and administrative expenses to net sales was 19.4% in fiscal 2015, an increase of 1.5 percentage points as compared with 17.9% in fiscal 2014.

Labor costs of ¥152,366 million accounted for 51.5% of total selling, general and administrative expenses in fiscal 2015, an increase of ¥10,431 million, or 7.3%, from ¥141,935 million in fiscal 2014. Sales promotion and advertising costs of ¥46,683 million accounted for 15.8% of total selling, general and administrative expenses in fiscal 2015, an increase of ¥789 million, or 1.7%, from ¥45,894 million in fiscal 2014. Depreciation expense of ¥12,975 million accounted for 4.4% of total selling, general and administrative expenses in fiscal 2015, a decrease of ¥658 million, or 4.8%, from ¥13,633 million in fiscal 2014.

As a result, profit from operations in fiscal 2015 decreased by ¥27,154 million, or 22.5%, to ¥93,428 million, compared with ¥120,582 million in fiscal 2014. The operating margin decreased by 2.2 percentage points to 6.1% in fiscal 2015, compared with 8.3% in fiscal 2014.

### **Interest and Dividend Income**

Interest and dividend income in fiscal 2015 increased by ¥4,611 million, or 25.4%, to ¥22,783 million, compared with ¥18,172 million in fiscal 2014. This was due mainly to an increase in dividend income from KDDI Corporation.

### **Interest Expense**

Interest expense in fiscal 2015 decreased by ¥227 million, or 11.7%, to ¥1,718 million, compared with ¥1,945 million in fiscal 2014. This was due mainly to a decrease of the interest expense of the charge for an environmental remediation at AVX Corporation.

### **Foreign Currency Transaction**

During fiscal 2015, the average exchange rate for the yen depreciated by ¥10, or 10.0%, against the U.S. dollar and by ¥5, or 3.7%, against the Euro, as compared with fiscal 2014. At March 31, 2015, the yen depreciated by ¥17, or 16.5%, against the U.S. dollar, and appreciated by ¥12, or 8.5%, against the Euro, as compared with March 31, 2014. Kyocera recorded foreign currency transaction gains of ¥4,499 million in fiscal 2015.

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

## **Gains and Losses from Investments**

Gains on sales of securities in fiscal 2015 decreased by ¥2,370 million, or 82.4%, to ¥505 million, compared with ¥2,875 million in fiscal 2014.

Losses on impairment of securities in fiscal 2015 decreased by ¥107 million, or 98.2%, to ¥2 million, compared with ¥109 million in fiscal 2014.

## **Income before Income Taxes**

Income before income taxes in fiscal 2015 decreased by ¥24,406 million, or 16.7%, to ¥121,862 million compared with ¥146,268 million in fiscal 2014. Margin of income before income taxes against net sales decreased by 2.1 percentage points to 8.0% compared with 10.1% in fiscal 2014.

Profit from operations decreased by ¥27,154 million, or 22.5%, to ¥93,428 million due to the recording of the loss for inventories and the structural reforms cost in the Solar Energy Business, and the recording of the impairment for goodwill, ¥18,456 million in the Telecommunication Business, compared with ¥120,582 million in fiscal 2014. Income before income taxes decreased due to a decrease of profit from operations despite an increase of dividend income. Income before income taxes after translation into the yen for fiscal 2015 was pushed up by approximately ¥7,000 million due to the impact of the yen's depreciation against the U.S. dollar and the Euro compared with fiscal 2014.

Operating profit in the Components Business in fiscal 2015 decreased by ¥10,750 million, or 10.9%, to ¥87,636 million, compared with ¥98,386 million in fiscal 2014. Operating profit in the Equipment Business in fiscal 2015 decreased by ¥15,273 million, or 51.5%, to ¥14,357 million, compared with ¥29,630 million in fiscal 2014.

For a detail of income before income taxes, please refer to page 33, "Business Overview by Reporting Segment."

## **Income Taxes**

Current and deferred income taxes in fiscal 2015 decreased by ¥54,695 million to ¥(3,441) million, compared with ¥51,254 million in fiscal 2014. The effective tax rate of (2.8)% in fiscal 2015 was 37.8 percentage points lower than the effective rate of 35.0% in fiscal 2014.

In accordance with the law "Partial Amendment of the Income Tax Act, etc." (Law No.9 of 2015) enacted in Japan on March 31, 2015, a revised corporation tax rate will be imposed from the annual reporting periods commencing on and after April 1, 2015. As a result of such amendments, the effective Japanese statutory corporate tax rate of 36% previously applied for calculation of the amount of deferred tax assets and deferred tax liabilities has been reduced to 33% with respect to temporary differences to be realized during the annual reporting periods commencing on April 1, 2015, and 32% with respect to temporary differences to be realized during the annual reporting periods commencing on and after April 1, 2016. Due mainly to the fact that Kyocera recognized reversal income taxes in the amount of ¥31,703 million after revaluating deferred tax assets and liabilities in line with the revision of the corporate tax rate, the effective tax rate decreased.

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

Net income attributable to noncontrolling interests in fiscal 2015 increased by ¥3,170 million, or 50.7%, to ¥9,428 million compared with ¥6,258 million in fiscal 2014. This was due mainly to an increase in net income of AVX Corporation, which accounted for approximately 30% of noncontrolling ownership interests in fiscal 2015.

## Business Overview by Reporting Segment

The following table shows a breakdown of Kyocera's total consolidated net sales in fiscal 2014 and fiscal 2015 by the seven reporting segments:

	Years ended March 31,				Increase	
	2014		2015		(Decrease)	
	Amount	%	Amount	%	Amount	%
	(Yen in millions)					
Fine Ceramic Parts Group	¥ 80,020	5.5	¥ 90,694	5.9	¥10,674	13.3
Semiconductor Parts Group	187,891	13.0	217,879	14.3	29,988	16.0
Applied Ceramic Products Group	272,795	18.9	277,629	18.2	4,834	1.8
Electronic Device Group	284,322	19.6	284,145	18.6	(177)	(0.1)
Total Components Business	825,028	57.0	870,347	57.0	45,319	5.5
Telecommunications Equipment Group	186,749	12.9	204,290	13.4	17,541	9.4
Information Equipment Group	307,848	21.3	332,596	21.8	24,748	8.0
Total Equipment Business	494,597	34.2	536,886	35.2	42,289	8.6
Others	173,137	11.9	172,925	11.3	(212)	(0.1)
Adjustments and eliminations	(45,393)	(3.1)	(53,622)	(3.5)	(8,229)	—
Net sales	<u>¥1,447,369</u>	<u>100.0</u>	<u>¥1,526,536</u>	<u>100.0</u>	<u>¥79,167</u>	<u>5.5</u>

The following table shows a breakdown of Kyocera's total consolidated income before income taxes, and operating profit for fiscal 2014 and fiscal 2015 by the seven reporting segments:

	Years ended March 31,				Increase	
	2014		2015		(Decrease)	
	Amount	% *	Amount	% *	Amount	%
	(Yen in millions)					
Fine Ceramic Parts Group	¥ 11,836	14.8	¥ 16,134	17.8	¥ 4,298	36.3
Semiconductor Parts Group	31,889	17.0	33,971	15.6	2,082	6.5
Applied Ceramic Products Group	33,501	12.3	3,159	1.1	(30,342)	(90.6)
Electronic Device Group	21,160	7.4	34,372	12.1	13,212	62.4
Total Components Business	98,386	11.9	87,636	10.1	(10,750)	(10.9)
Telecommunications Equipment Group	1,437	0.8	(20,212)	—	(21,649)	—
Information Equipment Group	28,193	9.2	34,569	10.4	6,376	22.6
Total Equipment Business	29,630	6.0	14,357	2.7	(15,273)	(51.5)
Others	6,276	3.6	6,848	4.0	572	9.1
Operating profit	134,292	9.3	108,841	7.1	(25,451)	(19.0)
Corporate gains and equity in earnings (losses) of affiliates and an unconsolidated subsidiary	11,889	—	13,744	—	1,855	15.6
Adjustments and eliminations	87	—	(723)	—	(810)	—
Income before income taxes	<u>¥146,268</u>	<u>10.1</u>	<u>¥121,862</u>	<u>8.0</u>	<u>¥(24,406)</u>	<u>(16.7)</u>

\* % to net sales of each corresponding segment

#### (1) Fine Ceramic Parts Group

Sales in this reporting segment for fiscal 2015 increased by ¥10,674 million, or 13.3%, to ¥90,694 million compared with ¥80,020 million in fiscal 2014 due to growth in sales of components for industrial machinery such as semiconductor processing equipment, sapphire substrates for LEDs and automotive parts, particularly automotive camera modules. The yen's depreciation also pushed up sales by approximately ¥3,000 million compared with fiscal 2014.

Operating profit for fiscal 2015 increased significantly by ¥4,298 million, or 36.3%, to ¥16,134 million compared with ¥11,836 million in fiscal 2014 due to the effect of higher sales of core products and efforts to comprehensively reduce costs resulted in increase in gross profit. In addition, the yen's depreciation pushed up operating profit by approximately ¥1,000 million.

#### (2) Semiconductor Parts Group

Sales in this reporting segment for fiscal 2015 increased by ¥29,988 million, or 16.0%, to ¥217,879 million compared with ¥187,891 million in fiscal 2014 due to an increase in sales of ceramic packages mainly for smartphones, communications infrastructures and LEDs, along with market expansion coupled with contribution of approximately ¥12,000 million from a consolidated subsidiary since the beginning of fiscal 2015 that joined the Kyocera Group in October 2013. The yen's depreciation also pushed up sales by approximately ¥11,000 million compared with fiscal 2014.

Operating profit for fiscal 2015 increased by ¥2,082 million, or 6.5%, to ¥33,971 million compared with ¥31,889 million in fiscal 2014. The year-on-year increase was attributable to the fact that operating profit was pushed up by approximately ¥6,000 million due to weak yen, and to higher sales of ceramic packages and the effect of cost reductions, despite a decrease in gross profit ratio due to an increase in expenses associated with the launch of a new factory in Japan and the impact of product price erosion in organic package business.

#### (3) Applied Ceramic Products Group

Sales in this reporting segment for fiscal 2015 increased by ¥4,834 million, or 1.8%, including approximately ¥5,500 million push up effect of yen's depreciation, to ¥277,629 million compared with ¥272,795 million in fiscal 2014. Sales in the solar energy business for fiscal 2015 remained roughly on par with fiscal 2014 due to efforts to expand and enhance the product lineup with the introduction of monocrystalline solar modules and proactive sales promotion despite a decline in the price of solar modules and the impact of a halt in grid access applications by electric power companies. In contrast, sales in the cutting tool business increased in line with expanded production activities in automotive related markets.

Operating profit decreased by ¥30,342 million, or 90.6%, to ¥3,159 million, however, compared with ¥33,501 million in fiscal 2014. This decrease was due primarily to the impact of around a 20% decline in prices year on year in the solar energy business, and the fact that operating profit in this reporting segment was pushed down by approximately ¥5,000 million due mainly to an increase in procurement costs from overseas as a result of the weak yen, and by approximately ¥8,500 million compared with fiscal 2014 following an increase in costs including the write-down of inventory.

#### (4) Electronic Device Group

Sales in this reporting segment for fiscal 2015 decreased by ¥177 million, or 0.1%, to ¥284,145 million compared with ¥284,322 million in fiscal 2014, despite the weak yen's push up effect of approximately ¥19,000 million. This was due to a decline in sales of display related products as a result of structural reforms implemented in fiscal 2014 despite steady increases in sales mainly of capacitors and connectors for smartphones and printing devices for industrial equipment.

Operating profit for fiscal 2015 increased significantly by ¥13,212 million, or 62.4%, to ¥34.372 million, however, compared with ¥21,160 million in fiscal 2014. This increase was due in part to an improvement in gross profit on the back of structural reforms implemented in fiscal 2014 and cost reductions and to the fact that operating profit was pushed up by approximately ¥5,000 million as a result of the weak yen.

#### (5) Telecommunications Equipment Group

Sales in this reporting segment for fiscal 2015 increased by ¥17,541 million, or 9.4%, to ¥204,290 million compared with ¥186,749 million in fiscal 2014. This increase was due mainly to an increase in sales in the overseas market due to improvement in the product mix following the introduction of new smartphone models and efforts to secure new customers. The yen's depreciation also pushed up sales by approximately ¥7,500 million compared with fiscal 2014.

Operating profit for fiscal 2015 decreased by ¥21,649 million, however, compared with profit of ¥1,437 million posted in fiscal 2014 and operating loss of ¥20,212 million was posted. This decrease was due primarily to the recording of ¥18,456 million in impairment loss on goodwill from when Kyocera acquired the mobile phone business of Sanyo Electric Co., Ltd. (company name at time) in April 2008 coupled with the fact that operating profit was pushed down by approximately ¥1,000 million, which included an increase in procurement costs from overseas due to the weak yen.

#### (6) Information Equipment Group

Sales in this reporting segment increased by ¥24,748 million, or 8.0%, to ¥332,596 million compared with ¥307,848 million in fiscal 2014. This increase was due to around a 10% rise in sales volume of equipment, mainly overseas, as a result of sales promotion activities for new products, in addition to an increase in sales of related products, including consumables in line with this. The yen's depreciation also pushed up sales by approximately ¥11,000 million.

Operating profit increased significantly by ¥6,376 million, or 22.6%, to ¥34,569 million compared with ¥28,193 million in fiscal 2014. This increase was due to the effects of sales growth and cost reductions despite an increase of approximately ¥2,700 million in sales promotion costs in line with sales promotion activities and the fact that operating profit was pushed down by approximately ¥2,200 million as a result of an increase in R&D expenses. Operating profit also pushed up by the yen's depreciation by approximately ¥1,000 million.

#### (7) Others

Sales in this reporting segment for fiscal 2015 decreased by ¥212 million, or 0.1%, to ¥172,925 million compared with ¥173,137 million in fiscal 2014 due mainly to a decrease in sales by approximately ¥1,000 million at Kyocera Communication Systems Co., Ltd. owing to a decline in demand in the telecommunications engineering business.

Operating profit increased for fiscal 2015 by ¥572 million, or 9.1%, to ¥6,848 million compared with ¥6,276 million in fiscal 2014, however, due to the effect of cost reductions at respective subsidiaries despite a decline in sales.

#### (8) Corporate gains and equity in earnings (losses) of affiliates and an unconsolidated subsidiary

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 ¥1,855 million, or 15.6%, to ¥13,744 million compared with ¥11,889 million in fiscal 2014. This was mainly due to an increase of dividend income from KDDI Corporation, which was partially offset by a decrease of gains from sales of securities.

## Results of Operations

### Fiscal 2014 compared with Fiscal 2013

The following table shows a summary of Kyocera's results of operations for fiscal 2013 and fiscal 2014:

	Years ended March 31,				Increase (Decrease)	
	2013		2014		Amount	%
	Amount	%	Amount	%		
	(Yen in millions)					
Net sales	¥1,280,054	100.0	¥1,447,369	100.0	¥167,315	13.1
Cost of sales	952,350	74.4	1,068,465	73.8	116,115	12.2
Gross profit	327,704	25.6	378,904	26.2	51,200	15.6
Selling, general and administrative expenses	250,778	19.6	258,322	17.9	7,544	3.0
Profit from operations	76,926	6.0	120,582	8.3	43,656	56.8
Interest and dividend income	14,666	1.1	18,172	1.3	3,506	23.9
Interest expense	(1,890)	(0.2)	(1,945)	(0.1)	(55)	—
Foreign currency transaction gains, net	5,136	0.4	5,108	0.3	(28)	(0.5)
Gains on sales of securities, net	4,542	0.4	2,875	0.2	(1,667)	(36.7)
Other, net	1,983	0.2	1,476	0.1	(507)	(25.6)
	24,437	1.9	25,686	1.8	1,249	5.1
Income before income taxes	101,363	7.9	146,268	10.1	44,905	44.3
Income taxes	34,012	2.6	51,254	3.5	17,242	50.7
Net income	67,351	5.3	95,014	6.6	27,663	41.1
Net income attributable to noncontrolling interests	(878)	(0.1)	(6,258)	(0.5)	(5,380)	—
Net income attributable to shareholders of Kyocera Corporation	¥ 66,473	5.2	¥ 88,756	6.1	¥ 22,283	33.5

### Net Sales

Net sales in fiscal 2014 increased by ¥167,315 million, or 13.1%, to ¥1,447,369 million, compared with ¥1,280,054 million in fiscal 2013.

In fiscal 2014, net sales increased compared with fiscal 2013 due primarily to Kyocera's effort to take advantage of increased demand in key markets and work to obtain orders by leveraging the collective strength of Kyocera. Due to the impact of the yen's depreciation against the U.S. dollar and the Euro, net sales after translation into the yen in fiscal 2014 were pushed up by approximately ¥140,000 million, compared with fiscal 2013.

Net sales in the Components Business in fiscal 2014 increased by ¥99,926 million, or 13.8%, to ¥825,028 million, compared with ¥725,102 million in fiscal 2013. Net sales in the Equipment Business in fiscal 2014 increased by ¥66,749 million, or 15.6%, to ¥494,597 million, compared with ¥427,848 million in fiscal 2013.

For details regarding net sales, please refer to page 40, "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 2013 and fiscal 2014, 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)	
	2013		2014		Amount	%
	Amount	%	Amount	%		
	(Yen in millions)					
Japan	¥ 574,202	44.9	¥ 643,423	44.4	¥ 69,221	12.1
Asia	235,520	18.4	274,512	19.0	38,992	16.6
Europe	198,868	15.5	247,700	17.1	48,832	24.6
United States of America	215,032	16.8	217,230	15.0	2,198	1.0
Others	56,432	4.4	64,504	4.5	8,072	14.3
Net sales	<u>¥1,280,054</u>	<u>100.0</u>	<u>¥1,447,369</u>	<u>100.0</u>	<u>¥167,315</u>	<u>13.1</u>

Sales in Japan increased compared with fiscal 2013 due to an increase in the solar energy business primarily in the public and commercial sectors, as well as to the new contributions of Kyocera Circuit Solutions, Inc., which became a consolidated subsidiary of Kyocera.

Sales in Asia increased compared with fiscal 2013 due to an increase in sales in the Information Equipment Group and in the Electronic Device Group of products such as connectors and capacitors, as well as due to the effect of the yen's depreciation.

Sales in Europe increased compared with fiscal 2013 due to an increase in sales in the Information Equipment Group and in the Electric Device Group and to the effect of the yen's depreciation.

Sales in the United States of America increased slightly compared with fiscal 2013 due mainly to sales growth in the Information Equipment Group, despite a decline in sales of the Electric Device Group.

Sales in Others increased compared with fiscal 2013 due to an increase in sales in the Information Equipment Group and the Telecommunications Equipment Group.

## Cost of Sales and Gross Profit

In fiscal 2014, cost of sales increased by ¥116,115 million, or 12.2%, to ¥1,068,465 million from ¥952,350 million in fiscal 2013. This is due mainly to the impact from the production activity of Kyocera Circuit Solutions, Inc., which became a consolidated subsidiary in October 2013, and in addition, due to the effect of the yen's depreciation.

Raw material costs of ¥426,472 million accounted for 39.9% of total cost of sales in fiscal 2014, which increased by ¥41,963 million, or 10.9%, from ¥384,509 million in fiscal 2013. Labor costs of ¥196,244 million accounted for 18.4% of total cost of sales in fiscal 2014, which increased by ¥17,204 million, or 9.6%, from ¥179,040 million in fiscal 2013. Depreciation expense of ¥56,055 million accounted for 5.2% of total cost of sales in fiscal 2014, which increased by ¥1,841 million, or 3.4%, from ¥54,214 million in fiscal 2013.

As a result, gross profit in fiscal 2014 increased by ¥51,200 million, or 15.6%, to ¥378,904 million from ¥327,704 million in fiscal 2013. The gross profit ratio to net sales increased by 0.6 percentage points from 25.6% to 26.2%.

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

In fiscal 2014, selling, general and administrative expenses increased by ¥7,544 million, or 3.0%, to ¥258,322 million from ¥250,778 million in fiscal 2013. The miscellaneous expenses increased due mainly to higher sales and the effect of the yen's depreciation, on the other hand, ¥21,300 million of the environmental remediation charge at AVX Corporation was included in fiscal 2013.

The ratio of selling, general and administrative expenses to net sales was 17.9% in fiscal 2014, a decrease of 1.7 percentage points as compared with 19.6% in fiscal 2013.

Labor costs of ¥141,935 million accounted for 54.9% of total selling, general and administrative expenses in fiscal 2014, an increase of ¥15,244 million, or 12.0%, from ¥126,691 million in fiscal 2013. Sales promotion and advertising costs of ¥45,894 million accounted for 17.8% of total selling, general and administrative expenses in fiscal 2014, an increase of ¥7,648 million, or 20.0%, from ¥38,246 million in fiscal 2013. Depreciation expense of ¥13,633 million accounted for 5.3% of total selling, general and administrative expenses in fiscal 2014, a decrease of ¥253 million, or 1.8%, from ¥13,886 million in fiscal 2013.

As a result, profit from operations in fiscal 2014 decreased by ¥43,656 million, or 56.8%, to ¥120,582 million, compared with ¥76,926 million in fiscal 2013. The operating margin increased by 2.3 percentage points to 8.3% in fiscal 2014, compared with 6.0% in fiscal 2013.

## **Interest and Dividend Income**

Interest and dividend income in fiscal 2014 increased by ¥3,506 million, or 23.9%, to ¥18,172 million, compared with ¥14,666 million in fiscal 2013. This was due mainly to an increase in dividend income from KDDI Corporation.

## **Interest Expense**

Interest expense in fiscal 2014 increased by ¥55 million, or 2.9%, to ¥1,945 million, compared with ¥1,890 million in fiscal 2013. This was due mainly to the recording of the interest expense of the charge for an environmental remediation at AVX Corporation.

## **Foreign Currency Transaction**

During fiscal 2014, the average exchange rate for the yen depreciated by ¥17, or 20.5%, against the U.S. dollar and by ¥27, or 25.2%, against the Euro, as compared with fiscal 2013. At March 31, 2014, the yen depreciated by ¥9, or 9.6%, against the U.S. dollar, and by ¥21, or 17.4%, against the Euro, as compared with March 31, 2013. Kyocera recorded foreign currency transaction gains of ¥5,108 million in fiscal 2014.

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**

Gains on sales of securities in fiscal 2014 decreased by ¥1,667 million, or 36.7%, to ¥2,875 million, compared with ¥4,542 million in fiscal 2013.

Losses on impairment of securities in fiscal 2014 decreased by ¥620 million, or 85.0%, to ¥109 million, compared with ¥729 million in fiscal 2013.

## **Income before Income Taxes**

Income before income taxes in fiscal 2014 increased by ¥44,905 million, or 44.3%, to ¥146,268 million compared with ¥101,363 million in fiscal 2013. Margin of income before income taxes against net sales increased by 2.2 percentage points to 10.1% compared with 7.9% in fiscal 2013.

Profit from operations increased significantly due to the effect of higher sales and efforts to enhance productivity. In addition, in fiscal 2013 an environmental remediation charge of ¥21,300 million was recorded at AVX Corporation. Income before income taxes increased due mainly to an increase of dividend income, in addition to an increase of profit from operations, compared with fiscal 2013. Income before income taxes after translation into the yen for fiscal 2014 was pushed up by approximately ¥29,000 million due to the impact of the yen's depreciation against the U.S. dollar and the Euro compared with fiscal 2013.

Operating profit in the Components Business in fiscal 2014 increased by ¥46,483 million, or 89.6%, to ¥98,386 million, compared with ¥51,903 million in fiscal 2013. Operating profit in the Equipment Business in fiscal 2014 increased by ¥6,540 million, or 28.3%, to ¥29,630 million, compared with ¥23,090 million in fiscal 2013.

For a detail of income before income taxes, please refer to page 40, “Business Overview by Reporting Segment.”

### **Income Taxes**

Current and deferred income taxes in fiscal 2014 increased by ¥17,242 million, or 50.7%, to ¥51,254 million, compared with ¥34,012 million in fiscal 2013.

The effective tax rate of 35.0% in fiscal 2014 was 1.4 percentage points higher than the effective rate of 33.6% in fiscal 2013. The increases were due mainly to the enactment of new Japanese tax rates in fiscal 2013, which decreased the statutory tax rates for temporary difference expected to be realized in fiscal 2015. The enactment resulted in the increase of income tax in fiscal 2014 due to the amounts of reversal related to deferred tax assets exceeding the amounts of reversal related to deferred tax liabilities. The effective tax rate of 35.0% in fiscal 2014 is lower than the Japanese statutory tax rate of 38.0% by 3.0 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 2014 amounted to ¥6,258 million. Net income attributable to noncontrolling interests in fiscal 2014 increased by ¥5,380 million, or 612.8%, compared with ¥878 million in fiscal 2013. This mainly reflected that in fiscal 2013, 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 2013 and fiscal 2014 by the seven reporting segments:

	Years ended March 31,				Increase	
	2013		2014		(Decrease)	
	Amount	%	Amount	%	Amount	%
	(Yen in millions)					
Fine Ceramic Parts Group	¥ 74,852	5.9	¥ 80,020	5.5	¥ 5,168	6.9
Semiconductor Parts Group	167,241	13.1	187,891	13.0	20,650	12.3
Applied Ceramic Products Group	211,439	16.5	272,795	18.9	61,356	29.0
Electronic Device Group	271,570	21.2	284,322	19.6	12,752	4.7
Total Components Business	725,102	56.7	825,028	57.0	99,926	13.8
Telecommunications Equipment Group	177,314	13.8	186,749	12.9	9,435	5.3
Information Equipment Group	250,534	19.6	307,848	21.3	57,314	22.9
Total Equipment Business	427,848	33.4	494,597	34.2	66,749	15.6
Others	159,902	12.5	173,137	11.9	13,235	8.3
Adjustments and eliminations	(32,798)	(2.6)	(45,393)	(3.1)	(12,595)	—
Net sales	<u>¥1,280,054</u>	<u>100.0</u>	<u>¥1,447,369</u>	<u>100.0</u>	<u>¥167,315</u>	<u>13.1</u>

The following table shows a breakdown of Kyocera's total consolidated income before income taxes, and operating profit for fiscal 2013 and fiscal 2014 by the seven reporting segments:

	Years ended March 31,				Increase	
	2013		2014		(Decrease)	
	Amount	% *	Amount	% *	Amount	%
	(Yen in millions)					
Fine Ceramic Parts Group	¥ 7,614	10.2	¥ 11,836	14.8	¥ 4,222	55.5
Semiconductor Parts Group	30,379	18.2	31,889	17.0	1,510	5.0
Applied Ceramic Products Group	17,924	8.5	33,501	12.3	15,577	86.9
Electronic Device Group	(4,014)	—	21,160	7.4	25,174	—
Total Components Business	51,903	7.2	98,386	11.9	46,483	89.6
Telecommunications Equipment Group	1,340	0.8	1,437	0.8	97	7.2
Information Equipment Group	21,750	8.7	28,193	9.2	6,443	29.6
Total Equipment Business	23,090	5.4	29,630	6.0	6,540	28.3
Others	10,542	6.6	6,276	3.6	(4,266)	(40.5)
Operating profit	85,535	6.7	134,292	9.3	48,757	57.0
Corporate gains and equity in losses of affiliates and an unconsolidated subsidiary	17,248	—	11,889	—	(5,359)	(31.1)
Adjustments and eliminations	(1,420)	—	87	—	1,507	—
Income before income taxes	<u>¥101,363</u>	<u>7.9</u>	<u>¥146,268</u>	<u>10.1</u>	<u>¥44,905</u>	<u>44.3</u>

\* % to net sales of each corresponding segment

#### (1) Fine Ceramic Parts Group

Sales in this reporting segment for fiscal 2014 increased by ¥5,168 million, or 6.9%, to ¥80,020 million, compared with ¥74,852 million in fiscal 2013. Despite a slump in demand for certain components used in digital consumer equipment, component demand grew steadily in the automotive related market and the industrial machinery market, including components for semiconductor processing equipment. The yen's depreciation pushed up sales by approximately ¥6,500 million compared with fiscal 2013. These factors led to the overall increase in segment sales.

Operating profit for fiscal 2014 increased by ¥4,222 million, or 55.5%, to ¥11,836 million, compared with ¥7,614 million in fiscal 2013. The significant increase was due primarily to the effect of sales growth in core products, despite a decline in price, and cost reductions, while operating profit was also pushed up by approximately ¥2,500 million as a result of the yen's depreciation and by approximately ¥1,500 million as a result of a decline in depreciation and R&D expenses.

#### (2) Semiconductor Parts Group

Sales in this reporting segment for fiscal 2014 increased by ¥20,650 million, or 12.3%, to ¥187,891 million, compared with ¥167,241 million in fiscal 2013. Demand increased for ceramic packages for smartphones, despite a decline in demand for packages used in digital cameras. Demand for organic packages for information and communications infrastructures increased, and sales from Kyocera Circuit Solutions, Inc., which became a consolidated subsidiary in October 2013, were newly included for a six-month period. The yen's depreciation pushed up sales by approximately ¥20,000 million compared with fiscal 2013.

Operating profit for fiscal 2014 increased by ¥1,510 million, or 5.0%, to ¥31,889 million, compared with ¥30,379 million in fiscal 2013. Operating profit was pushed up by approximately ¥11,000 million due to sales growth and the effect of the yen's depreciation, despite increased operating expenses resulting from a consolidation of Kyocera Circuit Solutions, Inc. and increased depreciation cost due to the start of operations at a new plant in Vietnam pushed operating profit down by approximately ¥10,000 million.

#### (3) Applied Ceramic Products Group

Sales in this reporting segment for fiscal 2014 increased by ¥61,356 million, or 29.0%, to ¥272,795 million, compared with ¥211,439 million in fiscal 2013, due to a significant increase in sales mainly in the solar energy business in the public and commercial sectors in Japan and cutting tool business in the automotive market. The yen's depreciation pushed up sales by approximately ¥12,000 million compared with fiscal 2013.

Operating profit for fiscal 2014 increased by ¥15,577 million, or 86.9%, to ¥33,501 million, compared with ¥17,924 million in fiscal 2013. The significant increase was attributable to the fact that operating profit was pushed up by approximately ¥13,000 million due to the effect of sales growth, approximately ¥7,000 million due to cost reductions and other efforts, and approximately ¥3,000 million due to a decline in depreciation and R&D expenses, despite an increase of approximately ¥7,500 million in costs related primarily to the overseas procurement of raw materials caused by the yen's depreciation.

#### (4) Electronic Device Group

Sales in this reporting segment for fiscal 2014 increased by ¥12,752 million, or 4.7%, to ¥284,322 million, compared with ¥271,570 million in fiscal 2013. Kyocera recorded a decline in sales of approximately ¥25,000 million due to the execution of structural reforms, predominantly to downsize the touch panel business for consumer equipment, and a decline in demand for components for digital cameras. Nonetheless, sales were pushed up by approximately ¥40,000 million compared with fiscal 2013 due to the yen's depreciation and to a sales growth of capacitors and connectors for automobiles and smartphones.

Operating profit for fiscal 2014 improved by ¥25,174 million, to ¥21,160 million, compared with a loss of ¥4,014 million in fiscal 2013. In fiscal 2014, Kyocera recorded approximately ¥5,000 million in structural reform costs for the crystal component business, capacitor business and the downsizing of the touch panel business for consumer equipment, while operating profit increased due to the fact that ¥21,300 million was recorded in fiscal 2013 for an environmental remediation charge at AVX Corporation, a U.S. subsidiary. Operating profit was pushed up by approximately ¥8,000 million due to the effect of sales growth and the yen's depreciation.

#### (5) Telecommunications Equipment Group

Sales in this reporting segment for fiscal 2014 increased by ¥9,435 million, or 5.3%, to ¥186,749 million, compared with ¥177,314 million in fiscal 2013. Sales volumes in Japan and overseas increased by approximately 15% compared with fiscal 2013 due to the vigorous introduction of new mobile phones in Japan and overseas coupled with efforts to acquire new large customers in the overseas market in fiscal 2014. The yen's depreciation pushed up sales by approximately ¥13,000 million compared with fiscal 2013.

Operating profit for fiscal 2014 increased by ¥97 million, or 7.2%, to ¥1,437 million, compared with ¥1,340 million in fiscal 2013. Operating profit increased by approximately ¥2,500 million due to the effect of sales growth combined with a decline in depreciation and amortization costs, despite operating profit was pushed down by approximately ¥2,000 million due to an increase in costs mainly for materials procured overseas following the yen's depreciation.

#### (6) Information Equipment Group

Sales in this reporting segment for fiscal 2014 increased by ¥57,314 million, or 22.9%, to ¥307,848 million, compared with ¥250,534 million in fiscal 2013. Sales increased due to an increase in sales volumes of multifunctional products in emerging countries and Europe through the launch of new products and marketing efforts aggressively. The yen's depreciation pushed up sales by approximately ¥47,000 million compared with fiscal 2013.

Operating profit for fiscal 2014 increased by ¥6,443 million, or 29.6%, to ¥28,193 million, compared with ¥21,750 million in fiscal 2013. Although operating profit was pushed down by approximately ¥14,500 million due primarily to a decline in prices, an increase of sales promotion costs for the sales expansion activities, an increase in depreciation cost for the investment in capacity expansion and an increase in R&D expenses for the development of new products, operating profit was pushed up by approximately ¥16,000 million due to the effect of the yen's depreciation and by approximately ¥5,000 million due to the sales growth. These factors resulted in an overall increase in operating profit.

#### (7) Others

Sales in this reporting segment for fiscal 2014 increased by ¥13,235 million, or 8.3%, to ¥173,137 million, compared with ¥159,902 million in fiscal 2013. Sales at Kyocera Communication Systems Co., Ltd. grew by approximately ¥5,500 million due mainly to an increase in demand for the construction of solar power plants. In addition, sales at Kyocera Chemical Corporation and other subsidiaries increased compared with fiscal 2013. The yen's depreciation pushed up sales by approximately ¥1,500 million compared with fiscal 2013.

Operating profit for fiscal 2014 decreased by ¥4,266 million, or 40.5%, to ¥6,276 million, compared with ¥10,542 million in fiscal 2013. The decrease was due mainly to an increase by approximately ¥5,500 million in R&D expenses for developing new key technologies and products and to an increase by approximately ¥1,000 million in depreciation and amortization costs compared with fiscal 2013, despite operating profit was pushed up by ¥2,000 million due to the sales growth and by ¥500 million due to the effect of the yen's depreciation.

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

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 decreased by ¥5,359 million, or 31.1%, to ¥11,889 million compared with ¥17,248 million in fiscal 2013. This was mainly due to a decrease of income related to management supporting service by ¥8,105 million, which was partially offset by an increase of ¥2,577 million in dividend income from KDDI Corporation, compared with fiscal 2013.

## **Financial settlement between AVX Corporation and the United States and the 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 or such state statutes authorize joint and several liability, the EPA or state regulatory authorities 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.

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 New Bedford Harbor in the Commonwealth (the harbor). That agreement is contained in a Supplemental Consent Decree that modifies certain provisions of a 1992 Consent Decree regarding clean-up of the harbor, including elimination of the governments' right to invoke certain clean-up reopener provisions in the 1992 Consent Decree in the future. Under the terms of the settlement, AVX Corporation was obligated to pay ¥39,643 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. The settlement also required the EPA to withdraw the Unilateral Administrative Order (the UAO) that was issued on April 18, 2012 regarding additional clean-up activities. The United States District Court approved the settlement and entered the Supplemental Consent Decree on September 19, 2013.

On October 18, 2013, AVX paid the initial settlement installment of ¥13,335 million (\$133.35 million), plus accrued interest of ¥395 million (\$3.95 million). On March 26, 2014, AVX prepaid the second settlement installment of ¥11,414 million (\$110.82 million), plus accrued interest of ¥85 million (\$0.82 million) on the remaining settlement amount through that date. On May 26, 2015, AVX prepaid the third and final settlement installment of ¥14,894 million (\$122.08 million), plus accrued interest of ¥135 million (\$1.11 million) on the final settlement amount through that date.

AVX Corporation and Kyocera recorded a charge with respect to this matter in the amount of ¥7,900 million (\$100 million) for the year ended March 31, 2012, and ¥21,300 million (\$266.25 million) for the year ended March 31, 2013, which were included in selling, general and administrative expenses in the consolidated statements of income.

## **Critical Accounting Policies and Estimates**

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

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

### **Allowances for Doubtful Accounts**

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

### **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.

Kyocera recognized inventory write-downs of ¥7,256 million in fiscal 2014 and ¥17,361 million in fiscal 2015, which were due mainly to the Applied Ceramic Products Group and the Telecommunications Equipment Group. Kyocera recorded these write-downs to adjust the carrying amount to market value due to decreases in sales price arising from short lives of products or rapidly worsening market conditions. If the market conditions or demand for the products are less favorable than Kyocera's projections, additional write-downs may be required.

The amounts of these inventory write-downs by reporting segments appear in Note 17 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 mainly recorded as Corporate losses.

Kyocera recognized losses on impairment of debt and equity securities of ¥109 million and ¥2 million in fiscal 2014 and 2015, 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, 2015 had increased by ¥250,317 million, or 57.5%, to ¥685,745 million compared with that of ¥435,428 million at March 31, 2014, 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 recognized an impairment loss on goodwill in the amount of ¥18,456 million in the Telecommunications Equipment Group ("Reporting Unit"), which was included in selling, general and administrative expenses in the consolidated statement of income for fiscal 2015. The loss was recorded due to a decline in the fair value of the Reporting Unit determined based on its updated future estimated cash flows, reflecting the slow improvement of profitability in the overseas market, especially in the U.S. market, as well as the operating loss before the impairment loss recorded in fiscal 2015 in the midst of the market condition with low profitability.

The fair value of the liquid crystal displays (LCD) business included in the Electronic Device Group reporting unit (which includes goodwill of ¥14,143 million in its carrying amount as of March 31, 2015) exceeded its carrying amount by 6.9% in the first step as of January 1, 2015. However, there is a significant future impairment risk to goodwill if the future net cash flows of the LCD business are adversely affected by future market conditions or increased negative operating results or changes to key assumptions including the discount rate applied.

For detailed information of these acquisitions, see Note 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, 2015, deferred tax assets amounted to ¥103,140 million, which Kyocera considers will more likely than not be realized in the future. Kyocera considers the reasonableness of the recoverability of the deferred tax assets in the future, considering the comparison between the amounts of income from continuing operations before income taxes and income taxes in fiscal 2015.

## 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 be 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.

	<u>Effect on projected benefit obligations as of March 31, 2015</u> (Yen in millions)
Discount rates:	
0.25% decrease	¥ 5,879
0.25% increase	(5,551)
	<u>Effect on income before income taxes for the year ending March 31, 2016</u> (Yen in millions)
Discount rates:	
0.25% decrease	¥ (41)
0.25% increase	40
Expected rate of return on plan assets:	
0.25% decrease	(420)
0.25% increase	420

## Contingencies

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

## Revenue Recognition

Kyocera generates revenue principally through the sale of 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, 2015, gross unrecognized tax benefits amounted to ¥3,258 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, 2014, Kyocera adopted Accounting Standards Update (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. The adoption of this accounting standard did not have a material impact on Kyocera's consolidated results of operations, financial condition and cash flows.

On April 1, 2014, Kyocera adopted 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. The adoption of this accounting standard did not have a material impact on Kyocera’s consolidated results of operations, financial condition and cash flows.

On April 1, 2014, Kyocera adopted ASU No. 2013-11, “Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.” This accounting standard requires an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward in the financial statements. The adoption of this accounting standard did not have a material impact on Kyocera’s consolidated results of operations, financial condition and cash flows.

### **Recently Issued Accounting Standards**

In April 2014, the FASB issued ASU No. 2014-08, “Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.” This accounting standard changes the requirements for reporting discontinued operations in ASC 205-20, “Presentation of Financial Statements—Discontinued Operations.” A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results. This accounting standard also requires an entity to provide disclosures about a disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation in the financial statements. This accounting standard will be effective for All disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. 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 May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers.” This accounting standard requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This accounting standard also requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Qualitative and quantitative information is required about:

1. Contracts with customers—including revenue and impairments recognized, disaggregation of revenue, and information about contract balances and performance obligations (including the transaction price allocated to the remaining performance obligations)
2. Significant judgments and changes in judgments—determining the timing of satisfaction of performance obligations (over time or at a point in time), and determining the transaction price and amounts allocated to performance obligations
3. Assets recognized from the costs to obtain or fulfill a contract.

This accounting standard will be effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Kyocera is currently evaluating the impact that this accounting standard will have on Kyocera’s consolidated results of operations, financial position and cash flows.

In June 2014, the FASB issued ASU No. 2014-10, “Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation.” This accounting standard removes the definition of a development stage entity from the Master Glossary of the Accounting Standards Codification, thereby removing the financial reporting distinction between development stage entities and other reporting entities from U.S. GAAP. This accounting standard also eliminates an exception provided to development stage entities in ASC 810, “Consolidation,” for determining whether an entity is a variable interest entity on the basis of the amount of investment equity that is at risk. This accounting standard will be effective retrospectively for annual reporting periods beginning after December 15, 2015, and interim periods therein. 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 August 2014, the FASB issued ASU No. 2014-15, “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern.” This accounting standard requires an entity’s management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued. If conditions or events raise substantial doubt about an entity’s ability to continue as a going concern, the entity is required to disclose additional information. This accounting standard will be effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. As this accounting standard is a provision for disclosure, 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 November 2014, the FASB issued ASU No. 2014-16, “Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity.” This accounting standard eliminates the use of different methods in practice and thereby reduces existing diversity under U.S. GAAP in evaluating whether the nature of the host contract within a hybrid financial instrument issued in the form of a share is more akin to debt or to equity. For hybrid financial instruments issued in the form of a share, an entity is required to determine the nature of the host contract by considering all stated and implied substantive terms and features of the hybrid financial instrument, weighing each term and feature on the basis of relevant facts and circumstances. This accounting standard will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. 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 January 2015, the FASB issued ASU No. 2015-01, “Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items”. This accounting standard eliminates from U.S. GAAP the concept of extraordinary items. This accounting standard will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. As this accounting standard is a provision for disclosure, 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 February 2015, the FASB issued ASU No. 2015-02, “Amendments to the Consolidation Analysis.” This accounting standard changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. All legal entities are subject to reevaluation under the revised consolidation model. This accounting standard affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. This accounting standard will be effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. 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 April 2015, the FASB issued ASU No. 2015-05, “Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement.” This accounting standard provides a guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This accounting standard will be effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. 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.

## B. Liquidity and Capital Resources

### Capital Resources

Kyocera's net cash provided by operating activities in fiscal 2015 was ¥130,767 million, and cash and cash equivalents at March 31, 2015 were ¥351,363 million. In addition, Kyocera also held significant amount of highly-liquid financial assets. Based on those facts, Kyocera does not expect to face any liquidity issue in the foreseeable future. In the short term, Kyocera expects cash demands for funds for capital expenditures, R&D activities and payments of dividends to shareholders in addition to working capital of operational activities. Kyocera's primary source of short-term liquidity is cash generated by operations. Certain subsidiaries also generate capital in the form of loans from financial institutions. At March 31, 2015, Kyocera's short-term borrowings and long-term debt including current portion totaled ¥31,451 million. The ratio to total assets of 1.0% 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 2015 increased by ¥59 million, or 0.1%, to ¥56,670 million compared with ¥56,611 million in fiscal 2014. In fiscal 2015, although capital expenditures in the Fine Ceramic Parts Group, the Information Equipment Group and the Electronic Device Group decreased, capital expenditures in the Semiconductor Parts Group increased compared with fiscal 2014. As a result, capital expenditures in fiscal 2015 were almost the same as in fiscal 2014. R&D expenses in fiscal 2015 increased by ¥6,455 million, or 13.2%, to ¥55,285 million compared with ¥48,830 million in fiscal 2014. Almost all capital and R&D expenditures were funded by using cash at hand.

During fiscal 2016, Kyocera expects total capital expenditures to be approximately ¥70,000 million and total R&D expenses to be approximately ¥60,000 million. Kyocera expects that total capital expenditures will increase due mainly to capital expenditures in the Semiconductor Parts Group conducted in order to expand its production capacity. Kyocera also expects that R&D expenses will increase compared with fiscal 2015. 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 the proportion of capital and R&D expenditures to sales in fiscal 2016 at almost as same level as in fiscal 2015. Kyocera believes that it needs to invest its resources continuously in the development of new business areas and enhancement of technology in order to create new products and commercialize advanced technologies, and thereby secure future earnings streams.

Kyocera contributed ¥14,008 million to its benefit pension plans in fiscal 2015 and Kyocera expects to contribute ¥13,258 million to its benefit pension plans in fiscal 2016. At March 31, 2015, Kyocera's funded status of its benefit pension plans ensured the sources of funds sufficient to cover the pension benefits paid to participants and beneficiaries, and large amounts of additional contributions are not considered to be necessary. Kyocera expects contributions to pension plan assets will be made by using cash on hand.

In accordance with the terms of the financial settlement with the U.S. governments regarding the environmental remedial actions at New Bedford Harbor in the Commonwealth of Massachusetts, AVX Corporation, a U.S.-based subsidiary, paid ¥24,749 million of environmental remediation charges plus accrued interest to the U.S. governments by using its cash at hand during the year ended March 31, 2014, and it also paid ¥14,894 million of such charges plus accrued interest on May 26, 2015.

In fiscal 2015, Kyocera Corporation paid cash dividends totaling ¥29,349 million, at ¥80 per share. Kyocera Corporation received approval at the general meeting of shareholders held on June 24, 2015 for the payment of year-end dividends totaling ¥22,012 million, or ¥60 per share, on June 25, 2015 to all shareholders of record on March 31, 2015.

As described in Note 2 to the Consolidated Financial Statements, Kyocera made several acquisitions of businesses, of which costs, net cash acquired, were ¥1,843 million in fiscal 2015. Such acquisition costs were all funded by using cash in hand.

At March 31, 2015, Kyocera's working capital totaled ¥1,101,296 million, an increase of ¥61,312 million, or 5.9%, compared with ¥1,039,984 million at March 31, 2014. Our working capital requirements, capital expenditures, debt repayments and other obligations were funded by using cash on hand.

Undistributed earnings of foreign subsidiaries which are intended to be reinvested indefinitely amounted to ¥302,266 million as of March 31, 2015. Accordingly, cash and cash equivalents and investments in securities amounts held by Kyocera's foreign subsidiaries, totaling ¥266,676 million as of March 31, 2015, 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 2016 as it has adequate liquidity within Japan to support its Japanese operations.

Kyocera believes cash on hand will be sufficient to fund all cash requirements outlined above during fiscal 2016. Consequently, Kyocera does not currently intend to use any other external financing sources that might affect its credit agency ratings. If cash generated by operations are insufficient for funding purposes, Kyocera retains other financing options, including external sources, such as short-term borrowings or long-term debts, as well as financing directly in the capital markets through issuances of debt or equity securities. As evidenced by equity to assets ratio of 73.3% at March 31, 2015, 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 2015 compared with Fiscal 2014*

The following table shows a summary of Kyocera's cash flows for fiscal 2014 and fiscal 2015:

	Years ended March 31,	
	2014	2015
	Amount	Amount
	(Yen in millions)	
Cash flows from operating activities	¥149,141	¥130,767
Cash flows from investing activities	(101,141)	(93,608)
Cash flows from financing activities	(32,805)	(39,992)
Effect of exchange rate changes on cash and cash equivalents	14,525	19,022
Net increase in cash and cash equivalents	29,720	16,189
Cash and cash equivalents at beginning of year	305,454	335,174
Cash and cash equivalents at end of year	¥335,174	¥351,363

Net cash provided by operating activities for fiscal 2015 decreased by ¥18,374 million, or 12.3%, to ¥130,767 million from ¥149,141 million for fiscal 2014. Although net income increased, the change was mainly due to the recording of ¥49,745 million of deferred tax expense in fiscal 2015 associated with the revision of the tax system in Japan and the increase in receivables from fiscal 2014 to fiscal 2015. These were partly offset by a decrease in notes and accounts payable as well as an increase in other current liabilities including accrued expenses and derivative liabilities.

Net cash used in investing activities for fiscal 2015 decreased by ¥7,533 million, or 7.4%, to ¥93,608 million from ¥101,141 million for fiscal 2014. This mainly reflected that an increase in proceeds from maturities of held-to-maturity securities exceeded an increase in payments for purchases of held-to-maturity securities.

Net cash used in financing activities for fiscal 2015 increased by ¥7,187 million, or 21.9%, to ¥39,992 million from ¥32,805 million for fiscal 2014. This was due mainly to increases in dividends paid and in purchases of noncontrolling interests.

An increase in the effect of exchange rate changes on cash and cash equivalents of ¥19,022 million was due mainly to the yen's depreciation against the Euro and the U.S. dollar between March 31, 2014 and March 31, 2015.

Cash and cash equivalents at March 31, 2015 totaled ¥351,363 million, an increase of ¥16,189 million, or 4.8%, from ¥335,174 million at March 31, 2014. 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 2014 compared with Fiscal 2013*

The following table shows a summary of Kyocera's cash flows for fiscal 2013 and fiscal 2014:

	Years ended March 31,	
	2013	2014
	Amount	Amount
	(Yen in millions)	
Cash flows from operating activities	¥109,489	¥149,141
Cash flows from investing activities	(66,142)	(101,141)
Cash flows from financing activities	(31,431)	(32,805)
Effect of exchange rate changes on cash and cash equivalents	20,250	14,525
Net increase in cash and cash equivalents	32,166	29,720
Cash and cash equivalents at beginning of year	273,288	305,454
Cash and cash equivalents at end of year	¥305,454	¥335,174

Net cash provided by operating activities for fiscal 2014 increased by ¥39,652 million, or 36.2%, to ¥149,141 million from ¥109,489 million for fiscal 2013. This was due mainly because an increase in net income and cash flow adjustment related to receivables exceeded cash flow adjustments related to other current and non-current liabilities.

Net cash used in investing activities for fiscal 2014 increased by ¥34,999 million, or 52.9%, to ¥101,141 million from ¥66,142 million for fiscal 2013. This was due mainly because increases in cash used in purchases of held-to-maturity securities exceeded decreases in cash used in acquisitions of time deposits and certificate of deposits.

Net cash used in financing activities for fiscal 2014 increased by ¥1,374 million, or 4.4%, to ¥32,805 million from ¥31,431 million for fiscal 2013. This was due mainly to increases in dividend paid, which exceeded decreases in payments of short-term borrowings and increases in proceeds from issuance of long-term debt.

An increase in the effect of exchange rate changes on cash and cash equivalents of ¥14,525 million was due mainly to the yen's depreciation against the Euro and the U.S. dollar between March 31, 2013 and March 31, 2014.

Cash and cash equivalents at March 31, 2014 totaled ¥335,174 million, an increase of ¥29,720 million, or 9.7%, from those of ¥305,454 million at March 31, 2013. 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, 2015 increased by ¥384,480 million, or 14.6% to ¥3,021,184 million, compared with ¥2,636,704 million at March 31, 2014.

Short-term investments in debt and equity securities decreased by ¥20,663 million, or 17.8%, to ¥95,237 million, due mainly to redemption from maturities of held-to-maturity investments.

Other short-term investments increased by ¥24,027 million, or 15.0%, to ¥184,358 million, due mainly to acquisitions of time deposits.

Trade accounts receivables increased by ¥41,562 million, or 16.1%, to ¥299,412 million, due mainly to increases in sales.

Inventories increased by ¥18,697 million, or 5.6%, to ¥354,499 million, due mainly to the impact of the depreciation of the yen despite the write-down of inventories in the Applied Ceramic Products Group.

Long-term investments in debt and equity securities increased by ¥313,426 million or, 42.5%, to ¥1,051,638 million, due mainly to increases in the market value of the shares of KDDI Corporation and other equity securities at March 31, 2015 compared with March 31, 2014.

Total property, plant and equipment at cost, net of accumulated depreciation, decreased by ¥9,066 million, or 3.4%, to ¥261,491 million. Capital expenditure in fiscal 2015 was ¥56,670 million, and depreciation was ¥62,413 million.

Goodwill decreased by ¥14,465 million, or 12.4%, to ¥102,167 million, due mainly to the recording of impairment loss as discussed in Item 5.A. "Operating Results" of this annual report on Form 20-F on Page 28.

Kyocera's total liabilities at March 31, 2015 increased by ¥68,083 million, or 10.5%, to ¥717,561 million, compared with ¥649,478 million at March 31, 2014.

Other accrued liabilities increased by ¥21,958 million, or 70.0%, to ¥53,305 million, due mainly to reclassification of a liability for an environmental remediation charge at AVX Corporation from other non-current liabilities.

Deferred taxes liabilities increased by ¥56,500 million or, 23.9%, to ¥292,454 million, due mainly to increases in the market value of the shares of KDDI Corporation and other equity securities at March 31, 2015 compared with March 31, 2014.

Total equity at March 31, 2015 increased by ¥316,397 million, or 15.9%, to ¥2,303,623 million, compared with ¥1,987,226 million at March 31, 2014.

Retained earnings at March 31, 2015 increased by ¥86,526 million, or 6.1%, due to net income for fiscal 2015 of ¥115,875 million offset by cash dividend payments of ¥29,349 million.

Accumulated other comprehensive income increased by ¥218,710 million, or 87.1%, to ¥469,673 million. Net unrealized gains on securities increased by ¥174,058 million, or 59.2%, due mainly to increases in market values of the shares of KDDI Corporation and other equity securities at March 31, 2015 compared with March 31, 2014.

Foreign currency translation adjustments increased by ¥52,115 million to ¥30,656 million, due mainly to the effect of the yen's depreciation.

Kyocera Corporation shareholders' equity ratio at March 31, 2015 was 73.3%, increased by 0.8 percentage points compared with 72.5% at March 31, 2014.

Noncontrolling interests in subsidiaries, principally AVX Corporation, increased by ¥11,161 million, or 14.5%, to ¥88,304 million, compared with ¥77,143 million at March 31, 2014. This was due mainly to an increase in net income of AVX Corporation.

### **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 of new high-value-added technologies and products in the information and communications market, the environment and energy market and automotive related markets as well as medical and healthcare markets that have high-growth potential.

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

#### **(1) Fine Ceramic Parts Group**

Kyocera is engaged in fundamental research and process development to further enhance our fine ceramic materials technology, processing technology and design technology that we have accumulated since our earliest days. We are working to develop new products in a wide range of markets by leveraging these core technologies.

In the industrial machinery market, we are strengthening the development of parts for next-generation semiconductor fabrication equipment, which includes equipment for larger size of silicon wafers.

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 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, including smartphones and TVs, we are strengthening the development in particular of Smart Sonic Receiver and Smart Sonic Sound technologies that make maximum use of the exceptional piezoelectric properties of ceramics, and are progressing with market cultivation.

In the environment and energy market, we are strengthening the development of solid oxide fuel cell (SOFC) system and SOFC components, which have expectations as new energy supply systems that contribute to the realization of a low carbon society, and of LED related products, where demand is growing in lightning applications.

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

In the digital consumer equipment market, needs are continuing to grow for products such as smartphones and tablet computers 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 and to expand the business, Kyocera is working to develop new high-value-added products that leverage our own unique material, design and layering technologies.

Specifically, in the ceramic package business 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. In the organic multilayer package business, we are strengthening the development of fine-pitch, thin, highly precise flip-chip packages and module substrates as well as component-embedded boards. In addition, we are working on the development of new products by using new materials that respond to high frequency in the printed circuit board business .

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

In the solar energy business, we are working to improve product quality, which includes efforts to enhance the conversion efficiency of monocrystalline and polycrystalline solar cells as well as boost the output and durability of modules. We are also aiming to expand businesses in the environment and energy market. To this end, we are focusing on the development of large-scale power storage systems in line with rising interest in storing excess power in storage systems for personal consumption, and energy management systems, which control energy efficiently, in addition to peripheral solar energy devices such as power conditioners that convert electricity so that it can be used in the home or office.

In the cutting tool business, we are pushing ahead with the development of high-quality and high-precision products that contribute to increased productivity for users, which are employed in a wide array of markets such as the automotive and industrial machinery markets.

#### (4) Electronic Device Group

Kyocera is developing small, high-capacitance ceramic capacitors, SAW devices, crystal components, and fine-pitch, low-profile connectors for use in mobile equipment such as smartphones and tablet computers, which are getting more multifunctional and require smaller components. In addition, we are pushing ahead with the development of high-voltage ceramic capacitors for the industrial equipment market and high-temperature capacitors, high-voltage and high-current connectors for the automotive market.

In liquid crystal display related products, we are developing high-value-added products that include TFT liquid crystal displays combined with a touch panel and cover glass, for use in the automotive and industrial equipment markets. Additionally, we are developing high-speed, high-image quality inkjet printheads mainly for the commercial printing market.

#### (5) Telecommunications Equipment Group

Kyocera is strengthening the development of high-value-added terminals that realize differentiation in user interface, such as by making it much easier to hear calls more clearly through the inclusion of uniquely developed ceramic piezoelectric components, in addition to waterproof, dust prevention and shock-resistant features. We are also working to reduce development time and increase the number of development models by promoting the use of platforms for terminals for Japan and overseas. Additionally, we are strengthening the development of Machine-to-Machine (M2M) modules, where we expect demand to increase in various fields that include telematics and smart grids, by utilizing telecommunications technology accumulated in the terminal business.

#### (6) Information Equipment Group

Kyocera is developing printers and multifunctional products that have exceptional environmental performance and economic efficiency in order to ensure differentiation from competitors, a feature of Kyocera. We are also conducting research and development to extend the life of the photoconductor drum, a processing system that maintains high image quality over a long period and for realizing low power consumption in equipment. In addition, we are pushing ahead with the development of products that can meet diverse customer needs and products based on design that enables low production costs by standardizing core components.

In the solution services field, we are accelerating the development of various applications capable of connecting mobile equipment with cloud systems as well as the creation of a system for the global development of management document services that optimize and provide continuous support to users' document environments.

#### (7) Others

Kyocera Communication Systems Co., Ltd. is working on the development of infrastructure and software needed for the collection, storage and analysis of big data, realized through progress in telecommunications and cloud computing technologies in a wide range of industries, including M2M, Internet of Things (IoT), energy management systems and internet advertising.

Kyocera Chemical Corporation is working on the synthesis of new materials and the development of new material compounding technologies to meet needs for a large variety of enhanced functionality in electronic component related materials mainly semiconductors and automotive-related materials for electrical properties such as insulating reliability. Such functionality includes thermal hardening, photo-reactivity, and shape and stress stability.

R&D expenses by reporting segment are as follows.

	Years ended March 31,			Increase
	2013	2014	2015	(Decrease)
	Amount	Amount	Amount	%
	(Yen in millions)			
Fine Ceramic Parts Group	¥ 2,878	¥ 2,553	¥ 3,302	29.3
Semiconductor Parts Group	2,353	2,206	2,308	4.6
Applied Ceramic Products Group	5,778	4,292	4,428	3.2
Electronic Device Group	8,058	6,351	8,557	34.7
Total Components Business	19,067	15,402	18,595	20.7
Telecommunications Equipment Group	4,445	4,294	3,935	(8.4)
Information Equipment Group	18,373	20,357	22,555	10.8
Total Equipment Business	22,818	24,651	26,490	7.5
Others	5,634	8,777	10,200	16.2
R&D expenses	¥47,519	¥48,830	¥55,285	13.2
% to net sales	3.7%	3.4%	3.6%	

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

#### D. Trend Information

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

Sales for fiscal 2015 in the information and telecommunications market increased compared with fiscal 2014, driven by the growth in the smartphone market. Shipment volume of smartphones on a global basis increased by approximately 20% compared with fiscal 2014, and we forecast a 15% or higher growth rate in fiscal 2016 compared with fiscal 2015. In line with this, we project sales of Kyocera-made components for this market to increase.

The key products in the environment and energy market are solar-related products. In the core Japanese market, the business environment became more difficult in fiscal 2015, compared with fiscal 2014 due to the impact of a halt in grid access applications by electric power companies while unit prices declined by approximately 20% year on year. We anticipate that, in fiscal 2016, sales in the environmental and energy market will stagnate due mainly to continuing price erosion and contraction of the solar energy market in Japan. However, we forecast progress in uncompleted construction projects for solar power facilities that have already been authorized as Feed-in Tariff projects in the Japanese market as well as growth in sales in the U.S. market.

In the automotive market, automobile sales volume in the 2015 calendar year is projected to increase by approximately 2% compared with the 2014 calendar year, particularly in China and the United States. In addition, we forecast continued growth in Kyocera-made components in line with enhanced exhaust gas regulations and electrification of automobiles in addition to increased safety demand following legislation making the inclusion of view cameras mandatory in the United States.

With regard to the medical and healthcare market where our sales are relatively small, Kyocera commands number one share among Japanese manufacturers in the market for artificial joints in Japan and we will continue striving to expand sales of these products. We will also work to expand sales of dental implants and develop other new products by cultivating different business fields.

#### E. Off-Balance Sheet Arrangements

Refer to Note 13 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, 2015. Kyocera anticipates that the funds required to fulfill these debt obligations and commitments will be cash at hand.

Contractual obligations	Less than 1 year	2-3 years	4-5 years	Thereafter	Total
	(Yen in millions)				
Short-term borrowings	¥ 4,129	¥ —	¥ —	¥ —	¥ 4,129
Interest payments for short-term borrowings*	88	—	—	—	88
Long-term debt (including due within one year)	9,441	12,868	4,763	250	27,322
Interest payments for long-term debt*	978	938	185	5	2,106
Long-term supply agreement to purchase polysilicon material used in operation**	44,203	73,262	67,751	24,016	209,232
Operating leases	6,116	6,996	3,172	1,727	18,011
Obligations for the acquisition or construction of property, plant and equipment	9,526	41	—	—	9,567
Total contractual obligations	<u>¥74,481</u>	<u>¥94,105</u>	<u>¥75,871</u>	<u>¥ 25,998</u>	<u>¥270,455</u>

\* For Kyocera's variable interest rate of borrowings and debt, Kyocera utilized the rates in effect as of March 31, 2015 when estimating schedule of interest payments.

\*\* For detailed information of the supply agreement, please refer to "(6) Fluctuations in the price and ability of suppliers to provide the required quantity of raw materials for use in Kyocera's production activities" in Item 3.D. "Risk Factors" of this annual report on Form 20-F on page 9.

In addition to contractual obligations shown in the above tables, Kyocera forecasts to contribute ¥13,258 million to its defined benefit pension plans in fiscal 2016. Kyocera recorded liabilities of ¥3,258 million for gross unrecognized tax benefits in accordance with FASB's ASC 740, "Income Taxes" at March 31, 2015, which are not included in the above table because we are unable to make reasonable estimates of the period of settlements. For detailed information, see Note 15 to 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 24, 2015.

Name	Date of Birth	Position	Since	Term
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
Ken Ishii	October 6, 1953	Director	2012	*1
Hiroshi Fure	February 24, 1960	Director	2013	*1
Yoji Date	September 20, 1956	Director	2013	*1
Yoshihito Ohta	June 26, 1954	Director	2010	*1
Shoichi Aoki	September 19, 1959	Director	2009	*1
John S. Rigby	May 13, 1955	Director	2012	*1
Tadashi Onodera	February 3, 1948	Outside Director	2013	*1
Hiroto Mizobata	July 31, 1963	Outside Director	2015	*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 24, 2015.

\*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 24, 2015.

\*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 Representative Director and Chairman of Kyoto Purple Sanga Co., Ltd., the Representative Director and Chairman of Kyocera Crystal Device Corporation, the Representative Director and Chairman of Kyocera Document Solutions Inc, the Representative Director and Chairman of Kyocera Chemical Corporation, the Representative Director and Chairman of Kyocera Optec Co., Ltd., the Representative Director and Chairman of Kyocera Realty Development Co., Ltd., the Representative Director and Chairman of Kyocera Circuit Solutions, Inc., the Representative Director and Chairman of Kyocera Connector Products Corporation and the Chairman of the Board of AVX Corporation.

*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., the Chairman of the Board of Directors of Kyocera (China) Sales & Trading Corporation, the Chairman of the Board of Directors of Shanghai Kyocera Electronics Co., Ltd., the Chairman of the Board of Directors of Dongguan Shilong Kyocera Co., Ltd., the Authorized Representative and Chairman of Kyocera Vietnam Co., Ltd. and the Chairman of the Board of Directors of Kyocera Management Consulting Service (Shanghai) Co., Ltd.

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

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

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

*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.

*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 the 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 and Director of KDDI Corporation.

KDDI Corporation provides telecommunication services, and Kyocera sells mainly telecommunication equipment to KDDI Corporation. Kyocera serves KDDI Corporation as an independent vendor in terms of price determination, remittance condition and product distribution. All of the agreements and ongoing contractual commitments between Kyocera and KDDI Corporation have been made on an arm's-length basis. In fiscal 2015, Kyocera's sales to KDDI Corporation amounted to ¥122,647 million, or 8.0% of consolidated net sales.

Kyocera Corporation made an equity investment in KDDI Corporation when it was founded, and Kyocera Corporation's equity interest in KDDI Corporation was 12.76% at March 31, 2015. Currently a Director of Kyocera Corporation is an Outside Director of KDDI Corporation, and a Director of KDDI Corporation is an Outside Director of Kyocera Corporation.

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

*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 Counsel of Kyocera Corporation.

*Yoshinori Yasuda* has served as an Audit & Supervisory Board Member of Kyocera Corporation since 2012. He has served as a Visiting Professor at Reitaku University, a Member of the Royal Swedish Academy of Sciences, a Senior Fellow at the Tokyo Foundation, a Professor Emeritus at International Research Center for Japanese Studies, a Professor Emeritus at Graduate University for Advanced Studies, the Director of Research Center for Pan-Pacific Civilizations, Ritsumeikan University and the Director of the Museum of The Global Environment History at Fujinokuni.

*Nichimu Inada* has served as an Audit & Supervisory Board Member of Kyocera Corporation since 2012. He has served as the Representative Director and President of Family Inada Co., Ltd., the Chairman of the Japan Home-Health Apparatus Industrial Association and the Executive Director of the Japan Federation of Medical Devices Associations.

*Yasunari Koyano* has served as an Audit & Supervisory Board Member of Kyocera Corporation since 2013. He has served as the 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 24, 2015.

<b>Name</b>	<b>Position</b>
Goro Yamaguchi	Executive Officer and President
Ken Ishii	Senior Managing Executive Officer (General Manager of Corporate Cutting Tool Group)
Hiroshi Fure	Senior Managing Executive Officer (General Manager of Corporate Automotive Components Group)
Yoji Date	Senior Managing Executive Officer (Representative Director and President of Kyocera Connector Products Corporation)
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)
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)
Setsuo Sasaki	Senior Executive Officer (Representative Director and President of Kyocera Communication Systems Co., Ltd.)

<b>Name</b>	<b>Position</b>
Shigeru Koyama	Senior Executive Officer (Representative Director and President of Kyocera Fineceramics GmbH)
Koichi Kano	Senior Executive Officer (General Manager of Corporate Development Group)
Hiroyuki Yamashita	Executive Officer (General Manager of Corporate Semiconductor Components Group)
Hironao Kudo	Executive Officer (General Manager of Corporate Electronic Components Group)
Hideo Yoshida	Executive Officer (Deputy General Manager of Corporate Semiconductor Components Group)
Masahiro Inagaki	Executive Officer (General Manager of Corporate R&D Group)
Hiroshi Funatogawa	Executive Officer (General Manager of Corporate Communication Equipment Group)
Shigeaki Kinori	Executive Officer (Representative Director and President of Kyocera Crystal Device Corporation)
Kazuyuki Nada	Executive Officer (Representative Director and President of Kyocera Circuit Solutions, Inc.)
Toshihide Koyano	Executive Officer (General Manager of Corporate Solar Energy Group)
Yuji Goto	Executive Officer (President of Kyocera (China) Sales & Trading Corporation)
Masaharu Goto	Executive Officer (Representative Director and President of Kyocera Solar Corporation)
Masaki Iida	Executive Officer (General Manager of Corporate Purchasing Group)
Takashi Sato	Executive Officer (General Manager of Corporate Human Resources Group)
Masaaki Itoh	Executive Officer (Deputy General Manager of Corporate General Affairs Group)
Robert E. Whisler	Executive Officer (Director and President of Kyocera America, Inc.)
Takashi Kuki	Executive Officer (Representative Director and President of Kyocera Document Solutions, Inc.)
Hideo Tanimoto	Executive Officer (General Manager of Corporate Fineceramic Group)
Takashi Okunosono	Executive Officer (General Manager of Corporate Printing Device Group)
Masayuki Saito	Executive Officer (Deputy General Manager of Corporate Communication Equipment Group)

## B. Compensation

The aggregate amount of compensation provided by Kyocera Corporation and its certain subsidiaries in fiscal 2015 to all Directors, Audit & Supervisory Board Members and Executive Officers of Kyocera Corporation was ¥2,130 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 equal to or 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				Others	Total
		Basic remuneration	Bonus and others	Stock option	Incentive plan compensation		
Tetsuo Kuba	Representative Director and Chairman of Kyocera Corporation	54	50	—	—	—	
	Director and Chairman of the Board of AVX Corporation	2	—	—	—	—	¥ 106
Goro Yamaguchi	Representative Director and President of Kyocera Corporation	60	55	—	—	—	
	Director of AVX Corporation	2	—	—	—	—	¥ 117
John S. Gilbertson	Director of Kyocera Corporation	11	5	—	—	—	
	Director, Chairman of the Board and Chief Executive Officer of AVX Corporation	106	127	30	158	15	¥ 452

### 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 ¥110 per \$1.00, which was the average rate during fiscal 2015.
3. The positions of Tetsuo Kuba and Goro Yamaguchi represent their current positions as of the filing date of this annual report on Form 20-F.
4. The position of John S. Gilbertson represents the position as of March 31, 2015 as he resigned Director of Kyocera Corporation and Director, Chairman of the Board and Chief Executive Officer of AVX Corporation as of March 31, 2015. Bonus and others includes his retirement compensation determined by AVX's Compensation Committee.

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

	<u>Total amount of compensation</u>	<u>Amounts of compensation by types</u>		<u>Number of Directors and Audit &amp; Supervisory Board Members</u>
		<u>Basic remuneration</u>	<u>Bonus</u>	
		<u>(Yen in millions)</u>		
Director	<u>¥ 413</u>	<u>¥ 229</u>	<u>¥ 184</u>	<u>12</u>
Outside Director	<u>10</u>	<u>10</u>	<u>—</u>	<u>1</u>
Full-time Audit & Supervisory Board Member	<u>58</u>	<u>58</u>	<u>—</u>	<u>3</u>
Outside Audit & Supervisory Board Member	<u>25</u>	<u>25</u>	<u>—</u>	<u>3</u>
Total	<u>¥ 506</u>	<u>¥ 322</u>	<u>¥ 184</u>	<u>19</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, among other things, (i) have not been directors or employees of Kyocera Corporation or its subsidiaries within 10 years prior to assuming the position of Audit & Supervisory Board Members, (ii) (in case of persons who have formerly served as audit & supervisory board members of Kyocera Corporation or its subsidiaries within 10 years prior to assuming the position of Audit & Supervisory Board Members) have not been directors or employees of Kyocera Corporation or its subsidiaries within 10 years prior to assuming such former position of audit & supervisory board members and (iii) are not currently spouses or relatives within two degrees of Directors or important employees of Kyocera Corporation (Outside Audit & Supervisory Board Members). Audit & Supervisory Board Members form the Audit & Supervisory Board. Audit & Supervisory Board Members are under a statutory duty to oversee the administration of our affairs by the Directors, to examine our financial statements and business reports to be submitted by the Board of Directors to the general meetings of shareholders and to report their opinions thereon to the shareholders. They are obliged to attend meetings of the Board of Directors and to express their opinions, but they are not entitled to vote. Audit & Supervisory Board Members also have a statutory duty to provide their report on the audit report prepared by our independent certified public accountants to the Audit & Supervisory Board, which must submit its audit report to the Board of Directors. The Audit & Supervisory Board will also determine matters relating to the duties of the Audit & Supervisory Board Members, such as audit policy and methods of investigation of our affairs.

Under the Companies Act, the Directors and Audit & Supervisory Board Members are liable for any damages suffered by us as a result of their violation of laws or regulations or any failure to perform their duties. Under our Articles of Incorporation, any such liabilities incurred by the Outside Directors and the Outside Audit & Supervisory Board Members may, except in the case of willful misconduct or gross negligence or in certain other cases, be limited by a liability limitation agreement entered into between us and each Outside Director or

each Outside Audit & Supervisory Board Member, as the case may be, up to an amount to be calculated in accordance with the relevant provisions of the Companies Act with reference to annual remuneration, retirement allowance and profits received upon exercise or transfer of stock options, if any.

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

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

#### **D. Employees**

The number of Kyocera's employees by reporting segment at March 31, 2015 is as follows:

Fine Ceramic Parts Group	3,134
Semiconductor Parts Group	8,656
Applied Ceramic Products Group	7,590
Electronic Device Group	20,442
Telecommunications Equipment Group	4,148
Information Equipment Group	16,142
Others	6,509
Corporate	1,564
Total	<u>68,185</u>

Kyocera Corporation had 14,026 employees, and their average age and average service years were 41.0 and 17.7 respectively.

The numbers of Kyocera Corporation's employees by reporting segments at March 31, 2015 are as follows:

Fine Ceramic Parts Group	2,782
Semiconductor Parts Group	3,481
Applied Ceramic Products Group	2,201
Electronic Device Group	1,450
Telecommunications Equipment Group	2,306
Information Equipment Group	—
Others	1,164
Corporate	642
Total	<u>14,026</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 24, 2015 owned 755,069 shares of Kyocera Corporation in total (750,176 shares of common stock of Kyocera Corporation and 4,893 ADRs of Kyocera Corporation), or 0.2% of the outstanding shares of Kyocera Corporation at March 31, 2015. 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	19,202
Tatsumi Maeda	Representative Director and Vice Chairman	9,428
Goro Yamaguchi	Representative Director and President	20,180
Ken Ishii	Director	6,325
Hiroshi Fure	Director	2,994
Yoji Date	Director	6,806
Yoshihito Ohta	Director	8,173
Shoichi Aoki	Director	6,950
John S. Rigby	Director	1,491 (ADR)
Tadashi Onodera	Outside Director	921
Hiroto Mizobata	Outside Director	1,311
Yoshihiro Kano	Full-time Audit & Supervisory Board Member	4,772
Kouji Mae	Full-time Audit & Supervisory Board Member	10,400
Osamu Nishieda	Audit & Supervisory Board Member	592,465
Yoshinori Yasuda	Audit & Supervisory Board Member	1,021
Nichimu Inada	Audit & Supervisory Board Member	3,555
Yasunari Koyano	Audit & Supervisory Board Member	737
Yoshiharu Nakamura	Senior Executive Officer	4,631
Junichi Jinno	Senior Executive Officer	1,333
Setsuo Sasaki	Senior Executive Officer	6,344
Shigeru Koyama	Senior Executive Officer	2,768
Koichi Kano	Senior Executive Officer	2,917
Hiroyuki Yamashita	Executive Officer	684
Hironao Kudo	Executive Officer	475
Hideo Yoshida	Executive Officer	1,970
Masahiro Inagaki	Executive Officer	1,353
Hiroshi Funatogawa	Executive Officer	1,469
Shigeaki Kinori	Executive Officer	4,448
Kazuyuki Nada	Executive Officer	4,763
Toshihide Koyano	Executive Officer	1,222
Yuji Goto	Executive Officer	4,645
Masaharu Goto	Executive Officer	2,043
Masaki Iida	Executive Officer	3,320
Takashi Sato	Executive Officer	2,623
Masaaki Itoh	Executive Officer	4,090
Robert E. Whisler	Executive Officer	3,402 (ADR)
Takashi Kuki	Executive Officer	532
Hideo Tanimoto	Executive Officer	1,242
Takashi Okunosono	Executive Officer	1,588
Masayuki Saito	Executive Officer	476

## 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, 2015.

<u>Name</u>	<u>Shares owned (in thousands)</u>	<u>Ownership (%)</u>
The Master Trust Bank of Japan, Ltd. (Trust Account)	29,681	7.86
State Street Bank and Trust Company (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	22,526	5.97
Japan Trustee Services Bank, Ltd. (Trust Account)	19,338	5.12
The Bank of Kyoto, Ltd.	14,436	3.82
Kazuo Inamori	11,212	2.97
Kyocera Corporation	10,757	2.85
Inamori Foundation	9,360	2.48
KI Enterprise Co., Ltd.	7,099	1.88
BNP Paribas Securities (Japan) Limited	7,074	1.87
Stock Purchase Plan for Kyocera Group Employees	5,343	1.41
Total	<u>136,828</u>	<u>36.23</u>

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

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

In accordance with the Financial Instruments and Exchange Law of Japan mentioned above, on October 6, 2014, Dodge & Cox sent a copy of such a report to us, setting forth information regarding shareholders as of September 30, 2014 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, 2015.

Name	Shares owner (in thousands)	Ownership (%)
Dodge & Cox	20,013	5.30

On April 21, 2015, BlackRock Japan Co., Ltd. and its related partners sent a copy of such a report to us, setting forth information regarding shareholders as of April 15, 2015 as shown in the following table.

Name	Shares owner (in thousands)	Ownership (%)
BlackRock Japan Co., Ltd.	5,149	1.36
BlackRock Advisors, LLC	1,407	0.37
BlackRock Investment Management LLC	497	0.13
BlackRock (Luxembourg) S.A.	572	0.15
BlackRock Life Limited	920	0.24
BlackRock Asset Management Ireland Limited	1,690	0.45
BlackRock Fund Advisors	3,775	1.00
BlackRock Institutional Trust Company, N.A.	4,364	1.16
BlackRock Investment Management (UK) Limited	543	0.14
Total	<u>18,918</u>	<u>5.01</u>

According to Citibank N.A., the Depository for Kyocera's ADSs, as of March 31, 2015, 3,589,704 shares of Kyocera's common stock were held in the form of ADSs and there were 645 ADS holders of record in the United States. According to Kyocera's register of shareholders, as of March 31, 2015, there were 54,722 holders of Kyocera's common stock of record worldwide. As of March 31, 2015, there were 163 record holders of Kyocera's common stock with addresses in the United States, holding 71,634,232 shares of the outstanding common stock on that date. Because some of these shares were held by brokers or other nominees, the number of record holders with addresses in the United States might not fully show the number of beneficial owners in the United States.

## B. Related Party Transactions

### Significant Customer

Kyocera Corporation made an equity investment in KDDI Corporation when it was founded, and Kyocera Corporation's equity interest in KDDI Corporation was 12.76% at March 31, 2015. In addition, currently a Director of Kyocera Corporation is an Outside Director of KDDI Corporation, and a Director of KDDI Corporation is an Outside Director of Kyocera Corporation. KDDI Corporation provides telecommunication services, and Kyocera sells mainly telecommunication equipment to KDDI Corporation. In fiscal 2015, Kyocera's sales to KDDI Corporation amounted to ¥122,647 million, or 8.0% of consolidated net sales. Kyocera serves KDDI Corporation as an independent vendor in terms of price determination, remittance condition and product distribution. All of the agreements and ongoing contractual commitments between Kyocera and KDDI Corporation have been made on an arm's-length basis.

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

## C. Interests of Experts and Counsel

Not applicable.

## **Item 8. Financial Information**

### **A. Consolidated Statements and Other Financial Information**

#### ***Consolidated Financial Statements***

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

#### ***Dividend Policy***

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

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 payout ratio of 30% or more 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.

Pursuant to this dividend policy and based on full-year performance for fiscal 2015, Kyocera will distribute a year-end dividend for fiscal 2015 in the amount of 60 yen per share. When aggregated with the interim dividend in the amount of 40 yen per share, the total annual dividend is 100 yen per share. This means an increase of 20 yen per share compared with 80 yen per share (based on the number of shares after the stock split undertaken on October 1, 2013) for fiscal 2014.

We held a board of directors meeting for the interim dividend on October 30, 2014.

### **B. Significant Changes**

Except as disclosed in this annual report on Form 20-F, there have been no significant changes since March 31, 2015.

## Item 9. The Offer and Listing

### A. Offer and Listing Details

#### Price Range of Shares

The 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.

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
2011	¥4,870	¥3,220	\$54.50	\$39.54
2012	4,520	3,030	55.50	39.08
2013	4,565	3,000	49.27	38.70
2014	5,880	4,175	57.78	42.85
2015	6,905	4,352	57.44	41.29
<b>Most Recent 6 months</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
December 2014	¥6,035	¥5,344	\$50.18	\$44.99
January 2015	5,598	5,045	46.28	43.48
February 2015	6,060	5,130	50.70	43.79
March 2015	6,905	5,890	57.44	48.60
April 2015	7,207	6,266	59.69	51.73
May 2015	6,846	6,268	56.00	52.25

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

“Price per Share of Common Stock” and “Price per American Depositary Share” are calculated under the assumption that the stock split undertaken by Kyocera Corporation on October 1, 2013 had been undertaken at the beginning of the year ended March 31, 2011. For details of the stock split, please refer to “Capital Stock” in Item 10.B. “Memorandum and Articles of Association” of this annual report on Form 20-F on page 76.

On June 19, 2015, the closing price of our shares of Common Stock on the Tokyo Stock Exchange was ¥6,354 per share.

The following table shows the information about high and low sales prices for each quarterly period in fiscal 2014 and 2015 in respect of the shares of Common Stock of Kyocera Corporation on the Tokyo Stock Exchange, and the American Depositary Shares on the New York Stock Exchange.

### For Voting Securities by Fiscal Quarter

		2014			
		1st	2nd	3rd	4th
<b>Common Stock:</b>					
Market price per share (A)	— High	¥5,880	¥5,730	¥5,510	¥5,260
	— Low	4,175	4,700	4,670	4,287
Cash dividends paid per share		30	—	40	—
<b>American Depositary Share:</b>					
Market price per share (B)	— High	\$57.08	\$57.78	\$53.54	\$49.92
	— Low	44.77	48.06	48.63	42.85
Cash dividends paid per share (C)		0.30	—	0.39	—
		2015			
		1st	2nd	3rd	4th
<b>Common Stock:</b>					
Market price per share (A)	— High	¥5,068	¥5,229	¥6,035	¥6,905
	— Low	4,352	4,752	4,375	5,045
Cash dividends paid per share		40	—	40	—
<b>American Depositary Share:</b>					
Market price per share (B)	— High	\$49.13	\$49.50	\$50.18	\$57.44
	— Low	43.42	45.30	41.29	43.48
Cash dividends paid per share (C)		0.39	—	0.33	—

(A) Price on the Tokyo Stock Exchange

(B) Price on the New York Stock Exchange

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

(A), (B) and (C) for the 1st and 2nd quarterly period in fiscal 2014 are calculated under the assumption that the stock split undertaken by Kyocera Corporation on October 1, 2013 had been undertaken at the beginning of the year ended March 31, 2014. For details of the stock split, please refer to “Capital Stock” in Item 10.B. “Memorandum and Articles of Association” of this annual report on Form 20-F on page 76.

### B. Plan of Distribution

Not applicable.

### C. Markets

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

### D. Selling Shareholders

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

**Item 10. Additional Information****A. Share Capital**

Not applicable.

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

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

***Organization***

Kyocera Corporation is a joint stock corporation (*kabushiki kaisha*) incorporated in Japan under the Companies Act. 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 the affairs of Kyocera Corporation and its subsidiaries, such as a control system to ensure the exercise of Directors' duty to comply with laws and regulations and the Articles of Incorporation of Kyocera Corporation. The Regulations of the Board of Directors of Kyocera Corporation require a resolution of the Board of Directors for Kyocera Corporation, among other things, to issue bonds or bonds with stock acquisition rights; to borrow, lend or contribute a significant amount of money; to give a guarantee of a significant amount of debt; or to waive the right to receive a significant amount of money. The Regulations of the Board of Directors of Kyocera Corporation defines a "significant amount" as five billion yen or more with respect to borrowing and one hundred million yen or more with respect to other matters. The Regulations of the Board of Directors of Kyocera Corporation also require a resolution of the Board of Directors to approve any transaction between a Director and Kyocera Corporation; or allocate remuneration and bonuses of Directors as previously determined or approved by the general meeting of shareholders.

## ***Capital Stock***

### *General*

On January 5, 2009, a central clearing system for shares of Japanese listed companies was established pursuant to the Law Concerning Book-Entry Transfer of Corporate Bonds, Shares, etc. (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.

### *Stock split*

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

### *Retirement of treasury stock*

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

## ***Distributions of Surplus***

### *General*

Under the Companies Act, distributions of cash or other assets by joint stock corporations to their shareholders, so-called “dividends,” are referred to as “distributions of Surplus” (“Surplus” is defined in “Restriction on distributions of Surplus”). Kyocera Corporation may make distributions of Surplus to its shareholders any number of times per fiscal year, subject to certain limitations described in “Restriction on distributions of Surplus”. 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) transfer of the whole or a part of equity interests in any of Kyocera Corporation’s subsidiaries where the amount of the book value of the equity interests so transferred exceeds one-fifth of the amount of Kyocera Corporation’s total assets as provided for by an ordinance of the Ministry of Justice and Kyocera Corporation has no more than half of the voting rights of all holders of equity interests in that subsidiary as of the effective date of the transfer;
- (xii) taking over of the whole of the business of another company requiring shareholders’ approval;
- (xiii) dissolution, merger or consolidation requiring shareholders’ approval;
- (xiv) corporate split requiring shareholders’ approval; and
- (xv) establishment of a parent and wholly-owned subsidiary relationship by way of a share transfer (*kabushiki-iten*) or share exchange (*kabushiki-kokan*) requiring shareholders’ approval.

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

#### *Subscription rights*

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

#### *Liquidation rights*

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

#### *Transfer agent*

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

#### *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.) Reports are required to be filed through the EDINET system.

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

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

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

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

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

## Selected Daily Price Limits

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

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

### C. Material Contracts

On October 10, 2012, AVX Corporation reached a settlement with the United States and the Commonwealth of Massachusetts regarding the New Bedford Harbor Superfund Site. On September 19, 2013, the United States District Court approved the settlement and entered the Supplemental Consent Decree.

For a summary of the settlement, please refer to “Financial settlement between AVX Corporation and the United States and the 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 43.

The financial settlement is incorporated herein as Exhibit 4.1 “Supplemental Consent Decree with Defendant AVX Corporation containing agreement between AVX Corporation and the United States and the Commonwealth of Massachusetts, dated October 10, 2012” by reference to the Registrant’s annual report on Form 20-F filed on June 28, 2013.

### 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 and Spain. Japan's income tax treaties with Australia, France, the Netherlands, Sweden, Switzerland and the United Kingdom have been amended to generally reduce the maximum withholding tax rate to 10%. In the absence of any applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax or allowing exemption from Japanese withholding tax, the rate of Japanese withholding tax applicable to dividends paid by Kyocera Corporation to non-residents or non-Japanese corporations is 20%. However, with respect to dividends paid by Kyocera Corporation to any corporate or individual shareholders who are non-residents of Japan or non-Japanese corporations, except for any individual shareholder who holds 3% or more of the outstanding total of the shares issued by Kyocera Corporation, the said 20% withholding tax rate is reduced to 15% for dividends due and payable on or after January 1, 2014. A special reconstruction surtax (2.1% multiplied by the original applicable tax rate) is added to the withholding tax rates from and including January 1, 2013 to and including December 31, 2037. Under Japanese tax law, whichever is the lower of the maximum rate provided in the relevant tax treaty, convention or agreement and the Japanese statutory rate will be applicable. Gains derived from the sale outside Japan of the shares or ADSs by a non-resident of Japan or a non-Japanese corporation are in general not subject to Japanese income or corporation taxes. In addition, gains derived from the sale of shares or ADSs within Japan by a non-resident of Japan or non-Japanese corporation not having a permanent establishment in Japan are in general not subject to Japanese income or corporation taxes.

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

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

### ***United States Taxation***

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

- a dealer in securities,
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,
- a tax-exempt organization,
- certain insurance companies,
- a person liable for alternative minimum tax,
- a person that actually or constructively owns 10% or more of 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 depository 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 depository, 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, or to prior years before the first year in which we were a PFIC with respect to you, will be taxed as ordinary income,
- the amount allocated to each other prior year 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 (or treated as a PFIC with respect to you) either in the taxable year of the distribution or the preceding taxable year. Moreover, unless an investor makes a mark-to-market election or a special "purging election," the investor's shares or ADSs will be treated as stock in a PFIC if Kyocera Corporation was a PFIC 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. 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, 2015 will generally mature within four months. The following tables provide information about Kyocera's major foreign currency forward contracts existing at March 31, 2015, 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)		
	US\$/Yen	Euro/Yen	Euro/US\$
	(Yen in millions except contractual rates)		
Contract amounts	¥84,838	¥ 70,571	¥ 4,786
Fair value	(2,332)	3,667	50
Weighted average contractual rates	0.009	0.007	0.908

  

Forward exchange contracts to purchase foreign currencies	(Receive/Pay)		
	Yen/ US\$	CZK/US\$	US\$/Yen
	(Yen in millions except contractual rates)		
Contract amounts	¥ 5,476	¥ 3,231	¥ 2,822
Fair value	0	(43)	(13)
Weighted average contractual rates	119.080	24.881	0.008

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

## Interest Rate Risk

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

	Average pay rate	Long-term debt (including due within one year)						Total	Fair value
		Expected maturity date							
		during the year ending March 31,							
	2016	2017	2018	2019	2020	Thereafter			
		(Yen in millions)							
Loans from banks and others	4.33%	¥9,441	7,559	5,309	3,297	1,466	250	¥27,322	¥27,322

## 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 ¥734,358 million, included ¥685,745 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. At March 31, 2015, Kyocera held the following available-for-sale marketable equity and debt securities.

	March 31, 2015	
	Cost	Fair Value
	(Yen in millions)	
Equity securities	¥285,771	¥1,020,129

## 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, 2015. Based on that evaluation, Kyocera's principal executive and principal financial officers concluded that the disclosure controls and procedures were effective as of that date.

#### **Management's Report on Internal Control over Financial Reporting**

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

Kyocera's management, with the participation of its principal executive and principal financial officers, evaluated the effectiveness of Kyocera's internal control over financial reporting using the criteria set forth in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, Kyocera's management concluded that Kyocera's internal control over financial reporting was effective as of March 31, 2015. Kyocera's independent registered public accounting firm, PricewaterhouseCoopers Kyoto has audited the effectiveness of Kyocera's internal control over financial reporting as of March 31, 2015, 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, 2015. Based on that evaluation, there was no change in Kyocera's internal control over financial reporting that occurred during the year ended March 31, 2015 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 served as our independent registered public accounting firm for fiscal 2014 and fiscal 2015 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 2014 and fiscal 2015.

	Years ended March 31,	
	2014	2015
	(Yen in millions)	
Audit Fees <sup>(1)</sup>	¥1,715	¥1,752
Audit-related Fees	3	5
Tax Fees <sup>(2)</sup>	252	228
All Other Fees	2	4
Total	<u>¥1,972</u>	<u>¥1,989</u>

- (1) Amounts represent fees for the annual audit of Kyocera for fiscal 2014 and fiscal 2015, reviews of Kyocera's financial statements for interim periods, other regulatory filings in fiscal 2014 and fiscal 2015 and the statutory audit of internal control over financial reporting for fiscal 2014 and fiscal 2015.
- (2) 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 2014 and fiscal 2015.

### 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, 2014	355	4,661.17	—	—
May 1 to May 31, 2014	158	4,695.84	—	—
June 1 to June 30, 2014	132	4,790.75	—	—
July 1 to July 31, 2014	568	4,900.17	—	—
August 1 to August 31, 2014	444	4,919.72	—	—
September 1 to September 30, 2014	744	5,014.50	—	—
October 1 to October 31, 2014	454	4,692.74	—	—
November 1 to November 30, 2014	582	5,320.82	—	—
December 1 to December 31, 2014	740	5,727.16	—	—
January 1 to January 31, 2015	608	5,333.36	—	—
February 1 to February 28, 2015	276	5,276.44	—	—
March 1 to March 31, 2015	706	6,080.04	—	—
Total	<u>5,767</u>	<u>5,233.97</u>	<u>—</u>	<u>—</u>

Notes:

Under the Companies Act, a holder of shares constituting less than one full unit may request Kyocera to purchase such shares at their market value. Please refer to “Capital Stock” in Item 10.B. “Memorandum and Articles of Association” of this annual report on Form 20-F on page 76. 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.

1. A NYSE-listed U.S. company must have a majority of directors meeting the independence requirements under Section 303A of the NYSE Listed Company Manual.

For large Japanese companies, including Kyocera Corporation, which employ a corporate governance system based on an audit & supervisory board (the “audit & supervisory board system”), the Companies Act of Japan (the Companies Act) has no independence requirement with respect to directors. The task of overseeing management and independent auditors is assigned to the audit & supervisory board members, who are separate from Kyocera Corporation’s management.

All audit & supervisory board members must meet certain independence requirements under the Companies Act.

For large Japanese companies with an audit & supervisory board, including Kyocera Corporation, at least half of the members of such board must be “outside” audit & supervisory board members. Such “outside” audit & supervisory board members must meet additional independence requirements under the Companies Act. An “outside” audit & supervisory board member means an audit & supervisory board member who, among other things, (i) has not been a director or employee, including a manager, of Kyocera Corporation or any of its subsidiaries within 10 years prior to assuming the position of an audit & supervisory board member, (ii) (in case of a person who has formerly served as an audit & supervisory board member of Kyocera Corporation or any of its subsidiaries within 10 years prior to assuming the position of an audit & supervisory board member) has not been a director or employee, including a manager, of Kyocera Corporation or any of its subsidiaries within 10 years prior to assuming such former position of an audit & supervisory board member and (iii) is not currently spouse or relative within two degrees of a director or important employee, including a manager, of Kyocera Corporation.

As of June 24, 2015, Kyocera Corporation had six audit & supervisory board members, of whom three were “outside” audit & supervisory board members.

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

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

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

Kyocera Corporation 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 24, 2015, 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. A NYSE-listed U.S. company must have a compensation committee composed entirely of independent directors. Compensation committee members must satisfy the additional independence requirements under Section 303A.02 (a) (ii) of the NYSE Listed Company Manual. A compensation committee must also have authority to retain or obtain the advice compensation and other advisers, subject to prescribed independence criteria that the committee must consider prior to engaging any such adviser.

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

**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 advisers.

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.

<u>Description</u>	<u>Page</u>
(1) <a href="#"><u>Report of Independent Registered Public Accounting Firm related to the Consolidated Financial Statements listed below</u></a>	F-1
(2) <a href="#"><u>Consolidated Balance Sheets at March 31, 2014 and 2015</u></a>	F-2 & F-3
(3) <a href="#"><u>Consolidated Statements of Income for the years ended March 31, 2013, 2014 and 2015</u></a>	F-4
(4) <a href="#"><u>Consolidated Statements of Comprehensive Income for the years ended March 31, 2013, 2014 and 2015</u></a>	F-5
(5) <a href="#"><u>Consolidated Statements of Equity for the years ended March 31, 2013, 2014 and 2015</u></a>	F-6 & F-7
(6) <a href="#"><u>Consolidated Statements of Cash Flows for the years ended March 31, 2013, 2014 and 2015</u></a>	F-8
(7) <a href="#"><u>Notes to the Consolidated Financial Statements</u></a>	F-9 to F-63

## Item 19. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
1.1	Articles of Incorporation (incorporated by reference to the Registrant's Annual Report on Form 20-F filed on June 28, 2013 (File No. 001 - 07952))
1.2	Share Handling Regulations of the Registrant (incorporated by reference to the Registrant's Annual Report on Form 20-F filed on June 30, 2014 (File No. 001 - 07952))
1.3	Regulations of the Board of Directors of the Registrant (incorporated by reference to the Registrant's Annual Report on Form 20-F filed on June 29, 2011 (File No. 001 - 07952))
1.4	Regulations of the Audit & Supervisory Board of the Registrant (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 between AVX Corporation and the United States and the Commonwealth of Massachusetts, dated October 10, 2012 (incorporated by reference to the Registrant's Annual Report on Form 20-F filed on June 28, 2013 (File No. 001 - 07952))
8.1	List of Significant Subsidiaries (See "Organizational Structure" in Item 4.C. of the Registrant's Annual Report on Form 20-F)
11.1	Code of Ethics (incorporated by reference to the Registrant's Annual Report on Form 20-F filed on July 5, 2007 (File No. 001 - 07952))
12.1	Certification of the principal executive officer of the Registrant required by 17 C.F.R. 240. 13a-14(a)
12.2	Certification of the principal financial officer of the Registrant required by 17 C.F.R. 240. 13a-14(a)
13.1	Certification of the principal executive officer of the Registrant required by 17 C.F.R. 240. 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code
13.2	Certification of the principal financial officer of the Registrant required by 17 C.F.R. 240. 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code
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. INS	XBRL Taxonomy Extension Instance Document
101. SCH	XBRL Taxonomy Extension Schema Document
101. CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101. LAB	XBRL Taxonomy Extension Labels Linkbase Document
101. PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101. DEF	XBRL Taxonomy Extension Definition Linkbase Document

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, 2014 and March 31, 2015, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2015 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, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* 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 25, 2015

**Consolidated Balance Sheets**  
**Kyocera Corporation and Consolidated Subsidiaries**  
**March 31, 2014 and 2015**

ASSETS	2014	2015
	(Yen in millions and shares in thousands)	
<b>Current assets:</b>		
Cash and cash equivalents	¥ 335,174	¥ 351,363
Short-term investments in debt and equity securities (Notes 3 and 4)	115,900	95,237
Other short-term investments (Note 3)	160,331	184,358
Trade receivables		
Notes (Note 7)	22,054	19,130
Accounts (Note 7)	257,850	299,412
Less allowances for doubtful accounts and sales returns (Note 6)	(5,062)	(5,378)
	274,842	313,164
Inventories (Note 5)	335,802	354,499
Deferred income taxes (Note 15)	41,499	42,314
Other current assets (Notes 4, 6, 8, 10 and 12)	103,887	116,612
<b>Total current assets</b>	<b>1,367,435</b>	<b>1,457,547</b>
<b>Investments and advances:</b>		
Long-term investments in debt and equity securities (Notes 3 and 4)	738,212	1,051,638
Other long-term investments (Notes 3, 4, 6 and 7)	14,847	20,402
<b>Total investments and advances</b>	<b>753,059</b>	<b>1,072,040</b>
<b>Property, plant and equipment (Notes 4 and 10):</b>		
Land	63,268	59,590
Buildings	344,167	350,354
Machinery and equipment	826,881	846,391
Construction in progress	11,821	11,015
Less accumulated depreciation	(975,580)	(1,005,859)
<b>Total property, plant and equipment</b>	<b>270,557</b>	<b>261,491</b>
Goodwill (Notes 2, 4 and 9)	116,632	102,167
Intangible assets (Notes 2, 4 and 9)	59,326	56,615
Other assets (Notes 6, 8, 10, 11 and 15)	69,695	71,324
<b>Total assets</b>	<b>¥2,636,704</b>	<b>¥3,021,184</b>

The accompanying notes are an integral part of these statements.

**Consolidated Balance Sheets—(Continued)**  
**Kyocera Corporation and Consolidated Subsidiaries**  
**March 31, 2014 and 2015**

LIABILITIES AND EQUITY	2014	2015
	(Yen in millions and shares in thousands)	
<b>Current liabilities:</b>		
Short-term borrowings (Note 10)	¥ 4,064	¥ 4,129
Current portion of long-term debt (Notes 4 and 10)	12,360	9,441
Trade notes and accounts payable	122,424	119,654
Other notes and accounts payable	48,224	59,613
Accrued payroll and bonus	56,068	59,454
Accrued income taxes	23,353	17,316
Other accrued liabilities (Note 13)	31,347	53,305
Other current liabilities (Notes 4, 12 and 15)	29,611	33,339
Total current liabilities	<u>327,451</u>	<u>356,251</u>
<b>Non-current liabilities:</b>		
Long-term debt (Notes 4, 8 and 10)	19,466	17,881
Accrued pension and severance liabilities (Note 11)	36,812	34,764
Deferred income taxes (Note 15)	235,954	292,454
Other non-current liabilities (Note 15)	29,795	16,211
Total non-current liabilities	<u>322,027</u>	<u>361,310</u>
Total liabilities	<u>649,478</u>	<u>717,561</u>
<b>Commitments and contingencies (Note 13)</b>		
<b>Kyocera Corporation shareholders' equity:</b>		
Common stock:		
Authorized 600,000 shares		
Issued 377,619 shares at March 31, 2014 and Issued 377,619 shares at March 31, 2015	115,703	115,703
Additional paid-in capital	162,666	162,695
Retained earnings	1,415,784	1,502,310
Accumulated other comprehensive income	250,963	469,673
Common stock in treasury, at cost:		
10,752 shares at March 31, 2014 and 10,757 shares at March 31, 2015	(35,033)	(35,062)
Total Kyocera Corporation shareholders' equity	<u>1,910,083</u>	<u>2,215,319</u>
Noncontrolling interests	77,143	88,304
Total equity (Note 14)	<u>1,987,226</u>	<u>2,303,623</u>
Total liabilities and equity	<u>¥2,636,704</u>	<u>¥3,021,184</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, 2015**

	2013	2014	2015
	(Yen in millions and shares in thousands, except per share amounts)		
Net sales (Notes 7 and 12)	¥1,280,054	¥1,447,369	¥1,526,536
Cost of sales (Note 12)	952,350	1,068,465	1,137,137
Gross profit	327,704	378,904	389,399
Selling, general and administrative expenses (Notes 2, 4, 9 13 and 16)	250,778	258,322	295,971
Profit from operations	76,926	120,582	93,428
Other income (expenses):			
Interest and dividend income	14,666	18,172	22,783
Interest expense (Note 12)	(1,890)	(1,945)	(1,718)
Foreign currency transaction gains, net (Note 12)	5,136	5,108	4,499
Gains on sales of securities, net (Note 3)	4,542	2,875	505
Other, net (Notes 4 and 12)	1,983	1,476	2,365
	24,437	25,686	28,434
Income before income taxes	101,363	146,268	121,862
Income taxes (Note 15):			
Current	39,655	40,900	46,304
Deferred	(5,643)	10,354	(49,745)
	34,012	51,254	(3,441)
Net income	67,351	95,014	125,303
Net income attributable to noncontrolling interests	(878)	(6,258)	(9,428)
Net income attributable to shareholders of Kyocera Corporation	¥ 66,473	¥ 88,756	¥ 115,875
Per share information (Note 18):			
Net income attributable to shareholders of Kyocera Corporation:			
Basic	¥ 181.18	¥ 241.93	¥ 315.85
Diluted	181.18	241.93	315.85
Cash dividends declared per share:			
Per share of common stock	60.00	80.00	100.00
Average number of shares of common stock outstanding:			
Basic	366,884	366,872	366,864
Diluted	366,884	366,872	366,864

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, 2015**

	<u>2013</u>	<u>2014</u>	<u>2015</u>
	(Yen in millions)		
Net income	¥ 67,351	¥ 95,014	¥125,303
Other comprehensive income (loss) — net of taxes			
Net unrealized gains on securities (Notes 3 and 14)	94,577	158,510	174,184
Net unrealized gains (losses) on derivative financial instruments (Notes 12 and 14)	8	(167)	(111)
Pension adjustments (Notes 11 and 14)	(11,677)	2,380	(7,688)
Foreign currency translation adjustments (Note 14)	55,468	45,845	60,758
Total other comprehensive income (loss)	<u>138,376</u>	<u>206,568</u>	<u>227,143</u>
Comprehensive income	205,727	301,582	352,446
Comprehensive income attributable to noncontrolling interests	<u>(7,202)</u>	<u>(11,946)</u>	<u>(17,757)</u>
Comprehensive income attributable to shareholders of Kyocera Corporation	<u>¥198,525</u>	<u>¥289,636</u>	<u>¥334,689</u>



**Consolidated Statements of Equity—(Continued)**  
**Kyocera Corporation and Consolidated Subsidiaries**  
**For the three years ended March 31, 2015**

<u>(Number of shares outstanding)</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Treasury Stock</u>	<u>Kyocera Corporation Shareholders' Equity</u>	<u>Non controlling Interests</u>	<u>Equity</u>
			(Note 14)	(Note 14)				
			(Yen in millions and shares in thousands)					
Balance, March 31, 2014 (366,867)	115,703	162,666	1,415,784	250,963	(35,033)	1,910,083	77,143	1,987,226
Comprehensive income:								
Net income			115,875			115,875	9,428	125,303
Change in net unrealized gains on securities-net of taxes (Note 3)				174,058		174,058	126	174,184
Change in net unrealized gains (loss) on derivative financial instruments-net of taxes(Note 12)				(112)		(112)	1	(111)
Change in pension adjustments -net of taxes (Note 11)				(7,283)		(7,283)	(405)	(7,688)
Change in foreign currency translation adjustments -net of taxes				52,151		52,151	8,607	60,758
Total comprehensive income						<u>334,689</u>	<u>17,757</u>	<u>352,446</u>
Cash dividends paid to Kyocera Corporation's shareholders			(29,349)			(29,349)		(29,349)
Cash dividends paid to noncontrolling interests							(3,492)	(3,492)
Purchase of treasury stock (6)					(30)	(30)		(30)
Reissuance of treasury stock (0)		1			1	2		2
Stock option plan of subsidiaries		114				114	43	157
Other		(86)		(104)		(190)	(3,147)	(3,337)
Balance, March 31, 2015 (366,861)	<u>¥115,703</u>	<u>¥ 162,695</u>	<u>¥1,502,310</u>	<u>¥ 469,673</u>	<u>¥(35,062)</u>	<u>¥ 2,215,319</u>	<u>¥ 88,304</u>	<u>¥2,303,623</u>

The accompanying notes are an integral part of these statements.

Numbers of shares are set forth under the assumption that the stock split, which took effect on October 1, 2013, had been undertaken at March 31, 2012.

**Consolidated Statements of Cash Flows**  
**Kyocera Corporation and Consolidated Subsidiaries**  
**For the three years ended March 31, 2015**

	<u>2013</u>	<u>2014</u>	<u>2015</u>
	(Yen in millions)		
<b>Cash flows from operating activities:</b>			
Net income	¥ 67,351	¥ 95,014	¥ 125,303
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	73,597	76,151	72,994
Provision for doubtful accounts and loss on bad debts	238	252	197
Write-down of inventories	11,507	7,256	17,361
Deferred income taxes (Note 15)	(5,643)	10,354	(49,745)
Gains on sales of securities, net	(4,542)	(2,875)	(581)
Losses on impairment of goodwill	—	729	18,456
Foreign currency adjustments	(2,003)	(1,975)	(2,687)
Change in assets and liabilities:			
(Increase) decrease in receivables	(14,876)	47,306	(16,804)
Increase in inventories	(13,910)	(25,160)	(19,938)
Decrease in other current assets	4,907	7,661	2,955
Decrease in notes and accounts payable	(35,557)	(34,589)	(13,085)
Increase (decrease) in accrued income taxes	8,151	490	(6,392)
Increase (decrease) in other current liabilities	9,242	(26,825)	9,002
Increase (decrease) in other non-current liabilities	14,739	(3,628)	(6,348)
Other, net	(3,712)	(1,020)	79
Net cash provided by operating activities	<u>109,489</u>	<u>149,141</u>	<u>130,767</u>
<b>Cash flows from investing activities:</b>			
Payments for purchases of available-for-sale securities	(30,052)	(38,530)	(24,505)
Payments for purchases of held-to-maturity securities	(49,583)	(131,016)	(197,391)
Proceeds from sales and maturities of available-for-sale securities	37,593	43,432	25,131
Proceeds from maturities of held-to-maturity securities	71,167	73,623	182,531
Acquisitions of businesses, net of cash acquired (Notes 2 and 19)	(18,533)	(15,975)	(1,843)
Investment in affiliates	(2,150)	(871)	(650)
Payments for purchases of property, plant and equipment	(58,416)	(50,890)	(57,055)
Payments for purchases of intangible assets	(6,553)	(6,722)	(6,214)
Acquisition of time deposits and certificate of deposits	(289,694)	(260,241)	(246,667)
Withdrawal of time deposits and certificate of deposits	276,436	284,829	229,982
Other, net	3,643	1,220	3,073
Net cash used in investing activities	<u>(66,142)</u>	<u>(101,141)</u>	<u>(93,608)</u>
<b>Cash flows from financing activities:</b>			
Decrease in short-term borrowings, net	(1,465)	(213)	(554)
Proceeds from issuance of long-term debt	9,055	10,671	10,642
Payments of long-term debt	(12,733)	(13,247)	(13,347)
Dividends paid	(24,336)	(28,624)	(32,705)
Purchases of noncontrolling interests	(1,007)	(1,032)	(4,004)
Other, net	(945)	(360)	(24)
Net cash used in financing activities	<u>(31,431)</u>	<u>(32,805)</u>	<u>(39,992)</u>
Effect of exchange rate changes on cash and cash equivalents	20,250	14,525	19,022
Net increase in cash and cash equivalents	32,166	29,720	16,189
Cash and cash equivalents at beginning of year	273,288	305,454	335,174
Cash and cash equivalents at end of year	<u>¥ 305,454</u>	<u>¥ 335,174</u>	<u>¥ 351,363</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, "Revenue Recognition," are met. When Kyocera provides a combination of products and services, the arrangement is evaluated under ASC 605-25, "Multiple-Element Arrangements."

In addition, in the 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, "Products," an estimated sales allowance for stock rotation is recorded at the time of sale based on a percentage of distributor sales using historical trends, current pricing and volume information, other market specific information and input from sales, marketing and other key management personnel. These procedures require the exercise of significant judgments. Kyocera believes that these procedures enable Kyocera to make reliable estimates of future returns under the stock rotation program. Kyocera's actual results have historically approximated its estimates. When the products are returned and verified, the distributor is given credit against their accounts receivables.

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

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

*Sales Rebates*

In the case of sales to distributors in the 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, "Customer Payments and Incentives."

*Sales Returns*

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

*Products Warranty*

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

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

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.

**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.

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

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

**Property, Plant and Equipment and Depreciation:**

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

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

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

**Goodwill and Other Intangible Assets:**

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

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

Customer relationships	3 to 20 years
Software	2 to 10 years
Trademarks	10 to 20 years
Non-patent technology	5 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.

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

**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.

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

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

**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, 2014, Kyocera adopted Accounting Standards Update 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. The adoption of this accounting standard did not have a material impact on Kyocera's consolidated results of operations, financial condition and cash flows.

On April 1, 2014, Kyocera adopted 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. The adoption of this accounting standard did not have a material impact on Kyocera's consolidated results of operations, financial condition and cash flows.

On April 1, 2014, Kyocera adopted ASU No. 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." This accounting standard requires an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward in the financial statements. As this accounting standard is a provision for disclosure, the adoption of this accounting standard did not have a material impact on Kyocera's consolidated results of operations, financial condition and cash flows.

**Recently Issued Accounting Standards:**

In April 2014, the FASB issued ASU No. 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." This accounting standard changes the requirements for reporting discontinued operations in ASC 205-20, "Presentation of Financial Statements—Discontinued Operations." A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. This accounting standard also requires an entity to provide disclosures about a disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation in the financial statements. This accounting standard will be effective for All disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. The adoption of this accounting standard is not expected to have a material impact on Kyocera's consolidated results of operations, financial condition and cash flows.

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

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers.” This accounting standard requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This accounting standard also requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Qualitative and quantitative information is required about:

1. Contracts with customers—including revenue and impairments recognized, disaggregation of revenue, and information about contract balances and performance obligations (including the transaction price allocated to the remaining performance obligations)
2. Significant judgments and changes in judgments—determining the timing of satisfaction of performance obligations (over time or at a point in time), and determining the transaction price and amounts allocated to performance obligations
3. Assets recognized from the costs to obtain or fulfill a contract.

This accounting standard will be effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Kyocera is currently evaluating the impact that this accounting standard will have on Kyocera’s consolidated results of operations, financial position and cash flows.

In June 2014, the FASB issued ASU No. 2014-10, “Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation.” This accounting standard removes the definition of a development stage entity from the Master Glossary of the Accounting Standards Codification, thereby removing the financial reporting distinction between development stage entities and other reporting entities from U.S. GAAP. This accounting standard also eliminates an exception provided to development stage entities in ASC 810, “Consolidation,” for determining whether an entity is a variable interest entity on the basis of the amount of investment equity that is at risk. This accounting standard will be effective retrospectively for annual reporting periods beginning after December 15, 2015, and interim periods therein. 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 August 2014, the FASB issued ASU No. 2014-15, “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern.” This accounting standard requires an entity’s management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued. If conditions or events raise substantial doubt about an entity’s ability to continue as a going concern, the entity is required to disclose additional information. This accounting standard will be effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. As this accounting standard is a provision for disclosure, the adoption of this accounting standard is not expected to have a material impact on Kyocera’s consolidated results of operations, financial condition and cash flows.

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

In November 2014, the FASB issued ASU No. 2014-16, “Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity.” This accounting standard eliminates the use of different methods in practice and thereby reduces existing diversity under U.S. GAAP in evaluating whether the nature of the host contract within a hybrid financial instrument issued in the form of a share is more akin to debt or to equity. For hybrid financial instruments issued in the form of a share, an entity is required to determine the nature of the host contract by considering all stated and implied substantive terms and features of the hybrid financial instrument, weighing each term and feature on the basis of relevant facts and circumstances. This accounting standard will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. 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 January 2015, the FASB issued ASU No. 2015-01, “Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items”. This accounting standard eliminates from U.S. GAAP the concept of extraordinary items. This accounting standard will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. As this accounting standard is a provision for disclosure, 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 February 2015, the FASB issued ASU No. 2015-02, “Amendments to the Consolidation Analysis.” This accounting standard changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. All legal entities are subject to reevaluation under the revised consolidation model. This accounting standard affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. This accounting standard will be effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. 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 April 2015, the FASB issued ASU No. 2015-05, “Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement.” This accounting standard provides a guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This accounting standard will be effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. 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.

**Reclassifications:**

Certain reclassifications and changes have been made to the consolidated balance sheets and the consolidated statements of cash flows for the years ended March 31, 2014 and 2013 and footnotes to conform to the current presentation.

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

**2. BUSINESS COMBINATION**

**Business combinations in the year ended March 31, 2015**

On October 1, 2014, Kyocera Document Solutions America, Inc., a subsidiary of Kyocera Document Solutions Inc., a Japan based subsidiary, acquired 100% of the common stock of Wittco-Oregon, Inc., to expand its sales channels in the U.S.

On December 30, 2014, Kyocera Document Solutions Chile SpA., a subsidiary of Kyocera Document Solutions Inc., acquired 100% of the common stock of Vigaprint S. A., to expand its sales channels in Chile.

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

**Business combinations in the year ended March 31, 2014**

On October 1, 2013, Kyocera acquired 100% of the common stock of NEC Toppan Circuit Solutions, Inc., a manufacturer of printed circuit board and made it a consolidated subsidiary. NEC Toppan Circuit Solutions, Inc. changed its name to Kyocera Circuit Solutions, Inc. on October 1, 2013.

The result of operation of the acquired business was included into Kyocera’s consolidated financial statements since the acquisition date. For segment reporting, it is reported in the Semiconductor Parts Group.

Kyocera used the acquisition method of accounting to record assets acquired and liabilities assumed in accordance with ASC 805, “Business Combinations.” Factors that contributed to the recognition of goodwill include expected synergies and the trained workforce.

The fair values of the assets acquired and liabilities assumed at the acquisition date are shown in the following table. Acquisition-related costs of ¥113 million were included in selling, general and administrative expenses in the consolidated statement of income for the year ended March 31, 2014.

On October 1, 2014, Kyocera Circuit Solutions, Inc. was integrated into Kyocera SLC Technologies Corporation, which ran an organic substrate business, and the new integrated company was named Kyocera Circuit Solutions, Inc. Kyocera is striving to further enhance its organic substrate business through this integration.

	(Yen in millions)
Cash and cash equivalents	¥ 3,303
Trade receivables	8,231
Inventories	3,946
Others	910
Total current assets	<u>16,390</u>
Property, plant and equipment	5,413
Intangible assets	3,134
Others	860
Total non-current assets	<u>9,407</u>
Total assets	<u>25,797</u>
Trade notes and accounts payable	5,241
Others	3,202
Total current liabilities	<u>8,443</u>
Non-current liabilities	3,486
Total liabilities	<u>11,929</u>
Total identified assets and liabilities	<u>13,868</u>
Purchase price (Cash)	<u>19,416</u>
Goodwill	<u>¥ 5,548</u>

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

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:

	<b>(Yen in millions)</b>
Intangible assets subject to amortization :	
Technologies	¥1,423
Customer relationships	1,200
Others	511
Total	<u>¥3,134</u>

The weighted average amortization periods for technologies and customer relationships are ten years and 13 years respectively.

**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."

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.

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

	<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 (Asia Tantalum) for ¥7,455 million, net, in cash. During the year ended March 31, 2014, AVX Corporation paid an additional ¥158 million to settle the working capital adjustment provisions of the purchase agreement, resulting in an increase in goodwill during the period by the same amount.

Asia Tantalum designs, develops, manufactures and markets tantalum electronic components. Asia Tantalum's products are used in a broad range of commercial applications. 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.

AVX Corporation 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. The total amount of goodwill is not deductible for tax purposes.

The results of operations of Asia Tantalum were included into AVX Corporation and 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**

The fair values of the assets acquired and liabilities assumed at the acquisition date are shown in the following table. The pro forma results are not presented as the revenue and earnings were not material.

	<b>(Yen in millions)</b>
Accounts receivables	¥ 727
Inventories	1,414
Other current assets and liabilities	<u>(799)</u>
Working capital	<u>1,342</u>
Property, plant and equipment	2,873
Accrued benefit liability	<u>(179)</u>
Total identified assets and liabilities	<u>4,036</u>
Purchase price (less cash acquired)	<u>7,613</u>
Goodwill	<u><u>¥3,577</u></u>

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

**3. INVESTMENTS IN DEBT, EQUITY SECURITIES AND OTHER INVESTMENTS**

Available-for-sale securities are recorded at fair value, with unrealized gains and losses excluded from income and reported in other comprehensive income, net of tax. Held-to-maturity securities are recorded at amortized cost. Non-marketable equity securities are accounted by the cost method.

Other-than-temporary loss on debt and equity securities for the years ended March 31, 2013, 2014 and 2015 are as follows:

	<b>Years ended March 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>(Yen in millions)</b>		
Other-than-temporary loss on debt and equity securities	¥729	¥109	¥ 2

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

Investments in debt and equity securities at March 31, 2014 and 2015, included in short-term investments in debt and equity securities and in long-term investments in debt and equity securities are summarized as follows:

	<b>March 31,</b>							
	<b>2014</b>				<b>2015</b>			
	<b>Cost*1</b>	<b>Aggregate Fair Value</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Cost*1</b>	<b>Aggregate Fair Value</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>
	<b>(Yen in millions)</b>							
<b>Available-for-sale securities:</b>								
Marketable equity securities*2	¥ 273,595	¥ 735,606	¥ 462,012	¥ 1	¥ 273,271	¥1,007,629	¥ 734,358	¥ 0
Investment trusts	10,017	10,025	8	—	12,500	12,500	—	—
Total equity securities	283,612	745,631	462,020	1	285,771	1,020,129	734,358	0
Total available-for-sale securities	283,612	745,631	462,020	1	285,771	1,020,129	734,358	0
<b>Held-to-maturity securities:</b>								
Corporate bonds	108,475	108,551	87	11	126,739	126,692	67	114
Government bonds and public bonds	6	6	—	—	7	7	—	—
Total held-to-maturity securities	108,481	108,557	87	11	126,746	126,699	67	114
Total	¥ 392,093	¥ 854,188	¥ 462,107	¥ 12	¥ 412,517	¥ 1,146,828	¥ 734,425	¥ 114

\*1 Cost represents amortized cost for held-to-maturity securities and acquisition cost for available-for-sale securities. The cost basis of the individual securities is written down to fair value as a new cost basis when other-than-temporary impairment is recognized.

\*2 Marketable equity securities mainly consist of the shares of KDDI Corporation, which is a telecommunications carrier in Japan. At March 31, 2015, Kyocera Corporation's equity interest in KDDI Corporation was 12.76%. Cost, aggregate fair value and gross unrealized gain of the shares of KDDI Corporation held by Kyocera are as follows:

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

	March 31,							
	2014				2015			
	Cost	Aggregate Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	Cost	Aggregate Fair Value	Gross Unrealized Gain	Gross Unrealized Loss
Shares of KDDI Corporation	¥ 249,036	¥ 684,464	¥ 435,428	¥ —	¥ 249,036	¥ 934,781	¥ 685,745	¥ —

Short-term investments in debt and equity securities and long-term investments in debt and equity securities at March 31, 2014 and 2015 are as follows:

	March, 31					
	2014			2015		
	Available- for-Sale	Held-to- Maturity	Total	Available- for-Sale	Held-to- Maturity	Total
	(Yen in millions)					
Short-term investment in debt and equity securities	¥ 10,000	¥105,900	¥115,900	¥ 12,500	¥ 82,737	¥ 95,237
Long-term investment in debt and equity securities	735,631	2,581	738,212	1,007,629	44,009	1,051,638
Total	<u>¥745,631</u>	<u>¥108,481</u>	<u>¥854,112</u>	<u>¥1,020,129</u>	<u>¥126,746</u>	<u>¥1,146,875</u>

At March 31, 2015, the contractual maturities of available-for-sale and held-to-maturity securities are summarized as follows:

	March 31, 2015			
	Available-for-Sale		Held-to-Maturity	
	Cost	Aggregate Fair Value	Cost	Aggregate Fair Value
	(Yen in millions)			
Due within 1 year	¥ —	¥ —	¥ 82,737	¥ 82,781
Due after 1 year to 5 years	—	—	44,009	43,918
Equity securities	285,771	1,020,129	—	—
Total	<u>¥285,771</u>	<u>¥1,020,129</u>	<u>¥126,746</u>	<u>¥126,699</u>

Proceeds from sales of available-for-sale securities and the related gross realized gains and losses for the years ended March 31, 2013, 2014 and 2015 are as follows:

	Years ended March 31,		
	2013	2014	2015
	(Yen in millions)		
Proceeds from sales of available-for-sale securities	¥34,587	¥24,440	¥22,766
Gross realized gains	5,858	3,323	494
Gross realized losses	1,156	460	—

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

**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 an unconsolidated subsidiary. Carrying amounts of these investments at March 31, 2014 and 2015, included in other short-term investments and in other long-term investments, are summarized as follows:

	March 31,	
	2014	2015
	(Yen in millions)	
Time deposits and certificates of deposits (due over 3 months)	¥160,376	¥186,953
Non-marketable equity securities	11,616	13,664
Long-term loans	26	4
Investments in affiliates and an unconsolidated subsidiary	3,160	4,139
Total	<u>¥175,178</u>	<u>¥204,760</u>

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

**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.

(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,							
	2014				2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(Yen in millions)							
<b>Current Assets:</b>								
Investment trusts	¥ —	¥10,000	¥ —	¥ 10,000	¥ —	¥12,500	¥ —	¥ 12,500
Total equity securities	—	10,000	—	10,000	—	12,500	—	12,500
Foreign currency forward contracts	—	412	—	412	—	4,058	—	4,058
Total derivatives	—	412	—	412	—	4,058	—	4,058
Total current assets	—	10,412	—	10,412	—	16,558	—	16,558
<b>Non-Current Assets:</b>								
Marketable equity securities	735,606	—	—	735,606	1,007,629	—	—	1,007,629
Investment trusts	25	—	—	25	—	—	—	—
Total equity securities	735,631	—	—	735,631	1,007,629	—	—	1,007,629
Total non-current assets	735,631	—	—	735,631	1,007,629	—	—	1,007,629
Total assets	¥ 735,631	¥10,412	¥ —	¥ 746,043	¥ 1,007,629	¥16,558	¥ —	¥ 1,024,187
<b>Current Liabilities:</b>								
Foreign currency forward contracts	¥ —	¥ 2,391	¥ —	¥ 2,391	¥ —	¥ 2,933	¥ —	¥ 2,933
Interest rate swaps	—	13	—	13	—	—	—	—
Total derivatives	—	2,404	—	2,404	—	2,933	—	2,933
Total current liabilities	¥ —	¥ 2,404	¥ —	¥ 2,404	¥ —	¥ 2,933	¥ —	¥ 2,933

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

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, 2013, 2014 and 2015.

The fair value of Level 2 derivatives is estimated based on quotes from financial institutions. With respect to the detail information of derivatives, please refer to the Note 12 to 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, 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)

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, 2014.

	<u>Balance at March 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total gains (losses) for the year ended March 31, 2014</u>
		(Yen in millions)			
Property, plant and equipment	¥ 50			¥ 50	¥(1,518)
Non-marketable equity securities	24			24	(109)
Goodwill	—			—	(729)

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, 2015.

	<u>Balance at March 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total gains (losses) for the year ended March 31, 2015</u>
		(Yen in millions)			
Property, plant and equipment	¥3,274			¥3,274	¥(2,397)
Intangible assets	3,378			3,378	(882)
Non-marketable equity securities	0			0	(2)
Goodwill	—			—	(18,456)

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 ¥286 million, ¥1,518 million and ¥2,397 million, which were included in selling, general and administrative expenses in the consolidated statements of income for the years ended March 31, 2013, 2014 and 2015, respectively.

Certain intangible assets with a carrying amount was written down to its fair value due to that carrying value exceeded its fair value, resulting in impairment charge ¥882 million, which were included in selling, general and administrative expenses in the consolidated statements of income for the year ended March 31, 2015.

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

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 ¥1 million, ¥109 million and ¥2 million, which were included in other, net in the consolidated statements of income for the years ended March 31, 2013, 2014 and 2015, respectively.

Certain goodwill with a carrying amount was written down to its fair value due to that carrying value exceeded its fair value, resulting in impairment charge ¥729 million and ¥18,456 million, which were included in selling, general and administrative expenses in the consolidated statements of income for the year ended March 31, 2014 and 2015.

(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,			
	2014		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Yen in millions)			
<b>Assets (a):</b>				
Short-term investments in debt and equity securities	¥115,900	¥115,974	¥ 95,237	¥ 95,281
Long-term investments in debt and equity securities	738,212	738,214	1,051,638	1,051,547
Other long-term investments (excluding investments in affiliates and an unconsolidated subsidiary)	11,687	11,687	16,263	16,263
Total	<u>¥865,799</u>	<u>¥865,875</u>	<u>¥1,163,138</u>	<u>¥1,163,091</u>
<b>Liabilities (b):</b>				
Long-term debt (including due within one year)	¥ 31,826	¥ 31,834	¥ 27,322	¥ 27,322
Total	<u>¥ 31,826</u>	<u>¥ 31,834</u>	<u>¥ 27,322</u>	<u>¥ 27,322</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, 2014 and 2015 were ¥11,563 million and ¥13,651 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, 2014 and 2015 are as follows:

	March 31,	
	2014	2015
	(Yen in millions)	
Finished goods	¥164,892	¥149,737
Work in process	60,075	62,784
Raw materials and supplies	110,835	141,978
	<u>¥335,802</u>	<u>¥354,499</u>

Kyocera regularly reviews the cost of inventory on hand and records a lower of cost or market write-down if any inventories have a cost in excess of market value. Kyocera recorded write-downs of ¥11,507 million, ¥7,256 million and ¥17,361 million for the years ended March 31, 2013, 2014 and 2015, respectively, to adjust the carrying amount of inventory to market value.

**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, 2013, 2014, and 2015 are as follows:

<u>Description</u>	<u>Balance at Beginning of Year</u>	<u>Charged to Costs or Expenses</u>	<u>Charged (Credited) to Other Accounts*</u>	<u>Charge-offs</u>	<u>Balance at End of Year</u>
			(Yen in millions)		
For the year ended March 31, 2013:					
Allowance for doubtful accounts	¥4,951	¥ 969	¥ 320	¥(1,695)	¥4,545
Allowance for sales returns	<u>2,142</u>	<u>3,931</u>	<u>414</u>	<u>(3,959)</u>	<u>2,528</u>
Total	<u>¥7,093</u>	<u>¥4,900</u>	<u>¥ 734</u>	<u>¥(5,654)</u>	<u>¥7,073</u>
For the year ended March 31, 2014:					
Allowance for doubtful accounts	¥4,545	¥ 522	¥ 251	¥ (695)	¥4,623
Allowance for sales returns	<u>2,528</u>	<u>6,371</u>	<u>101</u>	<u>(6,044)</u>	<u>2,956</u>
Total	<u>¥7,073</u>	<u>¥6,893</u>	<u>¥ 352</u>	<u>¥(6,739)</u>	<u>¥7,579</u>
For the year ended March 31, 2015:					
Allowance for doubtful accounts	¥4,623	¥ 605	¥(147)	¥ (718)	¥4,363
Allowance for sales returns	<u>2,956</u>	<u>6,099</u>	<u>411</u>	<u>(6,115)</u>	<u>3,351</u>
Total	<u>¥7,579</u>	<u>¥6,704</u>	<u>¥ 264</u>	<u>¥(6,833)</u>	<u>¥7,714</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, 2014 and 2015 are as follows:

	<u>March 31, 2014</u>	<u>March 31, 2015</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>¥5,062</u>	<u>¥5,378</u>
The location of valuation allowances that are deducted from the related receivables in the consolidated balance sheets:		
Other current assets	378	232
Other long-term investments	—	76
Other assets	<u>2,139</u>	<u>2,028</u>
Subtotal	<u>2,517</u>	<u>2,336</u>
Total	<u>¥7,579</u>	<u>¥7,714</u>

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

**7. INVESTMENTS IN AFFILIATES**

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

	<u>March 31,</u>	
	<u>2014</u>	<u>2015</u>
	(Yen in millions)	
Kyocera's investments in affiliates	¥2,882	¥3,825
Kyocera's trade receivables from affiliates	161	131

  

	<u>Years ended March 31,</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
	(Yen in millions)		
Kyocera's equity in earnings of affiliates	¥(330)	¥(228)	¥296
Kyocera's sales to affiliates	200	303	273

Kyocera Corporation's investment in Kagoshima Mega Solar Power Corporation, which was ¥1,708 million at March 31, 2015 accounted for by the equity method, is pledged as collateral for loans of ¥20,870 million from financial institutions of Kagoshima Mega Solar Power Corporation.

**8. LEASE RECEIVABLES**

Lease receivables represent capital leases which consist of sales-type leases. Most of the lease receivables are recognized at TA Triumph-Adler GmbH, a subsidiary of Kyocera Document Solutions Inc., and its consolidated subsidiaries. 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:

	<u>March 31,</u>	
	<u>2014</u>	<u>2015</u>
	(Yen in millions)	
Total minimum lease payments receivable	¥36,980	¥33,636
Unguaranteed residual values	1,213	1,642
Unearned income	(2,346)	(2,627)
Executory costs	(12)	(11)
	<u>35,835</u>	<u>32,640</u>
Less, allowance for doubtful receivables	(283)	(203)
	<u>35,552</u>	<u>32,437</u>
Less, portion due within one year	(12,678)	(11,721)
Total	<u>¥22,874</u>	<u>¥20,716</u>

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

	<u>Years ended March 31,</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
	(Yen in millions)		
Balance at beginning of year	¥382	¥238	¥283
Charged to costs or expenses, or charge-off	(187)	3	(57)
Foreign currency translation	43	42	(23)
Balance at end of year	<u>¥238</u>	<u>¥283</u>	<u>¥203</u>

TA Triumph-Adler GmbH and its consolidated subsidiaries estimate 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)
2016	¥12,628
2017	8,639
2018	6,320
2019	4,425
2020	1,385
2021 and thereafter	239
Total	<u>¥33,636</u>

TA Triumph-Adler GmbH and its consolidated subsidiaries transferred the capital lease receivables to a third party in exchange for cash, however, the transfer was not qualified as a sale for financial reporting purpose because TA Triumph-Adler GmbH and its consolidated subsidiaries have 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 ¥29,389 million and ¥25,647 million have been recorded on the balance sheets as of March 31, 2014 and 2015, respectively.

**9. GOODWILL AND OTHER INTANGIBLE ASSETS**

Intangible assets are summarized as follows:

	March 31,			
	2014		2015	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(Yen in millions)			
Intangible assets subject to amortization:				
Customer relationships	¥32,603	¥11,816	¥32,944	¥14,417
Software	37,838	27,041	40,438	29,780
Trademark	5,683	885	6,291	1,270
Non-patent technology	5,600	708	5,257	1,101
Other	25,455	15,220	25,513	14,416
Total	<u>¥107,179</u>	<u>¥55,670</u>	<u>¥110,443</u>	<u>¥60,984</u>

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

	March 31,	
	2014	2015
	Gross Carrying Amount	Gross Carrying Amount
	(Yen in millions)	
Intangible assets not subject to amortization:		
Trademark	¥7,816	¥7,155
Other	1	1
Total	¥7,817	¥7,156

Intangible assets acquired during the year ended March 31, 2015 are as follows:

	Year ended March 31, 2015
	(Yen in millions)
Intangible assets subject to amortization:	
Customer relationships	¥ 950
Software	4,394
Trademark	147
Other	2,539
Total	¥8,030

The weighted average amortization periods for customer relationships, software and trademark which were acquired during the year ended March 31, 2015 are six years, four years and 12 years, respectively.

Total amortization of intangible assets during the years ended March 31, 2013, 2014 and 2015 amounted to ¥10,292 million, ¥10,177 million and ¥10,422million, respectively. The estimated aggregate amortization expenses for intangible assets for the next five years are as follows:

Years ending March 31,	(Yen in millions)
2016	¥8,650
2017	7,272
2018	6,192
2019	4,778
2020	3,385

**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, 2014 and 2015 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)								
<b>Balance at March 31, 2013</b>								
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)
	100	1,313	15,098	45,672	18,456	14,581	8,205	103,425
Goodwill acquired during the year	—	5,548	—	158	—	—	—	5,706
Impairment of goodwill	—	—	—	(729)	—	—	—	(729)
Translation adjustments and reclassification to other accounts	—	40	2,329	3,656	—	2,205	—	8,230
<b>Balance at March 31, 2014</b>								
Goodwill	100	6,901	22,842	49,486	18,456	16,808	10,900	125,493
Accumulated impairment losses	—	—	(5,415)	(729)	—	(22)	(2,695)	(8,861)
	100	6,901	17,427	48,757	18,456	16,786	8,205	116,632
Goodwill acquired during the year	—	—	—	—	—	1,251	71	1,322
Impairment of goodwill	—	—	—	—	(18,456)	—	—	(18,456)
Translation adjustments and reclassification to other accounts	—	72	(602)	3,640	—	(441)	—	2,669
<b>Balance at March 31, 2015</b>								
Goodwill	100	6,973	22,240	53,126	18,456	17,618	10,971	129,484
Accumulated impairment losses	—	—	(5,415)	(729)	(18,456)	(22)	(2,695)	(27,317)
	<u>¥100</u>	<u>¥6,973</u>	<u>¥16,825</u>	<u>¥52,397</u>	<u>¥ —</u>	<u>¥17,596</u>	<u>¥ 8,276</u>	<u>¥102,167</u>

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.

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

Kyocera recognized an impairment loss on goodwill in the amount of ¥18,456 million in the Telecommunications Equipment Group (“Reporting Unit”), which was included in selling, general and administrative expenses in the consolidated statement of income for fiscal 2015. The loss was recorded due to a decline in the fair value of the Reporting Unit determined based on its updated future estimated cash flows, reflecting the slow improvement of profitability in the overseas market, especially in the U.S. market, as well as the operating loss before the impairment loss recorded in fiscal 2015 in the midst of the market condition with low profitability. The fair value of the Reporting Unit was determined using the discounted cash flows method (income approach) and the comparable company valuation multiples technique (market approach).

The fair value of the liquid crystal displays (LCD) business included in the Electronic Device Group reporting unit (which includes goodwill of ¥14,143 million in its carrying amount as of March 31, 2015) exceeded its amount by 6.9% in the first step (“identification of potential impairment”) of the goodwill impairment test as of January 1, 2015. Therefore, there was no identification of potential impairment. However, there is a significant future impairment risk to goodwill if the future net cash flows of the LCD business are adversely affected by future market conditions or increased negative operating results or changes to key assumptions including the discount rate applied.

The fair value of the goodwill of this business by using the discounted cash flows method was calculated by discounting projected future net cash flows to the present value. Future net cash flows are projected using the best information available. The discount rate applied was determined as the weighted-average cost of capital of 9.0% mainly based on cost of equity calculated by commonly used capital assets pricing model and current market conditions. Key future net cash flow assumptions also include the terminal value of the reporting unit, based on a growth rate of 0%, future estimated capital expenditures and changes in future working capital.

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

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

Short-term borrowings at March 31, 2014 and 2015 are comprised of the following:

	March 31,	
	2014	2015
Average interest rates on loans from banks and others	1.17%	2.14%

	March 31,	
	2014	2015
	(Yen in millions)	
Secured	¥ 253	¥ 144
Unsecured	3,811	3,985
	<u>¥4,064</u>	<u>¥4,129</u>

Long-term debt at March 31, 2014 and 2015 are comprised of the following:

	March 31,	
	2014	2015
Range of interest rates on loans from banks and others	0.20%-7.01%	0.20%-7.01%

	March 31,	
	2014	2015
	(Yen in millions)	
Secured	¥30,537	¥25,540
Unsecured	1,289	1,782
	<u>31,826</u>	<u>27,322</u>
Less, portion due within one year	(12,360)	(9,441)
	<u>¥19,466</u>	<u>¥17,881</u>

Aggregate maturities of long-term debt at March 31, 2015 are as follows:

Years ending March 31,	(Yen in millions)
2017	¥ 7,559
2018	5,309
2019	3,297
2020	1,466
2021 and thereafter	250
	<u>¥17,881</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, 2014 and 2015 are as follows:

	March 31,	
	2014	2015
	(Yen in millions)	
Property, plant and equipment, net of accumulated depreciation	¥4,112	¥ 1,489

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 ¥29,389 million and ¥25,647 million as of March 31, 2014 and 2015 have been recorded on the balance sheets, respectively.

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

**11. BENEFIT PLANS**

**Domestic:**

**Defined benefit plans**

At March 31, 2015, Kyocera Corporation and its major domestic subsidiaries sponsor funded defined benefit pension plans or unfunded retirement and severance plans for their employees. They use a “point system” whereby benefits under the plan are calculated according to (i) accumulated “points” that are earned based on employees’ position, extent of contribution and length of service period during employment, and (ii) conditions at the time of retirement. In addition, employees were provided an option to select how benefit payments will be made. Employees may elect to receive up to 50% of the accumulated points balance as an annuity payment over the employees’ lifetime with the remainder of the accumulated points being distributed in installments over a fixed period of up to 20 years.

The funded status of the benefit plans at Kyocera Corporation and its major domestic subsidiaries as of March 31, 2014 and 2015 are as follows:

	<b>March 31,</b>	
	<b>2014</b>	<b>2015</b>
	<b>(Yen in millions)</b>	
<b>Change in projected benefit obligations:</b>		
Projected benefit obligations at beginning of year	¥177,562	¥187,124
Service cost	11,457	11,807
Interest cost	1,709	1,803
Actuarial (gain) loss	(962)	5,909
Benefits paid	(6,545)	(7,262)
Acquisitions of Business	4,469	—
Plan Amendment	—	(1,528)
Other	(566)	515
Projected benefit obligations at end of year	<u>187,124</u>	<u>198,368</u>
<b>Change in plan assets:</b>		
Fair value of plan assets at beginning of year	166,697	183,003
Actual return on plan assets	7,052	9,692
Employer’s contribution	14,580	11,957
Benefits paid	(6,417)	(7,254)
Acquisitions of Business	1,091	—
Fair value of plan assets at end of year	<u>183,003</u>	<u>197,398</u>
Funded status	<u>¥ (4,121)</u>	<u>¥ (970)</u>

The acquisition of business in the year ended March 31, 2014 was a new consolidation of Kyocera Circuit Solutions, Inc., as a wholly owned subsidiary.

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

Amounts recognized in the consolidated balance sheets consist of:

	March 31,	
	2014	2015
	(Yen in millions)	
Other assets	¥ 6,609	¥ 4,416
Accrued pension and severance liabilities	(10,730)	(5,386)
Net amount recognized	<u>¥(4,121)</u>	<u>¥ (970)</u>

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

	March 31,	
	2014	2015
	(Yen in millions)	
Prior service cost	¥ 24,839	¥ 22,006
Actuarial loss	(42,838)	(41,046)
Accumulated other comprehensive loss	<u>¥(17,999)</u>	<u>¥(19,040)</u>

	March 31,	
	2014	2015
	(Yen in millions)	
Accumulated benefit obligation at end of year	¥187,124	¥191,200
Pension plans with an accumulated benefit obligation in excess of plan assets at the end of year are as follows:		
Projected benefit obligation	¥ 32,427	¥ 34,153
Accumulated benefit obligation	32,427	34,153
Fair value of plan assets	21,697	29,463

Net periodic pension costs at Kyocera Corporation and its major domestic subsidiaries in the years ended March 31, 2013, 2014 and 2015, include the following components:

	Years ended March 31,		
	2013	2014	2015
	(Yen in millions)		
Service cost	¥10,049	¥11,457	¥11,807
Interest cost	2,324	1,709	1,803
Expected return on plan assets	(3,467)	(3,335)	(3,612)
Amortization of prior service cost	(4,329)	(4,341)	(4,361)
Recognized actuarial loss	1,510	1,886	1,621
Net periodic pension costs	<u>¥ 6,087</u>	<u>¥ 7,376</u>	<u>¥ 7,258</u>

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

Changes in other comprehensive income (loss) at Kyocera Corporation and its major domestic subsidiaries in the years ended March 31, 2013, 2014 and 2015 mainly consist of the following components:

	Years ended March 31,		
	2013	2014	2015
	(Yen in millions)		
Prior service cost due to plan amendments	¥ —	¥ 577	¥ 1,528
Net actuarial gain (loss) incurred during the year	(8,413)	4,633	171
Amortization of prior service cost	(4,329)	(4,341)	(4,361)
Recognized actuarial loss	1,510	1,886	1,621
Total	<u>¥(11,232)</u>	<u>¥ 2,755</u>	<u>¥(1,041)</u>

Prior service cost and actuarial loss expected to be amortized at Kyocera Corporation and its major domestic subsidiaries in the year ending March 31, 2016 are as follows:

	Year ending March 31, 2016
	(Yen in millions)
Amortization of prior service cost	¥(4,393)
Recognized actuarial loss	1,691

Assumptions used to determine projected benefit obligations at Kyocera Corporation and its major domestic subsidiaries at March 31, 2014 and 2015 are as follows:

	March 31,	
	2014	2015
Discount rate (%)	0.50-1.00	0.50-0.75

Assumptions used to determine net periodic pension costs at Kyocera Corporation and its major domestic subsidiaries for the years ended March 31, 2013, 2014 and 2015 are as follows:

	Years ended March 31,		
	2013	2014	2015
Discount rate (%)	0.75-1.50	0.25-1.00	0.50-1.00
Expected long-term rate of return on plan assets (%)	1.35-2.20	1.35-2.50	1.35-2.00

Rate of increase in compensation levels was not used in the calculation of projected benefit obligation and net periodic pension costs for the years ended March 31, 2013, 2014 and 2015 under the “point system.”

Kyocera Corporation and its major domestic subsidiaries determine their expected long-term rate of return on plan assets based on the defined yields of life insurance company general account, which occupies major part of plan assets categories, and their consideration of the current expectations for future returns and the historical returns of other plan assets categories in which they invest.

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

Plan assets

Plan assets categories at Kyocera Corporation and its major domestic subsidiaries at March 31, 2014 and 2015 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,							
	2014				2015			
	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	¥ —	¥ 94,907	¥ —	¥ 94,907	¥ —	¥ 96,925	¥ —	¥ 96,925
Equity securities:								
Domestic	1,550	—	—	1,550	2,231	—	—	2,231
International	9,678	—	—	9,678	5,814	—	—	5,814
Pooled funds (1)	—	21,358	—	21,358	—	23,399	—	23,399
Debt securities:								
Corporate bonds	18,819	—	—	18,819	14,021	1,412	—	15,433
Pooled funds (2)	—	7,363	—	7,363	—	8,922	—	8,922
Other types of investments:								
Equity long/short								
International (3)	—	1,088	—	1,088	—	—	—	—
Debt long/short (4)	—	3,023	—	3,023	—	—	—	—
Real Estate funds (5)	—	—	13,338	13,338	—	—	18,826	18,826
Large-scale solar power generation business funds	—	—	2,739	2,739	—	—	4,831	4,831
Pooled funds(6)	—	—	—	—	—	1,006	—	1,006
Other	—	—	1,448	1,448	—	—	1,505	1,505
Cash and cash equivalents	7,692	—	—	7,692	18,506	—	—	18,506
Total	<u>¥37,739</u>	<u>¥127,739</u>	<u>¥17,525</u>	<u>¥183,003</u>	<u>¥40,572</u>	<u>¥131,664</u>	<u>¥25,162</u>	<u>¥197,398</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 international securities exchanges.
- (4) This category includes trust funds that mainly invest both long and short in government bonds.
- (5) This category includes private open-ended real estate funds.
- (6) This category includes pooled funds that mainly invest in domestic and international equity securities that are listed on securities exchanges, government bonds and municipal bonds.

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

Kyocera Corporation and its major domestic subsidiaries manage and operate their plan assets with a target of obtaining better performance more than earnings from the expected rate of return on plan assets to ensure the sources of funds sufficient to cover the pension benefits paid to participants and beneficiaries into the future. In terms of the plan assets management, Kyocera Corporation and its major domestic subsidiaries make appropriate investment choices and optimal portfolios with a consideration of its performances, expected returns and risks, and entrusts their plan assets to the fund trustees which can be expected to be the most appropriate to accomplish Kyocera's objective. Kyocera Corporation and its major domestic subsidiaries also make an effort to maintain their portfolios within reasonable allocations of plan assets. Kyocera Corporation and its major domestic subsidiaries evaluate their categories of plan assets allocations and can change their portfolios when it is needed. Kyocera Corporation and its major domestic subsidiaries' long-term strategy is for target allocations of approximately 50% investment in life insurance company general accounts, approximately 35% main investment in equity securities that are listed on securities exchanges and in debt securities such as governments bonds, approximately 10% investment in long-term operation assets such as real estate funds, and approximately 5% holding in cash and cash equivalents.

The following table presents additional information about Level 3 assets measured at fair value on recurring basis for the years ended March 31, 2014 and 2015. Plan assets of Level 3 are invested in real estate funds, multi-strategy hedge funds and large-scale solar power generation business funds, which are valued at their net asset values that are provided by the fund manager or general partner of the funds. The net asset values are based on the fair value of the underlying assets owned by the funds, minus its liabilities then divided by the number of units outstanding.

	<u>Years ended March 31,</u>	
	<u>2014</u>	<u>2015</u>
	(Yen in millions)	
Balance at beginning of year	¥ 7,434	¥17,525
Actual return on plan assets:		
Relating to assets still held at end of year	566	1,607
Relating to assets sold during the year	(23)	—
Purchases, sales and settlements	<u>9,548</u>	<u>6,030</u>
Balance at end of year	<u>¥17,525</u>	<u>¥25,162</u>

Kyocera Corporation and its major domestic subsidiaries forecast to contribute ¥11,974 million to the defined benefit pension plans in the year ending March 31, 2016.

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>
2016	¥ 7,436
2017	7,889
2018	9,012
2019	10,496
2020	10,011
2021 to 2025	61,431

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

**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, 2014, 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 Triumph-Adler GmbH (TA), a German subsidiary of Kyocera Document Solutions Inc., maintains a defined benefit pension plan, which covers certain employees in Germany. TA does not maintain an external fund for this benefit pension plan.

The following table sets forth the funded status of the plans at KII, AVX and TA as of March 31, 2014 and 2015:

	March 31,	
	2014	2015
	(Yen in millions)	
Change in benefit obligations:		
Benefit obligations at beginning of year	¥46,504	¥51,679
Service cost	487	543
Interest cost	1,912	2,021
Plan participants' contributions	9	5
Actuarial (gain) loss	(1,878)	9,500
Benefits paid	(2,497)	(3,756)
Foreign exchange adjustment	7,205	2,029
Other	(63)	(31)
Benefit obligations at end of year	<u>¥51,679</u>	<u>¥61,990</u>

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

	<b>March 31,</b>	
	<b>2014</b>	<b>2015</b>
	<b>(Yen in millions)</b>	
<b>Change in plan assets:</b>		
Fair value of plan assets at beginning of year	¥ 24,209	¥ 29,999
Actual return on plan assets	2,332	3,069
Employer contribution	1,153	2,051
Plan participants' contributions	9	5
Benefits paid	(1,244)	(2,441)
Foreign exchange adjustment	3,603	3,383
Other expenses	(63)	(17)
Fair value of plan assets at end of year	<u>29,999</u>	<u>36,049</u>
Funded status	<u>¥(21,680)</u>	<u>¥(25,941)</u>

Amounts recognized in the consolidated balance sheets consist of:

	<b>March 31,</b>	
	<b>2014</b>	<b>2015</b>
	<b>(Yen in millions)</b>	
Accrued pension and severance liabilities	¥(21,680)	¥(25,941)

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

	<b>March 31,</b>	
	<b>2014</b>	<b>2015</b>
	<b>(Yen in millions)</b>	
Prior service cost	¥ (63)	¥ (61)
Actuarial loss	(12,557)	(21,171)
Accumulated other comprehensive loss	<u>¥(12,620)</u>	<u>¥(21,232)</u>

	<b>March 31,</b>	
	<b>2014</b>	<b>2015</b>
	<b>(Yen in millions)</b>	
Accumulated benefit obligation at end of year	¥49,950	¥59,558

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

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

	<b>March 31,</b>	
	<b>2014</b>	<b>2015</b>
<b>(Yen in millions)</b>		
Projected benefit obligation	¥51,679	¥61,990
Accumulated benefit obligation	49,950	59,558
Fair value of plan assets	29,999	36,049

Net periodic pension costs at KII, AVX and TA in the years ended March 31, 2013, 2014 and 2015 include the following components:

	<b>Years ended March 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>(Yen in millions)</b>			
Service cost	¥ 348	¥ 487	¥ 543
Interest cost	1,667	1,912	2,021
Expected return on plan assets	(1,225)	(1,655)	(2,036)
Amortization of prior service cost	9	10	11
Recognized actuarial loss	422	793	608
Partial settlement of pension plan	451	—	—
Net periodic pension costs	<u>¥ 1,672</u>	<u>¥ 1,547</u>	<u>¥ 1,147</u>

Changes in other comprehensive income (loss) at KII, AVX and TA in the years ended March 31, 2013, 2014 and 2015 mainly consist of the following components:

	<b>Years ended March 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>(Yen in millions)</b>			
Net actuarial gain (loss) incurred during the year	¥(4,362)	¥2,555	¥(8,467)
Amortization of prior service cost	9	10	11
Recognized actuarial loss	422	793	608
Partial settlement of pension plan	451	—	—
Total	<u>¥(3,480)</u>	<u>¥3,358</u>	<u>¥(7,848)</u>

Prior service cost and actuarial loss expected to be amortized at KII, AVX and TA in the year ending March 31, 2016 are as follows:

	<b>Year ending March 31, 2016</b>
	<b>(Yen in millions)</b>
Amortization of prior service cost	¥ 12
Recognized actuarial loss	1,240

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

Assumptions used to determine projected benefit obligations of the plans at KII, AVX and TA as of March 31, 2014 and 2015 are as follows:

	March 31,	
	2014	2015
Discount rate (%)	3.00-4.79	1.30-4.00
Rate of increase in compensation levels (%)	2.50-3.90	2.50-4.00

Assumptions used to determine net periodic pension costs at KII, AVX and TA in the years ended March 31, 2013, 2014 and 2015 are as follows:

	Years ended March 31,		
	2013	2014	2015
Discount rate (%)	4.00-5.00	3.10-4.57	3.00-4.79
Rate of increase in compensation levels (%)	2.50-3.80	2.50-3.90	2.50-4.00
Expected long-term rate of return on plan assets (%)	5.52-7.75	5.17-7.75	5.50-8.00

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, 2014 and 2015 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,							
	2014				2015			
	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	¥8,278	¥ —	¥ —	¥ 8,278	¥ 9,479	¥ —	¥ —	¥ 9,479
Debt securities:								
Government bonds	573	—	—	573	685	—	—	685
Government agency bonds	—	1,076	—	1,076	—	1,310	—	1,310
Corporate bonds	—	878	—	878	—	995	—	995
Pooled separate accounts *	—	18,306	—	18,306	—	21,898	—	21,898
Other	—	776	—	776	—	1,589	—	1,589
Cash and cash equivalents	112	—	—	112	93	—	—	93
Total	<u>¥8,963</u>	<u>¥21,036</u>	<u>¥ —</u>	<u>¥29,999</u>	<u>¥10,257</u>	<u>¥25,792</u>	<u>¥ —</u>	<u>¥36,049</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 50% equity and 50% fixed income for its U.S. defined benefit plans and 45% equity and 55% fixed income for its European defined benefit plans.

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

KII and AVX forecast to contribute ¥1,284 million to the defined benefit pension plans in the year ending March 31, 2016.

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

Years ending March 31,	(Yen in millions)
2016	¥ 2,736
2017	2,788
2018	2,838
2019	2,892
2020	2,955
2021 to 2025	15,506

**(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:

	Years ended March 31,		
	2013	2014	2015
	(Yen in millions)		
Contributions to the plans	¥493	¥659	¥658

**12. DERIVATIVES AND HEDGING**

Kyocera's activities are exposed to varieties of market risks, including the effects of changes in foreign currency exchange rates, interest rates and stock prices. Approximately 58% of Kyocera's net sales are generated from overseas customers, which exposes Kyocera to foreign currency exchange rates fluctuations. These financial exposures to market risks are monitored and managed by Kyocera as an integral part of its overall risk management program. Kyocera's risk management program focuses on the unpredictability of financial markets and seeks to reduce the potentially adverse effects that the volatility of these markets may have on its operating results.

Kyocera maintains a foreign currency risk management strategy that uses derivative financial instruments, such as foreign currency forward contracts to minimize the volatility in its cash flows caused by changes in foreign currency exchange rates. Movements in foreign currency exchange rates pose a risk to Kyocera's operations and competitive position, since exchange rates changes may affect the profitability, cash flows, and business and/or pricing strategies of non Japan-based competitors. These movements affect cross-border transactions that involve, but not limited to, direct export sales made in foreign currencies and raw material purchases incurred in foreign currencies.

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

By using derivative financial instruments to hedge exposures to changes in exchange rates and interest rates, Kyocera became exposed to credit risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes Kyocera, which creates repayment risk for Kyocera. When the fair value of a derivative contract is negative, Kyocera owes the counterparty and, therefore, it does not possess repayment risk. Kyocera minimizes the credit (or repayment) risk in derivative financial instruments by (a) entering into transactions with creditworthy counterparties, (b) limiting the amount of exposure to each counterparty, and (c) monitoring the financial condition of its counterparties.

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

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

**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' transaction currencies, principally the U.S. dollar and the Euro. Kyocera purchases foreign currency forward contracts to protect against the adverse effects that exchange rate fluctuations may have on foreign-currency-denominated trade receivables and payables. The gains and losses on both the derivatives and the foreign-currency-denominated trade receivables and payables are recorded as foreign currency transaction gains, net in the consolidated statement of income. Kyocera does not adopt hedge accounting for such derivatives.

The aggregate contractual amounts of derivative financial instruments at March 31, 2014 and 2015 are as follows:

	<u>March 31,</u>	
	<u>2014</u>	<u>2015</u>
	(Yen in millions)	
<b>Derivatives designated as hedging instruments:</b>		
Foreign currency forward contracts	¥ 14,277	¥ 12,797
Interest rate swaps	89	—
Total	<u>14,366</u>	<u>12,797</u>
<b>Derivatives not designated as hedging instruments:</b>		
Foreign currency forward contracts	162,171	182,761
Total derivatives	<u>¥176,537</u>	<u>¥195,558</u>

The fair value and location of derivative financial instruments in the consolidated balance sheets at March 31, 2014 and 2015 are as follows:

	<u>Location</u>	<u>March 31,</u>	
		<u>2014</u>	<u>2015</u>
		(Yen in millions)	
<b>Derivative assets:</b>			
<b>Derivatives designated as hedging instruments:</b>			
Foreign currency forward contracts	Other current assets	¥ 56	¥ 131
<b>Derivatives not designated as hedging instruments:</b>			
Foreign currency forward contracts	Other current assets	356	3,927
Total derivative assets		<u>¥ 412</u>	<u>¥4,058</u>
<b>Derivative liabilities:</b>			
<b>Derivatives designated as hedging instruments:</b>			
Foreign currency forward contracts	Other current liabilities	¥ 34	¥ 104
Interest rate swaps	Other current liabilities	13	—
Total		<u>47</u>	<u>104</u>
<b>Derivatives not designated as hedging instruments:</b>			
Foreign currency forward contracts	Other current liabilities	2,357	2,829
Total derivative liabilities		<u>¥2,404</u>	<u>¥2,933</u>

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

The amounts of derivative financial instruments included in comprehensive income and the locations in the consolidated statements of income for the years ended March 31, 2013, 2014 and 2015 are as follows:

Derivatives designated as cash flow hedge:

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

<u>Type of derivatives</u>	<u>Years ended March 31,</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
	(Yen in millions)		
Foreign currency forward contracts	¥23	¥ 64	¥ 3
Interest rate swaps	(21)	(256)	(115)
Total	<u>¥ 2</u>	<u>¥ (192)</u>	<u>¥ (112)</u>

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

<u>Type of derivatives</u>	<u>Location</u>	<u>Years ended March 31,</u>		
		<u>2013</u>	<u>2014</u>	<u>2015</u>
		(Yen in millions)		
Foreign currency forward contracts	Net sales	¥ 97	¥ 29	¥ 660
Foreign currency forward contracts	Cost of sales	(248)	(292)	(854)
Interest rate swaps	Interest expense	24	—	—
Interest rate swaps	Other, net	—	(28)	(60)
Total		<u>¥ (127)</u>	<u>¥ (291)</u>	<u>¥ (254)</u>

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

<u>Type of derivatives</u>	<u>Location</u>	<u>Years ended March 31,</u>		
		<u>2013</u>	<u>2014</u>	<u>2015</u>
		(Yen in millions)		
Foreign currency forward contracts	Foreign currency transaction gains, net	¥(21)	¥(5)	¥13

Derivatives not designated as hedging instruments:

Gains (losses) recognized in income

<u>Type of derivatives</u>	<u>Location</u>	<u>Years ended March 31,</u>		
		<u>2013</u>	<u>2014</u>	<u>2015</u>
		(Yen in millions)		
Foreign currency forward contracts	Foreign currency transaction gains, net	¥(3,630)	¥6,189	¥3,099

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

**13. COMMITMENTS AND CONTINGENCIES**

As of March 31, 2015, Kyocera had contractual obligations for the acquisition or construction of property, plant and equipment aggregating ¥9,567 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 ¥11,465 million, ¥12,876 million and ¥13,644 million for the years ended March 31, 2013, 2014 and 2015, respectively.

The future minimum lease commitments under non-cancelable operating leases as of March 31, 2015 are as follows:

Years ending March 31,	(Yen in millions)
2016	¥ 6,116
2017	4,183
2018	2,813
2019	1,768
2020	1,404
2021 and thereafter	1,727
	<u>¥18,011</u>

Kyocera has entered into purchase agreements with a few specific suppliers for purchasing polysilicon material used in its solar energy business. Under those agreements, during the year ended March 31, 2015, Kyocera purchased ¥30,644 million and is obligated to purchase ¥209,232 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, 2015, the total amount of these guarantees was ¥430 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.

Kyocera's investment in Kagoshima Mega Solar Power Corporation, which was ¥1,708 million at March 31, 2015 accounted for by the equity method, is pledged as collateral for loans of ¥20,870 million from financial institutions of Kagoshima Mega Solar Power Corporation.

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 or such state statutes authorize joint and several liability, the EPA or state regulatory authorities 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.

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 New Bedford Harbor in the Commonwealth (the harbor). That agreement is contained in a Supplemental Consent Decree that modifies certain provisions of a 1992 Consent Decree regarding clean-up of the harbor, including elimination of the governments' right to invoke certain clean-up reopener provisions in the 1992 Consent Decree in the future. Under the terms of the settlement, AVX was obligated to pay ¥39,643 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. The settlement also required the EPA to withdraw the Unilateral Administrative Order (the UAO) that was issued on April 18, 2012 regarding additional clean-up activities. The United States District Court approved the settlement and entered the Supplemental Consent Decree on September 19, 2013.

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

On October 18, 2013, AVX paid the initial settlement installment of ¥13,335 million (\$133.35 million), plus accrued interest of ¥395 million (\$3.95 million). On March 26, 2014, AVX prepaid the second settlement installment of ¥11,414 million (\$110.82 million), plus accrued interest of ¥85 million (\$0.82 million) on the remaining settlement amount through that date. On May 26, 2015, AVX prepaid the third and final settlement installment of ¥14,894 million (\$122.08 million), plus accrued interest of ¥135 million (\$1.11 million) on the final settlement amount through that date.

AVX and Kyocera recorded a charge with respect to this matter in the amount of ¥7,900 million (\$100 million) for the year ended March 31, 2012, and ¥21,300 million (\$266.25 million) for the year ended March 31, 2013, which were included in selling, general and administrative expenses in the consolidated statements of income.

In addition to the above matter, Kyocera is involved in various environmental matters and Kyocera currently has certain amount of reserves related to such environmental matters. The amount recorded for identified contingent liabilities is based on estimates. Amounts recorded are reviewed periodically and adjusted to reflect additional legal and technical information that becomes available. The uncertainties about the status of laws, regulations, regulatory actions, technology and information related to individual sites make it difficult to develop an estimate of the reasonably possible aggregate environmental remediation exposure; therefore these costs could differ from our current estimates.

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

#### **14. EQUITY**

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

The Companies Act requires a domestic company to appropriate as legal reserve or additional paid-in capital, an amount equal to 10% of the amount paid out for dividends until the sum of the legal reserve and additional paid-in capital equals 25% of its stated capital. The legal reserve and additional paid-in capital, which could be decreased due to shareholder actions, may be transferred to stated capital or used to reduce a deficit principally. The appropriated legal reserve at March 31, 2015 included in retained earnings was ¥18,803 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, 2015 was ¥825,933 million.

Based on a resolution to undertake a stock split at the meeting of the Board of Directors held on August 28, 2013, Kyocera Corporation undertook a stock split at the ratio of two-for-one of all common stock on October 1, 2013, and based on a resolution at the meeting of the Board of Directors held on January 29, 2014 to retire treasury stock pursuant to Article 178 of the Companies Act of Japan, Kyocera Corporation retired 5,000,000 shares of its common stock held as treasury stock on February 12, 2014.

The accompanying consolidated financial statements for the year ended March 31, 2015 do not include any provision for the year-end dividend of ¥60 per share aggregating ¥22,012 million payable on June 25, 2015 which was approved by the shareholders at the shareholder's meeting held on June 24, 2015.

Kyocera's equity in retained earnings or deficits of affiliates and an unconsolidated subsidiary accounted for by the equity method of accounting aggregating ¥(1,197) million at March 31, 2015 was included in retained earnings.

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

Changes in accumulated other comprehensive income are as follows:

	Net Unrealized Gains on Securities	Net Unrealized Losses on Derivative Financial Instruments	Pension Adjustments (Yen in millions)	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income
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	135,248	(68)	(23,415)	(61,627)	50,138
Other comprehensive income (loss), net					
Other comprehensive income (loss) before reclassifications	160,366	(488)	3,402	40,214	203,494
Amounts reclassified from accumulated other comprehensive income	(1,831)	296	(1,079)	—	(2,614)
Other comprehensive income (loss), net	158,535	(192)	2,323	40,214	200,880
Equity transactions with noncontrolling interests	—	0	(9)	(46)	(55)
Balance at March 31, 2014	293,783	(260)	(21,101)	(21,459)	250,963
Other comprehensive income (loss), net					
Other comprehensive income (loss) before reclassifications	174,548	(353)	(5,978)	52,179	220,396
Amounts reclassified from accumulated other comprehensive income	(490)	241	(1,305)	(28)	(1,582)
Other comprehensive income (loss), net	174,058	(112)	(7,283)	52,151	218,814
Equity transactions with noncontrolling interests	—	0	(68)	(36)	(104)
Balance at March 31, 2015	<u>¥467,841</u>	<u>¥(372)</u>	<u>¥(28,452)</u>	<u>¥ 30,656</u>	<u>¥469,673</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:

	<u>Before-tax amount</u>	<u>Tax (expense) or benefit</u> (Yen in millions)	<u>Net-of-tax amount</u>
<b>For the year ended March 31, 2013:</b>			
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	<u>147,807</u>	<u>(53,294)</u>	<u>94,513</u>
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	<u>12</u>	<u>(10)</u>	<u>2</u>
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	<u>(15,448)</u>	<u>4,337</u>	<u>(11,111)</u>
Foreign currency translation adjustments	48,648	—	48,648
Other comprehensive income (loss)	<u>¥181,019</u>	<u>¥ (48,967)</u>	<u>¥132,052</u>
<b>For the year ended March 31, 2014:</b>			
Net unrealized gains on securities:			
Amount arising during the year	¥250,322	¥ (89,956)	¥160,366
Reclassification adjustments for gains and losses realized in net income	(2,861)	1,030	(1,831)
Net change for the year	<u>247,461</u>	<u>(88,926)</u>	<u>158,535</u>
Net unrealized losses on derivative financial instruments:			
Amount arising during the year	(692)	204	(488)
Reclassification adjustments for gains and losses realized in net income	370	(74)	296
Net change for the year	<u>(322)</u>	<u>130</u>	<u>(192)</u>
Pension adjustments:			
Amount arising during the year	5,341	(1,939)	3,402
Reclassification adjustments for gains and losses realized in net income	(1,746)	667	(1,079)
Net change for the year	<u>3,595</u>	<u>(1,272)</u>	<u>2,323</u>
Foreign currency translation adjustments	40,214	—	40,214
Other comprehensive income (loss)	<u>¥290,948</u>	<u>¥ (90,068)</u>	<u>¥200,880</u>
<b>For the year ended March 31, 2015:</b>			
Net unrealized gains on securities:			
Amount arising during the year	¥272,884	¥ (98,336)	¥174,548
Reclassification adjustments for gains and losses realized in net income	(510)	20	(490)
Net change for the year	<u>272,374</u>	<u>(98,316)</u>	<u>174,058</u>
Net unrealized losses on derivative financial instruments:			
Amount arising during the year	(469)	116	(353)
Reclassification adjustments for gains and losses realized in net income	304	(63)	241
Net change for the year	<u>(165)</u>	<u>53</u>	<u>(112)</u>
Pension adjustments:			
Amount arising during the year	(6,885)	907	(5,978)
Reclassification adjustments for gains and losses realized in net income	(2,190)	885	(1,305)
Net change for the year	<u>(9,075)</u>	<u>1,792</u>	<u>(7,283)</u>
Foreign currency translation adjustments:			
Amount arising during the year	52,179	—	52,179
Reclassification adjustments for gains and losses realized in net income	(28)	—	(28)
Net change for the year	<u>52,151</u>	<u>—</u>	<u>52,151</u>
Other comprehensive income (loss)	<u>¥315,285</u>	<u>¥ (96,471)</u>	<u>¥218,814</u>

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

The amounts reclassified out of accumulated other comprehensive income and the affected line items in the consolidated statements of income for the year ended March 31, 2014 are as follows:

Amounts in parentheses indicate gains in the consolidated statements of income.

<b>Details about accumulated other comprehensive income components</b>	<b>Affected line items</b>	<b>For the year ended March 31, 2014 (Yen in millions)</b>
Net unrealized gains (losses) on securities:		
Sales of securities	Other, net	¥(2,862)
	Income before income taxes	(2,862)
	Income taxes	1,030
	Net income	(1,832)
	Net income attributable to noncontrolling interests	1
	Net income attributable to shareholders of Kyocera Corporation	(1,831)
Net unrealized gains (losses) on derivative financial Instruments:		
Foreign currency forward contracts and interest rate swaps	Net sales	(50)
	Cost of sales	491
	Foreign currency transaction gains, net	8
	Other, net	44
	Income before income taxes	493
	Income taxes	(95)
	Net income	398
	Net income attributable to noncontrolling interests	(102)
	Net income attributable to shareholders of Kyocera Corporation	296
Pension adjustments:		
Amortization of prior service cost and recognized actuarial loss	*	(1,652)
	Income before income taxes	(1,652)
	Income taxes	629
	Net income	(1,023)
	Net income attributable to noncontrolling interests	(56)
	Net income attributable to shareholders of Kyocera Corporation	(1,079)
<b>Total reclassifications for the period</b>		<b>¥(2,614)</b>

\* As for the affected line items in the consolidated statements of income by reclassification of pension adjustments, please refer to the Note 11 to the Consolidated Financial Statements.

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

The amounts reclassified out of accumulated other comprehensive income and the affected line items in the consolidated statements of income for the year ended March 31, 2015 are as follows:

Amounts in parentheses indicate gains in the consolidated statements of income.

<b>Details about accumulated other comprehensive income components</b>	<b>Affected line items</b>	<b>For the year ended March 31, 2015 (Yen in millions)</b>
<b>Net unrealized gains (losses) on securities:</b>		
Sales of securities, and others	Other, net	¥(510)
	Income before income taxes	(510)
	Income taxes	20
	Net income	(490)
	Net income attributable to noncontrolling interests	—
	Net income attributable to shareholders of Kyocera Corporation	(490)
<b>Net unrealized gains (losses) on derivative financial Instruments:</b>		
<b>Foreign currency forward contracts and interest rate swaps</b>		
	Net sales	(1,111)
	Cost of sales	1,433
	Foreign currency transaction gains, net	(24)
	Other, net	88
	Income before income taxes	386
	Income taxes	(76)
	Net income	310
	Net income attributable to noncontrolling interests	(69)
	Net income attributable to shareholders of Kyocera Corporation	241
<b>Pension adjustments:</b>		
<b>Amortization of prior service cost and recognized actuarial loss</b>		
	*	(2,121)
	Income before income taxes	(2,121)
	Income taxes	886
	Net income	(1,235)
	Net income attributable to noncontrolling interests	(70)
	Net income attributable to shareholders of Kyocera Corporation	(1,305)
<b>Foreign currency translation adjustments:</b>		
<b>Sale of an investment in an affiliate, and others</b>		
	Other, net	(28)
	Income before income taxes	(28)
	Income taxes	—
	Net income	(28)
	Net income attributable to noncontrolling interests	—
	Net income attributable to shareholders of Kyocera Corporation	(28)
<b>Total reclassifications for the period</b>		<b>¥(1,582)</b>

\* As for the affected line items in the consolidated statements of income by reclassification of pension adjustments, please refer to the Note 11 to the Consolidated Financial Statements.

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

**15. INCOME TAXES**

Income before income taxes and income taxes for the years ended March 31, 2013, 2014 and 2015 are comprised of the following components:

	Years ended March 31,		
	2013	2014	2015
(Yen in millions)			
<b>Income before income taxes:</b>			
Domestic	¥ 81,713	¥ 93,353	¥ 62,214
Foreign	19,650	52,915	59,648
Total income before income taxes	<u>¥101,363</u>	<u>¥146,268</u>	<u>¥121,862</u>
<b>Income taxes:</b>			
<b>Current income taxes:</b>			
Domestic	¥ 27,906	¥ 32,761	¥ 29,924
Foreign	11,749	8,139	16,380
Total current income taxes	<u>39,655</u>	<u>40,900</u>	<u>46,304</u>
<b>Deferred income taxes:</b>			
Domestic	1,045	3,368	(42,237)
Foreign	(6,688)	6,986	(7,508)
Total deferred income taxes	<u>(5,643)</u>	<u>10,354</u>	<u>(49,745)</u>
Total income taxes	<u>¥ 34,012</u>	<u>¥ 51,254</u>	<u>¥ (3,441)</u>

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 38.0%, 38.0% and 36.0% for the years ended 2013, 2014 and 2015, respectively.

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

Reconciliations between the Japanese statutory income tax rate and Kyocera's effective income tax rate for the years ended March 31, 2013, 2014 and 2015 are as follows:

	Years ended March 31,		
	2013	2014	2015
Japanese statutory income tax rate	38.0%	38.0%	36.0%
Difference in statutory tax rates of foreign subsidiaries	(4.8)	(4.3)	(4.3)
Change in valuation allowance	2.8	3.6	(5.0)
Tax credit for research and development expenses	(3.1)	(3.0)	(4.2)
Uncertainty in income taxes	(0.2)	0.4	(0.4)
Tax rate change*	—	1.2	(26.0)
Other	0.9	(0.9)	1.1
Effective income tax rate	<u>33.6%</u>	<u>35.0%</u>	<u>(2.8)%</u>

\* Tax rate change for the year ended March 31, 2014:

In accordance with the law "Partial Amendment of the Income Tax Act, etc." (Law No.10 of 2014) enacted in Japan on March 31, 2014, the special reconstruction corporation tax was repealed a year ahead of the original schedule and will not be imposed from the annual reporting periods commencing on and after April 1, 2014. As a result of such amendments, the effective Japanese statutory corporate tax rate of 38% previously applied for calculation of the amount of deferred tax assets and deferred tax liabilities has been reduced to 36% with respect to temporary differences to be realized during the annual reporting periods commencing on and after April 1, 2014.

\* Tax rate change for the year ended March 31, 2015:

In accordance with the law "Partial Amendment of the Income Tax Act, etc." (Law No.9 of 2015) enacted in Japan on March 31, 2015, a revised corporation tax rate will be imposed from the annual reporting periods commencing on and after April 1, 2015. As a result of such amendments, the effective Japanese statutory corporate tax rate of 36% previously applied for calculation of the amount of deferred tax assets and deferred tax liabilities has been reduced to 33% with respect to temporary differences to be realized during the annual reporting periods commencing on April 1, 2015, and 32% with respect to temporary differences to be realized during the annual reporting periods commencing on and after April 1, 2016. Due mainly to the fact that Kyocera recognized reversal income taxes in the amount of ¥31,703 million after revaluating deferred tax assets and liabilities in line with the revision of the corporate tax rate, the effective tax rate decreased.

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

The components of the deferred tax assets and deferred tax liabilities at March 31, 2014 and 2015 are as follows:

	<b>March 31,</b>	
	<b>2014</b>	<b>2015</b>
	<b>(Yen in millions)</b>	
<b>Deferred tax assets:</b>		
Enterprise tax	¥ 1,818	¥ 1,551
Inventories	19,433	14,149
Provision for doubtful accounts and loss on bad debts	1,543	1,733
Accrued expenses	14,062	16,619
Employee benefits	27,443	25,716
Depreciation and amortization	38,260	38,221
Securities	1,140	932
Net operating losses and tax credit carry forwards	33,205	32,151
Other	4,919	5,073
Total gross deferred tax assets	<u>141,823</u>	<u>136,145</u>
Valuation allowance	<u>(39,496)</u>	<u>(33,005)</u>
Net deferred tax assets	<u>¥ 102,327</u>	<u>¥ 103,140</u>
<b>Deferred tax liabilities:</b>		
Depreciation and amortization	¥ 18,656	¥ 9,277
Securities	241,341	301,980
Prepaid benefit cost	2,063	3,723
Other	6,728	7,034
Total deferred tax liabilities	<u>¥ 268,788</u>	<u>¥ 322,014</u>
Net deferred tax liabilities	<u>¥(166,461)</u>	<u>¥(218,874)</u>

Net deferred tax assets and liabilities at March 31, 2014 and 2015 are reflected in the consolidated balance sheets under the following captions.

	<b>March 31,</b>	
	<b>2014</b>	<b>2015</b>
	<b>(Yen in millions)</b>	
Deferred income taxes - current assets	¥ 41,499	¥ 42,314
Other assets	30,871	36,710
Other current liabilities	(2,877)	(5,444)
Deferred income taxes - non-current liabilities	<u>(235,954)</u>	<u>(292,454)</u>
Net deferred tax liabilities	<u>¥(166,461)</u>	<u>¥(218,874)</u>

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

At March 31, 2015, Kyocera had net operating losses carried forward of approximately ¥132,228 million, which are available to offset future taxable income. Regarding these net operating losses carried forward, the amount of ¥37,536 million recorded at domestic subsidiaries will expire within next nine years, and the amount of approximately ¥52,628 million recorded at U.S. subsidiaries will expire within next 20 years. Certain other foreign subsidiaries have net operating losses carried forward totaling approximately ¥42,064 million of which most have no expiration date.

At March 31, 2015, Kyocera had tax credits carried forward of ¥2,306 million, which are available to offset future income taxes. Regarding these tax credits carried forward, the amount of ¥84 million and ¥2,040 million recorded at foreign subsidiaries will expire within 15 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 ¥9,946 million at March 31, 2015. The undistributed earnings of these subsidiaries are ¥302,266 million at March 31, 2015.

Total gross deferred tax assets at March 31, 2014 and 2015 were reduced by valuation allowances of ¥39,496 million and ¥33,005 million, respectively.

A reconciliation of the beginning and end amount of gross valuation allowance for deferred tax asset is as follows:

	March 31,		
	2013	2014	2015
	(Yen in millions)		
Balance at beginning of year	¥25,192	¥34,414	¥39,496
Increase	9,824	3,519	3,452
Decrease	(4,356)	(1,044)	(9,954)
Other*	3,754	2,607	11
Balance at end of year	<u>¥34,414</u>	<u>¥39,496</u>	<u>¥33,005</u>

\* Other consists mainly of foreign currency translation adjustments and business combinations.

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

A reconciliation of the beginning and end amount of gross unrecognized tax benefits is as follows:

	March 31,		
	2013	2014	2015
	(Yen in millions)		
Balance at beginning of year	¥ 3,050	¥ 4,064	¥ 4,804
Increase - tax position in prior years	1,430	1,457	353
Increase - tax position in current year	51	187	806
Decrease - tax position in prior years	(33)	(324)	(784)
Settlements with taxing authorities	(428)	(16)	(1,804)
Lapse of statute of limitations	(6)	(564)	(117)
Balance at end of year	<u>¥ 4,064</u>	<u>¥ 4,804</u>	<u>¥ 3,258</u>

Gross unrecognized tax benefits on the consolidated balance sheets that if recognized would affect the effective tax rate were ¥4,804 million and ¥3,258 million, at March 31, 2014 and 2015, 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 ¥(25) million, ¥24 million and ¥(184) million for the year ended March 31, 2013, 2014 and 2015, respectively, and as other non-current liabilities in the consolidated balance sheet in the amounts of ¥303 million and ¥119 million at March 31, 2014 and 2015, respectively. The above table excludes this accrual for estimated interest and penalties.

At March 31, 2015 Kyocera is subject to income tax examinations by tax authorities for the tax year 2015 onwards in Japan, and for the tax year 2011 onwards in the United States for its major jurisdictions.

**16. SUPPLEMENTAL EXPENSE INFORMATION**

Supplemental expense information is as follows:

	Years ended March 31,		
	2013	2014	2015
	(Yen in millions)		
Research and development expenses	¥47,519	¥48,830	¥55,285
Advertising expenses	7,221	7,040	6,988
Shipping and handling cost included in selling, general and administrative expenses	19,636	24,643	24,050

**17. 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:

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

(1) Fine Ceramic Parts Group

Components for Semiconductor Processing Equipment and Flat Panel Display Manufacturing Equipment  
Information and Telecommunication Components  
General Industrial Machinery Components  
Sapphire Substrates, Automotive Components

(2) Semiconductor Parts Group

Ceramic Packages  
Organic Multilayer Substrates  
Multilayer Printed Wiring Boards

(3) Applied Ceramic Products Group

Solar Power Generating Systems, Power Storage Systems  
Cutting Tools, Micro Drills  
Medical and Dental Implants  
Jewelry and Applied Ceramic Related Products

(4) Electronic Device Group

Capacitors, SAW Devices  
Crystal Components, Connectors  
Liquid Crystal Displays  
Printing Devices

(5) Telecommunications Equipment Group

Mobile Phones  
PHS Handsets, PHS Base Stations  
M2M Modules

(6) Information Equipment Group

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

(7) Others

Information Systems and Telecommunication Services, Engineering Business  
Management Consulting Business  
Materials for Semiconductor, Chemical Materials  
Realty Development Business

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.

Information by reporting segment at and for the years ended March 31, 2013, 2014 and 2015 is summarized on the following page:

**Reporting segments**

	Years ended March 31,		
	2013	2014	2015
	(Yen in millions)		
Net sales:			
Fine Ceramic Parts Group	¥ 74,852	¥ 80,020	¥ 90,694
Semiconductor Parts Group	167,241	187,891	217,879
Applied Ceramic Products Group	211,439	272,795	277,629
Electronic Device Group	271,570	284,322	284,145
Telecommunications Equipment Group	177,314	186,749	204,290
Information Equipment Group	250,534	307,848	332,596
Others	159,902	173,137	172,925
Adjustments and eliminations	(32,798)	(45,393)	(53,622)
Net sales	<u>¥1,280,054</u>	<u>¥1,447,369</u>	<u>¥1,526,536</u>

	Years ended March 31,		
	2013	2014	2015
	(Yen in millions)		
Income before income taxes:			
Fine Ceramic Parts Group	¥ 7,614	¥ 11,836	¥ 16,134
Semiconductor Parts Group	30,379	31,889	33,971
Applied Ceramic Products Group	17,924	33,501	3,159
Electronic Device Group	(4,014)	21,160	34,372
Telecommunications Equipment Group	1,340	1,437	(20,212)
Information Equipment Group	21,750	28,193	34,569
Others	10,542	6,276	6,848
Total operating profit	85,535	134,292	108,841
Corporate gains and Equity in earnings (losses) of affiliates and an unconsolidated subsidiary	17,248	11,889	13,744
Adjustments and eliminations	(1,420)	87	(723)
Income before income taxes	<u>¥101,363</u>	<u>¥146,268</u>	<u>¥121,862</u>

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

	Years ended March 31,		
	2013	2014	2015
	(Yen in millions)		
<b>Depreciation and amortization:</b>			
Fine Ceramic Parts Group	¥ 6,403	¥ 5,014	¥ 4,956
Semiconductor Parts Group	12,850	15,765	15,723
Applied Ceramic Products Group	15,152	13,558	12,527
Electronic Device Group	15,155	17,585	16,010
Telecommunications Equipment Group	7,514	5,091	4,339
Information Equipment Group	9,723	10,963	11,488
Others	4,734	5,965	5,820
Corporate	2,066	2,210	2,131
Total	<u>¥73,597</u>	<u>¥76,151</u>	<u>¥72,994</u>

	Years ended March 31,		
	2013	2014	2015
	(Yen in millions)		
<b>Write-down of inventories:</b>			
Fine Ceramic Parts Group	¥ 252	¥ 330	¥ 138
Semiconductor Parts Group	228	824	2,065
Applied Ceramic Products Group	1,498	1,223	9,542
Electronic Device Group	956	1,170	1,816
Telecommunications Equipment Group	7,127	2,335	2,775
Information Equipment Group	1,106	1,016	803
Others	340	358	222
Total	<u>¥11,507</u>	<u>¥7,256</u>	<u>¥17,361</u>

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

	Years ended March 31,		
	2013	2014	2015
	(Yen in millions)		
<b>Capital expenditures:</b>			
Fine Ceramic Parts Group	¥ 3,348	¥ 3,195	¥ 6,077
Semiconductor Parts Group	14,727	16,566	11,465
Applied Ceramic Products Group	7,963	8,546	6,665
Electronic Device Group	14,071	12,048	14,471
Telecommunications Equipment Group	3,069	2,997	2,525
Information Equipment Group	6,536	5,550	9,196
Others	2,837	3,437	2,695
Corporate	4,137	4,272	3,576
Total	<u>¥56,688</u>	<u>¥56,611</u>	<u>¥56,670</u>
	March 31,		
	2013	2014	2015
	(Yen in millions)		
<b>Assets by reporting segment:</b>			
Fine Ceramic Parts Group	¥ 62,453	¥ 69,165	¥ 78,580
Semiconductor Parts Group	118,524	169,330	194,547
Applied Ceramic Products Group	327,465	317,750	306,984
Electronic Device Group	448,141	451,856	509,836
Telecommunications Equipment Group	119,894	105,597	102,762
Information Equipment Group	263,837	290,378	304,044
Others	158,617	171,652	176,556
	<u>1,498,931</u>	<u>1,575,728</u>	<u>1,673,309</u>
Corporate and investments in and advances to affiliates and an unconsolidated subsidiary	892,098	1,182,912	1,492,915
Adjustments and eliminations	<u>(108,176)</u>	<u>(121,936)</u>	<u>(145,040)</u>
Total assets	<u>¥2,282,853</u>	<u>¥2,636,704</u>	<u>¥3,021,184</u>

**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, 2013, 2014 and 2015 are summarized as follows:

**Geographic segments**

	Years ended March 31,		
	2013	2014	2015
	(Yen in millions)		
Net sales:			
Japan	¥ 574,202	¥ 643,423	¥ 643,577
Asia	235,520	274,512	301,278
Europe	198,868	247,700	265,323
United States of America	215,032	217,230	248,145
Others	56,432	64,504	68,213
Net sales	<u>¥1,280,054</u>	<u>¥1,447,369</u>	<u>¥1,526,536</u>

	March 31,		
	2013	2014	2015
	(Yen in millions)		
Long-lived assets:			
Japan	¥182,987	¥180,342	¥173,683
Asia	45,585	49,140	49,936
Europe	19,623	21,395	16,153
United States of America	14,293	13,377	14,743
Others	6,336	6,303	6,976
Total	<u>¥268,824</u>	<u>¥270,557</u>	<u>¥261,491</u>

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

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

**18. PER SHARE INFORMATION**

A reconciliation of the numerators and the denominators of basic and diluted earnings per share computations are as follows:

	Years ended March 31,		
	2013	2014	2015
(Yen in millions except per share amounts)			
Net income attributable to shareholders of Kyocera Corporation	¥66,473	¥88,756	¥115,875
Basic earnings per share:			
Net income attributable to shareholders of Kyocera Corporation	181.18	241.93	315.85
Diluted earnings per share:			
Net income attributable to shareholders of Kyocera Corporation	181.18	241.93	315.85

  

	Years ended March 31,		
	2013	2014	2015
(shares in thousands)			
Basic weighted average number of shares outstanding	366,884	366,872	366,864
Diluted weighted average number of shares outstanding	366,884	366,872	366,864

The cash dividends declared per share is as follows:

	Years ended March 31,		
	2013	2014	2015
(per share of common stock)			
Cash dividends declared per share	60.00	80.00	100.00

Based on a resolution to undertake a stock split at the meeting of the Board of Directors held on August 28, 2013, Kyocera Corporation undertook a stock split at the ratio of two-for-one of all common stock on October 1, 2013. “Per share information” is calculated under the assumption that the stock split undertaken by Kyocera Corporation on October 1, 2013 had been undertaken at the beginning of the year ended March 31, 2013.

**19. SUPPLEMENTAL CASH FLOW INFORMATION**

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

	Years ended March 31,		
	2013	2014	2015
(Yen in millions)			
Cash paid during the year:			
Interest	¥ 1,433	¥ 2,009	¥ 1,422
Income taxes	26,112	36,617	44,172
Non-cash investing and financing activities:			
Obtaining assets by entering into capital lease	¥ 1,547	¥ 489	¥ 419
Acquisitions of businesses:			
Fair value of assets acquired	¥27,329	¥31,498	¥ 4,230
Fair value of liabilities assumed	(4,793)	(11,803)	(2,258)
Cash acquired	(4,003)	(3,720)	(129)
Total	<u>¥18,533</u>	<u>¥15,975</u>	<u>¥ 1,843</u>

## SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, Kyocera certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

Kyocera Corporation  
(Registrant)

By \_\_\_\_\_ /s/ SHOICHI AOKI  
Shoichi Aoki  
Director, Managing Executive Officer and  
General Manager of  
Corporate Financial and Accounting Group

June 30, 2015

## INDEX OF EXHIBITS

<b>Exhibit Number</b>	<b>Description</b>
1.1	Articles of Incorporation (incorporated by reference to the Registrant's Annual Report on Form 20-F filed on June 28, 2013 (File No. 001 - 07952))
1.2	Share Handling Regulations of the Registrant (incorporated by reference to the Registrant's Annual Report on Form 20-F filed on June 30, 2014 (File No. 001 - 07952))
1.3	Regulations of the Board of Directors of the Registrant (incorporated by reference to the Registrant's Annual Report on Form 20-F filed on June 29, 2011 (File No. 001 - 07952))
1.4	Regulations of the Audit & Supervisory Board of the Registrant (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 between AVX Corporation and the United States and the Commonwealth of Massachusetts, dated October 10, 2012 (incorporated by reference to the Registrant's Annual Report on Form 20-F filed on June 28, 2013 (File No. 001 - 07952))
8.1	List of Significant Subsidiaries (See "Organizational Structure" in Item 4.C. of the Registrant's Annual Report on Form 20-F)
11.1	Code of Ethics (incorporated by reference to the Registrant's Annual Report on Form 20-F filed on July 5, 2007 (File No. 001 - 07952))
12.1	Certification of the principal executive officer of the Registrant required by 17 C.F.R. 240. 13a-14(a)
12.2	Certification of the principal financial officer of the Registrant required by 17 C.F.R. 240. 13a-14(a)
13.1	Certification of the principal executive officer of the Registrant required by 17 C.F.R. 240. 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code
13.2	Certification of the principal financial officer of the Registrant required by 17 C.F.R. 240. 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code
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. INS	XBRL Taxonomy Extension Instance Document
101. SCH	XBRL Taxonomy Extension Schema Document
101. CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101. LAB	XBRL Taxonomy Extension Labels Linkbase Document
101. PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101. DEF	XBRL Taxonomy Extension Definition Linkbase Document

(TRANSLATION)

**REGULATIONS OF THE AUDIT & SUPERVISORY BOARD**

**KYOCERA CORPORATION  
THE AUDIT & SUPERVISORY BOARD**

Amended on May 27, 2015

**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 Full-time 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 determination 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 Full-time 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 Full-time Audit & Supervisory Board Members**

The Audit & Supervisory Board shall appoint or dismiss Full-time 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 the 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 employees 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 item;

- (3) Matters to ensure effectiveness of instructions to the employees set forth in item 1 of this paragraph;
- (4) Systems for the following matters and other systems concerning reports to the Audit & Supervisory Board Members;
  - (a) A system concerning reports to the Audit & Supervisory Board Members from Directors and employees of the Company;
  - (b) A system concerning reports to the Audit & Supervisory Board Members from directors, audit & supervisory board members, and employees of subsidiaries and others who received reports from any of them;
- (5) A system to ensure any reporter in the immediate preceding item shall not be treated adversely due to such report;
- (6) Matters concerning the advance payment and the procedures for reimbursement for the expenses, and other policies for handling the expenses and debts incurred by Audit & Supervisory Board Members in conducting their duties; and
- (7) 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 4 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 Full-time 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. Determination, etc. on Appointment of Accounting Auditors**

1. 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) Establishment of policy relating to the determination to dismiss or not to reappoint Accounting Auditors;
- (2) Determination with respect to the appropriateness to reappoint Accounting Auditors;
- (3) Determination of substance of proposal to the General Meeting of Shareholders relating to the resolution to dismiss or not to reappoint Accounting Auditors;
- (4) Determination of substance of proposal to the General Meeting of Shareholders relating to the resolution to appoint Accounting Auditors; and
- (5) Appointment of a provisional Accounting Auditor in the case of absence of an Accounting Auditor.

2. 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.

3. 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 non-executive Directors providing partial exemption 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 May 27, 2015.

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)
- Amended on May 27, 2015

## 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 30, 2015

/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 30, 2015

/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)

**CERTIFICATION**

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Kyocera Corporation (the “Company”) hereby certifies, to such officer’s knowledge, that the Company’s annual report on Form 20-F for the year ended March 31, 2015 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 30, 2015

/s/ Goro Yamaguchi

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Name: Goro Yamaguchi  
Title: President and Representative Director  
(Principal Executive Officer)

**CERTIFICATION**

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Kyocera Corporation (the “Company”) hereby certifies, to such officer’s knowledge, that the Company’s annual report on Form 20-F for the year ended March 31, 2015 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 30, 2015

/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 25, 2015 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 25, 2015