Securities Code 6971

THE NEW VALUE FRONTIER

KYOCERA

# Internet Disclosure Items for Notice of the 66th Ordinary General Meeting of Shareholders

[Business Report]
- Current Conditions of Kyocera Corporation and its Consolidated Subsidiaries
  - Four-Year Financial Summary
  - Principal Business Sites
  - Employees
  - Principal Sources of Borrowings
- System and Policy

[Consolidated Financial Statements]
- Consolidated Statement of Changes in Equity
- Notes to Consolidated Financial Statements

[Financial Statements]
- Statement of Changes in Net Assets
- Notes to Financial Statements

**(April 1, 2019 to March 31, 2020)**

KYOCERA Corporation

**Pursuant to the provisions of laws and regulations as well as the Articles of Incorporation of the Company, the above are available to shareholders on the Company's website (https://global.kyocera.com/ir/s_info/meeting.html).**

Please note that this is an English translation of the Japanese original of the Internet Disclosure Items for the Notice of the 66th Ordinary General Meeting of Shareholders of KYOCERA Corporation disclosed in Japan. The translation is prepared solely for the reference and convenience of foreign shareholders. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

**[Business Report]**

## Current Conditions of Kyocera Corporation and its Consolidated Subsidiaries.

### Four-Year Financial Summary

(Yen in millions except per share amount)

| | Fiscal 2017 | Fiscal 2018 | | Fiscal 2019 | Fiscal 2020 |
|---|---|---|---|---|---|
| | U.S. GAAP | U.S. GAAP | IFRS | IFRS | IFRS |
| Sales revenue | 1,422,754 | 1,577,039 | 1,577,039 | 1,623,710 | 1,599,053 |
| Profit before income taxes | 137,849 | 131,866 | 129,992 | 140,610 | 148,826 |
| Profit attributable to owners of the parent | 103,843 | 81,789 | 79,137 | 103,210 | 107,721 |
| Earnings per share attributable to owners of the parent - Basic (Yen) | 282.62 | 222.43 | 215.22 | 284.94 | 297.36 |
| Total assets | 3,110,470 | 3,157,077 | 3,128,813 | 2,968,475 | 3,250,175 |
| Equity attributable to owners of the parent | 2,334,219 | 2,336,246 | 2,325,791 | 2,265,919 | 2,432,134 |
| Equity per share attributable to owners of the parent (Yen) | 6,347.95 | 6,353.54 | 6,325.11 | 6,263.71 | 6,710.59 |

Notes:

1. The consolidated financial statements are prepared in accordance with IFRS in lieu of U.S. GAAP from fiscal 2019. As a result of this adoption, accounts are presented based on IFRS. Accordingly, the financial summary for fiscal 2018 is also presented in accordance with IFRS.
2. Earnings per share attributable to owners of the parent - Basic is calculated using the average number of shares in issue excluding treasury stock during each respective fiscal year and Equity per share attributable to owners of the parent is calculated using the number of shares in issue excluding treasury stock at the end of each respective fiscal year.
3. Sales revenue for fiscal 2018 increased compared with fiscal 2017 due mainly to strong component demand in information and communications, automotive-related and industrial machinery markets, coupled with vigorous expansion of production capacity and contribution of merger and acquisition. Profit attributable to owners of the parent decreased compared with fiscal 2017 due mainly to the recording of a write-down relating to long-term purchase agreements for procurement of polysilicon material in the solar energy business and the recording of the one-time tax expenses at U.S. subsidiaries resulting from revisions in the U.S. tax code.
4. Sales revenue for fiscal 2019 increased compared with fiscal 2018 due in part to contributions from merger and acquisition activities during fiscal 2018. Profit attributable to owners of the parent increased as compared with fiscal 2018, due to the effects of the increase in sales revenue, cost reduction efforts in each division, and a decrease in tax expenses, which more than offset structural reform expenses recorded in the solar energy business and organic materials business. Tax expenses for fiscal 2019 decreased compared with fiscal 2018 due mainly to elimination of the impact recorded one-time tax expenses resulting from revisions in U.S. tax code, as well as the recognition of a deferred tax asset related to tax losses carried forward from the merger of Kyocera Display Corporation into Kyocera Corporation in fiscal 2019.
5. Sales revenue for fiscal 2020 was a slight decrease from fiscal 2019, due to a prolonged inventory adjustment and the slowdown of the global economy resulted from the spread of COVID-19 despite an increase in sales revenue reflecting a contribution from M&A activity. On the other hand, despite the impact of an increase in depreciation charge, profit attributable to owners of the parent increased from fiscal 2019 due mainly to the absence of a one-time charge recorded in fiscal 2019 resulting from structural reforms in the solar energy business and the organic materials business.

**Principal Business Sites** (as of March 31, 2020)

**Japan:**

Kyocera Corporation Headquarters: 6 Takeda Tobadono-cho, Fushimi-ku, Kyoto, Japan

Hokkaido Kitami Plant
Yamagata Higashine Plant
Fukushima Koriyama Plant
Tokyo Ome Plant
Kawasaki Plant
Kanagawa Hadano Plant
Niigata Shibata Plant
Toyama Nyuzen Plant
Nagano Okaya Plant
Shiga Gamo Plant
Shiga Yohkaichi Plant
Shiga Yasu Plant
Kyoto Ayabe Plant
Kagoshima Sendai Plant
Kagoshima Kokubu Plant
Kagoshima Hayato Plant
Tokyo Office
Yokohama Office
Yokohama Nakayama Office
Osaka Daito Office
Minatomirai Research Center (Kanagawa)
Keihanna Research Center (Kyoto)
Monozukuri R&D Laboratory (Kagoshima)

Kyocera Industrial Tools Corporation (Hiroshima)
Kyocera Communication Systems Co., Ltd. (Kyoto)*1
Kyocera Document Solutions Inc. (Osaka)
Kyocera Document Solutions Japan Inc. (Tokyo)
Kyocera Solar Corporation (Kyoto)*1
Kyocera Realty Development Co., Ltd. (Tokyo)
Hotel Kyocera Co., Ltd. (Kagoshima)
Hotel Princess Kyoto Co., Ltd. (Kyoto)

**Overseas:**

Kyocera (China) Sales & Trading Corporation (China)
Dongguan Shilong Kyocera Co., Ltd. (China)
Shanghai Kyocera Electronics Co., Ltd. (China)
Kyocera Document Technology (Dongguan) Co., Ltd. (China)
Kyocera (Tianjin) Solar Energy Co., Ltd. (China)
Kyocera Precision Tools Korea Co., Ltd. (Korea)
Kyocera Korea Co., Ltd. (Korea)
Kyocera Asia Pacific Pte. Ltd. (Singapore)
Kyocera Vietnam Co., Ltd. (Vietnam)
Kyocera Document Technology Vietnam Co., Ltd. (Vietnam)
Kyocera Display (Thailand) Co., Ltd. (Thailand)*2
Kyocera International, Inc. (U.S.A.)
Kyocera Senco Industrial Tools, Inc. (U.S.A.)
Kyocera Industrial Tools, Inc. (U.S.A)
AVX Corporation (U.S.A.)
Kyocera Document Solutions America, Inc. (U.S.A.)
Kyocera Document Solutions Europe B.V. (Netherlands)
Kyocera Document Solutions Deutschland GmbH (Germany)
TA Triumph-Adler GmbH (Germany)
Kyocera Fineceramics GmbH (Germany)
Kyocera Unimerco A/S (Denmark)

Notes: *1 As of April 1, 2020, Business sites are reorganized as below:
Kyocera Communication Systems Co., Ltd. absorbed and merged with Kyocera Solar Corporation.
*2 As of April 1, 2020, Kyocera Display (Thailand) Co., Ltd. changed its name to Kyocera (Thailand) Co., Ltd.

**Employees** (as of March 31, 2020)

**i) Consolidated**

| Reporting Segment | Number of Employees | Change from the End of Fiscal 2019 |
|---|---|---|
| Industrial & Automotive Components Group | 16,934 | Increase of 1,075 |
| Semiconductor Components Group | 8,896 | Decrease of 12 |
| Electronic Devices Group | 19,225 | Decrease of 1,729 |
| Communications Group | 4,631 | Increase of 169 |
| Document Solutions Group | 19,724 | Decrease of 1,185 |
| Life & Environment Group | 2,832 | Increase of 38 |
| Others | 1,433 | Increase of 129 |
| Headquarters | 1,830 | Increase of 157 |
| Total | 75,505 | Decrease of 1,358 |

Note: The number of employees represents the total number of regular employees who work full-time.

**ii) Non-consolidated**

| | |
|---|---|
| Number of Employees | 19,352 |
| Change from the End of Fiscal 2019 | Increase of 84 |
| Average Age | 41.4 |
| Average Years of Service | 17.7 |

Note: The number of employees represents the total number of regular employees who work full-time.

**Principal Sources of Borrowings** (as of March 31, 2020)

| Sources of borrowings | Balance (Yen in millions) |
|---|---|
| The Bank of Kyoto, Ltd. | 45,000 |
| MUFG Bank, Ltd. | 15,000 |

# System and Policy

Kyocera Corporation has adopted through its Board of Directors Meeting the "Kyocera Group Basic Policy for Corporate Governance and Internal Control" as follows:

## Kyocera Group
## Basic Policy for Corporate Governance and Internal Control

The Kyocera Group has made "Respect the Divine and Love People" its corporate motto and "to provide opportunities for the material and intellectual growth of all our employees, and through our joint efforts, contribute to the advancement of society and humankind" as its management rationale.

The Kyocera Group always strives to maintain equity and fairness and faces all situations with courage and conscience, as well as intends to realize transparent systems for corporate governance and internal control.

Under such corporate motto and management rationale, the Board of Directors is implementing a basic policy for corporate governance and internal control as described below.

This statement of basic policy sets forth such basic policy in accordance with Paragraph 5 and item 6 of Paragraph 4 of Article 362 of the Corporation Act, and Paragraphs 1 and 3 of Article 100 of the Execution Rules of the Corporation Act, which require the establishment of a system to ensure that the conduct of business by the Directors will be in compliance with all applicable laws and regulations and the Articles of Incorporation and to ensure the proper conduct of business by Kyocera Corporation (the "Company") and the Kyocera Group as a whole.

## I. Corporate Governance

### 1. Basic Policy for Corporate Governance

The Board of Directors of the Company defines the corporate governance of Kyocera Group to mean "structures to ensure that Directors conducting the business manage the corporations in a fair and correct manner".

The purpose of corporate governance is to maintain soundness and transparency of management and to achieve fair and efficient corporate management through which the management rationale of the Kyocera Group can be realized.

The Board of Directors shall permeate the "Kyocera Philosophy", which is the basis of the management policy of the Kyocera Group, in all Directors and employees working in the Kyocera Group, and establish a sound corporate culture. The Board of Directors shall establish proper corporate governance through the exercise of the Kyocera Philosophy (Note).

Note: The "Kyocera Philosophy" is a corporate philosophy and life philosophy created through integration of the thoughts of the founder of the Company regarding management and life. The "Kyocera Philosophy" incorporates a wide range of matters relating to basic thoughts on management and methods of undertaking day-to-day work, based on the core criterion of "what is the right thing to do as a human being".

## 2. System for Corporate Governance

The Board of Directors of the Company determines, pursuant to the basic policy described in 1 above, the below-outlined system for corporate governance of the Company, which is the core company within the Kyocera Group, to ensure that the conduct of business by the Directors is in compliance with all applicable laws and regulations and the Articles of Incorporation. The Board of Directors will constantly seek the ideal system for corporate governance and always evolve and develop its existing corporate governance system.

### (1) Organs of Corporate Governance

The Board of Directors shall establish a corporate structure in which the Audit & Supervisory Board Members and the Audit & Supervisory Board will serve as organs of corporate governance pursuant to the provisions of the Articles of Incorporation, as approved by the General Meeting of Shareholders of the Company. Directors of the Company shall strictly observe the following to ensure the effective audit by the Audit & Supervisory Board Members and the Audit & Supervisory Board:

**(i) Matters relating to employees to facilitate the tasks of Audit & Supervisory Board Members (including matters relating to the independence of such employees from the Directors and matters to the ensure effectiveness of instructions from the Audit & Supervisory Board Members to such employees)**

Representative Directors shall allocate certain employees upon the request of the Audit & Supervisory Board Members through prior discussion with the Audit & Supervisory Board Members to assist in their tasks and the Audit & Supervisory Board. Such employees while still subject to the work rules of the Company, shall be under each of the Audit & Supervisory Board Members' instruction and supervision relating to their tasks. Representative Directors shall not set a limit unfairly to such instruction and supervision. The personnel matters such as transfer, treatment (including evaluation) and disciplinary action relating to such employees shall be made through prior discussion with the Audit & Supervisory Board Members.

**(ii) System for reporting to the Audit & Supervisory Board Members by Directors and employees and other related parties, and other systems relating to reporting to the Audit & Supervisory Board Members (including the system to ensure that the reporting party shall not be treated adversely due to such report)**

In the event that any Director becomes aware of any matter that breaches or may breach any law or regulation or the Articles of Incorporation, or in the event that any Director becomes aware of any matter that may cause substantial damage to the Kyocera Group, he or she shall immediately report thereon to the Audit & Supervisory Board. In addition, in the event that any of the Audit & Supervisory Board Members or the Audit & Supervisory Board requests a report from any Director pursuant to the Regulations of the Audit & Supervisory Board, such Director shall comply with such request.

Representative Directors shall cause the internal audit department to report regularly the status of the internal audit to the Audit & Supervisory Board Members. In addition, upon request from the Audit & Supervisory Board Members, Representative Directors shall cause any specified department(s) to report the status of their conduct of business directly to the Audit & Supervisory Board Members. Representative Directors shall also maintain a "system for internal complaint reporting to the Audit & Supervisory Board ", established by the Audit & Supervisory Board , under which all related parties including Directors, employees, suppliers and customers of the Kyocera Group may submit complaints directly to the Audit & Supervisory Board.

Representative Directors shall not treat adversely the party who submitted the report to the Audit & Supervisory Board, such as transfer or disciplinary action, because of such report.

**(iii) Matters relating to the policy for handling of costs and claims which may incur in the course of the execution of the tasks of the Audit & Supervisory Board Members**

Representative Directors shall accept request from Audit & Supervisory Board Members for reimbursement of costs in accordance with the Regulations of the Audit & Supervisory Board and shall make payment thereof accordingly.

**(iv) Other systems to ensure the effective audit by the Audit & Supervisory Board Members**

In the event that Representative Directors are requested by any of the Audit & Supervisory Board Members to effectuate any of the following matters, as necessary to establish a system to ensure the effective audit by the Audit & Supervisory Board Members, Representative Directors shall comply with such requests:

a. Attendance at important meetings;
b. Inspection of minutes of important meetings, important approval documents and important agreements, etc.; and
c. Meetings with Representative Directors to exchange opinions regarding management of the Company in general.

**(2) Kyocera Philosophy Education**

Representative Directors of the Company shall undertake “Kyocera Philosophy Education” from time to time in order to permeate the “Kyocera Philosophy” into the Directors (including themselves) and employees of the Kyocera Group.

## II. Internal Controls

### 1. Basic Policy for Internal Controls

The Board of Directors of the Company defines the internal controls of the Kyocera Group to mean "systems to be established within the corporate organization to achieve management rationale and master plans in a fair manner, in order for the Directors undertaking management of the Company to effectuate management policy". The Board of Directors of the Company will establish internal controls through practice of the "Kyocera Philosophy".

### 2. System for Internal Controls

Under the policy as described in 1 above, the Board of Directors shall cause Representative Directors to establish the systems described below. In addition, the Board of Directors shall constantly evolve and develop such systems, seeking an ideal system of internal controls.

**(1) Management and maintenance of information relating to conduct of business by Directors**

Representative Directors shall establish the "Kyocera Disclosure Committee" as a system for making timely and appropriate disclosure of information and for properly maintaining information relating to the conduct of business by the Directors in accordance with applicable laws and regulations and the internal rules of the Company.

**(2) Internal rules and systems relating to management of risk of loss of the Kyocera Group, and systems to ensure that conduct of business by all employees of the Kyocera Group and Directors of the Company's subsidiaries is in compliance with applicable laws and regulations and the Articles of Incorporation**

Representative Directors shall create a risk management department in order to establish a risk management system for the Kyocera Group. Representative Directors shall also establish systems to undertake necessary actions from time to time.

Representative Directors shall establish "employee consultation corners" as an internal complaint reporting system within the Kyocera Group, so that employees who become aware of any matter that breaches or may breach laws or regulations or the Articles of Incorporation or other internal rules can report thereon. The employee consultation corners will take appropriate action in respect of reports received thereby, which shall be treated in accordance with the Law for Protection of Reporters in the Public Interest. Besides, Representative Directors shall establish the system to take actions as necessary.

**(3) Systems to ensure efficient conduct of business by Directors**

Representative Directors shall clearly delegate authority and related responsibility by establishing an Executive Officer system to achieve efficient and effective conduct of business. Representative Directors shall cause the Executive Officers to report the status of their conduct of business to the Board of Directors, etc. and, accordingly, a system shall be maintained under which Representative Directors can verify whether business is conducted efficiently.

### (4) Other System to ensure appropriate conduct of business at the Kyocera Group

In addition to the matters described in (1) through (3) above, as a system to ensure the appropriate conduct of business at the Kyocera Group and for efficient operation of the Kyocera Group, Representative Directors shall establish the Kyocera Group Management Committee. Such Committee shall discuss important matters relating to the Kyocera Group and receive reports relating thereto. Representative Directors shall also establish departments to support appropriate and efficient execution of business of each of the companies in the Kyocera Group, and an internal audit department in order to conduct audits regularly to evaluate the appropriateness of the conduct of business at the Kyocera Group.

The current status of the preparedness of systems relating to Corporate Governance and Internal Control is as follows:

(i) The “Kyocera Code of Conduct” was established in June 2000.

(ii) The “Risk Management Division” was established in September 2000 in order to create a thorough system to ensure compliance with laws and regulations and internal rules.

(iii) The “Kyocera Management Committee”, which was renamed the “Kyocera Group Management Committee” in August 2002, was established in January 2001.

(iv) The “Kyocera Disclosure Committee” was established in April 2003.

(v) The “Employee Counseling Office” was established in April 2003 as a function of the whistleblower reporting system.

(vi) The Executive Officer System was introduced in June 2003 to improve management efficiency.

(vii) The “Global Audit Division,” which was reorganized by the merger of “Risk Management Division” and renamed the “Corporate Global Audit Division” later in April 2010, was established in May 2005 to undertake internal audits, and it regularly conducts audits of Kyocera’s businesses, and reports the results of such audits to the Directors and Audit & Supervisory Board Members of Kyocera Corporation.

(viii) The “Kyocera Group Philosophy Committee” was established in May 2013.

(iv) The functions of risk management were transferred from the Corporate Global Audit Division to the Corporate General Affairs Group (currently Corporate General Affairs Human Resources Group). The “Risk Management Department” * was established within the Group in January 2014 in order to restructure the risk management system.

(x) The “Kyocera Group Basic Policy for Risk Management” was established in June 2016.

(xi) The “Kyocera Group Internal Audit Committee” and “Kyocera Group Internal Audit Committee Charter” were established in June 2018.

(xii) The “Global Compliance Division” was established in October 2018.

(xiii) The “Nomination and Remuneration Committee”, a majority of whose members are Outside Directors, was established in December 2018.

* The Risk Management Department was integrated into the Global Compliance Division in April 2020.

**(Outline of Operational Status of Corporate Governance and Internal Controls)**

Corporate Governance and Internal Controls of the Company operate appropriately as mentioned below.

- Meetings of Audit & Supervisory Board were held 8 times in fiscal 2020. The audit was conducted premeditatedly based on Audit policy and plan resolved in July 2019. In addition, Audit & Supervisory Board Members talk regularly with Representative Directors about whole management. The independence of employees who support accomplishing Audit & Supervisory Board Members' duties is maintained according to basic policy. The annual plan of expenses of Audit & Supervisory Board Members is capitalized according to the audit plan based on the Regulations of the Audit & Supervisory Board.
- The Corporate Global Audit Division, charged with the internal audit, reported audit result 14 times to Audit & Supervisory Board Members in fiscal 2020. A report to Audit & Supervisory Board Members was carried out appropriately because information needed by Audit & Supervisory Board Members is offered according to a request of the report about business execution from Audit & Supervisory Board Members.
- Through the "Kyocera whistleblower system", the personal information of the reporter is handled as a confidential matter and disadvantageous treatment to persons who made the report is not considered.
- The "Kyocera Disclosure Committee", held 4 times in fiscal 2020, disclosed information timely and appropriately and evaluation results are reported by the chairperson of this committee to Representative Directors. Information relating to the exercise of Director's office, for example minutes of meetings of the Board of Directors, minutes of meetings of the Kyocera Group Management committee and Ringi approval, are preserved appropriately in compliance with applicable laws and internal regulations.
- Meetings of the Board of Directors, held 13 times in fiscal 2020, comprise 16 Directors, including 3 Outside Directors. The board of Directors made decision regarding important matters at the Kyocera Group and oversaw business execution. In addition, business is more effectively and appropriately executed because of Executive Officer System.
- Meetings of the "Kyocera Group Management Committee", held 24 times in fiscal 2020, evaluated important matters at the Kyocera Group or received reports. In addition, the indirect department supported each affiliated company to work appropriately and effectively.
- Meetings of the "Kyocera Group Philosophy Committee" were held 2 times in fiscal 2020. This committee established the policy of Philosophy Education and work on Philosophy inculcation activity focused on the work floor in Japan and work on Philosophy education depending on each local situation and business condition overseas.
- Risk Management Department implements a report system in which serious matters that occurred in the Kyocera Group are reported to Representative Directors. In addition, according to the "Kyocera Group Basic Policy for Risk Management" which was established in June 2016, the system for risk management was maintained and the risk management education was carried out by the person in charge.
- In Kyocera Corporation and each Kyocera Group Company, the Employee Counseling Office was established to deal properly with matters reported.
- The Compliance Audit is practiced by the Corporate Global Audit Division. In addition, compliance education about antitrust laws and etc. is also undertaken by the appropriate division.
- Meeting of the "Kyocera Group Internal Audit Committee" was held once in fiscal 2020. The audit results and issues of each Kyocera Group company were reported and the audit policy for fiscal 2020 was shared to improve the level of the internal control in the Kyocera Group and to strengthen the cooperation of the internal audit activities of each company.
- Based on the basic policies and rules regarding compliance of the Kyocera Group, the Global Compliance Division sought to collect and share information on compliance through liaison conferences with Kyocera Group companies and relevant departments.
- Meetings of the "Nomination and Remuneration Committee" were held 3 times in fiscal 2020. The Committee discussed and reported on the nomination of Directors and Executive Officers, and the remuneration of Directors, in response to inquiries from the Board of Directors.

## [Consolidated Financial Statements]

### **Consolidated Statement of Changes in Equity** (April 1, 2019 to March 31, 2020)

(Yen in millions)

| | Total equity attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Other components of equity | Treasury stock | Total | Non-controlling interests | Total equity |
| Balance as of April 1, 2019 | 115,703 | 165,225 | 1,638,709 | 418,643 | (72,361) | 2,265,919 | 96,341 | 2,362,260 |
| Profit for the year | | | 107,721 | | | 107,721 | 4,125 | 111,846 |
| Other comprehensive income | | | | 155,029 | | 155,029 | (2,279) | 152,750 |
| Total comprehensive income for the year | — | — | 107,721 | 155,029 | — | 262,750 | 1,846 | 264,596 |
| Cash dividends | | | (57,935) | | | (57,935) | (4,111) | (62,046) |
| Purchase of treasury stock | | | | | (26) | (26) | | (26) |
| Reissuance of treasury stock | | 1,700 | | | 3,112 | 4,812 | | 4,812 |
| Transactions with non-controlling interests and other | | (43,386) | | 0 | | (43,386) | (71,968) | (115,354) |
| Transfer to retained earnings | | | (1,823) | 1,823 | | — | | — |
| Balance as of March 31, 2020 | 115,703 | 123,539 | 1,686,672 | 575,495 | (69,275) | 2,432,134 | 22,108 | 2,454,242 |

**Notes to Consolidated Financial Statements**

## 1. Basis of Preparation of Consolidated Financial Statements

(1) Summary of significant accounting policies

The consolidated financial statements are prepared in accordance with the designated International Financial Reporting Standards (hereinafter, "IFRS") pursuant to the provisions of paragraph 1 of Article 120 of the Ordinance on Accounting of Companies of Japan. Certain disclosure and footnotes required under IFRS are omitted pursuant to the provisions of paragraph 1 of Article 120.

(2) Scope of consolidation

Number of consolidated subsidiaries: 283

Major consolidated subsidiaries: Kyocera Document Solutions Inc., AVX Corporation and Kyocera International, Inc.

(3) Scope of application of the equity method

Number of associates accounted for using the equity method: 14

Major associate accounted for by using the equity method: Kagoshima Mega Solar Power Corporation

(4) Changes in scope of consolidation

Consolidated subsidiaries: Number of increase: 25

Number of decrease: 13

(5) Changes in scope of application of the equity method

Associate accounted for using the equity method: Number of increase: 2

Number of decrease: 2

(6) Summary of significant accounting principles

(i) Valuation of inventories

Inventories are measured at the lower of acquisition cost and net realizable value. For finished goods and merchandise, and work in process, cost is determined mainly using the average method. For raw materials and supplies, cost is determined mainly using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business less any estimated costs of completion and estimated applicable variable selling expenses.

(ii) Depreciation method for property, plant and equipment

Property, plant and equipment are measured by using the cost model and are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The acquisition cost includes costs directly attributable to the acquisition of the assets, and the costs of dismantling, removing and restoring. Property, plant and equipment are depreciated on mainly a straight-line method over their useful lives.

The residual values, the useful lives and the depreciation methods of the assets are reviewed at end of each reporting period and the effect of any changes in estimate would be accounted prospectively as a change in an accounting estimate. Subsequent costs, major renewals and betterments, are capitalized as property, plant and equipment and depreciated based on their useful lives. All other repairs and maintenance are recognized as expenses during the financial period in which they are incurred.

(iii) Goodwill and intangible assets

a. Goodwill

Goodwill acquired in the business combination is stated at the amount of cost less accumulated impairment losses. Goodwill is not amortized, and is tested for impairment when there is an indication of impairment in cash generating unit to which goodwill has been allocated by expectation of benefits from business combination, and annually (January 1), regardless of any indication of impairment.

b. Intangible assets

Intangible assets are measured by using the cost model. Intangible assets with finite useful lives are stated at the amount of cost less accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives are stated at the amount of cost less accumulated impairment losses.

(iv) Lease

a. Lease as a Lessee

At the commencement date, Kyocera recognizes a right-of-use asset and a lease liability. Kyocera measures the right-of-use asset in the amount of the initial measurement of the lease liability adjusting any lease payments made at or before the commencement date and other costs permitted under IFRS 16. After the commencement date, Kyocera measures the right-of-use asset applying a cost model, and less any accumulated depreciation and any accumulated impairment losses.

The right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of right-of-use asset or the end of the lease term. At the commencement date, Kyocera measures the lease liability at the present value of the lease payments that are not paid at that date using lessee's incremental borrowing rate. After the commencement date, Kyocera measured the lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

Kyocera elects not to recognize the right-of-use asset and the lease liability for the short-term leases that has a lease term of 12 months or less and leases for which the underlying asset is of low value. Lease payments associated with those leases are recognized as an expense on straight-line basis over the lease term.

b. Lease as a Lessor

Leases are classified as either operating leases or finance leases. If the lease transfers substantially all the risks and rewards of the ownership of the underlying asset, it is classified as a finance lease; otherwise, it is classified as an operating lease. The classification of a lease as either a finance lease or operating lease is made based on actual content of the transaction, not on the form of the lease agreement.

(a) Finance Leases At the commencement of the lease, assets held under finance leases are recorded as receivables in an amount equal to the net uncollected investment in the lease.

(b) Operating Leases Kyocera recognizes lease payments from operating leases as profit on a straight-line basis over the lease term.

In cases where Kyocera is an intermediate lessor, the head lease and the sublease are accounted separately. The classification of a sublease is determined upon referring to the right-of-use asset that arise from the head lease.

(v) Valuation of financial instruments

a. Non-derivative financial assets

(a) Initial recognition and measurement

Financial assets, such as stocks and bonds, are initially recognized on the contract date. All other financial assets are initially recognized on the transaction date.

Financial assets are classified into financial assets measured at amortized cost or financial assets measured at fair value at initial recognition. This classification is made as follows, depends on whether the financial asset is a equity instrument or debt instrument.

Financial assets that are equity instruments are, in principle, classified as financial assets measured at fair value through other comprehensive income.

Financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost are recognized initially at fair value plus transaction cost directly attributable to the asset.

Financial assets classified as a debt instrument is subsequently measured at amortized cost when the following conditions are both satisfied. Otherwise, financial assets measured at fair value through profit or loss.

i. The financial asset is held within Kyocera's business model whose objective is to hold assets in order to collect contractual cash flows.

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Subsequent measurement

i. Financial assets measured at amortized cost

These financial assets are measured at amortized cost using the effective interest method, and interests are recognized as “finance income” in profit or loss.

ii. Financial assets measured at fair value

For equity instruments that Kyocera has chosen to classify as financial assets measured at fair value through other comprehensive income, the changes in fair value are recognized in other comprehensive income. Cumulative gains or losses are transferred to retained earnings when the instrument is derecognized. However, dividends from these assets are recognized as “finance income” in profit or loss.

(c) Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to receive the cash flows of the financial assets are transferred and substantially all the risks and rewards of ownership of such financial assets are transferred.

(d) Impairment

For impairment of financial assets measured at amortized cost, expected credit losses are assessed and credit loss allowance is recognized at each reporting date.

When the credit risk of the financial instrument has increased significantly since initial recognition, credit loss allowance of the financial instruments is measured as the same amount as full lifetime expected credit losses after all reasonable and supportable information available including forecasts is considered.

Otherwise, when the credit risk has not increased significantly, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

However, with respect to trade receivables, notwithstanding the aforementioned, expected credit losses are always measured at an amount equal to full lifetime expected credit losses. The amount of expected credit losses and reversal of them is recognized in profit or loss.

b. Non-derivative financial liabilities

(a) Initial recognition and measurement

A financial liability is classified as a financial liability at amortized cost and it is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability.

(b) Subsequent measurement

These financial liabilities are measured at amortized cost using the effective interest method.

(c) Derecognition

Financial liabilities are derecognized when the obligation specified in a contract is fulfilled or when liabilities are discharged, cancelled or expired.

c. Derivatives and hedge accounting

Kyocera utilizes derivatives consisting of exchange contracts to reduce foreign currency risk.

Derivatives are initially recognized at fair value as of the date in which the derivative contracts are entered into. After initial recognition, derivatives are re-measured at fair value at the end of each reporting period.

Kyocera formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as cash flow hedge to specific assets and liabilities on the financial position or forecasted transactions. Kyocera’s associate utilizes interest rate swaps mainly with applying hedge accounting to convert a portion of its variable rates debt to fixed rates debt.

Cash flow hedge is accounted for as follows:

At the inception of the hedge and on an ongoing basis, Kyocera evaluates whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the relevant hedged item during the underlying period. Of changes in fair value of hedging instruments, the effective portion is recognized in other comprehensive income, while the ineffective portion is recognized in

profit or loss. The amounts of hedging instruments recorded in other comprehensive income are reclassified to profit or loss when the hedged transactions affect profit or loss.
When it is determined that a derivative is not a highly effective hedge or that it has ceased to be a highly effective hedge, Kyocera discontinues hedge accounting prospectively. When it is probable that the forecasted hedging transaction will not occur, the derivative gains or losses are reclassified into profit or loss immediately.

(vi) Employee benefits

a. Post-employee benefits
Kyocera adopts mainly defined benefit plans.
In the defined benefit plans, net defined benefit liability or asset is calculated by the present value of the defined benefit obligation less the fair value of plan assets. The ceiling of the amount recorded as assets based on this calculation is the present value of any future economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The defined benefit obligation is determined using the projected unit credit method, and its present value is determined by applying a discount rate based on the yield curve of high quality corporate bonds over the approximate period of the benefit payments.
Service cost and net interest on the net defined benefit liability or asset are recognized as profit or loss.
Past service cost is immediately recognized in profit or loss.
Re-measurements of net defined benefit liability or asset including actuarial gains and losses are recognized in other comprehensive income when they incurred, and transferred to retained earnings immediately from other components of equity.

b. Short-term employee benefits
Short-term employee benefits such as wages, salaries and social security contributions are recognized as an expense when the service is rendered.
Bonus are recognized as a liability in the amount estimated to be paid under these plans, when Kyocera has legal or constructive obligations to pay them and reliable estimates of the obligation can be made.
Unused annual leave, which employees have earned but have not yet used, are recognized as accrued liabilities.

(vii) Accounting for provision

Provisions are recognized when Kyocera has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of obligations.

(7) Changes in accounting policies

<Newly applied accounting standards>

Adoption of IFRS 16 "Leases"

Kyocera has applied IFRS 16 "Leases" (published in January 2016, hereinafter "IFRS 16") from the year ended March 31, 2020. Upon applying IFRS 16, Kyocera has recognized the cumulative effect of the standard's application at the date of the initial application (April 1, 2019) as a transitional measurement permitted under the standard.

On transition to IFRS 16, Kyocera has chosen the practical expedient permitted in IFRS 16 paragraph C3 and carry forward its assessments of whether a contract is, or contains, a lease based on IAS 17 "Leases" (hereinafter "IAS 17") and IFRIC 4 "Determining whether an Arrangement contains a Lease." After the date of application, this assessment is determined based on the provisions of IFRS 16.

As the result of transition to IFRS 16, Kyocera has additionally recognized 22,828 million yen of right-of-use assets, 8,892 million yen of other financial assets and 33,095 million yen of lease liabilities.

The book value of right-of-use assets and lease liabilities as of the date of initial application for leases classified as finance leases under IAS 17 are the book values of the lease assets and lease liabilities immediately before that date measured applying IAS 17. As such, 3,578 million yen of property, plant and equipment has been reclassified as right-of-use assets, and 3,173 million yen of other financial liabilities has been reclassified as lease liabilities.

For leases classified as operating leases under IAS 17 at the year ended March 31, 2019, are recognized as a right-of-use asset and lease liabilities at the date of initial application.

The reconciliation between non-cancellable operating lease agreements as of March 31, 2019 under IAS 17 and the lease liabilities recognized in the consolidated statement of financial position at the date of initial application are as follows.

(Yen in millions)

| | **Amount** |
|---|---|
| Non-cancellable operating lease agreements as of March 31, 2019 | 19,125 |
| Non-cancellable operating lease agreements (Discounted using incremental borrowing rate) | 18,593 |
| Finance lease obligations (As of March 31, 2019 | 3,173 |
| Short-term leases | (439) |
| Leases for which the underlying asset is of low value | (986) |
| Cancellable operating lease agreements | 15,747 |
| Others | 180 |
| Lease liabilities as of April 1, 2019 | 36,268 |

## 2. Notes to Consolidated Financial Position

(Yen in millions)

| | |
|---|---|
| (1) The Breakdown of property, plant and equipment | |
| Land | 50,752 |
| Building | 397,630 |
| Machinery and equipment | 936,159 |
| Construction in progress | 26,885 |
| Accumulated depreciation and accumulated impairment loss | (1,028,155) |
| (2) The Breakdown of right-of-use asset | |
| Right-of-use asset | 48,423 |
| Accumulated depreciation of Right-of-use asset | (13,502) |
| (3) Allowances for doubtful accounts related to assets | |
| Current assets | 3,211 |
| Non-current assets | 1,784 |
| (4) Accumulated other comprehensive income | |
| Financial assets measured at fair value through other comprehensive income | 599,595 |
| Net changes in fair value of cash flow hedge | (303) |
| Exchange differences on translating foreign operations | (23,797) |
| (5) Assets pledged as collateral | |
| Property, plant and equipment | 1,433 |
| Investments accounted for using the equity method | 2,064 |

(Note1) "Property, plant and equipment" is pledged against "Borrowing" and "Other current liabilities" in a total amount of 1,286 million yen.

(Note2) "Investments accounted for using the equity method" is pledged against the loan for business finance of associate accounted for using the equity method in the total amount of 14,033 million yen.

## 3. Notes to Consolidated Statement of Changes in Equity

(1) Total number of shares issued

(Shares in thousands)

| Class of shares | March 31, 2019 | Increase | Decrease | March 31, 2020 |
|---|---|---|---|---|
| Common stock | 377,619 | — | — | 377,619 |

(2) Total number of treasury stock

(Shares in thousands)

| Class of shares | March 31, 2019 | Increase | Decrease | March 31, 2020 |
|---|---|---|---|---|
| Common stock | 15,865 | 3 | (682) | 15,186 |

(3) Distribution of surplus

(i) Dividends paid

| Resolution | Class of shares | Total amount of dividends (Yen in millions) | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| The Ordinary General Meeting of Shareholders held on June 25, 2019 | Common stock | 28,940 | 80 | March 31, 2019 | June 26, 2019 |
| The Board of Directors Meeting held on October 31, 2019 | Common stock | 28,995 | 80 | September 30, 2019 | December 5, 2019 |

(ii) Dividends for which the record date fall in the year ended March 31, 2020 with an effective date in the year ending March 31, 2021

| Resolution | Class of shares | Source of dividend | Total amount of dividends (Yen in millions) | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| The Ordinary General Meeting of Shareholders to be held on June 25, 2020 | Common stock | Retained earnings | 28,995 | 80 | March 31, 2020 | June 26, 2020 |

(4) Disposal of treasury stock

a. Disposal of treasury stock through third-party allotment to employees shareholding association

Kyocera resolved at meetings of its Board of Directors held on March 29, 2019 and June 25, 2019, to dispose of treasury stocks through the third-party allotment to Employees Shareholding Association and it granted common stocks to the employees who participate in the association on July 11, 2019. Its summary is as follows:

| | |
|---|---|
| Class and number of shares to be disposed of | Common stock 672,600 |
| Disposal price | 7,053 yen per share |
| Total amount to be paid | 4,743,847,800 yen |
| Disposal method | Third-party allotment |
| Subscriber | Stock Purchase Plan for Kyocera Group Employees |

b. Disposal of treasury stock for restricted stock compensation

Kyocera resolved at a meeting of its Board of Directors held on June 25, 2019, to dispose of treasury stocks as the restricted stock compensation to the Directors of Kyocera, excluding Outside Directors, and Executive Officers, and it allotted the restricted stock compensation and disposed of treasury stocks on July 25, 2019. Its summary is as follows:

| | | |
|---|---|---|
| Class and number of shares to be disposed of | Common stock 9,552 | |
| Disposal price | 7,053 yen per share | |
| Total amount to be paid | 67,370,256 yen | |
| Allottees and number thereof, and number of shares to be disposed of | 11 Directors (excluding Outside Directors)<br>17 Executive Officers | 6,942 shares<br>2,610 shares |

Treasury stock decreased by 3,111 million yen as the result of this disposal of treasury stock.

## 4. Notes to Financial Instruments

(1) Notes to financial instruments

Kyocera refrains from making any speculative transactions and always maintains a high level of capital liquidity to ensure the utmost stability in its fund management. Operating receivables such as notes receivable and accounts receivable are exposed to customer credit risk. Kyocera seeks to reduce this risk in accordance with its credit management policies. Kyocera is exposed to market risk, including interest rates and equity prices. In order to hedge against these risks, Kyocera uses derivative financial instruments. Kyocera does not hold or issue derivative financial instruments for trading purposes. Kyocera mainly enters into foreign currency forward contracts and interest rate swaps. Kyocera regularly assesses these market risks based on policies and procedures established to protect against the adverse effects of these risks and other potential exposures, primarily by reference to the market value of financial instruments.

Kyocera has equity and debt instruments. Kyocera is currently a major shareholder of KDDI Corporation. As of March 31, 2020, the fair value of the shares of KDDI Corporation of which Kyocera owns was 1,068,956 million yen.

(2) Fair value of financial instruments
The fair values of financial instruments as of March 31, 2020 and methods and assumption used to estimate such fair values were as follows:

(Yen in millions)

| Financial instruments measured at amortized cost (a) | Carrying amount | Fair value |
|---|---|---|
| Assets | | |
| Short-term investments | 62,323 | 62,164 |
| Debt instruments | 31,689 | 31,214 |
| Other financial assets | 36,544 | 36,544 |
| Total | 130,556 | 129,922 |
| Liabilities | | |
| Borrowings | 79,995 | 79,995 |
| Total | 79,995 | 79,995 |

(Yen in millions)

| Financial instruments measured at fair value (b) | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Short-term investments | ― | ― | 676 | 676 |
| Equity and debt instruments | | | | |
| Financial assets measured at fair value through other comprehensive income | 1,124,977 | ― | 37,576 | 1,162,553 |
| Financial assets measured at fair value through profit or loss | ― | ― | 2,392 | 2,392 |
| Other financial assets | ― | 1,670 | ― | 1,670 |
| Total | 1,124,977 | 1,670 | 40,644 | 1,167,291 |
| Liabilities: | | | | |
| Other financial liabilities | ― | 1,544 | ― | 1,544 |
| Total | ― | 1,544 | ― | 1,544 |

(a) Fair value is estimated by discounting cash flows, using current interest rates for instruments with similar terms and remaining maturities at the end of the fiscal year.
(b) The valuation techniques to measure fair value of financial instruments and input information are as follows:
The fair value of Level 1 investments is quoted price in an active market with sufficient volume and frequency of transactions.
The fair value of Level 2 derivatives is measured by discounting the value calculated using forward exchange rates current on the date of consolidated financial statements to the present value.
Equity securities classified Level 3 are mainly unlisted stocks, and their fair values are measured by discounted cash flows method and the comparable company valuation multiples technique. For financial instruments classified as Level 3, significant changes in fair value are not expected even when unobservable inputs are changed to reasonably possible alternative assumptions.
Transfers between levels are recognized on the day when the event or change in circumstances that caused the transfer occurred. Kyocera did not recognize any transfers between levels for the year ended March 31, 2020.
For financial instruments classified Level 3, there were no significant changes for the year ended March 31, 2020.

Carrying amounts of Cash and cash equivalents, Trade and other receivables and Trade and other payables approximate fair values because of the short maturity of these instruments.

**5. Notes to per Share Information**

| | |
|---|---|
| (1) Equity per share attributable to owners of the parent | 6,710.59 yen |
| (2) Basic earnings per share attributable to owners of the parent | 297.36 yen |

(Note) Diluted earnings per share attributable to owners of the parent for the year ended March 31, 2020 is not stated, as there are no residual shares having possibilities of diluting stock value.

**6. Note to Material Subsequent Event**

On April 15, 2020, Kyocera Document Solutions Inc., a domestic consolidated subsidiary, acquired 97% of the common stocks of OPTIMAL SYSTEMS GmbH, a Germany based company, in order to expand the Enterprise Contents Management business in Europe, and made it consolidated subsidiary. The purchase price consists of 12,656 million yen in cash and the fair value of the future performance-linked payment (contingent consideration) at the acquisition date, of which the maximum amount is 3,492 million yen. The fair value of the assets acquired, the liabilities assumed and contingent consideration at the acquisition date are in the process of being calculated.

**7. Other Notes**

(Changes in ownership interests in subsidiaries)
The material changes in ownership interests in subsidiaries are as follows:

(1) On January 10, 2020, Kyocera Corporation acquired all of the common shares held by non-controlling interest of Kyocera Industrial Tools Corporation, a consolidated subsidiary, in cash and made it a wholly owned subsidiary of Kyocera. This transaction is categorized as capital transaction, and the difference between the acquisition cost of 2,630 million yen and the decreased non-controlling interest of 2,533 million yen is recorded for 97 million yen as a decrease in capital surplus.

(2) On March 2, 2020, Kyocera Corporation commenced an all-cash tender offer pursuant to which it had offered to purchase all of the common shares held by non-controlling interest of AVX Corporation, a U.S. listed subsidiary, for $21.75 per share via the company formed for the purpose of implementing the tender offer in the United States (hereinafter, “Offeror”). This tender offer was concluded on March 27, 2020 and AVX Corporation became a wholly owned subsidiary of Kyocera through the merger of Offeror on March 30, 2020.
This transaction is categorized as capital transaction, and the difference between the acquisition cost of 112,410 million yen and the decreased non-controlling interest of 70,866 million yen is recorded for 41,544 million yen as a decrease in capital surplus.

## [Financial Statements]

### **Statement of Changes in Net Assets** (April 1, 2019 to March 31, 2020)

(Yen in millions)

| | Shareholders' equity | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Capital surplus | | | Retained earnings | | |
| | | | | | | Other retained earnings | |
| | Common stock | Additional paid-in capital | Other capital surplus | Total capital surplus | Legal reserves | Reserve for special depreciation | General reserve |
| Balance as of March 31, 2019 | 115,703 | 192,555 | 1 | 192,556 | 17,207 | 504 | 930,137 |
| Changes in net assets | | | | | | | |
| Reversal of reserve for special depreciation | | | | | | (219) | |
| Reversal of general reserve | | | | | | | (3,000) |
| Dividends | | | | | | | |
| Net income | | | | | | | |
| Purchase of treasury stock | | | | | | | |
| Retirement of treasury stock | | | 1,700 | 1,700 | | | |
| Net change in items other than shareholders' equity | | | | | | | |
| Total changes in net assets | — | — | 1,700 | 1,700 | — | (219) | (3,000) |
| Balance as of March 31, 2020 | 115,703 | 192,555 | 1,701 | 194,256 | 17,207 | 285 | 927,137 |

| | Shareholders' equity | | | | Valuation and translation adjustment | | |
|---|---|---|---|---|---|---|---|
| | Retained earnings | | | | | | |
| | Other retained earnings | | | | | | |
| | Unappropriated retained earnings | Total retained earnings | Common stock in treasury, at cost | Total shareholders' equity | Net unrealized gains on other securities | Total valuation and translation adjustment | Total net assets |
| Balance as of March 31, 2019 | 56,612 | 1,004,460 | (72,361) | 1,240,358 | 565,210 | 565,210 | 1,805,568 |
| Changes in net assets | | | | | | | |
| Reversal of reserve for special depreciation | 219 | — | | — | | | — |
| Reversal of general reserve | 3,000 | — | | — | | | — |
| Dividends | (57,935) | (57,935) | | (57,935) | | | (57,935) |
| Net income | 88,466 | 88,466 | | 88,466 | | | 88,466 |
| Purchase of treasury stock | | | (26) | (26) | | | (26) |
| Retirement of treasury stock | | | 3,112 | 4,812 | | | 4,812 |
| Net change in items other than shareholders' equity | | | | | 174,902 | 174,902 | 174,902 |
| Total changes in net assets | 33,749 | 30,530 | 3,086 | 35,316 | 174,902 | 174,902 | 210,218 |
| Balance as of March 31, 2020 | 90,361 | 1,034,990 | (69,275) | 1,275,674 | 740,112 | 740,112 | 2,015,786 |

**Notes to Financial Statements**

**1. Summary of Significant Accounting Policies**

(1) Standards and methods of valuation of assets

| | |
|---|---|
| Held-to-maturity securities: | Amortized cost method (straight-line method) |
| Investments in subsidiaries and affiliates: | Cost determined by the moving average method |
| Other securities: | |
| Marketable: | Based on market price as of the balance sheet date (unrealized gains and losses on such securities are reported in net assets, and cost is determined by the moving average method) |
| Non-marketable: | Cost determined by the moving average method |
| Derivative financial instruments: | Mark-to-market method |
| Inventories: | Cost determined based on acquisition costs with adjustment by write-down taking into consideration decline of profitability |
| Finished goods, merchandise and Work-in-process: | Cost of finished goods and work in process is mainly determined by the average cost method. Cost of merchandise is determined by the first-in, first-out method or the last purchase method. |
| Raw materials and supplies: | Raw materials and supplies, except those for telecommunications equipment, are valued at cost, with cost being determined by the last purchase method. Raw materials for telecommunications equipment are valued at cost, with cost being determined by the first-in, first-out method. |

(2) Depreciation of non-current assets

| | |
|---|---|
| Tangible fixed assets (except for Leased assets): | Depreciation is computed at rates based on the estimated useful lives of assets using the declining-balance method. The principal estimated useful lives are as follows:<br>Buildings and structures:<br>2 years – 33 years<br>Machinery and equipment, and tools, furniture and fixtures:<br>2 years – 10 years |
| Intangible fixed assets (except for Leased assets): | Amortization is computed using the straight-line method. Software for internal use is calculated based on the usable period of two years. |
| Leased assets: | Straight-line method, using lease periods as the estimated useful lives of such assets. |

(3) Accounting for allowances and accruals

| | |
|---|---|
| Allowances for doubtful accounts: | In anticipation of uncollectible accounts receivable, Kyocera Corporation provides allowances for doubtful accounts, for general accounts receivable, based on the past actual ratio of losses on bad debts; and, for certain specific doubtful accounts receivable, based on estimates of uncollectible amounts pursuant to analysis of individual receivables. |
| Accrued bonuses for employees: | In order to prepare for bonuses to employees, accrued bonuses are provided based on the amounts expected to be paid. |
| Accrued bonuses for directors: | In order to prepare for bonuses to Directors, accrued bonuses are provided based on the amounts expected to be paid. |

| | |
|---|---|
| Warranty reserves: | Warranty reserves are provided to prepare for the cost of after sales service for some products based on the amounts expected to be paid, which are determined taking into account actual payments made in the past, etc. |
| Accrued pension and severance costs: | In order to prepare for provision of retirement benefits to employees, accrued pension and severance costs are recognized based on projected benefit obligations and plan assets as of the balance sheet date. Unrecognized prior year service cost is amortized over the estimated average remaining service period of employees using the straight-line method. Actuarial gains or losses are amortized over the estimated average remaining service period of employees using the straight-line method following the year in which they are incurred. The exceeding amounts are provided as prepaid pension and severance expenses which is included in “Other” of “Investments and other assets” since plan assets exceeded projected benefit obligations as of the balance sheet date. |

(4) Other significant policies

| | |
|---|---|
| Consumption taxes: | Consumption taxes withheld upon sale and consumption taxes paid for purchases of goods and services are not included in the amounts of the respective revenue and cost or expense items in the accompanying Statements of Profit or Loss. |

**2. Notes to Changes in Presentation Methods**

Balance Sheets

“Non-patented technology,” which was stated separately under “Intangible assets” in Balance Sheet as of March 31, 2019, was included in “Other” under “Intangible assets” in Balance Sheet as of March 31, 2020 since its quantitative materiality increased. The amounts was 220 million yen as of March 31, 2019 and 167 million yen as of March 31, 2020, respectively.

**3. Notes to Balance Sheets:**

(1) Assets pledged as collateral and secured liabilities

1. Assets pledged as collateral
   Investments in subsidiaries and affiliates 2,125 million yen
2. Secured liabilities
   Loan from financial institutions to Kagoshima Mega Solar Power Corporation 14,033 million yen

*All investor of Kagoshima Mega Solar Power Corporation pledge their investments as collateral for this loan.

(2) Accumulated depreciation of tangible fixed assets 655,322 million yen

(3) Guarantee obligations

Keep-well letters and guidance for management:

| Keep–well letter requested party | Amount covered (Yen in millions) | Subject of keep-well letter |
|---|---|---|
| Kyoto Purple Sanga Co., Ltd. | 400 | Guidance for repayment of loans from financial institutions |

(4) Receivables from subsidiaries and affiliates, and payables to subsidiaries and affiliates:

| | |
|---|---|
| Current receivables | 87,395 million yen |
| Long-term receivables | 25,161 million yen |
| Current payables | 39,933 million yen |
| Long-term payables | 25 million yen |

## 4. Notes to Statements of Profit or Loss

Transactions with subsidiaries and affiliates

Operational transactions:

| | |
|---|---|
| Net sales | 287,339 million yen |
| Purchases | 67,832 million yen |
| Selling, general and administrative expenses | 11,088 million yen |
| Non-operational transactions | 53,836 million yen |

## 5. Notes to Statement of Changes in Net Assets

Number and class of treasury shares as of March 31, 2020

| | |
|---|---|
| Common stock | 15,186,354 shares |

## 6. Notes to Accounting for Income Taxes

The main components of the deferred tax assets and deferred tax liabilities

| | (Yen in millions) |
|---|---|
| Deferred tax assets: | |
| Depreciation and amortization | 32,408 |
| Loss carried forward | 14,674 |
| Loss on impairment of investments in subsidiaries and affiliates | 11,624 |
| Accrued bonuses | 6,355 |
| Write-down of inventories | 4,740 |
| Other payables and accrued expenses | 3,586 |
| Deferred assets | 1,889 |
| Temporary and prepaid payment | 1,825 |
| Adjustment to book value of investments in subsidiaries | 1,536 |
| Others | 4,312 |
| Subtotal deferred tax assets | 82,949 |
| Valuation allowances for the total of deductible temporary difference | (8,201) |
| Subtotal valuation allowances | (8,201) |
| Total deferred tax assets | 74,748 |
| Deferred tax liabilities: | |
| Net unrealized gain on other securities | (317,191) |
| Prepaid pension and severance expenses | (3,832) |
| Gain on revaluation of land | (865) |
| Reserve for special depreciation | (122) |
| Others | (76) |
| Total deferred tax liabilities | (322,086) |
| Deferred tax assets, net | (247,338) |

### 7. Notes to Fixed Assets Used Under Finance Leases

Leased equipment, such as manufacturing machineries or computers, is accounted as off balance sheet transaction.

### 8. Notes to per Share Information

| | |
|---|---|
| (1) Net assets per share | 5,561.83 yen |
| (2) Earnings per share | 244.20 yen |