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SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

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**FORM 20-F/A**  
(Amendment No. 1)

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REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(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, 2007

OR

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

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-7952

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**Kyocera Kabushiki Kaisha**

(Exact name of Registrant as specified in its charter)

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**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)

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)

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**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, 2007, 188,649,089 shares of common stock were outstanding, comprised of 184,820,723 Shares and 3,828,366 American Depositary Shares (equivalent to 3,828,366 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 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 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 financial statement item the Registrant has elected to follow. Item 17  Item 18

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

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

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### **Explanatory Note**

On July 5, 2007, Kyocera filed with the Securities and Exchange Commission its annual report on Form 20-F for the year ended March 31, 2007 (the "Original Form 20-F"), which included its consolidated balance sheets as of March 31, 2006 and 2007 and its consolidated statements of income, shareholders' equity and cash flows for the years ended March 31, 2005, 2006 and 2007 together with the report of MISUZU PricewaterhouseCoopers. On June 27, 2007, Kyocera appointed Kyoto Audit Corporation as its accounting auditor under the Corporation Act of Japan and as its independent registered accounting firm for purposes of its consolidated financial statements filed with the Securities and Exchange Commission. Kyocera is filing this Form 20-F/A (Amendment No. 1) to re-file its consolidated financial statements for the year ended March 31, 2007 together with the report of Kyoto Audit Corporation thereon. The consolidated financial statements being re-filed with this Form 20-F/A (Amendment No. 1) are in all other respects identical to those previously filed as part of the Original Form 20-F and do not reflect any subsequent information or events other than the re-filing of the consolidated financial statements and audit report of Kyoto Audit Corporation thereon. This Form 20-F/A (Amendment No. 1) also includes a report of Kyoto Audit Corporation with respect to the evaluation by Kyocera's management of the effectiveness of Kyocera's internal control over financial reporting as of March 31, 2007.

There are no further changes to the Original Form 20-F. All information in this Form 20-F/A (Amendment No. 1) is as of July 5, 2007 and does not reflect any subsequent information or events other than the re-filing of the consolidated financial statements and audit report of Kyoto Audit Corporation thereon and the inclusion of the report of Kyoto Audit Corporation with respect to the evaluation by Kyocera's management of the effectiveness of Kyocera's internal control over financial reporting referred to above.

## **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 of March 31, 2007. 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). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Kyocera's management, with the participation of its principal executive and principal financial officers, evaluated the effectiveness of Kyocera's internal control over financial reporting using the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, Kyocera's management concluded that Kyocera's internal control over financial reporting was effective as of March 31, 2007. Kyocera's independent registered public accounting firm, Kyoto Audit Corporation, has issued an audit report on management's assessment of the company's internal control over financial reporting, which appears on page F-1 of this Form 20-F/A (Amendment No. 1).

### **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, 2007. Based upon that evaluation, there was no change in Kyocera's internal control over financial reporting that occurred during the year ended March 31, 2007 that materially affected, or is reasonably likely to materially affect, Kyocera's internal control over financial reporting.

**Item 18. Financial Statements**

The information required by this item is set forth beginning on page F-1 of this Form 20-F/A (Amendment No. 1).

<u>Description</u>	<u>Page</u>
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## Item 19. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
1.1	Articles of Incorporation (English translation) (incorporated by reference to the Registrant's annual report on Form 20-F filed on June 29, 2006)
1.2	Share Handling Regulations of the Registrant (English translation) (incorporated by reference to the Registrant's annual report on Form 20-F filed on June 29, 2006)
1.3	Regulations of the Board of Directors of the Registrant (English translation) (incorporated by reference to the Registrant's annual report on Form 20-F filed on June 29, 2006)
1.4	Regulations of the Board of Corporate Auditors of the Registrant (English translation) (incorporated by reference to the Registrant's annual report on Form 20-F filed on July 5, 2007)
2.1	Specimen common stock certificate of the Registrant (incorporated by reference to the Registrant's annual report on Form 20-F filed on September 24, 2001)
2.2	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, including the form of American Depositary Receipt, 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)
8.1	List of Significant Subsidiaries (incorporated by reference to the Registrant's annual report on Form 20-F filed on July 5, 2007)
11.1	Code of Ethics (incorporated by reference to the Registrant's annual report on Form 20-F filed on July 5, 2007)
12.1	Certification of the principal executive officer of the Registrant required by Rule 13a-14(a)
12.2	Certification of the principal financial officer of the Registrant required by Rule 13a-14(a)
13.1	Certification of the principal executive officer of the Registrant required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code
13.2	Certification of the principal financial officer of the Registrant required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code
15.1	Consent of Kyoto Audit Corporation with respect to its report on the audit of the financial statements included in this Form 20-F/A

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

We have completed an integrated audit of Kyocera Corporation's 2007 consolidated financial statements and of its internal control over financial reporting as of March 31, 2007 and audits of its 2005 and 2006 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

### Consolidated financial statements

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Kyocera Corporation and its consolidated subsidiaries ("Kyocera") at March 31, 2006 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2007 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of Kyocera's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes 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. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, Kyocera changed the manner in which it accounts for defined benefit pensions effective March 31, 2007.

### Internal control over financial reporting

Also, in our opinion, management's assessment, included in the "Management's Report on Internal Control over Financial Reporting" appearing under Item 15, that Kyocera maintained effective internal control over financial reporting as of March 31, 2007 based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, Kyocera maintained, in all material respects, effective internal control over financial reporting as of March 31, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the COSO. Kyocera's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of Kyocera's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides 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/ Kyoto Audit Corporation



Kyoto Audit Corporation  
Kyoto, Japan  
June 28, 2007

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**Consolidated Balance Sheets**  
**Kyocera Corporation and Consolidated Subsidiaries**  
**March 31, 2006 and 2007**

(Yen in millions and U.S. dollars and shares in thousands—Note 2)

ASSETS	2006	2007	2007
<b>Current assets:</b>			
Cash and cash equivalents (Note 13)	¥ 300,809	¥ 282,208	\$ 2,391,593
Short-term investments (Notes 4 and 13)	87,942	213,495	1,809,280
Trade receivables (Notes 7):			
Notes	24,597	25,033	212,144
Accounts	210,393	236,380	2,003,220
Short-term finance receivables (Notes 3, 5 and 13)	39,505	—	—
	<u>274,495</u>	<u>261,413</u>	<u>2,215,364</u>
Less allowances for doubtful accounts and sales returns	(7,425)	(5,960)	(50,508)
	267,070	255,453	2,164,856
Inventories (Notes 6)	190,564	209,188	1,772,780
Deferred income taxes (Note 16)	40,411	45,390	384,661
Other current assets	33,872	40,757	345,398
Total current assets	<u>920,668</u>	<u>1,046,491</u>	<u>8,868,568</u>
<b>Investments and advances:</b>			
Investments in and advances to affiliates and unconsolidated subsidiaries (Note 7)	7,355	10,093	85,534
Securities and other investments (Notes 4 and 13)	553,377	690,568	5,852,271
	<u>560,732</u>	<u>700,661</u>	<u>5,937,805</u>
Long-term finance receivables (Notes 3, 5 and 13)	80,970	—	—
<b>Property, plant and equipment, at cost (Note 9):</b>			
Land	58,286	56,806	481,407
Buildings	249,506	261,998	2,220,322
Machinery and equipment	697,383	729,636	6,183,356
Construction in progress	13,473	7,362	62,390
	<u>1,018,648</u>	<u>1,055,802</u>	<u>8,947,475</u>
Less accumulated depreciation	(733,302)	(774,896)	(6,566,916)
	285,346	280,906	2,380,559
Goodwill (Note 8)	31,351	32,894	278,763
Intangible assets (Note 8)	31,227	24,657	208,958
Other assets (Notes 10 and 16)	21,228	44,855	380,127
	<u>¥1,931,522</u>	<u>¥2,130,464</u>	<u>\$18,054,780</u>

The accompanying notes are an integral part of these statements.

<b>LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY</b>	<b>2006</b>	<b>2007</b>	<b>2007</b>
<b>Current liabilities:</b>			
Short-term borrowings (Notes 3, 9 and 13)	¥ 90,865	¥ 15,250	\$ 129,237
Current portion of long-term debt (Notes 3, 9 and 13)	16,347	5,853	49,602
Notes and accounts payable:			
Trade	103,503	100,295	849,958
Other	51,997	49,134	416,390
Accrued liabilities:			
Payroll and bonus	37,998	41,680	353,220
Income taxes	27,658	36,475	309,110
Other	31,414	33,391	282,975
Other current liabilities (Note 16)	18,841	24,110	204,322
Total current liabilities	<u>378,623</u>	<u>306,188</u>	<u>2,594,814</u>
Long-term debt (Notes 3, 9 and 13)	33,360	7,283	61,720
Accrued pension and severance liabilities (Note 10)	27,092	16,297	138,110
Deferred income taxes (Note 16)	125,686	206,858	1,753,034
Other non-current liabilities	12,742	12,355	104,703
Total liabilities	<u>577,503</u>	<u>548,981</u>	<u>4,652,381</u>
Minority interests in subsidiaries	64,942	66,923	567,144
<b>Commitments and contingencies (Notes 14)</b>			
<b>Stockholders' equity (Note 15):</b>			
Common stock:			
Authorized 600,000 shares			
Issued 191,309 shares	115,703	115,703	980,534
Additional paid-in capital	161,994	162,363	1,375,958
Retained earnings	967,576	1,055,293	8,943,161
Accumulated other comprehensive income	72,947	203,056	1,720,814
Common stock in treasury, at cost (Note 11):			
3,554 shares at March 31, 2006 and 2,660 shares at March 31, 2007	(29,143)	(21,855)	(185,212)
Total stockholders' equity	<u>1,289,077</u>	<u>1,514,560</u>	<u>12,835,255</u>
	<u>¥1,931,522</u>	<u>¥2,130,464</u>	<u>\$18,054,780</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, 2007**

(Yen in millions and U.S. dollars and shares in thousands, except per share amounts—Note 2)

	2005	2006	2007	2007
Net sales (Note 7)	¥1,173,660	¥1,173,544	¥1,283,897	\$10,880,483
Cost of sales	852,527	835,042	900,470	7,631,102
Gross profit	321,133	338,502	383,427	3,249,381
Selling, general and administrative expenses	223,473	238,807	248,325	2,104,449
Profit from operations	97,660	99,695	135,102	1,144,932
Other income (expenses):				
Interest and dividend income	6,443	8,990	15,472	131,119
Interest expense (Note 12)	(1,275)	(1,301)	(1,647)	(13,958)
Foreign currency transaction gains (losses), net (Note 12)	2,606	(316)	(65)	(551)
Equity in (losses) earnings of affiliates and unconsolidated subsidiaries (Note 7)	(1,678)	(1,216)	2,621	22,212
(Losses) gains on sales and maturities of securities, net	(2,084)	1,472	3,819	32,365
Gains on exchange for the shares (Note 4)	—	5,294	24	203
Gain on sale of investment in an affiliate (Note 7)	—	6,931	26	220
Loss on impairment of investment in an affiliate (Note 7)	—	(3,492)	—	—
Other, net	2,341	1,180	1,188	10,068
	6,353	17,542	21,438	181,678
Income from continuing operations before income taxes and minority interests	104,013	117,237	156,540	1,326,610
Income taxes (Note 16):				
Current (Note 14)	52,606	46,240	53,765	455,636
Deferred	5,608	520	(4,878)	(41,339)
	58,214	46,760	48,887	414,297
Income from continuing operations before minority interests	45,799	70,477	107,653	912,313
Minority interests	(3,142)	(4,389)	(6,324)	(53,593)
Income from continuing operations	42,657	66,088	101,329	858,720
Income from discontinued operations (Notes 3, 12 and 18)	3,251	3,608	5,175	43,856
Net income	¥ 45,908	¥ 69,696	¥ 106,504	\$ 902,576
Earnings per share (Note 19):				
Income from continuing operations:				
Basic	¥ 227.52	¥ 352.44	¥ 538.52	\$ 4.56
Diluted	227.47	352.21	537.35	4.55
Income from discontinued operations:				
Basic	17.34	19.24	27.51	0.24
Diluted	17.34	19.22	27.44	0.24
Net income:				
Basic	244.86	371.68	566.03	4.80
Diluted	244.81	371.43	564.79	4.79
Cash dividends declared per share:				
Per share of common stock	80.00	100.00	110.00	0.93
Weighted average number of shares of common stock outstanding:				
Basic	187,489	187,514	188,160	
Diluted	187,528	187,640	188,573	

The accompanying notes are an integral part of these statements.

**Consolidated Statements of Stockholders' Equity**  
**Kyocera Corporation and Consolidated Subsidiaries**  
**For the three years ended March 31, 2007**

(Yen in millions and U.S. dollars and shares in thousands—Note 2)

	Common Stock	Additional Paid-in Capital	Retained Earnings (Note 15)	Accumulated Other Comprehensive Income (Note 15)	Treasury Stock (Notes 11 and 15)	Comprehensive Income
Balance, March 31, 2004 (187,484)	¥115,703	¥ 162,091	¥ 881,969	¥ 22,046	¥ (31,356)	
Net income for the year			45,908			¥ 45,908
Foreign currency translation adjustments				6,704		6,704
Minimum pension liability adjustment - net of taxes of ¥125 (Note 10)				(152)		(152)
Net unrealized losses on securities - net of taxes of ¥11,909 (Note 4)				(18,441)		(18,441)
Reclassification adjustments for net losses on securities - net of taxes of ¥1,234 (Note 4)				1,661		1,661
Net unrealized losses on derivative financial instruments (Note 12)				(27)		(27)
Reclassification adjustments for net losses on derivative financial instruments (Note 12)				48		48
Total comprehensive income for the year						<u>¥ 35,701</u>
Cash dividends			(11,249)			
Purchase of treasury stock (21)					(170)	
Reissuance of treasury stock (18)		(5)			146	
Stock option plan of a subsidiary		(25)				
<b>Balance, March 31, 2005 (187,481)</b>	<u>115,703</u>	<u>162,061</u>	<u>916,628</u>	<u>11,839</u>	<u>(31,380)</u>	
Net income for the year			69,696			¥ 69,696
Foreign currency translation adjustments				21,396		21,396
Minimum pension liability adjustment - net of taxes of ¥322 (Note 10)				(428)		(428)
Net unrealized gains on securities - net of taxes of ¥29,400 (Note 4)				42,054		42,054
Reclassification adjustments for net gains on securities - net of taxes of ¥1,206 (Note 4)				(1,866)		(1,866)
Net unrealized losses on derivative financial instruments (Note 12)				(75)		(75)
Reclassification adjustments for net losses on derivative financial instruments (Note 12)				27		27
Total comprehensive income for the year						<u>¥ 130,804</u>
Cash dividends			(18,748)			
Purchase of treasury stock (20)					(170)	
Reissuance of treasury stock (294)		(67)			2,407	
Balance, March 31, 2006 (187,755)	<u>115,703</u>	<u>161,994</u>	<u>967,576</u>	<u>72,947</u>	<u>(29,143)</u>	
Net income for the year			106,504			¥ 106,504
Foreign currency translation adjustments				10,474		10,474
Minimum pension liability adjustment - net of taxes						

of ¥108 (Note 10)					(82)	(82)
Net unrealized gains on securities - net of taxes of ¥70,986 (Note 4)					103,334	103,334
Reclassification adjustments for net gains on securities - net of taxes of ¥6 (Note 4)					(1,313)	(1,313)
Net unrealized gains on derivative financial instruments (Note 12)					89	89
Reclassification adjustments for net losses on derivative financial instruments (Note 12)					49	49
Total comprehensive income for the year						<u>¥ 219,055</u>
Adjustment for initially applying SFAS No. 158 - net of taxes of ¥12,035 (Note 10)					17,558	
Cash dividends					(18,787)	
Purchase of treasury stock (24)						(251)
Reissuance of treasury stock (918)						7,539
Stock option plans of subsidiaries						242
<b>Balance, March 31, 2007 (188,649)</b>	<u>¥115,703</u>	<u>¥ 162,363</u>	<u>¥1,055,293</u>	<u>¥</u>	<u>203,056</u>	<u>¥ (21,855)</u>
Balance, March 31, 2006	<u>\$980,534</u>	<u>\$1,372,831</u>	<u>\$8,199,797</u>	<u>\$</u>	<u>618,195</u>	<u>\$ (246,975)</u>
Net income for the year			902,576			\$ 902,576
Foreign currency translation adjustments					88,763	88,763
Minimum pension liability adjustment - net of taxes of \$915 (Note 10)					(695)	(695)
Net unrealized gains on securities - net of taxes of \$601,576 (Note 4)					875,712	875,712
Reclassification adjustments for net gains on securities - net of taxes of \$51 (Note 4)					(11,127)	(11,127)
Net unrealized gains on derivative financial instruments (Note 12)					754	754
Reclassification adjustments for net losses on derivative financial instruments (Note 12)					415	415
Total comprehensive income for the year						<u>\$ 1,856,398</u>
Adjustment for initially applying SFAS No. 158 - net of taxes of \$ 101,992 (Note 10)					148,797	
Cash dividends					(159,212)	
Purchase of treasury stock						(2,127)
Reissuance of treasury stock						63,890
Stock option plans of subsidiaries						2,051
<b>Balance, March 31, 2007</b>	<u>\$980,534</u>	<u>\$1,375,958</u>	<u>\$8,943,161</u>	<u>\$</u>	<u>1,720,814</u>	<u>\$ (185,212)</u>

The accompanying notes are an integral part of these statements.

**Consolidated Statements of Cash Flows**  
**Kyocera Corporation and Consolidated Subsidiaries**  
**For the three years ended March 31, 2007**

(Yen in millions and U.S. dollars in thousands –Note 2)

	2005	2006	2007	2007
<b>Cash flows from operating activities:</b>				
Net income	¥ 45,908	¥ 69,696	¥ 106,504	\$ 902,576
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	65,909	73,186	82,182	696,457
Provision for doubtful accounts	(18)	(466)	(494)	(4,186)
Write-down of inventories	10,405	8,446	11,328	96,000
Deferred income taxes	5,608	(218)	(4,878)	(41,339)
Minority interests	3,142	4,389	6,324	53,593
Losses (gains) on sales and maturities of securities, net	2,037	(1,652)	(3,819)	(32,365)
Equity in losses (earnings) of affiliates and unconsolidated subsidiaries (Note 7)	1,678	1,216	(2,621)	(22,212)
Gain on sales of investment in an affiliate (Note 7)	—	(6,931)	(26)	(220)
Loss on impairment of investment in an affiliate (Note 7)	—	3,492	—	—
Gains on sales of investment in subsidiaries (Note 3)	—	—	(8,252)	(69,932)
Gains on exchange for the shares (Note 4)	—	(5,294)	(24)	(203)
Foreign currency adjustments	(2,391)	272	160	1,356
Change in assets and liabilities:				
Decrease (increase) in receivables	68,558	(9,237)	(32,626)	(276,492)
(Increase) decrease in inventories	(25,598)	21,263	(25,100)	(212,712)
Decrease (increase) in other current assets	14	(3,331)	(1,901)	(16,110)
(Decrease) increase in notes and accounts payable	(31,914)	14,390	6,015	50,975
Increase (decrease) in accrued income taxes	13,566	(4,720)	9,066	76,830
(Decrease) increase in other current liabilities	(1,744)	3,284	11,111	94,161
Decrease in other non-current liabilities	(11,464)	(118)	(7,062)	(59,847)
Other, net	1,827	3,410	3,757	31,839
Total adjustments	99,615	101,381	43,140	365,593
Net cash provided by operating activities	145,523	171,077	149,644	1,268,169
<b>Cash flows from investing activities:</b>				
Payments for purchases of available-for-sale securities	(81,946)	(98,219)	(44,582)	(377,814)
Payments for purchases of held-to-maturity securities	(10,141)	(11,070)	(26,867)	(227,685)
Payments for purchases of investments and advances	(11,858)	(224)	(307)	(2,602)
Sales and maturities of available-for-sale securities	40,955	50,090	99,230	840,932
Maturities of held-to-maturity securities	8,719	2,340	27,889	236,347
Proceeds from sales of investment in an affiliate (Note 7)	—	24,133	60	508
Proceeds from sales of investment in subsidiaries (Note 3)	—	—	24,602	208,492
Payments for purchases of property, plant and equipment	(59,381)	(91,436)	(64,751)	(548,737)
Payments for purchases of intangible assets	(4,820)	(10,589)	(8,215)	(69,619)
Proceeds from sales of property, plant and equipment, and intangible assets	2,920	3,350	2,693	22,822
Acquisition of businesses, net of cash acquired (Note 20)	(2,794)	3	(756)	(6,407)
Deposit of negotiable certificate of deposits and time deposits	(112,903)	(132,286)	(356,169)	(3,018,381)
Withdrawal of negotiable certificate of deposits and time deposits	95,220	100,923	203,076	1,720,983
Other, net	3,535	(2,482)	(7,606)	(64,458)
Net cash used in investing activities	(132,494)	(165,467)	(151,703)	(1,285,619)
<b>Cash flows from financing activities:</b>				
(Decrease) increase in short-term debt	(18,490)	23,363	9,369	79,398
Proceeds from issuance of long-term debt	21,077	19,876	1,928	16,339
Payments of long-term debt	(58,720)	(48,458)	(13,361)	(113,229)
Dividends paid	(12,614)	(20,473)	(20,632)	(174,847)
Purchase of treasury stock	(170)	(170)	(251)	(2,127)
Sales of treasury stock	142	2,339	7,666	64,966
Other, net	1,431	234	(5,364)	(45,458)

Net cash used in financing activities	(67,344)	(23,289)	<b>(20,645)</b>	<b>(174,958)</b>
Effect of exchange rate changes on cash and cash equivalents	3,775	7,896	<b>4,103</b>	<b>34,772</b>
Net decrease in cash and cash equivalents	(50,540)	(9,783)	<b>(18,601)</b>	<b>(157,636)</b>
Cash and cash equivalents at beginning of year	361,132	310,592	<b>300,809</b>	<b>2,549,229</b>
Cash and cash equivalents at end of year	<u>¥ 310,592</u>	<u>¥ 300,809</u>	<u>¥ 282,208</u>	<u>\$ 2,391,593</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 accounts of Kyocera Corporation and its Japanese subsidiaries are generally maintained in accordance with accounting principles generally accepted in Japan. Adjustments, which are not recorded in KC and its Japanese subsidiaries' books of account, have been booked to the accompanying consolidated financial statements in order to present them 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 majority-owned subsidiaries and a variable interest entity for which Kyocera Corporation is a primarily beneficiary under the Financial Accounting Standard Board Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities." The consolidated variable interest entity for which Kyocera Corporation is the primary beneficiary does not have a material effect on Kyocera's financial position and result of operations. All significant intercompany transactions and accounts are eliminated. Investments in 20% to 50% owned companies are accounted for under the equity method, whereby Kyocera includes in net income its equity in the earnings or losses from these companies.

##### **Revenue Recognition:**

Kyocera sells various types of products, including fine ceramic parts, semiconductor parts, and telecommunications equipment. Kyocera recognizes revenue upon completion of the earnings process, which occurs when products are shipped or delivered to customers in accordance with the terms of an agreement of sale, there is a fixed or determinable selling price, title and risk of loss have been transferred, and collectibility is reasonably assured. Most of these conditions are satisfied at the time of delivery to customers in domestic sales (FOB destination) and at the time of shipment (FOB shipping) for export sales.

##### **Sales returns**

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

##### **Revenue from financial services**

In addition to the tangible products as discussed above, Kyocera also provided certain services, primarily financial services provided by Kyocera Leasing Co., Ltd. (KLC) until August 2006. Revenue from direct financing leases was recognized over the term of the lease, and amortization of unearned lease income was recognized using the interest method. Interest income on installment loans was recognized on an accrual basis. Interest income was no longer accrued at the time the collection of the interest was past due 1 year or more, or the collection of the principal was past due 6 months or more. The interest received from cash payments on impaired loans was recorded as income, unless the collectibility of the remaining investments was doubtful, in which case the cash receipt was recorded as collection of the principal.

##### **Cash and Cash Equivalents:**

Cash and cash equivalents include time deposits and certificates of deposit with original maturities of three months or less.

##### **Translation of Foreign Currencies:**

Assets and liabilities of consolidated foreign subsidiaries and affiliates accounted for under 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 rates of exchange for the respective years. Translation adjustments result from the process of translating foreign currency financial statements into Japanese yen. These translation adjustments, which are not included in the determination of net income, are reported in other comprehensive income.

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

**Allowances for Doubtful Accounts:**

Kyocera maintains allowances for doubtful accounts related to both trade 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 specific customer's inability to meet its financial obligations, a specific allowance against these amounts is provided considering the fair value of assets pledged by the customer as collateral.

**Inventories:**

Inventories are stated at the lower of cost or market. Cost is determined by the average method for approximately 57% and 62% of finished goods and work in process as well as approximately 24% and 21% of raw materials and supplies at March 31, 2006 and 2007, respectively. The first-in, first-out method is applied to the other inventories. Kyocera recognizes estimated write-down of inventories for excess, slow-moving and obsolete inventories.

**Securities:**

Certain investments in debt and equity securities are accounted for under the Statement of Financial Accounting Standards (SFAS) No. 115 "Accounting for Certain Investments in Debt and Equity Securities." Securities classified as available-for-sale securities are recorded at the 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. Kyocera evaluates whether the declines in fair value of debt and equity securities with readily determinable fair values 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.

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

Property, Plant and Equipment are recorded at cost less accumulated depreciation. 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

The cost of maintenance, repairs and minor renewals is charged to expense in the year incurred; major renewals and betterments are capitalized.

When assets are sold or otherwise disposed of, the profits 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 the accounts.

**Goodwill and Other Intangible Assets:**

Kyocera has adopted SFAS No.142, "Goodwill and Other Intangible Assets." This requires that, rather than being amortized, goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually, and also following any events or changes in circumstances that might lead to impairment. Intangible assets with definite useful lives are amortized 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.

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

Patent rights	2 to 8 years
Software	2 to 5 years

**Impairment of Long-Lived Assets:**

Pursuant to SFAS No.144, "Accounting for the Impairment or Disposal of Long-Lived Assets," Kyocera reviews its long-lived assets and intangible assets with definite useful lives for impairment periodically. Long-lived assets and intangible assets with definite useful lives are considered to be impaired when the expected undiscounted cash flow 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.

**Derivative Financial Instruments:**

Kyocera utilizes derivative financial instruments to manage its exposure resulting from fluctuations of foreign currencies and interest rates. These derivative financial instruments include foreign currency forward contracts and interest rate swaps. Kyocera does not hold or issue such derivative financial instruments for trading purposes.

Kyocera applies SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities an Amendment of Financial Accounting Standards Board (FASB) Statement No. 133." 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 in current earnings. However cash flow hedges which meet the criteria of SFAS No. 133 may qualify for hedge accounting treatment. Changes in the fair value of the effective portion of these hedge derivatives are deferred in other comprehensive income and charged to earnings when the underlying transaction being hedged occurs.

Kyocera designates certain foreign currency forward contracts and certain interest rate swaps as cash flow hedges under SFAS No. 133. Most of Kyocera's foreign currency forward contracts are entered into as hedges of existing foreign currency denominated assets and liabilities and as such do not qualify for hedge accounting. Accordingly, Kyocera records changes in fair value of these foreign currency forward contracts currently in earnings. It is expected that such changes will be offset by corresponding gains or losses on the underlying 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 all derivatives designated as cash flow hedge are linked 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 highly effective as a hedge or that it has ceased to be a highly effective hedge, Kyocera discontinues hedge accounting prospectively. When hedge accounting is discontinued, the derivative will continue to be carried on the balance sheet at its fair value, with deferred unrealized gains or losses charged

immediately in current earnings.

### Stock-Based Compensation:

Prior to April 1, 2006, Kyocera accounted for stock-based compensation in accordance with SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," an Amendment of FASB Statement No. 123, "Accounting for Stock-Based Compensation." As allowed by SFAS No. 148, Kyocera measured stock-based compensation expense using the intrinsic value method in accordance with Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and its related interpretations. Effective April 1 2006, Kyocera adopted SFAS No. 123 (revised 2004) (SFAS No. 123R), "Share – Based Payment" and recognized the cost resulting from share-based payment transactions in financial statements by adopting fair-value based measurement method in accordance with SFAS No. 123R. Under the modified prospective method of adoption for SFAS No.123R, Kyocera recognized compensation cost which includes: (a) compensation cost for all stock options granted prior to, but not yet vested as of April 1, 2006, and (b) compensation cost for all stock options granted or modified subsequent to April 1, 2006.

The following table illustrates the effect on income from continuing operations, net income and earnings per share if Kyocera had applied the fair value recognition provisions of SFAS 123 for the years ended March 31, 2005 and 2006.

(Yen in millions except per share amounts)

	<u>Years ended March 31,</u>	
	<u>2005</u>	<u>2006</u>
Income from continuing operations, as reported	¥ 42,657	¥ 66,088
Add: Stock-based employee compensation expense included in reported income - net of taxes	(25)	—
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards - net of taxes	<u>(2,772)</u>	<u>(1,550)</u>
Pro forma income from continuing operations	39,860	64,538
Income from discontinued operations	<u>3,251</u>	<u>3,608</u>
Pro forma net income	<u>¥ 43,111</u>	<u>¥ 68,146</u>
Earnings per share:		
Income from continuing operations:		
Basic, as reported	¥ 227.52	¥ 352.44
Basic, pro forma	212.60	344.18
Diluted, as reported	227.47	352.21
Diluted, pro forma	212.55	343.94
Net income:		
Basic, as reported	244.86	371.68
Basic, pro forma	229.94	363.42
Diluted, as reported	244.81	371.43
Diluted, pro forma	229.89	363.17

**Earnings and Cash Dividends per Share:**

Basic earnings per share is computed based on the weighted average number of shares outstanding during each period. Diluted earnings per share assumes the dilution that could occur if all stock options were exercised and resulted in the issuance of common stock.

Cash dividends per share are those declared with respect to the earnings for the respective periods for which dividends are proposed by the Board of Directors. Dividends are charged to retained earnings in the year in which they are paid.

**Research and Development Expenses and Advertising Expenses:**

Research and development expenses and advertising expenses are charged to operations as incurred.

**Use of Estimates:**

Preparation of consolidated financial statements in conformity with generally accepted accounting principles requires managements' estimates and assumption if it is expected to have any impacts on assets and liabilities, which includes contingently arose, at the period end date, and also on revenue and expenses during the period. However, the results may possibly differ from the estimates.

**Accounting Changes:**

In November 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 151, "Inventory Costs-an amendment of ARB No. 43, Chapter 4." SFAS No. 151 requires that all abnormal idle facility expense, freight, handling costs, and spoilage be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, SFAS No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 was effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of SFAS No. 151 did not have a material impact on Kyocera's consolidated results of operations and financial position.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections—a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS No. 154 replaces APB Opinion No. 20, "Accounting Changes", and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements", and changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS No. 154 applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement when the pronouncement does not include specific transition provisions. APB Opinion No. 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS No. 154 requires retrospective application to prior periods' financial statements of changes in accounting principle. SFAS No. 154 was effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 did not have a material impact on Kyocera's consolidated results of operations and financial position.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." This statement is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123R supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related interpretations. SFAS No. 123R requires that the cost resulting from all share-based payment transactions be recognized in the financial statements. SFAS No. 123R establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value based measurement method in accounting for share-based payment transactions with employees except for equity instruments held by employee share ownership plans. SFAS No. 123R was announced to be effective as of the beginning of the first fiscal year that would begin after June 15, 2005, however, on April 14, 2005, the Securities and Exchange Commission (SEC) staff postponed implementation of SFAS No. 123R. Kyocera adopted SFAS No.123R effective April 1, 2006, and the impact of adoption of SFAS No. 123R was ¥333 million (\$2,822 thousand) on Kyocera's consolidated results of operations for the year ended March 31, 2007.

In September 2006, SEC staff published Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB No. 108). SAB No. 108 provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB No. 108 requires quantification of the effects of financial statement errors by two approaches generally referred to as "rollover" and "iron curtain". SAB No. 108 shall be effective for fiscal years ending after November 15, 2006. The adoption of SAB No. 108 did not have a material impact on Kyocera's consolidated results of operations and financial position.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans-an amendment of FASB Statements No.87, 88, 106, and 132 (R)", which requires an employer to recognize the overfunded or underfunded status of its defined benefit postretirement plans as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. Kyocera recognized the funded status of its defined benefit plans and provided the required disclosures in accordance with SFAS No. 158 as of the year ended March 31, 2007. For the impact of adoption of SFAS No. 158 on Kyocera's consolidated results of operations and financial position, see Note 10 to the Consolidated Financial Statements in this annual report. SFAS No. 158 also

requires an employer to measure the funded status of a plan as of the date of its year end statement of financial position. Kyocera will be required to measure the funded status of its plans at the date of its year end as of the year ending March 31, 2009. Kyocera is currently evaluating the impact of adoption of this requirement for measurement date in its consolidated results of operations and financial position.

### Recently Issued Accounting Standards:

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No.109" (FIN 48) which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 also provides guidance on derecognition, classification, interest and penalties, disclosure and transitional measures. FIN 48 shall be effective for fiscal years beginning after December 15, 2006. Kyocera is currently evaluating the impact of adoption of FIN 48 in its consolidated results of operations and financial position.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." The purpose of SFAS No. 157 is to define fair value, establish a framework for measuring fair value and enhance disclosures about fair value measurements. The measurement and disclosure requirements are effective beginning after November 15, 2007. Kyocera is currently evaluating the impact of adoption of SFAS No. 157 in its consolidated results of operations and financial position.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115". SFAS No.159 provides companies with an option to report selected financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings. SFAS No.159 is effective for fiscal years beginning after November 15, 2007 and Kyocera will adopt SFAS No. 159 effective April 1, 2008. Kyocera is currently evaluating the impact of adoption of SFAS No. 159 in its consolidated results of operations and financial position.

### Reclassifications:

Certain reclassifications of previously reported amounts have been made to the consolidated statements of income, cash flows and corresponding footnotes for the year ended March 31, 2005 and 2006 in order to conform to the current year presentation. Such reclassifications have no effect on net assets, net income and cash flows.

### 2. U.S. DOLLAR AMOUNTS

The consolidated financial statements as of and for the year ended March 31, 2007 presented herein are expressed in the Japanese yen, and, solely for the convenience of the readers, have been translated into the U.S. dollar at the rate of ¥118 for US\$1, the rate prevailing on March 30, 2007.

This translation should not be construed as a representation that the yen amounts shown could be so converted into the U.S. dollar at ¥118 for US\$1 or at any other rate.

### 3. DISCONTINUED OPERATIONS

On August 1, 2006, Kyocera sold 100% of the shares of KLC (presently Diamond Asset Finance Company Limited) to Diamond Lease Company Limited (presently Mitsubishi UFJ Lease & Finance Company Limited) for ¥25,274 million (\$214,186 thousand), aimed to concentrate Kyocera's management resources on its core businesses to enhance and improve its corporate value. Kyocera has accounted for the results of operations and the sale of KLC less income taxes, as discontinued operations in accordance with SFAS No.144, "Accounting for the Impairment or Disposal of Long-Lived Assets" in its consolidated statements of income. Accordingly, the prior years' financial statements and related footnote disclosures have been reclassified.

For comparative purposes, the components of the income from discontinued operations, which had been reported as the "Others" segment previously, are summarized as follows:

	(Yen in millions and U.S. dollars in thousands)			
	Years ended March 31,			
	2005	2006	2007	2007
Net sales	¥ 9,069	¥ 9,213	¥ 1,779	\$ 15,076
Income before income taxes	3,517	4,150	862	7,305
Income taxes	266	542	381	3,229
Net income	3,251	3,608	481	4,076
Gain on sales of discontinued operations - net of taxes of ¥3,534 (\$ 29,949)	—	—	4,694	39,780
Income from discontinued operations	3,251	3,608	5,175	43,856

The financial positions of discontinued operations at March 31, 2006 are summarized as follows:

	(Yen in millions)
	March 31, 2006
Short-term finance receivables	¥ 48,121
Long-term finance receivables	80,971
Other assets	4,981



Total assets	134,073
Short-term borrowings	<u>80,351</u>
Long-term debt (including portion due within one year)	25,857
Other liabilities	<u>11,772</u>
Total liabilities	<u>¥ 117,980</u>

#### 4. INVESTMENTS IN DEBT AND EQUITY SECURITIES

Available-for-sale securities are recorded at fair value, with unrealized gains and losses excluded from income and reported in other comprehensive income, net of tax. Held-to-maturity securities are recorded at amortized cost. In gross unrealized gains and losses on equity securities, ¥111,178 million of gross unrealized gain at March 31, 2006 and ¥289,853 million (\$2,456,381 thousand) of gross unrealized gain at March 31, 2007 were derived from a fluctuation in the market value of the shares of KDDI Corporation (KDDI) held by Kyocera Corporation.

Other-than-temporary loss on debt and equity securities with readily determinable fair values for the years ended March 31, 2005, 2006 and 2007 amounted to ¥1 million, ¥113 million and ¥797 million (\$6,754 thousand), respectively.

Due to the merger of Mitsubishi Tokyo Financial Group, Inc. and UFJ Holdings, Inc., on October 1, 2005, Kyocera's holding shares in UFJ Holdings, Inc. were exchanged for shares of the new company, Mitsubishi UFJ Financial Group. As a result of this share exchange, Kyocera recognized a gain in the amount of ¥5,281 million for the year ended March 31, 2006 in accordance with Emerging Issues Task Force (EITF) 91-5, "Nonmonetary Exchange of Cost-Method Investments."

Investments in debt and equity securities at March 31, 2006 and 2007, included in short-term investments (current assets) and in securities and other investments (non-current assets) are summarized as follows:

	(Yen in millions)							
	March 31,							
	2006				2007			
Cost*	Aggregate Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Cost*	Aggregate Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	
Available-for-sale securities:								
Corporate debt securities	¥ 3,745	¥ 3,908	¥ 184	¥ 21	¥ 3,842	¥ 4,033	¥ 194	¥ 3
Other debt securities	133,758	132,660	29	1,127	74,563	74,574	71	60
Equity securities	274,985	415,950	141,059	94	272,653	585,274	312,724	103
Total available-for-sale securities	<u>412,488</u>	<u>552,518</u>	<u>141,272</u>	<u>1,242</u>	<u>351,058</u>	<u>663,881</u>	<u>312,989</u>	<u>166</u>
Held-to-maturity securities:								
Other debt securities	34,398	34,015	—	383	33,512	33,447	—	65
Total held-to-maturity securities	<u>34,398</u>	<u>34,015</u>	<u>—</u>	<u>383</u>	<u>33,512</u>	<u>33,447</u>	<u>—</u>	<u>65</u>
Total investments in debt and equity securities	<u>¥446,886</u>	<u>¥586,533</u>	<u>¥141,272</u>	<u>¥ 1,625</u>	<u>¥384,570</u>	<u>¥697,328</u>	<u>¥312,989</u>	<u>¥ 231</u>

	(U.S. dollars in thousands)			
	March 31, 2007			
	Cost*	Aggregate Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale securities:				
Corporate debt securities	\$ 32,559	\$ 34,178	\$ 1,644	\$ 25
Other debt securities	631,890	631,983	602	509
Equity securities	2,310,619	4,959,949	2,650,203	873
Total available-for-sale securities	<u>2,975,068</u>	<u>5,626,110</u>	<u>2,652,449</u>	<u>1,407</u>
Held-to-maturity securities:				
Other debt securities	284,000	283,449	—	551
Total held-to-maturity securities	<u>284,000</u>	<u>283,449</u>	<u>—</u>	<u>551</u>
Total investments in debt and equity securities	<u>\$3,259,068</u>	<u>\$5,909,559</u>	<u>\$2,652,449</u>	<u>\$ 1,958</u>

At March 31, 2007, the contractual maturities of available-for-sale and held-to-maturity securities are summarized as follows:

	(Yen in millions and U.S. dollars in thousands)							
	March 31, 2007							
	Available-for-Sale		Held-to-Maturity		Available-for-Sale		Held-to-Maturity	
	Cost*	Aggregate Fair Value	Cost*	Aggregate Fair Value	Cost*	Aggregate Fair Value	Cost*	Aggregate Fair Value
Due within 1 year	¥ 24,168	¥ 24,295	¥17,110	¥ 17,062	\$ 204,814	\$ 205,890	\$145,000	\$144,593
Due after 1 year to 5 years	52,338	52,391	16,402	16,385	443,542	443,991	139,000	138,856
Due after 5 years	1,899	1,921	—	—	16,093	16,280	—	—
Equity securities	272,653	585,274	—	—	2,310,619	4,959,949	—	—
	<u>¥351,058</u>	<u>¥663,881</u>	<u>¥33,512</u>	<u>¥ 33,447</u>	<u>\$2,975,068</u>	<u>\$5,626,110</u>	<u>\$284,000</u>	<u>\$283,449</u>

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

Proceeds from sales of available-for-sale securities and the related gross realized gains and losses for the years ended March 31, 2005, 2006 and 2007 are as follows:

	(Yen in millions and U.S. dollars in thousands)			
	Years ended March 31,			
	2005	2006	2007	2007
Proceeds from sales of available-for-sale securities	¥22,662	¥48,173	¥99,171	\$840,432
Gross realized gains	2,015	2,769	6,055	51,314
Gross realized losses	4,224	1,346	2,305	19,534

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

Kyocera's available-for-sale securities were classified by its length of an unrealized loss position at March 31, 2006 and 2007 as follows:

	(Yen in millions)					
	March 31, 2006					
	within 1 year		over 1 year		Total	
	Aggregate Fair Value	Gross Unrealized Losses	Aggregate Fair Value	Gross Unrealized Losses	Aggregate Fair Value	Gross Unrealized Losses
Corporate debt securities	¥ 1,012	¥ 21	¥ —	¥ —	¥ 1,012	¥ 21
Other debt securities	131,942	1,127	—	—	131,942	1,127
Equity securities	1,252	87	25	7	1,277	94
	<u>¥134,206</u>	<u>¥ 1,235</u>	<u>¥ 25</u>	<u>¥ 7</u>	<u>¥134,231</u>	<u>¥ 1,242</u>

	(Yen in millions)					
	March 31, 2007					
	within 1 year		over 1 year		Total	
	Aggregate Fair Value	Gross Unrealized Losses	Aggregate Fair Value	Gross Unrealized Losses	Aggregate Fair Value	Gross Unrealized Losses
Corporate debt securities	¥ 529	¥ 3	¥ —	¥ —	¥ 529	¥ 3
Other debt securities	50,867	60	—	—	50,867	60
Equity securities	1,700	103	—	—	1,700	103
	<u>¥ 53,096</u>	<u>¥ 166</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ 53,096</u>	<u>¥ 166</u>

	(U.S. dollars in thousands)					
	March 31, 2007					
	within 1 year		over 1 year		Total	
	Aggregate Fair Value	Gross Unrealized Losses	Aggregate Fair Value	Gross Unrealized Losses	Aggregate Fair Value	Gross Unrealized Losses
Corporate debt securities	\$ 4,483	\$ 25	\$ —	\$ —	\$ 4,483	\$ 25
Other debt securities	431,076	509	—	—	431,076	509
Equity securities	14,407	873	—	—	14,407	873
	<u>\$449,966</u>	<u>\$ 1,407</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$449,966</u>	<u>\$ 1,407</u>

At March 31, 2006 and 2007, the number of individual available-for-sale securities in an unrealized loss position held by Kyocera were 33 and 38, respectively.



## 5. FINANCE RECEIVABLES

On August 1, 2006, Kyocera sold 100% of the shares of KLC. Detailed information regarding this transaction is described in Note 3.

Finance receivables at March 31, 2006 consist of the following:

	<u>(Yen in millions)</u>	
	<u>March 31, 2006</u>	
Investments in financing leases :		
Minimum lease payments receivable	¥	7,469
Unearned lease income		(639)
		<u>6,830</u>
Less-allowance for doubtful accounts		(501)
		<u>6,329</u>
Less-current portion		(2,499)
	¥	<u>3,830</u>
Other finance receivables	¥	119,911
Less-allowance for doubtful accounts		(5,831)
		<u>114,080</u>
Less-current portion		(36,940)
	¥	<u>77,140</u>
	¥	<u>80,970</u>

Investments in financing leases consisted primarily of direct financing leases of telecommunications equipment and information equipment. Other finance receivables consisted primarily of installment loans to unrelated third parties.

Investments in loans of ¥5,146 million at March 31, 2006 were considered to be impaired, for which valuation allowances at March 31, 2006 were provided of ¥3,567 million, calculated under SFAS No.114, "Accounting by Creditors for Impairment of a Loan" and included in allowances for doubtful accounts.

The average recorded investments in impaired loans for the years ended March 31, 2005 and 2006 were ¥9,567 million and ¥6,179 million, respectively. The related recognized interest income for the years ended March 31, 2005 and 2006 were, ¥43 million and ¥34 million, respectively.

The principal amount of the loan on which interest income was no longer accrued at March 31, 2006 was ¥6,207 million, and at March 31, 2006 there was no loan, on which the collection of the principal was past due ninety days or more and on which interest income was still accrued.

Changes in allowances for doubtful accounts on finance receivables are as follows:

	<u>(Yen in millions)</u>	
	<u>Years ended March 31,</u>	
	<u>2005</u>	<u>2006</u>
Beginning balance	¥ 36,315	¥14,919
Provision charged to income	508	326
Charge-offs	(21,904)	(8,913)
Ending balance	<u>¥ 14,919</u>	<u>¥ 6,332</u>

## 6. INVENTORIES

Inventories at March 31, 2006 and 2007 are as follows:

	(Yen in millions and U.S. dollars in thousands)		
	March 31,		
	2006	2007	2007
Finished goods	¥ 95,492	¥ 106,135	\$ 899,449
Work in process	38,425	44,806	379,712
Raw materials and supplies	56,647	58,247	493,619
	<u>¥ 190,564</u>	<u>¥ 209,188</u>	<u>\$ 1,772,780</u>

## 7. INVESTMENTS IN AND ADVANCES TO AFFILIATES

Kyocera Corporation owned a 36.02% interest in Taito Corporation, a major affiliate which operates in the electric amusement business and accounted for its investment under the equity method. On September 28, 2005, Kyocera Corporation sold its entire holding of shares of Taito Corporation in a tender offer bid for Taito shares by Square Enix Co., Ltd., one of the leading companies in the game software industry. As a result of this sale of Taito Corporation shares, Kyocera Corporation recorded a gain of ¥6,931 million for the year ended March 31, 2006.

Kyocera Mita Corporation owns a 30% interest in Triumph-Adler AG Group (TA), which is a distributor of office equipment and accounted for its investment under the equity method. Kyocera recognized loss on impairment of investment in an affiliate of ¥3,492 million due to an extended decline in its market value for the year ended March 31, 2006.

Kyocera Corporation owns a 30% interest in WILLCOM, INC., which operates a Personal Handyphone System (PHS) business and is accounted for its investment under the equity method.

On March 31, 2006 and 2007, TA was a listed company. The market values of investment in TA at March 31, 2006 and 2007 were ¥2,669 million and ¥3,375 million (\$28,602 thousand), respectively.

Related party transactions with the affiliates, accounted for under the equity method is as follows:

	(Yen in millions and U.S. dollars in thousands)		
	March 31,		
	2006	2007	2007
Kyocera's investments in and advances to affiliates	¥ 7,107	¥ 9,818	\$ 83,203
Kyocera's trade receivables from affiliates	15,851	13,940	118,136

	(Yen in millions and U.S. dollars in thousands)			
	Years ended March 31,			
	2005	2006	2007	2007
Kyocera's equity in (losses) earnings of affiliates	¥ (1,712)	¥ (1,311)	¥ 2,593	\$ 21,975
Kyocera's sales to affiliates	21,320	42,822	39,189	332,110

## 8. GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets subject to amortization are summarized as follows:

	(Yen in millions and U.S. dollars in thousands)					
	March 31,					
	2006		2007		2007	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patent rights	¥ 31,755	¥ 15,546	¥ 29,008	¥ 17,710	\$ 245,830	\$ 150,085
Software	24,314	13,019	27,626	16,876	234,119	143,017
Other	6,754	3,031	6,562	3,955	55,610	33,517
	¥ 62,823	¥ 31,596	¥ 63,196	¥ 38,541	\$ 535,559	\$ 326,619

The carrying amount of intangible assets other than goodwill having an indefinite life at March 31, 2006 and 2007 were not significant.

Intangible assets acquired during the year ended March 31, 2007 totaled ¥5,710 million (\$48,390 thousand) and primarily consist of patent rights of ¥626 million (\$5,305 thousand) and software of ¥4,661 million (\$39,500 thousand).

The weighted average amortization periods for patent rights and software are 5 years and 4 years, respectively.

Total amortization of intangible assets during the years ended March 31, 2005, 2006 and 2007 amounted to ¥7,008 million, ¥10,042 million and ¥11,666 million (\$98,864 thousand), respectively.

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

Years ending March 31,	(Yen in millions and U.S. dollars in thousands)	
2008	¥ 9,433	\$ 79,941
2009	7,504	63,593
2010	4,539	38,466
2011	1,359	11,517
2012	435	3,686

The changes in the carrying amounts of goodwill by reporting segment for the years ended March 31, 2006 and 2007 are as follows:

	(Yen in millions and U.S. dollars in thousands)						
	Fine Ceramic Parts Group	Semiconductor Parts Group	Applied Ceramic Products Group	Electronic Device Group	Information Equipment Group	Others	Total
Balance at March 31, 2005	¥ —	¥ —	¥ 6,293	¥ 17,099	¥ 586	¥ 4,132	¥ 28,110
Goodwill acquired during the year	100	912	150	754	44	5	1,965
Translation adjustments and reclassification to other accounts	—	—	603	619	54	—	1,276
<b>Balance at March 31, 2006</b>	<b>100</b>	<b>912</b>	<b>7,046</b>	<b>18,472</b>	<b>684</b>	<b>4,137</b>	<b>31,351</b>
Goodwill acquired during the year	—	—	—	2,699	—	19	2,718
Impairment of goodwill	—	—	—	—	—	(1,478)	(1,478)
Translation adjustments and reclassification to other accounts	—	—	60	239	5	(1)	303
<b>Balance at March 31, 2007</b>	<b>¥ 100</b>	<b>¥ 912</b>	<b>¥ 7,106</b>	<b>¥ 21,410</b>	<b>¥ 689</b>	<b>¥ 2,677</b>	<b>¥ 32,894</b>
Balance at March 31, 2006	\$ 847	\$ 7,729	\$ 59,712	\$ 156,542	\$ 5,797	\$ 35,059	\$ 265,686
Goodwill acquired during the year	—	—	—	22,873	—	161	23,034
Impairment of goodwill	—	—	—	—	—	(12,525)	(12,525)
Translation adjustments and reclassification to other accounts	—	—	508	2,026	42	(8)	2,568
<b>Balance at March 31, 2007</b>	<b>\$ 847</b>	<b>\$ 7,729</b>	<b>\$ 60,220</b>	<b>\$ 181,441</b>	<b>\$ 5,839</b>	<b>\$ 22,687</b>	<b>\$ 278,763</b>

Kyocera performed the annual impairment test of goodwill and other intangible assets and recorded an impairment loss of

¥1,478 million (\$12,525 thousands), which caused by stagnant sales and profit results in a reporting unit in the “Others” segment in the three months ended March 31, 2007. The impairment charge reflected the overall decline in the fair value of a domestic subsidiary. The fair value of the subsidiary was estimated principally using the expected present value of future cash flow.



## 9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2006 and 2007 are comprised of the following:

Loans, principally from banks with average interest rate of 0.71% and 5.17% at March 31, 2006 and 2007, respectively.

	(Yen in millions and U.S. dollars in thousands)		
	March 31,		
	2006	2007	2007
Unsecured*	¥ 90,865	¥ 15,250	\$ 129,237

Long-term debt at March 31, 2006 and 2007 are comprised of the following:

Loans, principally from banks with interest rates ranging from 0.15% to 5.45% and from 0.15% to 5.82% at March 31, 2006 and 2007, respectively.

	(Yen in millions and U.S. dollars in thousands)		
	March 31,		
	2006	2007	2007
Secured	¥ 4,149	¥ 3,256	\$ 27,593
Unsecured *	45,558	9,880	83,729
	49,707	13,136	111,322
Less, portion due within one year	(16,347)	(5,853)	(49,602)
	¥ 33,360	¥ 7,283	\$ 61,720

\* See note 3 for more information.

Aggregate maturities of long-term debt at March 31, 2007 are as follows:

Years ending March 31,	(Yen in millions and U.S. dollars in thousands)	
2009	¥ 1,899	\$ 16,093
2010	1,488	12,610
2011	1,370	11,610
2012	1,020	8,644
2013 and thereafter	1,506	12,763
	¥ 7,283	\$ 61,720

Kyocera's assets pledged as collateral of property, plant and equipment, net of accumulated depreciation for long-term debt at March 31, 2006 and 2007 were ¥5,692 million and ¥5,374 million (\$45,542 thousand), respectively.

## 10. BENEFIT PLANS

### Adoption of SFAS No. 158:

As of March 31, 2007, Kyocera adopted SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans-an amendment of FASB Statements No. 87, 88, 106 and 132 (R)," which requires an employer to recognize the over funded or under funded status of its defined benefit postretirement plans as an asset or liability in its consolidated balance sheet and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. Kyocera initially recognized the funded status of its defined benefit plans and to provide the required disclosures in accordance with this standard at March 31, 2007.

The following tables show the incremental effect of the applying SFAS No. 158 at March 31, 2007 on the consolidated balance sheet line items listed below. These adjustments had no effect on Kyocera's consolidated statements of income and cash flows for the year ended March 31, 2007.

	(Yen in millions)		
	Before Application of SFAS No. 158	Adjustments	After Application of SFAS No. 158
Investments in and advances to affiliates and unconsolidated subsidiaries	¥ —	¥ 1,033	¥ 1,033
Intangible assets	12	(12)	—
Deferred tax assets	8,354	(2,555)	5,799
Prepaid benefit cost	568	23,614	24,182
Accrued benefit liability	17,856	(4,931)	12,925
Deferred tax liabilities	1,466	9,480	10,946
Minority interests in subsidiaries	(942)	(27)	(969)
Accumulated other comprehensive income (loss)	(2,139)	17,558	15,419

	(U.S. dollars in thousands)		
	Before Application of SFAS No. 158	Adjustments	After Application of SFAS No. 158
Investments in and advances to affiliates and unconsolidated subsidiaries	\$ —	\$ 8,754	\$ 8,754
Intangible assets	102	(102)	—
Deferred tax assets	70,797	(21,653)	49,144
Prepaid benefit cost	4,813	200,119	204,932
Accrued benefit liability	151,322	(41,788)	109,534
Deferred tax liabilities	12,424	80,339	92,763
Minority interests in subsidiaries	(7,983)	(229)	(8,212)
Accumulated other comprehensive income (loss)	(18,127)	148,796	130,669

### Domestic:

#### a. Defined benefit plans

At March 31, 2007, Kyocera Corporation and its major domestic subsidiaries sponsor funded defined benefit pension plans or unfunded retirement and severance plans for their employees.

Kyocera Corporation adopted a variable expected interest rate for benefits paid for pensioners, which is linked with the long-term interest rate prevailing in Japan instead of a fixed expected interest rate, effective April 2004.

Benefits under the plan of Kyocera Corporation were previously calculated based on base salary, employee's position, length of service period and conditions at the time of retirement. However, after April 2005, Kyocera adopted "point system" whereby benefits under the plan are calculated according to (i) accumulated "points" that are earned based on employee's 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 receive lifetime pension payments for the full amount of their retirement payment, while after April 2005, employees are provided an option to receive lifetime pension payments for 50% of their retirement payment and 50% of pension payments for 20 years in maximum. These amendments reduced the projected benefit obligation of the pension plan for Kyocera Corporation. This effect of the reduction in the projected benefit obligation was reflected as a prior service cost.

Major domestic subsidiaries also amended their benefit plans and adopted the "point system" effective April 2006. As a result of this amendment, their projected benefit obligations decreased and such decreases were reflected as prior service costs.

The funded statuses of the benefit plans at Kyocera Corporation and its major domestic subsidiaries at March 31, 2006 and 2007 are as follows:

	(Yen in millions and U.S. dollars in thousands)		
	March 31,		
	2006	2007	2007
<b>Change in projected benefit obligations:</b>			
Projected benefit obligation at beginning of year	¥ 104,484	¥ 110,530	\$ 936,695
Service cost	6,661	7,873	66,720
Interest cost	2,045	2,098	17,780
Actuarial loss (gain)	1,464	(1,792)	(15,186)
Benefits paid	(3,292)	(3,355)	(28,432)
Amendment	(832)	(5,329)	(45,161)
Projected benefit obligation at end of year	110,530	110,025	932,416
<b>Change in plan assets:</b>			
Fair value of plan assets at beginning of year	107,265	119,920	1,016,271
Actual return on plan assets	6,482	2,033	17,229
Employer contribution	9,043	8,935	75,720
Benefits paid	(2,870)	(3,236)	(27,423)
Fair value of plan assets at end of year	119,920	127,652	1,081,797
<b>Funded status</b>	<b>¥ 9,390</b>	<b>¥ 17,627</b>	<b>\$ 149,381</b>
Amounts recognized in the consolidated balance sheets consist of:			
Prepaid benefit cost	¥ 657	¥ 24,182	\$ 204,932
Accrued benefit liability	(17,239)	(6,555)	(55,551)
<b>Net amount recognized</b>	<b>¥ (16,582)</b>	<b>¥ 17,627</b>	<b>\$ 149,381</b>
Reconciliation from funded status to amounts recognized in the consolidated balance sheets consist of:			
Funded status	¥ 9,390	—	—
Unrecognized net transition obligation	(522)	—	—
Prior service cost not yet recognized	55,051	—	—
Unrecognized actuarial loss	(28,557)	—	—
<b>Net amount recognized</b>	<b>¥ (16,582)</b>	<b>—</b>	<b>—</b>
Amounts recognized in accumulated other comprehensive income (loss) consist of:			
Net transition obligation	—	¥ (337)	\$ (2,856)
Prior service cost	—	55,642	471,542
Actuarial loss	—	(26,235)	(222,330)
<b>Accumulated other comprehensive income</b>	<b>—</b>	<b>¥ 29,070</b>	<b>\$ 246,356</b>
(Yen in millions and U.S. dollars in thousands)			
March 31,			
	2006	2007	2007
<b>Accumulated benefit obligation at end of year</b>	<b>¥ 106,963</b>	<b>¥ 108,037</b>	<b>\$ 915,568</b>
Pension plans with an accumulated benefit obligation in excess of plan assets at the end of year are as follows:			
Projected benefit obligation	¥ 25,731	¥ 17,614	\$ 149,271
Accumulated benefit obligation	22,477	17,211	145,856
Fair value of plan assets	8,653	11,059	93,720

Net periodic pension costs at Kyocera Corporation and its major domestic subsidiaries in the years ended March 31, 2005, 2006 and 2007, include the following components:

	(Yen in millions and U.S. dollars in thousands)			
	Years ended March 31,			
	2005	2006	2007	2007
Service cost	¥ 6,494	¥ 6,661	¥ 7,873	\$ 66,720
Interest cost	2,385	2,045	2,098	17,780
Expected return on plan assets	(1,789)	(2,159)	(2,870)	(24,322)
Amortization of transition obligation	221	221	185	1,568
Amortization of prior service cost	(2,283)	(4,445)	(4,739)	(40,161)
Recognized actuarial loss	1,243	1,350	1,310	11,101
Net periodic pension cost	¥ 6,271	¥ 3,673	¥ 3,857	\$ 32,686

Transition obligation, actuarial loss, and prior service cost expected to be amortized at Kyocera Corporation and its major domestic subsidiaries in the year ending March 31, 2008 are as follows:

	(Yen in millions and U.S. dollars in thousands)	
	Year ending March 31,	
	2008	2008
Amortization of transition obligation	¥ 226	\$ 1,915
Amortization of prior service cost	(4,320)	(36,610)
Recognized actuarial loss	1,047	8,873

Assumptions used to determine projected benefit obligations at Kyocera Corporation and its major domestic subsidiaries at March 31, 2006 and 2007 are as follows:

	March 31,	
	2006	2007
	Discount rate	1.75% -2.00%

Assumptions used to determine net periodic pension costs at Kyocera Corporation and its major domestic subsidiaries for the years ended March 31, 2005, 2006 and 2007 are as follows:

	Years ended March 31,		
	2005	2006	2007
	Discount rate	2.00%	2.00%
Expected long-term rate of return on plan assets	2.00%-2.50%	2.00%-2.50%	2.00% -2.50%
Rate of increase in compensation levels	3.00%	—	—

Kyocera Corporation and its domestic subsidiaries use a December 31 measurement date for their plans. Certain domestic subsidiaries use a March 31 measurement date for their plans. Kyocera Corporation and its domestic subsidiaries, which currently use a December 31 measurement date, will use a March 31 measurement date upon the adoption of measurement provision of SFAS No. 158 for the year ending March 31, 2009.

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, 2006 and 2007 under the "point system."

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

Plan assets categories at Kyocera Corporation and its major domestic subsidiaries at March 31, 2006 and 2007 are as follows:

	March 31,	
	2006	2007
	Life insurance company general account	65.1%
Equity securities	21.9%	25.6%
Debt securities	9.5%	8.2%
Cash and cash equivalents	2.2%	1.4%
Other	1.3%	6.2%
	100.0%	100.0%



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, they 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. They also make an effort to maintain their portfolios within reasonable allocations of plan assets. They evaluate their categories of plan assets allocations and can change their portfolios when it is needed. Their long-term strategy is to allocate approximately 60% Life insurance company general account which assures fixed income, and approximately 30% equity and debt securities and approximately 10% cash and other for their defined benefit plans.

Kyocera Corporation and its major domestic subsidiaries forecast to contribute ¥8,753 million (\$74,178 thousand) to the defined benefit pension plans in the year ending March 31, 2008.

Estimated future benefit payments at Kyocera Corporation and its major domestic subsidiaries are as follows:

Years ending March 31,	(Yen in millions and U.S. dollars in thousands)		
2008	¥	4,368	\$ 37,017
2009		5,372	45,525
2010		5,420	45,932
2011		5,269	44,653
2012		5,843	49,517
2013 to 2017		32,453	275,025

#### **b. Other plan**

Kyocera Corporation and its major domestic subsidiaries also provide for lump-sum severance benefits with respect to directors and corporate auditors. To reserve future payments of lump-sum severance benefits to directors and corporate auditors, annual provisions are made in the accounts for the estimated cost of this termination plan, which is not funded.

#### **Foreign:**

##### **a. Pension plans**

Kyocera International, Inc. and its consolidated subsidiaries (KII) and AVX Corporation and its consolidated subsidiaries (AVX) which are both consolidated U.S. subsidiaries of Kyocera Corporation, maintain non-contributory defined benefit pension plans in the U.S. and contributory defined benefit pension plans outside the U.S. The KII plan covers substantially all full-time employees in the U.S., of which benefits are based on years of service and the employees' average compensation. AVX sponsors various defined benefit pension plans covering certain employees. 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.

The following table sets forth the funded statuses of the KII's and AVX's plans at March 31, 2006 and 2007:

	(Yen in millions and U.S. dollars in thousands)		
	March 31,		
	2006	2007	2007
<b>Change in benefit obligations:</b>			
Benefit obligation at beginning of year	¥ 22,142	¥ 26,854	\$ 227,576
Service cost	433	538	4,559
Interest cost	1,252	1,431	12,127
Plan participants' contributions	90	98	830
Actuarial loss (gain)	2,590	(491)	(4,161)
Benefits paid	(979)	(987)	(8,364)
Amendment	—	154	1,305
Foreign exchange adjustment	1,272	1,884	15,967
Benefit obligation at end of year	26,800	29,481	249,839
<b>Change in plan assets:</b>			
Fair value of plan assets at beginning of year	16,893	19,681	166,788
Actual return on plan assets	2,079	1,927	16,330
Employer contribution	630	1,095	9,280
Plan participants' contributions	90	98	830
Benefits paid	(979)	(987)	(8,364)
Other expenses	(621)	(64)	(542)
Foreign exchange adjustment	1,589	1,359	11,517
Fair value of plan assets at end of year	19,681	23,109	195,839
Funded status	¥ (7,119)	¥ (6,372)	\$ (54,000)
<b>Amounts recognized in the consolidated balance sheets consist of:</b>			
Intangible assets	¥ 21	¥ —	\$ —
Accrued benefit liability	(5,615)	(6,372)	(54,000)
Accumulated other comprehensive loss	4,614	—	—
Net amount recognized	¥ (980)	¥ (6,372)	\$ (54,000)
<b>Reconciliation from funded status to amounts recognized in the consolidated balance sheets consist of:</b>			
Funded status	¥ (7,119)	—	—
Prior service cost not yet recognized	(15)	—	—
Unrecognized actuarial loss	(6,124)	—	—
Net amount recognized	¥ (980)	—	—
<b>Amounts recognized in accumulated other comprehensive Income (loss) consist of:</b>			
Prior service cost	—	¥ (159)	\$ (1,347)
Actuarial loss	—	(3,782)	(32,051)
Accumulated other comprehensive loss	—	¥ (3,941)	\$ (33,398)

	(Yen in millions and U.S. dollars in thousands)		
	March 31,		
	2006	2007	2007
Accumulated benefit obligation at end of year	¥ 25,054	¥ 27,567	\$ 233,619
<b>Pension plans with an accumulated benefit obligation in excess of plan assets at the end of year:</b>			
Projected benefit obligation	¥ 26,800	¥ 19,685	\$ 166,822
Accumulated benefit obligation	25,054	19,510	165,339
Fair value of plan assets	19,681	14,725	124,788

KII's and AVX's net periodic pension costs in the years ended March 31, 2005 , 2006 and 2007 include the following components:

	(Yen in millions and U.S. dollars in thousands)			
	Years ended March 31,			
	2005	2006	2007	2007
Service cost	¥ 845	¥ 433	¥ 538	\$ 4,559
Interest cost	1,186	1,252	1,431	12,127
Expected return on plan assets	(1,118)	(1,283)	(1,482)	(12,559)
Amortization of prior service cost	13	13	17	144
Recognized actuarial loss	166	163	238	2,017
Net periodic pension cost	<u>¥ 1,092</u>	<u>¥ 578</u>	<u>¥ 742</u>	<u>\$ 6,288</u>

KII's and AVX's actuarial losses and prior service costs expected to be amortized in the year ending March 31, 2008 are as follows:

	(Yen in millions and U.S. dollars in thousands)	
	Year ending March 31,	
	2008	2008
Amortization of prior service cost	¥ 15	\$ 127
Recognized actuarial loss	196	1,661

KII's and AVX's assumptions used to determine projected benefit obligations at March 31, 2006 and 2007 are as follows:

	March 31,	
	2006	2007
	Discount rate	4.25%-5.50%
Rate of increase in compensation levels	2.00%-4.50%	3.40% -4.50%

KII's and AVX's assumptions used to determine net periodic pension costs in the years ended March 31, 2005 , 2006 and 2007 are as follows:

	Years ended March 31,		
	2005	2006	2007
Discount rate	5.25%-6.00%	4.50%-6.00%	4.25% -5.50%
Rate of increase in compensation levels	1.25%-4.50%	1.25%-4.50%	3.00% -4.50%
Expected long-term rate of return on plan assets	7.00%-8.50%	6.30%-8.50%	6.40% -8.50%

KII and AVX use a December 31 measurement date for their plans. 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.

KII's and AVX's plan assets categories at March 31, 2006 and 2007 are as follows:

	March 31,	
	2006	2007
Equity securities	65.9%	65.9%
Debt securities	33.2%	30.5%
Cash and cash equivalents	0.9%	2.2%
Other	—	1.4%
	<u>100.0%</u>	<u>100.0%</u>

KII's long-term strategy is for target allocation of 65%-75% equity securities and 15%-35% debt securities for its defined benefit plans. AVX's long-term strategy is for target allocation of 40% equity and 60% fixed income for its U.S. defined benefit plans and 60% equity and 40% fixed income for its non-U.S. defined benefit plans.

AVX forecasts to contribute ¥931 million (\$7,890 thousand) to the defined benefit pension plans in the year ending March 31, 2008.

KII's and AVX's estimated future benefit payments are as follows:

Years ending March 31,	(Yen in millions and U.S. dollars in thousands)	
2008	¥ 964	\$ 8,169
2009	1,004	8,508
2010	1,072	9,085
2011	1,136	9,627
2012	1,203	10,195



2013 to 2017

7,148

60,576

F-23

## b. 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 for the years ended March 31, 2005, 2006 and 2007 were ¥853 million, ¥928 million and ¥1,003 million (\$8,500 thousand), respectively.

## II. STOCK OPTION PLANS

### Kyocera Corporation:

Kyocera Corporation granted directors, corporate auditors, corporate executive officers and certain key employees of Kyocera with stock option plans until the year ended March 31, 2006. Under the plans, they were granted options to purchase Kyocera Corporation's shares of common stock at a price determined by the higher of (1) multiplying by 1.1 the average market price of Kyocera Corporation's common stock in previous month of the date of the grant or (2) the market price of Kyocera Corporation's common stock at the date of grant and an option's maximum term is 5 years. All options vested and are exercisable.

At March 31, 2007, Kyocera Corporation reserved 2,113 thousand shares of its common stock for the plans.

The following table summarizes information on stock option plans for the year ended March 31, 2007:

	Number of Options (in thousands)	Weighted Average Exercise Price	Weighted Average Contractual life remaining (years)	Aggregated Intrinsic Value (Yen in millions and U.S. dollars in thousands)	
Outstanding at March 31, 2006	3,087	¥8,498			
Granted	—	—	\$ —		
Exercised	(918)	8,344	70.71	¥ 2,103	\$ 17,822
Expired and cancelled	(56)	8,531	72.30		
Outstanding at March 31, 2007	2,113	¥8,564	\$ 72.58	1.5	¥ 5,380 \$ 45,593
Exercisable at March 31, 2007	2,113	¥8,564	\$ 72.58	1.5	¥ 5,380 \$ 45,593

The total aggregate intrinsic value of options exercised is ¥16 million, ¥626 million and ¥2,103 million (\$17,822 thousand) for the years ended March 31, 2005, 2006 and 2007, respectively.

At March 31, 2007, there was no unrecognized compensation costs related to unvested awards. The total aggregate fair value of options vested was ¥2,419 million and ¥1,248 million for the years ended March 31, 2005 and 2006, respectively.

Because Kyocera granted no stock options during the year ended March 31, 2007 and requisite service period of Kyocera's stock options granted prior to April 1, 2006 did not attribute to the year ended March 31, 2007, no stock based compensation expense was recognized for the year ended March 31, 2007.

Cash received from the exercise of stock options was ¥120 million, ¥2,332 million and ¥7,654 million (\$64,864 thousand) for the years ended March 31, 2005, 2006 and 2007, respectively.

Kyocera's weighted average fair value is estimated at the date of grant using Black Scholes model. Kyocera estimated expected life, volatility and expected dividends by considering historical record.

The following are significant weighted average assumptions used estimating the fair value of options issued under the Kyocera's stock option plans:

	Years ended March 31,	
	2005	2006
Fair value	¥ 1,946	¥ 959
Interest rate	0.39%	0.20%
Expected life	3.7 years	2.7 years
Volatility	39.09%	28.00%
Expected dividends	1.00%	1.30%

### AVX Corporation:

AVX has four fixed stock option plans. Under the 1995 stock option plan, as amended, AVX could grant options to employees

for the purchase of up to an aggregate of 9,300 thousand shares of common stock. Under the non-employee directors' stock option plan, as amended, AVX could grant options for the purchase of up to an aggregate of 650 thousand shares of common stock. No awards were made under these two plans after August 1, 2005. Under the 2004 stock option plan AVX may grant options to employees for the purchase of up to an aggregate of 10,000 thousand shares of common stock. Under the 2004 non-employee directors' stock option plan, AVX may grant options for the purchase of up to an aggregate of 1,000 thousand shares of common stock. Under all plans, the exercise price of each option shall not be less than the market price of AVX's stock on the date of grant and an option's maximum term is 10 years. Options granted under the 1995 stock option plan and the 2004 stock option plan vest as to 25% annually and options granted under the non-employee directors' stock option plan and the 2004 non-employee directors' stock option plan vest as to one third annually. Requisite service periods related to all of the plans begin on the grant date. The number of shares of common stock available for future issuance under all of the plans, consisting of options available to be granted and options currently outstanding, was 15,300 thousand at March 31, 2007.

Options exercised under the AVX's stock option plans are issued from the AVX's treasury shares.

Activity under the AVX's stock option plans is summarized as follows:

	Number of Options (in thousands)	Weighted Average Exercise Price	Weighted Average contractual life remaining (years)	Aggregated Intrinsic Value (Yen in millions and U.S. dollars in thousands)	
Outstanding at March 31, 2006	4,813	\$ 14.72			
Granted	513	15.27			
Exercised	(430)	10.27		¥ 323	\$ 2,737
Expired and cancelled	(75)	18.62			
Outstanding at March 31, 2007	4,821	\$ 15.14	5.11	¥ 33	\$ 280
Exercisable at March 31, 2007	3,564	\$ 15.69	4.03	¥ (207)	\$ (1,754)

The total aggregate intrinsic value of options exercised is ¥14 million, ¥120 million and ¥323 million (\$2,737 thousand) for the years ended March 31, 2005, 2006 and 2007, respectively.

Unvested share activity under the AVX's stock options plans at March 31, 2007 is summarized as follows:

	Number of Options (in thousands)	Weighted Average Grant- Dated Fair Value
Unvested balance at March 31, 2006	1,382	\$ 5.65
Options granted	513	5.44
Option forfeited	(36)	6.60
Options vested	(602)	6.57
Unvested balance at March 31, 2007	1,257	\$ 5.39

At March 31, 2007, ¥438 million (\$3,712 thousand) of total unrecognized compensation costs related to unvested awards is expected to be recognized over the vesting period, approximately four years. The total aggregate fair value of options vested is ¥658 million, ¥497 million and ¥463 million (\$3,924 thousand) for the years ended March 31, 2005, 2006 and 2007, respectively.

The weighted average estimated fair value of the AVX's stock options granted at grant date market prices was \$6.07, \$4.91 and \$5.44 per option for the years ended March 31, 2005, 2006 and 2007, respectively. The consolidated statement of income includes ¥263million (\$2,229 thousand), net of ¥45 million (\$381 thousand) of tax benefit, in stock based compensation expense for the year ended March 31, 2007.

Cash received from the exercise of stock options was ¥31 million, ¥646 million and ¥ 516 million (\$4,373 thousand) for the years ended March 31, 2005, 2006 and 2007, respectively. Excess tax benefit from stock-based payment arrangements was ¥78 million (\$661 thousand) for the year ended March 31, 2007.

AVX's weighted average fair value is estimated at the date of grant using Black Scholes model. AVX estimated volatility by considering the AVX's historical stock volatility. AVX calculated the dividend yield based on historical dividend paid. In accordance with SFAS No. 123R AVX has estimated forfeitures in determining the weighted average fair value calculation. The forfeiture rate used for the year ended March 31, 2007 was 6.4%. The following are significant weighted average assumptions used for estimating the fair value of options issued under the AVX's stock option plans:

	Years ended March 31,		
	2005	2006	2007
Interest rate	3.53%	4.00%	4.90%
Expected life	4 years	4 years	5 years
Volatility	55.97%	55.74%	35.25%
Expected dividends	1.07%	1.31%	0.98%

#### Kyocera Wireless Corp. (KWC):

KWC provides key employees with stock options. The options become vested gradually over a four-year period provided participants remain a KWC employee. The exercise price shall not be less than 85% of the fair value of the common stock at the time the option is granted, and the grant has a maximum term of 10 years. Since KWC's securities are not traded on any stock change, KWC's Board of Directors is responsible for determining the fair value using reasonable means. KWC may grant options to all key employees for the purchase for up to an aggregate of 3,800 thousand shares of common stock. The issuance of new options under this plan has been suspended as of April 1, 2006.

Activity under the KWC's stock option plans is summarized as follows:

	Number of Options (in thousands)	Weighted Average Exercise Price	Weighted Average contractual life remaining (years)	Aggregated Intrinsic Value (Yen in millions and U.S. dollars in thousands)	
Outstanding at March 31, 2006	2,124	\$ 2.33			
Granted	—	—			
Exercised	—	—			
Expired and cancelled	(585)	2.41			
Outstanding at March 31, 2007	<u>1,539</u>	\$ 2.30	5.45	¥ (363)	\$ (3,076)
Exercisable at March 31, 2007	<u>1,253</u>	\$ 2.38	5.45	¥ (307)	\$ (2,602)

Unvested share activity under the KWC's stock options plans at March 31, 2007 is summarized as follows:

	Number of Options (in thousands)	Weighted Average Grant- Dated Fair Value
Unvested balance at March 31, 2006	669	\$ 0.92
Options granted	—	—
Option forfeited	(149)	1.11
Options vested	(234)	0.87
Unvested balance at March 31, 2007	<u>286</u>	<u>\$ 0.87</u>

At March 31, 2007, ¥36 million (\$305 thousand) of total unrecognized compensation costs related to unvested awards is expected to be recognized over the vesting period, approximately four years. The total aggregate fair value of options vested is ¥78 million, ¥76 million and ¥22 million (\$186 thousand) for the years ended March 31, 2005, 2006 and 2007, respectively.

The weighted average estimated fair value of the KWC's stock options granted at grant date was \$1.43 and \$0.63 per option for the years ended March 31, 2005 and 2006, respectively. The consolidated statement of income includes ¥(25) million and ¥25 million (\$212 thousand) in stock based compensation expense for the years ended March 31, 2005 and 2007, respectively.

KWC's weighted average fair value is estimated at the date of grant using Black Scholes model. KWC estimated volatility by considering historical volatility. The following are significant weighted average assumptions used for estimating the fair value of options issued under the KWC's stock option plans:

	Years ended March 31,	
	2005	2006
Fair value	\$ 1.43	\$ 0.63
Interest rate	3.65%	4.21%
Expected life	5 years	5 years
Volatility	45.00%	45.00%
Expected dividends	—	—

## 12. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Kyocera's activities are exposed it to a variety of market risks, including the effects of changes in foreign currency exchange rates and interest rates. Approximately 60% of Kyocera's revenues are generated from overseas customers, which exposes Kyocera to foreign currency exchange rates fluctuations. These financial exposures are monitored and managed by Kyocera as an integral part of its overall risk management program. Kyocera's risk management program focuses on the unpredictability of financial markets and seeks to reduce the potentially adverse effects that the volatility of these markets may have on its operating results.

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

Kyocera maintains an interest rate risk management strategy that may use 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 itself 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 (1) entering into transactions with creditworthy counterparties, (2) limiting the amount of exposure to each counterparty, and (3) monitoring the financial condition of its counterparties.

### Cash Flow Hedges

Kyocera uses certain foreign currency forward contracts designated as cash flow hedges to protect against foreign currency exchange rate risks inherent in its forecasted transactions related to purchase and sales.

Kyocera charged deferred net gains of ¥30 million and net losses of ¥27 million and ¥8 million (\$68 thousand) from accumulated other comprehensive income to foreign currency transaction gains (losses), net in the consolidated statements of income

for the years ended March 31, 2005, 2006 and 2007, as a result of the execution of the hedged transactions.

Also, Kyocera uses interest rate swaps mainly to convert a portion of its variable rate debt to fixed rates. Kyocera charged deferred net losses of ¥78 million and ¥23 million (\$195 thousand) from accumulated other comprehensive income to income from discontinued operations in the consolidated statements of income for the years ended March 31, 2005 and 2007. Kyocera charged deferred net losses of ¥18 million (\$152 thousand) from accumulated other comprehensive income to equity in (losses) earnings of affiliates in the consolidated statement of income for the year ended March 31, 2007.

Kyocera recognized net losses of ¥75 million and net gains of ¥63 million (\$534 thousand) in accumulated other comprehensive income at March 31, 2006 and 2007, respectively

### Other Derivatives

Kyocera's main direct foreign export sales and some import purchases are denominated in the customers' and suppliers' local currency, principally the U.S. dollar, Euro and STG. Kyocera purchases foreign currency forward contracts with terms normally lasting less than three months to protect against the adverse effects that exchange-rate fluctuations may have on foreign-currency-denominated trade receivables and payables. Kyocera does not adopt hedge accounting for such derivatives. The gains and losses on both the derivatives and the foreign-currency-denominated trade receivables and payables are recorded as foreign currency transaction gains (losses), net in the consolidated statements of income.

The aggregate contract amounts of derivative financial instruments to which hedge accounting is not applied are as follows:

	(Yen in millions and U.S. dollars in thousands)		
	March 31,		
	2006	2007	2007
Foreign currency forward contracts to sell	¥ 118,911	¥ 135,227	\$ 1,145,992
Foreign currency forward contracts to purchase	8,572	14,961	126,788
Interest rate swaps	13,000	—	—

### 13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial instruments at March 31, 2006 and 2007 and the methods and assumptions used to estimate the fair value are as follows:

	(Yen in millions and U.S. dollars in thousands)					
	March 31,					
	2006		2007		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Non-derivatives:</b>						
<b>Assets:</b>						
Cash and cash equivalents <sup>(a)</sup>	¥ 300,809	¥ 300,809	¥ 282,208	¥ 282,208	\$ 2,391,593	\$ 2,391,593
Short-term investments <sup>(b)</sup>	87,942	87,791	213,495	213,447	1,809,280	1,808,873
Short-term finance receivables <sup>(c)</sup>	36,940	36,946	—	—	—	—
Securities and other investments <sup>(b)</sup>	553,377	553,144	690,568	690,527	5,852,271	5,851,924
Long-term finance receivables <sup>(c)</sup>	77,140	77,164	—	—	—	—
	<u>¥1,056,208</u>	<u>¥1,055,854</u>	<u>¥1,186,271</u>	<u>¥1,186,182</u>	<u>\$10,053,144</u>	<u>\$10,052,390</u>
<b>Liabilities:</b>						
Short-term borrowings <sup>(a)</sup>	¥ (90,865)	¥ (90,865)	¥ (15,250)	¥ (15,250)	\$ (129,237)	\$ (129,237)
Current portion of long-term debt <sup>(c)</sup>	(16,347)	(16,367)	(5,853)	(5,880)	(49,602)	(49,831)
Long-term debt <sup>(c)</sup>	(33,360)	(33,470)	(7,283)	(7,285)	(61,720)	(61,737)
	<u>¥ (140,572)</u>	<u>¥ (140,702)</u>	<u>¥ (28,386)</u>	<u>¥ (28,415)</u>	<u>\$ (240,559)</u>	<u>\$ (240,805)</u>
<b>Derivatives:</b>						
Foreign currency forward contracts to sell <sup>(d)</sup>	¥ (1,271)	¥ (1,271)	¥ (1,386)	¥ (1,386)	\$ (11,746)	\$ (11,746)
Foreign currency forward contracts to purchase <sup>(d)</sup>	(27)	(27)	70	70	593	593
Interest rate swaps <sup>(d)</sup>	(511)	(511)	—	—	—	—

At March 31, 2006, both short-term finance receivables and long-term finance receivables in the above do not include investments in direct financing leases.

- (a) The carrying amount approximates fair value because of the short maturity of these instruments.
- (b) The fair value is based on quoted market prices. It was not practicable to estimate the fair value of investments in unlisted common stock because of the lack of the market price and difficulty in estimating fair value without incurring excessive cost, and 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 table at March 31, 2006 and 2007 were ¥2,258 million and ¥2,100 million (\$17,797 thousand), respectively.
- (c) The fair value is estimated by discounting cash flows, using current interest rates for instruments with similar terms and remaining maturities.
- (d) The fair value is estimated based on quotes from financial institutions.





#### **14. COMMITMENTS AND CONTINGENCIES**

At March 31, 2007, Kyocera had contractual obligations for the acquisition or construction of property, plant and equipment aggregating ¥15,893 million (\$134,686 thousand) principally due within one year.

Kyocera is lessee under long-term operating leases primarily for office space and equipment. Rental expenses for operating leases were ¥12,204 million, ¥11,485 million and ¥7,681 million (\$65,093 thousand) for the years ended March 31, 2005, 2006 and 2007, respectively.

Future minimum lease commitments under non-cancelable operating leases at March 31, 2007 are as follows:

<u>Years ending March 31,</u>	<u>(Yen in millions and U.S. dollars in thousands)</u>	
2008	¥ 6,346	\$ 53,780
2009	4,126	34,966
2010	2,997	25,398
2011	2,370	20,085
2012	1,771	15,008
2013 and thereafter	5,270	44,661
	<u>¥ 22,880</u>	<u>\$ 193,898</u>

Kyocera has entered into material supply agreements for a significant portion of their anticipated material used in its operations. Under those agreements, during the year ended March 31, 2007, Kyocera purchased ¥2,414 million (\$20,458 thousand) and is obligated to purchase ¥106,938 million (\$906,254 thousand) in total by the end of December 2018.

Kyocera guarantees the debt of employees, customers, an investee and an unconsolidated subsidiary. At March 31, 2007, the total amount of these guarantees was ¥850 million (\$7,203 thousand). 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 also guarantees the leasing debts of customers of the Information Equipment Group. At March 31, 2007, the amount of such guarantee was ¥180 million (\$1,525 thousand).

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 outcome of these contingencies. Kyocera records liabilities for these contingencies when the likelihood of an adverse outcome is probable and the amount is reasonably estimated. However, based on the information available, management believes that damages, if any, resulting from these actions will not have a significant effect on Kyocera's consolidated results of operations and financial position.

On March 28, 2005, Kyocera Corporation received a notice of tax assessment based on transfer pricing adjustments from the Osaka Regional Tax Bureau stating that, in the Bureau's judgment, allocation of profit earned from transfers of products between Kyocera Corporation and its overseas subsidiaries was not appropriate for the five years from the year ended March 31, 1999 through the year ended March 31, 2003. The notice indicated that income should be adjusted upwards ¥24,394 million and that resultant additional taxes, including local taxes, etc., amounted to ¥12,748 million, which Kyocera had recognized as current income taxes in its consolidated statement of income for the year ended March 31, 2005. On May 24, 2005, Kyocera Corporation filed a complaint against tax assessment based on transfer pricing adjustments with the Osaka Regional Tax Bureau.

On September 25, 2006, Kyocera Corporation received decision letter from the Bureau that voided a portion of the original assessment. In accordance with this decision, ¥4,305 million (\$36,483 thousand) of tax refunds, including local taxes, was recognized in current income taxes in fiscal 2007. Kyocera Corporation remains in disagreement with the decision concerning the portion of the original assessment that was not voided, and therefore, on October 23, 2006, Kyocera submitted a written claim for examination with the Osaka Board of Tax Appeals. Furthermore, with the objective of avoiding duplicate taxation within Kyocera Group, a notice stating mutual agreement with the United States was submitted to the National Tax Agency on December 26, 2006.

#### **15. STOCKHOLDERS' EQUITY**

Under the Company Law of Japan (the "Company Law"), 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 Company Law 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 the additional paid-in capital equals 25% of its stated capital. The legal reserve and additional paid-in capital, which could be decreased due to stockholder actions, may be transferred to stated capital or used to reduce a deficit principally. The appropriated legal reserve at March 31, 2007 included in retained earnings was ¥18,873 million (\$ 159,941 thousand).



The Company Law does not permit any payment of dividends in connection with the repurchased treasury stock. At March 31, 2007, Kyocera Corporation reserved ¥21,855 million (\$185,212 thousand) of treasury stock repurchased mainly for stock options, 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 stockholders at March 31, 2007 was ¥649,412 million (\$5,503,492 thousand).

The accompanying consolidated financial statements do not include any provision for the dividend of ¥60 (\$0.51) per share aggregating ¥11,319 million (\$95,924 thousand) payable on June 28, 2007 which was approved by the stockholders at the meeting held on June 27, 2007.

Kyocera's equity in retained earnings or deficits of affiliates and unconsolidated subsidiaries accounted for by the equity method of accounting aggregating ¥ (13,373 million) (\$ (113,331 thousand)) at March 31, 2007 was included in retained earnings.

Changes in accumulated other comprehensive income are as follows:

	(Yen in millions and U.S. dollars in thousands)					
	Foreign Currency Translation Adjustments	Pension Adjustments	Minimum Pension Liability Adjustments	Net Unrealized Gains on Securities	Net Unrealized Gains (Losses) on Derivative Financial Instruments	Total Accumulated Other Comprehensive Income
Balance at March 31, 2004	¥ (35,670)	¥ —	¥ (1,477)	¥ 59,241	¥ (48)	¥ 22,046
Net change for the year	6,704	—	(152)	(16,780)	21	(10,207)
Balance at March 31, 2005	(28,966)	—	(1,629)	42,461	(27)	11,839
Net change for the year	21,396	—	(428)	40,188	(48)	61,108
Balance at March 31, 2006	(7,570)	—	(2,057)	82,649	(75)	72,947
Net change for the year	10,474	—	(82)	102,021	138	112,551
Adjustment for initially applying SFAS No.158	—	15,419	2,139	—	—	17,558
Balance at March 31, 2007	¥ 2,904	¥ 15,419	¥ —	¥ 184,670	¥ 63	¥ 203,056
Balance at March 31, 2006	\$ (64,153)	\$ —	\$ (17,432)	\$ 700,415	\$ (635)	\$ 618,195
Net change for the year	88,763	—	(695)	864,585	1,169	953,822
Adjustment for initially applying SFAS No.158	—	130,670	18,127	—	—	148,797
Balance at March 31, 2007	\$ 24,610	\$ 130,670	\$ —	\$ 1,565,000	\$ 534	\$ 1,720,814

## 16. INCOME TAXES

Income from continuing operations before income taxes and minority interests and income taxes for the years ended March 31, 2005, 2006 and 2007 are made up of the following components:

	(Yen in millions and U.S. dollars in thousands)			
	Years ended March 31,			
	2005	2006	2007	2007
Income from continuing operations before income taxes and minority interests:				
Domestic	¥ 89,673	¥ 93,078	¥102,048	\$ 864,813
Foreign	14,340	24,159	54,492	461,797
Total income from continuing operations before income taxes and minority interests	¥104,013	¥117,237	¥156,540	\$1,326,610
Income taxes:				
Current income taxes:				
Domestic	¥ 47,400	¥ 39,025	¥ 41,227	\$ 349,382
Foreign	5,206	7,215	12,538	106,254
Total current income taxes	52,606	46,240	53,765	455,636
Deferred income taxes:				
Domestic	(723)	(1,202)	(4,479)	(37,958)
Foreign	6,331	1,722	(399)	(3,381)
Total deferred income taxes	5,608	520	(4,878)	(41,339)
Total income taxes	¥ 58,214	¥ 46,760	¥ 48,887	\$ 414,297

In Japan, a company is subject to a number of taxes, based on income, which in the aggregate indicate normal statutory income tax rates for the years ended March 31, 2005, 2006 and 2007 of approximately 41.0%.

Reconciliations between the Japanese statutory income tax rate and Kyocera's effective tax rate for the years ended March 31, 2005, 2006 and 2007 are as follows:

	Years ended March 31,		
	2005	2006	2007
Japanese statutory tax rate	41.0%	41.0%	41.0%
Difference in statutory tax rates of foreign subsidiaries	(4.1)	(2.8)	(4.6)
Change in valuation allowance	9.8	5.8	0.0
Tax credit for research and development expenses	(2.3)	(3.6)	(3.3)
Tax refunds related to transfer pricing adjustments (Note 14)	—	—	(2.8)
Adjustments of transfer pricing (Note 14)	12.3	—	—
Other	(0.7)	(0.5)	0.9
Effective income tax rate	<u>56.0%</u>	<u>39.9%</u>	<u>31.2%</u>

The components of the deferred tax assets and deferred tax liabilities at March 31, 2006 and 2007 are as follows:

	(Yen in millions and U.S. dollars in thousands)		
	March 31,		
	2006	2007	2007
<b>Deferred tax assets:</b>			
Enterprise tax	¥ 2,162	¥ 2,521	\$ 21,364
Inventories	19,228	22,358	189,475
Allowance for doubtful accounts	2,851	1,972	16,712
Accrued expenses	7,478	9,178	77,780
Employee benefits	20,825	18,774	159,102
Depreciation and amortization	28,244	31,165	264,110
Securities	2,390	2,194	18,593
Net operating losses and tax credit carry forwards	31,378	32,500	275,424
Liquidation of a foreign subsidiary	3,479	3,800	32,203
Other	6,456	4,817	40,822
Total gross deferred tax assets	124,491	129,279	1,095,585
Valuation allowance	(42,149)	(42,124)	(356,983)
Net deferred tax assets	<u>¥ 82,342</u>	<u>¥ 87,155</u>	<u>\$ 738,602</u>
<b>Deferred tax liabilities:</b>			
Depreciation and amortization	¥ 3,496	¥ 2,566	\$ 21,746
Deduction of foreign branch losses	5,670	5,474	46,390
Securities	143,734	214,900	1,821,186
Prepaid benefit cost	269	10,946	92,763
Other	973	2,968	25,153
Total deferred tax liabilities	<u>¥ 154,142</u>	<u>¥ 236,854</u>	<u>\$ 2,007,238</u>
Net deferred tax liabilities	<u>¥ (71,800)</u>	<u>¥ (149,699)</u>	<u>\$ (1,268,636)</u>

Net deferred tax assets and liabilities at March 31, 2006 and 2007 are reflected in the consolidated balance sheets under the following captions.

	(Yen in millions and U.S. dollars in thousands)		
	March 31,		
	2006	2007	2007
Deferred income taxes - current assets	¥ 40,411	¥ 45,390	\$ 384,661
Other assets	13,504	12,024	101,898
Other current liabilities	(29)	(255)	(2,161)
Deferred income taxes - non-current liabilities	(125,686)	(206,858)	(1,753,034)
Net deferred tax liabilities	<u>¥ (71,800)</u>	<u>¥ (149,699)</u>	<u>\$ (1,268,636)</u>

At March 31, 2007, Kyocera had net operating losses carried forward of approximately ¥ 89,177 million (\$755,737 thousand), which are available to offset future taxable income. Of these net operating losses carried forward, the amount of ¥20,429 million (\$173,127 thousand) recorded at domestic subsidiaries will expire within next seven years, and the amount of approximately ¥16,615 million (\$140,805 thousand) recorded at U.S. subsidiaries will expire within next twenty years. Certain other foreign subsidiaries have net operating losses carried forward totaling approximately ¥52,133 million (\$441,805 thousand) of which most have no expiration date.

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 that this unrecognized deferred tax liability amount are ¥17,862 million (\$151,373 thousand) at March 31, 2007. The undistributed earnings of these subsidiaries are ¥172,320 million (\$1,460,339 thousand) at March 31, 2007.

Total gross deferred tax assets at March 31, 2006 and 2007 were reduced by valuation allowances of ¥42,149 million and ¥42,124 million (\$356,983 thousand), respectively. The total valuation allowance for the year ended March 31, 2007 decreased by ¥25 million (\$212 thousand).

#### **17. SUPPLEMENTAL EXPENSE INFORMATION**

Research and development expenses for the years ended March 31, 2005, 2006 and 2007 amounted to ¥54,398 million, ¥57,436 million and ¥61,100 million (\$517,797 thousand), respectively.

Advertising expenses for the years ended March 31, 2005, 2006 and 2007 amounted to ¥13,914 million, ¥10,840 million and ¥11,845 million (\$100,381 thousand), respectively.

Shipping and handling costs for the years ended March 31, 2005, 2006 and 2007 amounted to ¥12,914 million, ¥13,984 million and ¥15,945 million (\$135,127 thousand), respectively, and were included in selling, general and administrative expenses in the Consolidated Statements of Income.

## **18. SEGMENT REPORTING**

Kyocera manufactures and sells a highly diversified range of products, including components involving fine ceramic technologies and applied ceramic products, telecommunications and information equipment and optical instruments, etc. Main products or businesses of each reporting segment are as follows:

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

- Information & Telecommunication Components
- Sapphire Substrates
- Components for Semiconductor Processing Equipment
- Components for LCD Fabrication Equipment
- Automotive Components
- ITS-related Components
- Ceramic Components for General Industrial Equipment

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

- Surface Mount Device (SMD) Ceramic Packages
- CCD/CMOS Sensor Ceramic Packages
- LSI Ceramic Packages
- Wireless Communication Device Packages
- Optical Communication Device Packages and Components
- Organic Multilayer Packages and Substrates

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

- Residential and Industrial Solar Power Generating Systems
- Solar Cells and Modules
- Cutting Tools
- Printed Circuit Board Micro Drills
- Jewelry
- Applied Ceramic Related Products
- Dental and Medical Implants

### **(Electronic Device Group)**

- Ceramic Capacitors
- Tantalum Capacitors
- Timing Devices (Temperature Compensated Crystal Oscillators (TCXOs), Ceramic Resonators, Crystal Units)
- RF Modules
- Surface Acoustic Wave (SAW) Filters
- Connectors
- Thermal Printheads
- LED Printheads
- Amorphous Silicon Drums
- Liquid Crystal Displays

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

- CDMA Mobile Phone Handsets
- Personal Handy Phone System (PHS) Related Products (PHS Mobile

Phone Handsets, PHS Base Stations, High Speed Wireless Data  
Transmission Systems)

(Information Equipment Group)

ECOSYS Printers  
Copying Machines  
Multifunctional Systems

(Optical Equipment Group)

Optical Modules and Lenses

(Others)

Chemical Materials for Electronic Components  
Electrical Insulators  
Synthetic Resin Molded Parts  
Telecommunication Engineering Business  
Information and Communication Technology Business  
Management Consulting Business  
Hotel Business  
Realty Development Business  
Insurance Agent and Travel Agent Business

Kyocera Corporation sold its shares of KLC, a subsidiary engaged in financing services included in "Others." As a result, business results and profit on sale of its shares of KLC for the year ended March 31, 2007 have been recorded as income from discontinued operations. Additionally, commencing for the year ended March 31, 2007, results of Precision Machine Division of Kyocera Corporation, previously included within "Corporate," has been reclassified into "Others." Accordingly, reported results of related segments for the years ended March 31, 2005 and 2006 have been reclassified.

Inter-segment sales, operating revenue and transfers are made with reference to prevailing market prices. Transactions between reportable segments are immaterial and not shown separately. Operating profit for each reporting segment represents net sales, less related costs and operating expenses, excluding corporate revenue and expenses, equity in earnings (losses), income taxes and minority interest. Assets for each reporting segment represent those assets associated with a specific reporting segment. Corporate assets consist primarily of cash and cash equivalents, the facilities of corporate headquarters and various other investments and assets that are not specific to each reporting segment.

Kyocera's sales to KDDI and its consolidated subsidiaries, which are mainly recorded at the Telecommunications Equipment group, for the years ended March 31, 2005, 2006 and 2007 comprised of 7.6%, 8.1% and 9.6% to consolidated net sales, respectively.

Information by reporting segment at and for the years ended March 31, 2005, 2006 and 2007 is summarized on the following page:



## Reporting segments

	(Yen in millions and U.S. dollars in thousands)			
	Years ended March 31,			
	2005	2006	2007	2007
<b>Net sales:</b>				
Fine Ceramic Parts Group	¥ 73,711	¥ 69,373	¥ 81,326	\$ 689,203
Semiconductor Parts Group	127,960	135,299	152,292	1,290,610
Applied Ceramic Products Group	93,879	117,555	131,103	1,111,042
Electronic Device Group	262,997	259,592	286,156	2,425,051
Telecommunications Equipment Group	250,918	229,035	251,183	2,128,670
Information Equipment Group	241,145	249,381	268,781	2,277,805
Optical Equipment Group	35,776	14,947	11,704	99,187
Others	110,595	117,409	125,656	1,064,881
Adjustments and eliminations	(23,321)	(19,047)	(24,304)	(205,966)
	<u>¥1,173,660</u>	<u>¥1,173,544</u>	<u>¥1,283,897</u>	<u>\$10,880,483</u>
<b>Operating profit:</b>				
Fine Ceramic Parts Group	¥ 11,535	¥ 11,014	¥ 15,677	\$ 132,856
Semiconductor Parts Group	17,550	17,742	22,210	188,220
Applied Ceramic Products Group	17,129	21,876	22,334	189,271
Electronic Device Group	35,406	27,170	44,487	377,009
Telecommunications Equipment Group	(14,918)	(1,706)	291	2,466
Information Equipment Group	36,186	26,412	33,970	287,881
Optical Equipment Group	(15,387)	(5,774)	(1,895)	(16,059)
Others	9,705	8,983	8,776	74,373
	<u>97,206</u>	<u>105,717</u>	<u>145,850</u>	<u>1,236,017</u>
Corporate	8,480	12,785	8,569	72,618
Equity in (losses) earnings of affiliates and unconsolidated subsidiaries	(1,678)	(1,216)	2,621	22,212
Adjustments and eliminations	<u>5</u>	<u>(49)</u>	<u>(500)</u>	<u>(4,237)</u>
Income from continuing operations before income taxes and minority interests	<u>¥ 104,013</u>	<u>¥ 117,237</u>	<u>¥ 156,540</u>	<u>\$ 1,326,610</u>
<b>Depreciation and amortization:</b>				
Fine Ceramic Parts Group	¥ 4,320	¥ 4,126	¥ 4,500	\$ 38,135
Semiconductor Parts Group	8,922	10,623	12,533	106,212
Applied Ceramic Products Group	4,645	7,167	8,097	68,619
Electronic Device Group	21,723	21,202	21,537	182,517
Telecommunications Equipment Group	8,101	8,692	9,075	76,907
Information Equipment Group	8,953	12,641	16,326	138,356
Optical Equipment Group	2,909	1,635	655	5,551
Others	4,197	3,989	6,764	57,322
Corporate	2,039	2,996	2,575	21,822
	<u>¥ 65,809</u>	<u>¥ 73,071</u>	<u>¥ 82,062</u>	<u>\$ 695,441</u>

\* Depreciation and amortization of KLC amounted to ¥100 million, ¥115 million and ¥120 million (\$1,017 thousand) for the years ended March 31, 2005, 2006 and 2007 respectively, are no longer included in the above table since the result of operations of KLC are reported as discontinued operations. Therefore, the total amounts of depreciation and amortization in the above table differ from the depreciation and amortization reported in the statements of cash flows.

## Reporting segments

	(Yen in millions and U.S. dollars in thousands)			
	Years ended March 31,			
	2005	2006	2007	2007
<b>Write-down of inventories:</b>				
Fine Ceramic Parts Group	¥ 14	¥ 14	¥ 54	\$ 458
Semiconductor Parts Group	45	382	1,848	15,661
Applied Ceramic Products Group	312	1,176	1,283	10,873
Electronic Device Group	598	385	670	5,678
Telecommunications Equipment Group	4,053	4,184	5,208	44,135
Information Equipment Group	1,583	2,079	1,791	15,178
Optical Equipment Group	3,793	194	464	3,932
Others	7	32	10	85
Corporate	—	—	—	—
	<u>¥ 10,405</u>	<u>¥ 8,446</u>	<u>¥ 11,328</u>	<u>\$ 96,000</u>
<b>Capital expenditures:</b>				
Fine Ceramic Parts Group	¥ 4,394	¥ 4,182	¥ 7,447	\$ 63,110
Semiconductor Parts Group	7,111	24,136	11,432	96,881
Applied Ceramic Products Group	7,584	14,545	7,330	62,119
Electronic Device Group	19,453	21,562	19,812	167,898
Telecommunications Equipment Group	5,170	2,639	3,800	32,203
Information Equipment Group	11,751	12,389	11,962	101,373
Optical Equipment Group	2,248	199	322	2,729
Others	2,387	5,654	5,452	46,204
Corporate	3,062	3,554	2,339	19,822
	<u>¥ 63,160</u>	<u>¥ 88,860</u>	<u>¥ 69,896</u>	<u>\$ 592,339</u>
<b>Assets:</b>				
Fine Ceramic Parts Group	¥ 43,414	¥ 43,822	¥ 54,860	\$ 464,915
Semiconductor Parts Group	79,711	103,302	106,359	901,348
Applied Ceramic Products Group	85,595	112,422	125,266	1,061,576
Electronic Device Group	357,797	383,150	412,979	3,499,822
Telecommunications Equipment Group	98,877	87,343	92,584	784,610
Information Equipment Group	178,596	185,362	207,862	1,761,542
Optical Equipment Group	31,338	16,211	11,934	101,136
Others	218,423	243,166	121,150	1,026,695
	1,093,751	1,174,778	1,132,994	9,601,644
Corporate	682,725	815,833	1,056,646	8,954,627
Investments in and advances to affiliates and unconsolidated subsidiaries	30,623	7,355	10,093	85,534
Adjustments and eliminations	(61,580)	(66,444)	(69,269)	(587,025)
Total assets	<u>¥1,745,519</u>	<u>¥1,931,522</u>	<u>¥2,130,464</u>	<u>\$18,054,780</u>

Information for revenue from external customers by destination and long-lived assets based on physical location as of and for the years ended March 31, 2005, 2006 and 2007 are summarized as follows:

### Geographic segments

	(Yen in millions and U.S. dollars in thousands)			
	Years ended March 31,			
	2005	2006	2007	2007
Net sales:				
Japan	¥ 465,422	¥ 467,035	¥ 496,959	\$ 4,211,517
United States of America	248,333	253,696	274,361	2,325,093
Asia	203,848	198,731	216,663	1,836,127
Europe	175,850	184,351	210,726	1,785,814
Others	80,207	69,731	85,188	721,932
	<u>¥1,173,660</u>	<u>¥1,173,544</u>	<u>¥1,283,897</u>	<u>\$10,880,483</u>

	(Yen in millions and U.S. dollars in thousands)			
	March 31,			
	2005	2006	2007	2007
Long-lived assets:				
Japan	¥ 212,291	¥ 251,555	¥ 235,325	\$ 1,994,280
United States of America	35,712	36,248	36,777	311,669
Asia	31,070	37,308	42,204	357,661
Europe	23,269	22,344	24,398	206,763
Others	3,294	3,711	4,635	39,280
	<u>¥ 305,636</u>	<u>¥ 351,166</u>	<u>¥ 343,339</u>	<u>\$ 2,909,653</u>

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

### 19. EARNINGS PER SHARE

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

	(Yen in millions and U.S. dollars in thousands except per share amounts)			
	Years ended March 31,			
	2005	2006	2007	2007
Income from continuing operations	¥42,657	¥66,088	¥101,329	\$858,720
Income from discontinued operations	3,251	3,608	5,175	43,856
Net income	<u>45,908</u>	<u>69,696</u>	<u>106,504</u>	<u>902,576</u>
Basic earnings per share:				
Income from continuing operations	227.52	352.44	538.52	4.56
Income from discontinued operations	17.34	19.24	27.51	0.24
Net income	<u>244.86</u>	<u>371.68</u>	<u>566.03</u>	<u>4.80</u>
Diluted earnings per share:				
Income from continuing operations	227.47	352.21	537.35	4.55
Income from discontinued operations	17.34	19.22	27.44	0.24
Net income	<u>244.81</u>	<u>371.43</u>	<u>564.79</u>	<u>4.79</u>

	(shares in thousands)		
	Years ended March 31,		
	2005	2006	2007
Basic weighted average number of shares outstanding	187,489	187,514	188,160
Dilutive effect of stock options		39	126
Diluted weighted average number of shares outstanding	<u>187,528</u>	<u>187,640</u>	<u>188,573</u>

### 20. SUPPLEMENTAL CASH FLOW INFORMATION

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

(Yen in millions and U.S. dollars in thousands)	
Years ended March 31,	
2005	2006

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2007</u>
Cash paid during the year:				
Interest	¥ 2,331	¥ 1,933	¥ 1,603	\$ 13,585
Income taxes	40,055	53,037	52,847	447,856
Acquisitions of businesses:				
Fair value of assets acquired	¥ 8,478	¥ 65	¥ 1,151	\$ 9,754
Fair value of liabilities assumed	(2,683)	(45)	(333)	(2,822)
Minority Interests	(2,440)	(8)	—	—
Cash acquired	(561)	(15)	(62)	(525)
	<u>¥ 2,794</u>	<u>¥ (3)</u>	<u>¥ 756</u>	<u>\$ 6,407</u>

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS  
For the years ended March 31, 2005, 2006 and 2007

Column A	Yen in millions					
	Column B	Column C		Column D	Column E	
	Balance at Beginning of Period	Additions		Deductions (B)	Balance at End of Period	
Description	Charged to Costs and Expenses	Charged (Credited) to other Accounts (A)				
For the year ended March 31, 2005:						
Allowance for doubtful accounts	¥ 42,792	¥ 548	¥ 109		¥(22,410)	¥21,039
Allowance for sales returns	4,408	8,473	58		(9,040)	3,899
Total	¥ 47,200	¥ 9,021	¥ 167		¥(31,450)	¥24,938
For the year ended March 31, 2006:						
Allowance for doubtful accounts	¥ 21,039	¥ 696	¥ 388		¥ (9,939)	¥12,184
Allowance for sales returns	3,899	7,039	364		(7,590)	3,712
Total	¥ 24,938	¥ 7,735	¥ 752		¥(17,529)	¥15,896
For the year ended March 31, 2007:						
Allowance for doubtful accounts	¥ 12,184	¥ 804	¥ (4,802)		¥ (3,204)	¥ 4,982
Allowance for sales returns	3,712	7,811	65		(8,499)	3,089
Total	¥ 15,896	¥ 8,615	¥ (4,737)		¥(11,703)	¥ 8,071

(A) Foreign currency translation adjustments, beginning balance of newly consolidated subsidiaries and the decrease by the sale of Kyocera Leasing Co., Ltd.

(B) Charge-offs

**SIGNATURE**

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/A and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

Kyocera Corporation  
(Company)

By /s/ Shoichi Aoki  
Shoichi Aoki  
Executive Officer  
General Manager of  
Corporate Financial & Accounting Group

October 5, 2007

## INDEX OF EXHIBITS

### Description

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- 1.1 Articles of Incorporation (English translation) (incorporated by reference to the Registrant's annual report on Form 20-F filed on June 29, 2006)
- 1.2 Share Handling Regulations of the Registrant (English translation) (incorporated by reference to the Registrant's annual report on Form 20-F filed on June 29, 2006)
- 1.3 Regulations of the Board of Directors of the Registrant (English translation) (incorporated by reference to the Registrant's annual report on Form 20-F filed on June 29, 2006)
- 1.4 Regulations of the Board of Corporate Auditors of the Registrant (English translation) (incorporated by reference to the Registrant's annual report on Form 20-F filed on July 5, 2007)
- 2.1 Specimen common stock certificate of the Registrant (incorporated by reference to the Registrant's annual report on Form 20-F filed on September 24, 2001)
- 2.2 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, including the form of American Depositary Receipt, 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)
- 8.1 List of Significant Subsidiaries (incorporated by reference to the Registrant's annual report on Form 20-F filed on July 5, 2007)
- 11.1 Code of Ethics (incorporated by reference to the Registrant's annual report on Form 20-F filed on July 5, 2007)
- 12.1 Certification of the principal executive officer of the Registrant required by Rule 13a-14(a)
- 12.2 Certification of the principal financial officer of the Registrant required by Rule 13a-14(a)
- 13.1 Certification of the principal executive officer of the Registrant required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code
- 13.2 Certification of the principal financial officer of the Registrant required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code
- 15.1 Consent of Kyoto Audit Corporation with respect to its report on the audit of the financial statements included in this Form 20-F/A

## CERTIFICATION

I, Makoto Kawamura, certify that:

1. I have reviewed this Form 20-F/A (Amendment No.1) 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: October 5, 2007

/s/ Makoto Kawamura  
Name: Makoto Kawamura  
Title: President and Representative Director  
(Principal Executive Officer)



## CERTIFICATION

I, Masahiro Umemura, certify that:

1. I have reviewed this Form 20-F/A (Amendment No. 1) 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: October 5, 2007

/s/ Masahiro Umemura  
Name: Masahiro Umemura  
Title: Vice Chairman  
and Representative Director  
(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, 2007 as amended by this Form 20F/A (Amendment No. 1) (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: October 5, 2007

/s/ Makoto Kawamura  
Name: Makoto Kawamura  
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, 2007 as amended by this Form 20/A (Amendment No. 1) (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: October 5, 2007

/s/ Masahiro Umemura

Name: Masahiro Umemura

Title: Vice Chairman

and Representative Director

(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 (File Nos. 33-84904, 33-98132, 33-99134, 33-99140, 33-99150, 33-99154, 333-109200, 333-118678, 333-127976 and 333-138316) of our report dated June 28, 2007 relating to the financial statements, financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting which appear in Kyocera's Annual Report on Form 20-F/A for the year ended March 31, 2007.

/s/ Kyoto Audit Corporation

Kyoto Audit Corporation  
Kyoto, Japan

October 5, 2007