

# Annual Report

(English translation of consolidated financial information)

(The 66th Business Term)

From April 1, 2019 to March 31, 2020

**KYOCERA CORPORATION**

## Table of Contents

The 66th Annual Report	Page
[Cover]	
Part I . Information on Kyocera .....	1
I . Overview of Kyocera .....	1
1. Selected Financial Data .....	1
2. History .....	4
3. Description of Business .....	7
4. Associates .....	11
5. Employees .....	14
II . Business Overview .....	15
1. Management Policies, Operating Environment, and Management Issues .....	15
2. Risk Factors .....	25
3. Management’s Discussion and Analysis of Financial Position, Operating Results and Cash Flows .....	35
4. Material Agreements .....	48
5. Research and Development .....	49
III . Equipment and Facilities .....	53
1. Overview of Capital Expenditures .....	53
2. Major Equipment and Facilities .....	54
3. Plans for New Additions or Disposals .....	56
IV . Corporate Information .....	57
1. Information on Kyocera’s shares and Others .....	57
2. Acquisition of Treasury Stock and Other Related Status .....	60
3. Dividend Policy .....	62
4. Information of Corporate Governance .....	63
V . Financial Information .....	88
1. Consolidated Financial Statements and Other Information .....	88
2. Others .....	159
VI . Outline Regarding the Administration of Kyocera’s Stock .....	160
VII . Other Reference Information .....	161
Part II . Corporate Information on Guarantors and Others.....	162

Independent Auditor’s Report (Translation)

[Cover]

[Document Filed]	Annual Report (“Yukashoken Hokokusho”)
[Applicable Law]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	June 25, 2020
[Fiscal Year]	The 66th Business Term (from April 1, 2019 to March 31, 2020)
[Company Name]	Kyocera Kabushiki Kaisha
[Company Name in English]	KYOCERA CORPORATION
[Title and Name of Representative]	Hideo Tanimoto, Director and President
[Address of Head Office]	6, Takeda Tobadono-cho, Fushimi-ku, Kyoto
[Phone Number]	+81-75-604-3500
[Contact Person]	Shoichi Aoki, Director, Managing Executive Officer and General Manager of Corporate Management Control Group
[Contact Address]	6, Takeda Tobadono-cho, Fushimi-ku, Kyoto
[Phone Number]	+81-75-604-3500
[Contact Person]	Shoichi Aoki, Director, Managing Executive Officer and General Manager of Corporate Management Control Group
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

---

This is an English translation of the Annual Report filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors’ NETwork (“EDINET”) pursuant to the Financial Instruments and Exchange Act of Japan. In this document, the terms “we,” “us,” “our,” “Kyocera Group” and “Kyocera” refer to Kyocera Corporation and consolidated subsidiaries or, as the context may require, Kyocera Corporation on a non-consolidated basis and the “Company” refers to Kyocera Corporation on a non-consolidated basis. The term “fiscal 2020” refers to the year ended March 31, 2020, with other fiscal years referred to in a corresponding manner.

## Part I. Information on Kyocera

### I. Overview of Kyocera

#### 1. Selected Financial Data

##### (1) Consolidated Financial Data

(Yen in millions unless otherwise stated)

	International Financial Reporting Standards			
	The date of transition	64th	65th	66th
Year ended	April 1, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Sales revenue	—	1,577,039	1,623,710	1,599,053
Profit before income taxes	—	129,992	140,610	148,826
Profit attributable to owners of the parent	—	79,137	103,210	107,721
Comprehensive income attributable to owners of the parent	—	43,131	21,514	262,750
Equity attributable to owners of the parent	2,326,884	2,325,791	2,265,919	2,432,134
Total assets	3,084,637	3,128,813	2,968,475	3,250,175
Equity per share attributable to owners of the parent (Yen)	6,328.00	6,325.11	6,263.71	6,710.59
Earnings per share attributable to owners of the parent - Basic (Yen)	—	215.22	284.94	297.36
Earnings per share attributable to owners of the parent - Diluted (Yen)	—	215.20	284.70	297.36
Ratio of equity attributable to owners of the parent to total assets (%)	75.4	74.3	76.3	74.8
Profit ratio of equity attributable to owners of the parent (%)	—	3.4	4.5	4.6
Price earnings ratio (Times)	—	27.90	22.81	21.55
Cash flows from operating activities	—	158,905	220,025	214,630
Cash flows from investing activities	—	(53,128)	(47,121)	(145,551)
Cash flows from financing activities	—	(51,572)	(89,056)	(157,126)
Cash and cash equivalents at the end of the year	376,195	424,938	512,814	419,620
Number of employees	70,153	75,940	76,863	75,505

(Notes) 1. Kyocera prepared its consolidated financial statements in accordance with International Financial Reporting Standards (hereinafter, “IFRS”) from the 65th business term, and the figures are presented in Japanese yen and amounts less than one million yen are rounded.

2. Sales revenue do not include consumption taxes.

3. Earnings per share attributable to owners of the parent - Diluted for the 66th business term equals earnings per share attributable to owners of the parent - Basic, as there is no potential share.

(Yen in millions unless otherwise stated)

	Generally Accepted Accounting Principles of the United States of America		
	62nd	63rd	64th
Year ended	March 31, 2016	March 31, 2017	March 31, 2018
Net sales	1,479,627	1,422,754	1,577,039
Income before income taxes	145,583	137,849	131,866
Net income attributable to Kyocera Corporation's shareholders	109,047	103,843	81,789
Comprehensive income	109,969	85,628	48,650
Kyocera Corporation's shareholders' equity	2,284,264	2,334,219	2,336,246
Total assets	3,095,049	3,110,470	3,157,077
Kyocera Corporation's shareholders' equity per share (Yen)	6,226.58	6,347.95	6,353.54
Net income attributable to Kyocera Corporation's shareholders - Basic (Yen)	297.24	282.62	222.43
Net income attributable to Kyocera Corporation's shareholders - Diluted (Yen)	297.24	282.62	222.43
Ratio of equity attributable to Kyocera Corporation's shareholders to total assets (%)	73.8	75.1	74.0
Profit ratio of equity attributable to owners of the parent (%)	4.8	4.5	3.5
Price earnings ratio (Times)	16.68	21.94	26.99
Cash flows from operating activities	194,040	164,231	158,953
Cash flows from investing activities	(106,809)	(112,089)	(53,128)
Cash flows from financing activities	(50,608)	(47,972)	(51,620)
Cash and cash equivalents at the end of the year	374,020	376,195	424,938
Number of employees	69,229	70,153	75,940

(Notes) 1. Kyocera prepared its consolidated financial statements in accordance with Generally Accepted Accounting Principles of the United States of America until the 64th business term, and the figures are presented in Japanese yen and amounts less than one million yen are rounded.

2. Net sales do not include consumption taxes.

**(2) Financial Data of Kyocera Corporation**

(Yen in millions unless otherwise stated)

	62nd	63rd	64th	65th	66th
Year ended	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Net sales	592,979	662,595	742,066	736,263	730,388
Recurring profit	94,598	81,339	82,901	119,978	98,356
Net income	74,041	83,724	78,536	55,129	88,466
Common stock	115,703	115,703	115,703	115,703	115,703
Number of shares issued (Shares)	377,618,580	377,618,580	377,618,580	377,618,580	377,618,580
Net assets	1,890,882	1,922,944	1,917,101	1,805,568	2,015,786
Total assets	2,390,223	2,435,888	2,389,403	2,181,058	2,520,096
Net assets per share (Yen)	5,154.27	5,229.48	5,213.65	4,991.15	5,561.83
Annual dividends per share (Yen)	100.00	110.00	120.00	140.00	160.00
Interim dividends per share (Yen)	50.00	50.00	60.00	60.00	80.00
Net income per share - Basic (Yen)	201.82	227.86	213.58	152.20	244.20
Net income per share - Diluted (Yen)	—	—	—	—	—
Net assets to total assets (%)	79.1	78.9	80.2	82.8	80.0
Return on equity (%)	4.0	4.4	4.1	3.0	4.6
Price earnings ratio (Times)	24.56	27.22	28.11	42.71	26.24
Dividends payout ratio (%)	49.5	48.3	56.2	92.0	65.5
Number of employees	14,146	16,463	18,451	19,268	19,352
Total shareholder return (%)	76.7	97.3	96.1	105.7	106.8
Comparative indicator: Dividend-included TOPIX (%)	89.2	102.3	118.5	112.5	101.8
Highest share price (Yen)	7,207	6,462	8,345	7,042	7,764
Lowest share price (Yen)	4,415	4,559	5,613	5,127	5,320

- (Notes) 1. The figures in financial statements are presented in Japanese yen and amounts less than one million yen are rounded.
2. Net sales do not include consumption taxes.
3. Dividends per share for the year ended March 31, 2019 include 60th commemoration dividends of 20.00 yen.
4. Net income per share - Diluted is not described in the above table, as there is no diluted share.
5. Highest and lowest share prices are quoted on the first section of the Tokyo Stock Exchange.
6. “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan Statement No. 28, February 16, 2018) has been applied from the beginning of the year ended March 31, 2019, and the figures in the financial data for the year ended March 31, 2018 has been changed by applying this accounting standard retrospectively.

## 2. History

Kyocera Corporation was founded as “Kyoto Ceramic Co., Ltd.” in April 1, 1959. In order to change its face value of stock from 500 yen to 50 yen, Shikoku Shokkin Kagaku Kenkyusho (renamed to Kyoto Ceramitsuku Kabushiki Kaisha on May 12, 1970), established on November 6, 1946, was incorporated as a surviving company in a form of an absorption-type merger on October 1, 1970, and the merger was carried out as a due date.

Therefore, prior to this merger, the history of the Kyoto Ceramic Co., Ltd., the merged company, is described.

April	1959	Established headquarter and factory with a capital of 3 million yen in 101 Nishinokyoharamachi, Nakagyo-ku, Kyoto Founded as “Kyoto Ceramic Co., Ltd.” a specialized manufacturer in fine ceramics
April	1960	Opened Tokyo Office
May	1963	Established Shiga Gamo Plant
July	1969	Established Kagoshima Sendai Plant Established Kyocera International, Inc. in the U.S. as a sales company
October	1969	Established Kyocera Sho-Ji Kabushiki Kaisha as a domestic sales company
October	1970	Kyoto Ceramic Co., Ltd. and Kyocera Sho-Ji Kabushiki Kaisha merged into Kyoto Ceramitsuku Kabushiki Kaisha.
January	1971	Established Kyocera Fineceramics GmbH in Germany (currently Kyocera Europe GmbH)
October	1971	Listed its stock on the Second Section of Osaka Stock Exchange (listed on the First Section in February 1974)
September	1972	Listed its stock on the Second Section of Tokyo Stock Exchange (listed on the First Section in February 1974)
October	1972	Established Kagoshima Kokubu Plant
February	1976	Issued American Depository Receipts (hereinafter “ADRs”) in the U.S.
October	1979	Established Central Research Laboratory in Kagoshima Kokubu Plant (currently Monozukuri R&D Laboratory)
May	1980	Listed its stock on the New York Stock Exchange (hereinafter “NYSE”) (delisted from NYSE in June 2018), Issued ADRs in the U.S. for the second time
October	1982	4 companies, Cybernet Electronics Corporation, Crescent Vert Co., Ltd., Japan Cast Corporation and New Medical Co., Ltd. merged into Kyoto Ceramic Co., Ltd., and changed its name to Kyocera Corporation
June	1984	Established Daini Denden Kikaku Co., Ltd. (currently KDDI Corporation)
August	1989	Made Elco International Corporation, connector business, as a consolidated subsidiary (later, changed its name to Kyocera Connector Products Corporation and merged into Kyocera Corporation in April 2017)
January	1990	Issued ADRs in the U.S. for the third time Made AVX Corporation as a consolidated subsidiary through shares exchange, delisted its stock from NYSE (relisted its stock on NYSE in August 1995, delisted its stock from NYSE due to become a wholly owned subsidiary of Kyocera Corporation in March 2020)
March	1995	Established Kyocera R&D Center (currently Yokohama Office)
August	1995	Established Kyocera R&D Center, Keihanna in Kyoto, Japan (currently Keihanna Research Center) Established Dongguan Shilong Kyocera Optics Co., Ltd. (currently Dongguan Shilong Kyocera Co., Ltd.) in Dongguan, China as a manufacturing company
September	1995	Established Kyocera Communication Systems Co., Ltd.
December	1995	Established Shanghai Kyocera Electronics Co., Ltd. in Shanghai, China as a manufacturing company
September	1996	Established Kyocera Solar Corporation as a construction company of residential solar systems (merged into Kyocera Communication Systems Co., Ltd. in April 2020)
August	1998	Established new headquarter in Fushimi-ku, Kyoto
February	2000	Succeeded Qualcomm, Inc.’s mobile phone business
April	2000	Invested in Kyocera Mita Corporation (currently Kyocera Document Solutions Inc.), and made as a consolidated subsidiary

December	2001	Established Kyocera Mita Office Equipment (Dongguan) Co., Ltd. (currently Kyocera Document Technology (Dongguan) Co., Ltd.) in Dongguan, China as a manufacturing company of printer and multifunctional products
April	2002	Kyocera Document Solutions Inc. succeeded Kyocera Corporation's printer business
August	2002	Made Toshiba Chemical Corporation, semiconductor related materials business, as a consolidated subsidiary through shares exchange, and changed its name to Kyocera Chemical Corporation (later, merged into Kyocera Corporation in April 2016)
May	2003	Established Kyocera (Tianjin) Solar Energy Co., Ltd. as a manufacturing company of solar modules in Tianjin, China
August	2003	Made Kinseki, Limited, crystal devices business, as a consolidated subsidiary through shares exchange (later, changed its name to Kyocera Crystal Device Corporation and merged into Kyocera Corporation in April 2017) Established Kyocera SLC Technologies Corporation (later, changed its name to Kyocera Circuit Solutions Inc. and merged into Kyocera Corporation in April 2016) as a manufacturing and sales company of build-up substrates
September	2004	Established Japan Medical Materials Corporation (later, changed its name to Kyocera Medical Inc. and merged into Kyocera Corporation in April 2017) by Kyocera Corporation and Kobe Steel, Ltd. transferring their medical materials business to Japan Medical Materials Corporation through company split
April	2008	Succeeded Sanyo Electric Co., Ltd.'s mobile phone business
January	2009	Made TA Triumph-Adler AG, sales company of printers and multifunctional products in Germany, as a consolidated subsidiary (later, changed its name to TA Triumph-Adler GmbH)
July	2011	Made Unimerco Group A/S, manufacturing and sales company of industrial tools in Denmark, as a consolidated subsidiary, and changed its name to Kyocera Unimerco A/S Established Kyocera Mita Vietnam Technology Co., Ltd. (currently Kyocera Document Technology Vietnam Co., Ltd.) as a manufacturing company of printers and multifunctional products in Vietnam
August	2011	Established Kyocera Vietnam Management Co., Ltd. (currently Kyocera Vietnam Co., Ltd.) as a manufacturing company in Vietnam
February	2012	Made Optrex Corporation, specialized manufacturer related in liquid crystal displays, as a consolidated subsidiary (later, changed its name to Kyocera Display Corporation and merged into Kyocera Corporation in October 2018)
October	2013	Made NEC Toppan Circuit Solutions, Inc., manufacturer of printed wiring board, as a consolidated subsidiary (later, changed its name to Kyocera Circuit Solutions, Inc.)
October	2014	Integrate Kyocera Circuit Solutions, Inc. into Kyocera SLC Technologies Corporation to form Kyocera Circuit Solutions, Inc. (later, merged into Kyocera Corporation in April 2016)
September	2015	Made Nihon Inter Electronics Corporation, manufacturer of power semiconductors, as a consolidated subsidiary (later, merged into Kyocera Corporation in August 2016)
April	2016	Merged Kyocera Circuit Solutions, Inc. and Kyocera Chemical Corporation into Kyocera Corporation
August	2016	Merged Nihon Inter Corporation into Kyocera Corporation
April	2017	Merged Kyocera Medical Corporation, Kyocera Crystal Device Corporation and Kyocera Connector Products Corporation into Kyocera Corporation
August	2017	Made Senco Holdings, Inc., U.S. based pneumatic tools manufacturing company, as a consolidated subsidiary and changed its name to Kyocera Senco Industrial Tools, Inc.
January	2018	Made Kyocera Industrial Tools Corporation, which was established from the company split of Ryobi Limited's power tool business, as a consolidated subsidiary (became a wholly owned subsidiary of Kyocera Corporation in January 2020)
June	2018	Delisted from NYSE (deregistered from the U.S. Securities and Exchange Commission (SEC) in September 2018)
October	2018	Merged Kyocera Display Corporation and Kyocera Optec Co., Ltd. into Kyocera Corporation
May	2019	Established Minatomirai Research Center, Yokohama in Kanagawa, Japan

June	2019	Made Fastener Topco, Inc., the holding company of SouthernCarlson, Inc., U.S. based sales company of pneumatic power tool company, as a consolidated subsidiary and changed its name to Kyocera Industrial Tools, Inc.
March	2020	Acquired all non-controlling interests of AVX Corporation and made it a wholly owned subsidiary of Kyocera Corporation
April	2020	Merged Kyocera Solar Corporation into Kyocera Communication Systems Co., Ltd.
June	2020	Made Showa Optronics Co., Ltd., manufacturer of optical components, as a consolidated subsidiary

### 3. Description of Business

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

The consolidated financial statements have been prepared in accordance with IFRS. Also, subsidiaries and associates are disclosed based on the scope of the consolidation and investment accounted for using the equity method under IFRS. “II. Business Overview” and “III. Equipment and Facilities.” are disclosed based on the same scope.

Kyocera and its associates, 283 consolidated subsidiaries, 14 entities accounted for using the equity method as of March 31, 2020, consists of the following six reporting segments: Industrial & Automotive Components Group, Semiconductor Components Group, Electronic Devices Group, Communications Group, Document Solutions Group and Life & Environment Group.

The specific contents of each reporting segment are as follows, and this reporting segment is the same as the classification of reporting segment information presented in Note “6. Segment Information” under “V. Financial Information 1. Consolidated Financial Statements and Other Information (1) Consolidated Financial Statements” in this annual report.

Reporting Segment / Major Products or Businesses	Major subsidiaries
<b>(1) Industrial &amp; Automotive Components Group</b>	
Fine Ceramic Components Automotive Components Liquid Crystal Displays Industrial Tools	Kyocera Corporation Kyocera Industrial Tools Corporation Kyocera (China) Sales & Trading Corporation Dongguan Shilong Kyocera Co., Ltd. Kyocera Precision Tools Korea Co., Ltd. Kyocera Asia Pacific Pte. Ltd. Kyocera Display (Thailand) Co., Ltd. Kyocera International, Inc. Kyocera Senco Industrial Tools, Inc. Kyocera Industrial Tools, Inc. Kyocera Fineceramics GmbH Kyocera Unimerco A/S
<b>(2) Semiconductor Components Group</b>	
Ceramic Packages Organic Multilayer Substrates and Boards	Kyocera Corporation Kyocera (China) Sales & Trading Corporation Shanghai Kyocera Electronics Co., Ltd. Kyocera Korea Co., Ltd. Kyocera Asia Pacific Pte. Ltd. Kyocera Vietnam Co., Ltd. Kyocera International, Inc. Kyocera Fineceramics GmbH
<b>(3) Electronic Devices Group</b>	
Electronic Components (Capacitors, Crystal Devices, Connectors, Power Semiconductor Devices, etc.) Printing Devices	Kyocera Corporation Kyocera (China) Sales & Trading Corporation Kyocera Korea Co., Ltd. Kyocera Asia Pacific Pte. Ltd. AVX Corporation Kyocera Fineceramics GmbH

Reporting Segment / Major Products or Businesses	Major subsidiaries
(4) Communications Group	
Smartphones, Mobile Phones Communication Modules (Telematics, IoT) Information Systems and Telecommunication Services	Kyocera Corporation Kyocera Communication Systems Co., Ltd. Kyocera International, Inc.
(5) Document Solutions Group	
Printers / Multifunctional Products Commercial Inkjet Printers Document Solution Services Supplies	Kyocera Document Solutions Inc. Kyocera Document Solutions Japan Inc. Kyocera Document Technology (Dongguan) Co., Ltd. Kyocera Document Technology Vietnam Co., Ltd. Kyocera Document Solutions America, Inc. Kyocera Document Solutions Europe B.V. Kyocera Document Solutions Deutschland GmbH TA Triumph-Adler GmbH
(6) Life & Environment Group	
Solar Power Generating System Related Products Medical Devices Jewelry and Ceramic Knives	Kyocera Corporation Kyocera Solar Corporation Kyocera (Tianjin) Solar Energy Co., Ltd.

***(1) Industrial & Automotive Components Group***

This reporting segment provides fine ceramic parts made from a variety of ceramic materials such as alumina and zirconia, utilizing the characteristics of heat, wear and corrosion resistance as well as camera modules infused with optical lens and sensing technology, and small and medium size liquid crystal displays. These products are supplied mainly to the industrial machinery and automotive-related markets. Kyocera also provides industrial tools such as cutting tools for metallic processing and pneumatic and power tools to the automotive, general industrial and construction markets.

***(2) Semiconductor Components Group***

This reporting segment develops, manufactures and sells both inorganic (ceramic) and organic packages and multilayer printed wiring boards for various electronic components and devices such as crystal components, SAW devices and CMOS/CCD sensors for communication infrastructures and for the automotive-related markets.

***(3) Electronic Devices Group***

This reporting segment develops, manufactures and sells a wide variety of electronic components and devices for diverse fields that include information and communications equipment, industrial equipment and automotive-related markets.

***(4) Communications Group***

This reporting segment develops, manufactures and sells smartphones and mobile phones embedded with unique functions as well as develops communication modules with expectations of growing demand for in-vehicle installation and in the IoT (Internet of Things) society as well as information systems and telecommunication services such as ICT (Information and Communication Technology) solutions, engineering services businesses and so on.

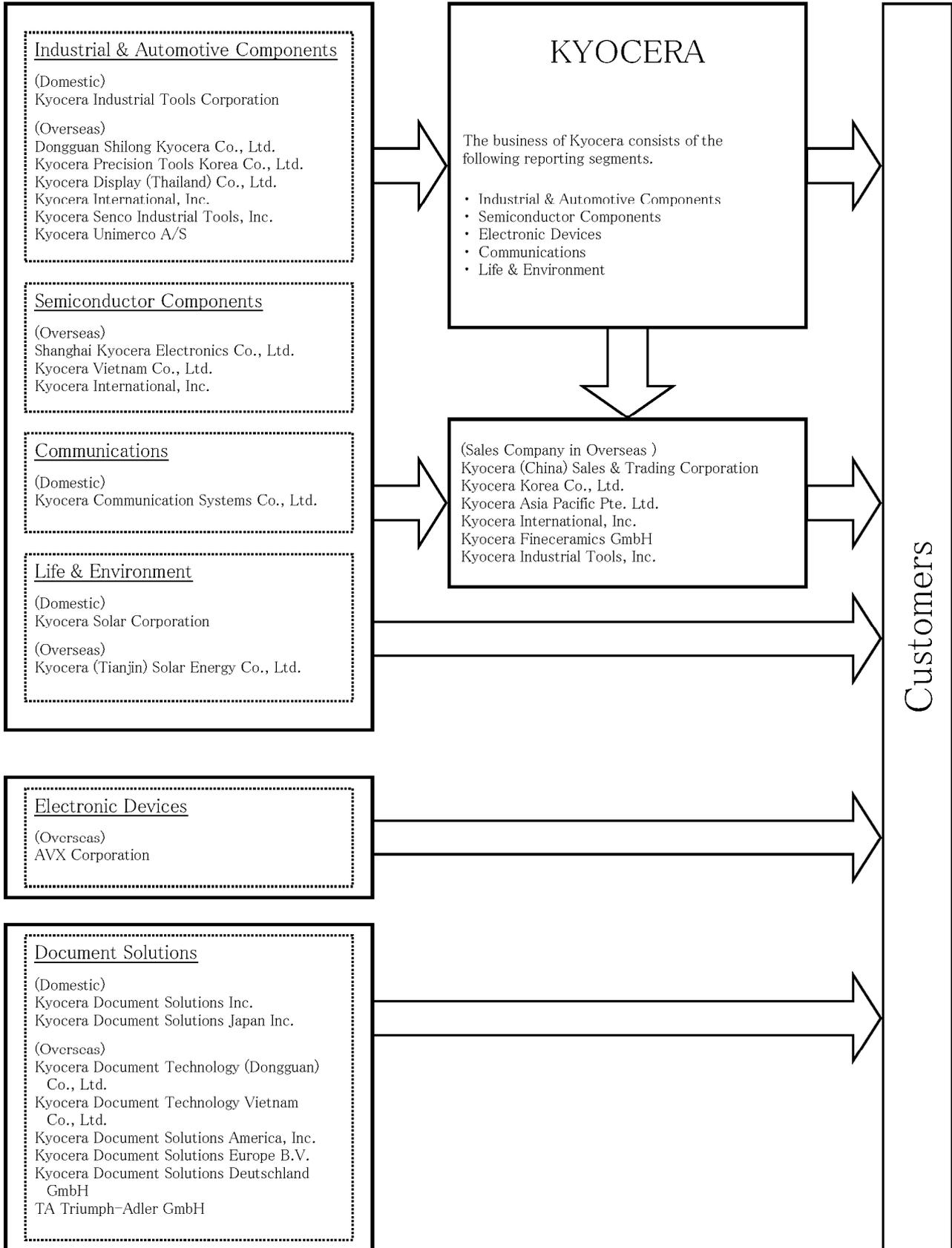
***(5) Document Solutions Group***

This reporting segment develops, manufactures and sells printers and multifunctional products (MFPs) that realize long life cycle and low running costs thanks to the use of our amorphous silicon photoreceptor drums as well as commercial inkjet printers that offer high productivity and durability in addition to superb environmental performance. Kyocera is also rolling out document solution services worldwide that support the optimization of a customer's document environment through the provision of application software enabling connection between a customer's document management system and mobile terminals or cloud environments. Kyocera is also strengthening our ECM (Enterprise Contents Management) business that computerizes a company's data so that it can be controlled and managed in a more comprehensive and efficient manner as well as Document BPO (Business Process Outsourcing) that provides outsourcing services for document-related business.

***(6) Life & Environment Group***

This reporting segment develops, manufactures and sells products related life and environment such as solar modules for commercial and residential uses, solar energy related products including storage batteries and energy management systems, medical devices including prosthetic joints and dental prosthetics, jewelry, and kitchen accessories including ceramic knives.

The above is shown in the business diagram below.



#### 4. Associates

As of March 31, 2020

Name	Address	Capital	Principle Lines of Business	Ownership Ratio of Voting Rights (%)	Relationship with Kyocera Corporation			
					Interlocking Directorate	Funding Support	Business Transaction	Lease of property, plant and equipment
(Consolidated Subsidiaries)								
Kyocera Industrial Tools Corporation *5	Fukuyama-shi, Hiroshima, Japan	Yen 100 million	Development, manufacture and sale of Industrial Tools	100.00	Yes	—	—	—
Kyocera Communication Systems Co., Ltd. *7	Fushimi-ku, Kyoto, Japan	Yen 2,986 million	Information Systems and Telecommunication Services	76.30	Yes	—	Supporting Kyocera Corporation for system services	Leasing offices
Kyocera Document Solutions Inc. *1	Chuo-ku, Osaka, Japan	Yen 12,000 million	Development, manufacture and sale of Printers and Multifunctional Products, and provision of Document Solution Services	100.00	Yes	Yes	Raw materials supply from Kyocera Corporation	—
Kyocera Document Solutions Japan Inc.	Minato-ku, Tokyo, Japan	Yen 1,100 million	Sale of Printers and Multifunctional Products mainly in Japan	100.00 (100.00)	Yes	—	—	—
Kyocera Document Technology (Dongguan) Co., Ltd.	Dongguan, Guangdong, China	US\$ 56,700 thousand	Manufacture of Printers and Multifunctional Products	92.76 (92.76)	Yes	—	—	—
Kyocera Document Technology Vietnam Co., Ltd.	Hai Phong, Vietnam	US\$ 55,000 thousand	Manufacture of Printers and Multifunctional Products	100.00 (100.00)	Yes	—	—	—
Kyocera Document Solutions America, Inc.	Fairfield, New Jersey, the U.S.A.	US\$ 29,000 thousand	Sale of Printers and Multifunctional Products mainly in North America	100.00 (100.00)	Yes	—	—	—
Kyocera Document Solutions Europe B.V.	Hoofddorp, the Netherlands	Euro 6,807 thousand	Sale of Printers and Multifunctional Products mainly in Europe	100.00 (100.00)	Yes	—	—	—
Kyocera Document Solutions Deutschland GmbH	Meerbusch, Germany	Euro 920 thousand	Sale of Printers and Multifunctional Products mainly in Europe	100.00 (100.00)	Yes	—	—	—
TA Triumph-Adler GmbH	Nürnberg, Germany	Euro 80,303 thousand	Sale of Printers and Multifunctional Products mainly in Europe	100.00 (100.00)	Yes	—	—	—
Kyocera Solar Corporation *7	Fushimi-ku, Kyoto, Japan	Yen 310 million	Construction of Solar Power Generating System Related Products	100.00	Yes	—	Construction in Japan with finished goods supply from Kyocera Corporation	Leasing offices

Name	Address	Capital	Principle Lines of Business	Ownership Ratio of Voting Rights (%)	Relationship with Kyocera Corporation			
					Interlocking Directorate	Funding Support	Business Transaction	Lease of property, plant and equipment
Kyocera Realty Development Co., Ltd.	Shibuya-ku, Tokyo, Japan	Yen 50 million	Ownership, management and rental of real estate	100.00	Yes	Yes	—	—
Kyocera (China) Sales & Trading Corporation	Tianjin, China	US\$ 10,000 thousand	Sale of Industrial Tools, Ceramic Packages and Electronic Components	90.00	Yes	—	Sale in China with finished goods supply from Kyocera Corporation	—
Dongguan Shilong Kyocera Co., Ltd.	Dongguan, Guangdong, China	HK\$ 472,202 thousand	Manufacture of Liquid Crystal Displays and Industrial Tools	90.00	Yes	—	Raw materials supply from Kyocera Corporation, and finished goods supply to Kyocera Corporation	—
Shanghai Kyocera Electronics Co., Ltd. *1,4	Shanghai, China	Yen 17,321 million	Manufacture of Ceramic Packages	100.00	Yes	—	Semi-finished goods and raw materials supply from Kyocera Corporation, and finished goods supply to Kyocera Corporation	—
Kyocera (Tianjin) Solar Energy Co., Ltd.	Tianjin, China	US\$ 30,200 thousand	Manufacture of Solar Power Generating System Related Products	90.00	Yes	—	Semi-finished goods and raw materials supply from Kyocera Corporation, and finished goods supply to Kyocera Corporation	—
Kyocera Korea Co., Ltd.	Seoul, Korea	Won 1,200,000 thousand	Sale of Semiconductor Components and Electronic Components	100.00	Yes	—	Sale in Korea with finished goods supply from Kyocera Corporation	—
Kyocera Precision Tools Korea Co., Ltd.	Incheon, Korea	Won 15,000,000 thousand	Manufacture and sale of Industrial Tools	90.00	Yes	—	Sale and manufacturing in Korea with finished goods and raw materials supply from Kyocera Corporation, and finished goods supply to Kyocera Corporation	—
Kyocera Asia Pacific Pte. Ltd.	Tiong Bahru Road, Singapore	US\$ 35,830 thousand	Sale of Industrial Tools, Semiconductor Components and Electronic Components	100.00	Yes	—	Sale in Asia with finished goods supply from Kyocera Corporation	—
Kyocera Display (Thailand) Co., Ltd. *8	Lamphun, Thailand	THB 500,000 thousand	Manufacture of Liquid Crystal Display	100.00	Yes	—	Raw materials supply from Kyocera Corporation, and finished goods supply to Kyocera Corporation	—

Name	Address	Capital	Principle Lines of Business	Ownership Ratio of Voting Rights (%)	Relationship with Kyocera Corporation			
					Interlocking Directorate	Funding Support	Business Transaction	Lease of property, plant and equipment
Kyocera Vietnam Co., Ltd.	Hung Yen, Vietnam	US\$ 73,567 thousand	Manufacture of Ceramic Packages	100.00	Yes	Yes	Raw materials supply from Kyocera Corporation, and finished goods supply to Kyocera Corporation	—
Kyocera International, Inc. *1	San Diego, California, the U.S.A.	US\$ 34,850 thousand	Manufacture and sale of Fine Ceramic Components and Semiconductor Components, and sale of Mobile Phones	100.00	Yes	—	Manufacture and sale in North America with the supply of our products and raw materials	—
Kyocera Senco Industrial Tools, Inc.	Cincinnati, Ohio, the U.S.A.	US\$ 0.01	Development, manufacture and sale of Industrial Tools	100.00	Yes	—	—	—
Kyocera Industrial Tools, Inc.	Nebraska, Omaha, the U.S.A.	US\$ 1.00	Sale of Industrial Tools	100.00	Yes	—	—	—
AVX Corporation *6	Fountain Inn, South Carolina, the U.S.A.	US\$ 1,763 thousand	Development, manufacture and sale of Electronic Components	100.00	Yes	—	—	—
Kyocera Fineceramics GmbH *9	Esslingen, Germany	Euro 1,687 thousand	Sale of Fine Ceramic Components, Semiconductor Components and Printing Devices	100.00	Yes	—	Sale in Europe with finished goods supply from Kyocera Corporation	—
Kyocera Unimerco A/S	Sunds, Denmark	DKK 153,000 thousand	Development, manufacture and sale of Industrial Tools	100.00 (100.00)	Yes	—	Sale in Europe with finished goods supply from Kyocera Corporation	—
Other 256 Companies								

- (Notes) 1. Companies that correspond to the specified subsidiaries or “Tokutei Kogaisha,” total amount of sales, purchase or common stock of which exceeds 10% of the amount of sales, purchase or common stock the parent company in the period that correspond to the recent fiscal year of the parent company, as defined in the Financial Instruments and Exchange Act of Japan.
2. A number in the parenthesis notation in the “Ownership Ratio of voting rights (%)” column shows the % of indirect voting rights, which is a part of the total voting rights.
3. As of March 31, 2020, Kyocera Corporation has 14 entities accounted for using the equity method. The description of those entities is omitted since they are immaterial.
4. Kyocera Corporation made a resolution to liquidate Shanghai Kyocera Electronics Co., Ltd. at the meeting of Board of Directors held on May 29, 2019.
5. On January 10, 2020, Kyocera Corporation acquired all of the outstanding common stock held by non-controlling interest of Kyocera Industrial Tools Corporation. As a result, Kyocera Corporation’s ownership ratio of voting rights to Kyocera Industrial Tools Corporation is 100%.
6. On March 30, 2020, Kyocera Corporation acquired all of the outstanding common stock held by non-controlling interest of AVX Corporation. As a result, Kyocera Corporation’s ownership ratio of voting rights to AVX Corporation is 100%. Please refer to “II. Business Overview Material Agreements (5) Definitive Agreement to Make AVX Corporation a Wholly Owned Subsidiary and Tender Offer.”

7. On April 1, 2020, Kyocera Communications System Co., Ltd., merged with Kyocera Solar Corporation. As a result, Kyocera Corporation's ownership ratio of voting rights to Kyocera Communications System Co., Ltd. is 76.64%.
8. On April 1, 2020, Kyocera Display (Thailand) Co., Ltd. changed its name to Kyocera (Thailand) Co., Ltd.
9. On April 1, 2020, Kyocera Fineceramics GmbH changed its name to Kyocera Europe GmbH.

## 5. Employees

### (1) Kyocera Corporation and its Subsidiaries

As of March 31, 2020

	Number of Employees
Industrial & Automotive Components Group	16,934
Semiconductor Components Group	8,896
Electronic Devices Group	19,225
Communications Group	4,631
Document Solutions Group	19,724
Life & Environment Group	2,832
Others	1,433
Corporate	1,830
Total	75,505

(Note) The number of employees indicates fulltime employees.

### (2) Kyocera Corporation

As of March 31, 2020

Number of Employees	Average Age	Average Year of Service	Average Yearly Salary (Yen)
19,352	41.4	17.7	7,158,563

As of March 31, 2020

	Number of Employees
Industrial & Automotive Components Group	5,192
Semiconductor Components Group	5,816
Electronic Devices Group	3,248
Communications Group	1,338
Document Solutions Group	-
Life & Environment Group	1,958
Others	994
Corporate	806
Total	19,352

(Notes) 1. The number of employees indicates fulltime employees.

2. The average yearly salary includes bonuses and extra wages.

### (3) Labor Union

There are no material items to report.

## II. Business Overview

### 1. Management Policies, Operating Environment, and Management Issues

Future expectations included in this section are as of March 31, 2020.

#### (1) Basic Management Policies

Kyocera aims to achieve continuous sales growth and high profitability through the practice of “Kyocera Philosophy,” which is a corporate philosophy that is based on a concept included in Kyocera’s decision making “what is right as a human being” and its own management system “Amoeba Management System” to pursuit management rationale “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.”

#### (2) Target Management Index

In order to realize high-growth and profitable company, Kyocera aims to achieve sustained double-digit growth in sales revenue and profit before income taxes.

#### (3) Medium and Long-term Management Strategy

Kyocera aims to fully leverage its collective strengths to be a high-growth, highly profitable company by coordinating its various management resources within the Group. In particular, we have positioned Information & Communications, Automotive-related, Environment & Energy and Medical & Healthcare markets as our priority markets and are working to promote M&A and strengthen research and development while undertaking initiatives for doubling productivity.

#### a. Promote M&A

Major M&A activities since Fiscal 2018

	Fiscal 2018	Fiscal 2019	Fiscal 2020
<b>Industrial &amp; Automotive Components Group</b> <b>Fine ceramic parts</b> ➤ Strengthen production system and product lineup			<b>H.C. Starck Ceramics</b> (Germany / Non-oxide fine ceramic components such as SiSiC <sup>*1</sup> ) <b>Friatec</b> (Germany / Oxide-ceramic components and metallized components) <b>Establishing a joint venture with Ube Industries</b> (Japan / Ceramic filters for 5G <sup>*2</sup> base stations)
<b>Industrial tools</b> ➤ Expand business field	<b>SENCO</b> (U.S. / Pneumatic tools) <b>Power tool business of Ryobi</b> (Japan)	<b>Van Aerden Group</b> (Netherlands / Pneumatic tools)	<b>Southern Carlson</b> (U.S. / Sales of tools)
<b>Electronic Devices Group</b> <b>AVX Corporation</b> ➤ Expand business in telecom and auto-related markets	<b>Automotive sensor business of TT Electronics</b> (UK) <b>Ethertronics</b> (U.S. / Small antennas for wireless communications)	<b>Kumatec</b> (Germany / Product automation)	<b>Made AVX Corporation a wholly owned subsidiary</b> (Purchased minority shares of approx. 28%)
<b>Document Solutions Group</b> <b>Kyocera Document Solutions Inc.</b> ➤ Create comprehensive services	<b>DataBank</b> (U.S. / ECM, Document BPO)	<b>Alos</b> (Germany / ECM) <b>Janus</b> (Czech Republic and Slovakia / Sales & services)	<b>Huon IT</b> (Australia / ICT)
<b>Life &amp; Environment Group</b> <b>Medical devices</b> ➤ Expand business in U.S.		<b>Renovis</b> (U.S. / Spinal products & artificial joints)	

\*1: Silicon-Infiltrated Silicon Carbide

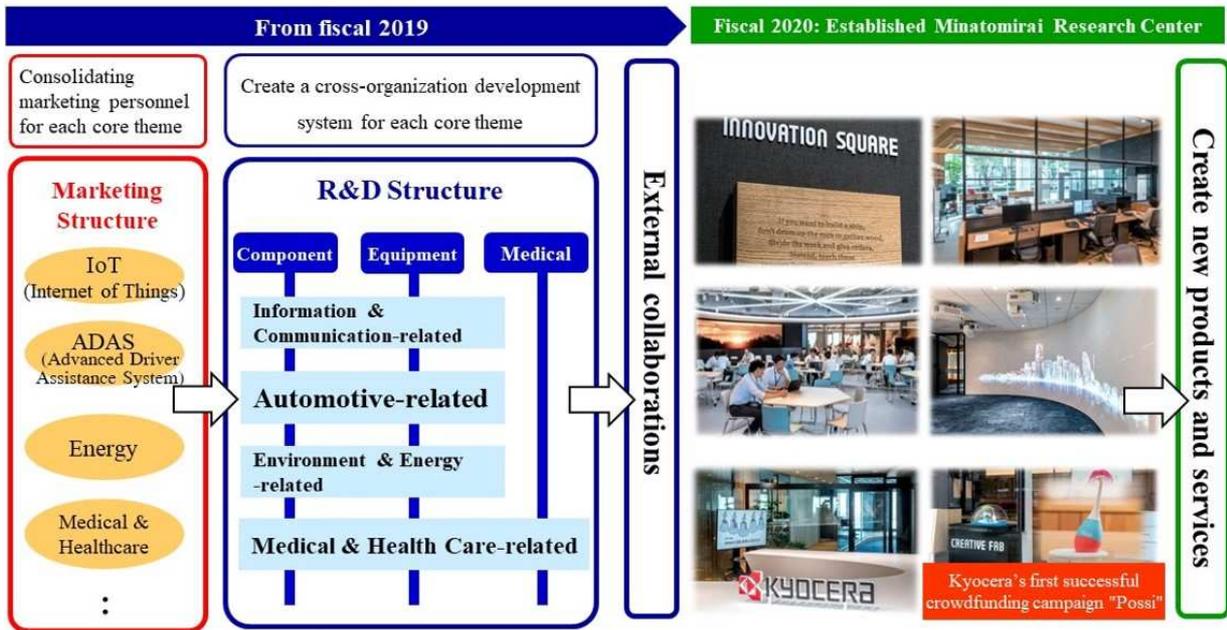
\*2: 5th-Generation Mobile Communication

The above-mentioned execution of M&A led to an additional increase in sales revenue of approximately 200 billion yen. Going forward, a key issue will be ensuring that this expansion of sales results in increased profits.

To quickly realize synergies between businesses acquired through M&A and existing businesses, Kyocera is currently working on PMI (Post-Merger Integration) encompassing such areas as business strategies, sales and management structures, and systems coordination. Through these initiatives, Kyocera will strive to further expand sales and improve profitability to make a true contribution to profit growth.

**b. Strengthen R&D**

Reorganize R&D structure:  
Strengthen software development and actively promote open innovation



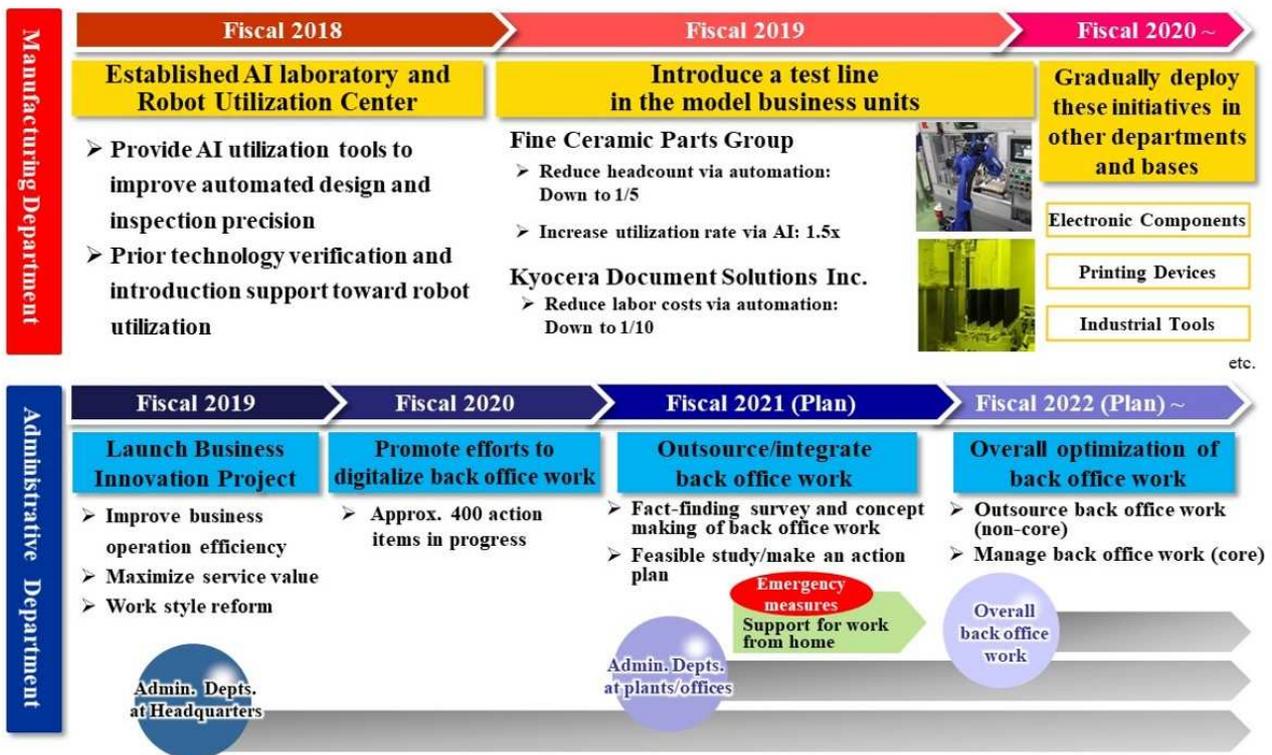
Kyocera reorganized its R&D structure in aiming for new product development and new business creation.

In fiscal 2019, Kyocera promoted collaboration between the Research & Development department and the Marketing department and built a cross-organizational development structure for each priority theme. Additionally, during fiscal 2020 Kyocera newly established the Minatomirai Research Center for the purposes of consolidating engineers and promoting collaboration with outside organizations. By taking these steps, Kyocera, together with Sony Corporation and Lion Corporation, developed Possi, a brand-new toothbrush for kids.

In the future as well, Kyocera will go beyond in-house development and actively promote open innovation to create new products and services that contribute to the advance and development of humankind and society.

**c. Undertake Initiatives for Doubling Productivity**

Initiatives for doubling productivity in manufacturing and administrative departments



Kyocera is making groupwide efforts to double productivity.

In the manufacturing department, Kyocera is verifying the effects of automation through the utilization of AI (artificial intelligence) and robots by the model business units and is expanding deployment to other departments and bases. In administrative departments, Kyocera aims to realize work style reforms by promoting digitization as it strives to improve business efficiency while maximizing service value.

The spread of COVID-19 required both manufacturing and administrative departments to make quick responses such as for realizing laborsaving operations and encouraging work from home. Thanks to these efforts, Kyocera has been able to respond smoothly to these challenging circumstances. In the future, Kyocera will continue to promote activities for doubling productivity.

**d. Toward Sustainable Growth**

Kyocera’s business activities have also been significantly affected by the spread of COVID-19, such as by ceasing production in accordance with the policies and action plans of the governments of each country. We expect the business environment will evolve due to various factors in the future and we will utilize our current responses to COVID-19 in the future management to fortify our business foundation.

Meanwhile, as value creation through digital reforms emerges as a trend in industrial society, Kyocera will proactively carry out business in new growth areas and strive to accelerate growth. In doing so, we will promote the following three points:

- Further utilize our diverse management resources, from Kyocera’s core technology of ceramics and other material technology to components, device and equipment, and system and service
- Actively invest in growth businesses and strengthen R&D
- Promote digitization across the entire Group

#### ***(4) Major Management Challenges***

##### ***a. Respond to COVID-19***

Kyocera gives top priority to maintaining the health of our customers, business partners, employees and their families and is making every effort to prevent and stop the spread of infections. Specifically, we placed priority on production to respond to customer needs while ceasing non-urgent production and encouraging employees to work from home. At the same time, we are taking such measures as providing special leave to employees who have difficulty in commuting or working from home due to the temporary closure of their children's schools.

##### ***b. Proactive Expansion into Growth Markets***

Fields such as 5G, ADAS, IoT and healthcare are expected to increasingly grow and advance in the future. With an eye toward these fields, Kyocera will pursue internal synergies within the Group and promote external collaboration encompassing M&A to expand existing businesses while creating new businesses.

Specifically, Kyocera is taking such initiatives as expanding its lineup of equipment parts for 5G base stations and ADAS-related products such as sensor cameras, strengthening the document solution business that solves document-related issues and undertaking the medical business overseas.

We will also actively undertake capital investments to expand production capabilities for these products as well as make R&D investments to create new products.

##### ***c. Cultivate New Business Areas***

In working to solve various social issues, Kyocera will strive to cultivate new business areas by collaborating with external partners on the basis of technologies nurtured in its existing businesses.

In the smart energy business\*, we will work to expand sales and service businesses for high-quality, low-cost equipment and systems as part of efforts to promote the spread of renewable energy and respond to demand for self-power generation and self-consumption of this power.

Furthermore, we will expand the mobility business that will realize improvements in traffic safety and convenience. We will also make efforts to build ART (Advanced Rapid Transit) systems that link such ADAS-related components as sensing devices with communication devices.

##### ***d. Strengthen Our Management Foundation***

Kyocera will progress with the strengthening of the Group's management foundation by promoting digitization. We will improve productivity by introducing collaborative robots at manufacturing sites in addition to strengthening quality control and responses to customer demand utilizing AI. To further strengthen these efforts and realize improvements in the business operations of administrative departments, in April 2020 we newly established a specialized department responsible for promoting digitization.

By promoting work style reforms through these initiatives and strengthening production, sales and logistics management using digital technology, Kyocera will strive for sustainable corporate management.

(Note) The "Solar Energy Business" was renamed "Smart Energy Business" as of April 1, 2020.

## ***(5) Business Environment***

In fiscal 2020, there were delays in some sales networks as well as in procurement and supplies due to the spread of COVID-19. Although the future impact of COVID-19 is uncertain and there are concerns, Kyocera will strive to formulate and implement measures to minimize the impacts on its businesses.

### ***a. Sales and Distribution Network***

Kyocera's products and services are supplied worldwide through our sales personnel as well as by sales companies within our group and by third-party distributors.

Kyocera has regional sales and design application personnel in strategic locations to provide technical and sales support for customers and distributors. Kyocera believes that this combination of distribution channels leads to a high level of market penetration and efficient coverage of services for our customers.

A wide range of component, device and equipment products in the Industrial & Automotive Components Group are sold to various industrial equipment and automotive-related industries worldwide that include the semiconductor industry through our distributors in addition to direct sales. Kyocera also makes sales through retailers, the Internet and other avenues in the power tools business added to the Kyocera Group recently.

Most sales in the Semiconductor Components Group are made directly to device, component and equipment manufacturers in Japan and overseas.

Sales in the Electronic Devices Group are made directly to device and equipment manufacturers in Japan and overseas as well as through active use of distributors.

In the Communications Group, Kyocera supplies smartphones and mobile phones to telecommunications carriers in Japan and the U.S. in the mobile handset business. In the communication modules business, Kyocera supplies in-vehicle communication modules to automotive parts manufacturers. Concurrently, Kyocera proposes IoT modules to corporate users and system integrators that are considering business reforms and service improvements through IoT. In the information and communication services business, Kyocera provides ICT and management consulting businesses primarily to general companies and public institutions centered on Japan but also to China and other areas. Kyocera also provides engineering business to telecommunications carriers, wireless equipment vendors and solar power generation operators mainly in Japan but also in Malaysia, Myanmar and other regions.

In the Document Solutions Group, Kyocera provides document solutions that resolve customers' management issues, and Kyocera brand printers and MFPs that boast long life and realize low running costs, mainly via 37 distributors in over 140 countries. Kyocera primarily deals with major customers requiring global response by way of direct sales.

In the solar energy business in the Life & Environment Group, solar power generating systems are sold to global users via direct sales, sales subsidiaries and other methods, including through distributors. In addition, Kyocera sells power storage systems and energy management systems through distributors, franchises and home builders in Japan. The energy service business is carried out through joint ventures with collaborating business partners.

In the medical devices business, prosthetic joints, artificial bones and dental implants are sold to hospitals and dental clinics mainly through distributors.

Jewelry and applied ceramic products such as ceramic knives are sold through direct retail shops and general retailers as well as the internet.

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

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

Kyocera purchases a variety of raw materials and other materials for its business activities. In fiscal 2020, Kyocera was able to procure raw materials and other materials in line with Kyocera's production plans.

The principal raw materials used for the products in the Components Business include alumina, zirconia, silicon nitride, polycrystalline silicon, nickel powder, epoxy resins and tungsten. The main materials supplied for use as key components are chip sets and liquid crystal displays in the Equipment & Systems Business. Kyocera procures some of the materials and components that it uses in its respective businesses from within the Group since it develops a wide range of products spanning from materials to systems and services. The internally manufactured components also include core components that contribute to the differentiation of parts and equipment.

Kyocera's basic policy is to procure raw materials and other materials from several companies to ensure stable procurement at a fair price. Kyocera may limit the number of suppliers as an exception if the final customer selects the material supplier or to maintain the quality of a final product.

The purchase price of these raw materials and other materials fluctuates depending on the supply-demand situation, the impact of such things as the rising cost of raw materials and fuel, and foreign currency exchange rates in the case purchases are made in foreign currencies from suppliers overseas. Kyocera's businesses are many and varied, and Kyocera is working to enhance its price negotiating power when procuring raw materials and other materials through the ties Kyocera has inside the Group. Kyocera is also striving to absorb the rising cost of raw materials and other materials in each business by making internal improvements that include cost reductions.

Kyocera strives to actively communicate with its suppliers and build partnerships based on mutual trust, and works to promote understanding of Kyocera's procurement activities through supplier seminars and gatherings. Kyocera is also working with our suppliers to promote CSR activities in order to fulfill its social responsibilities, including human rights, labor and environmental protection. In order to appropriately respond to CSR issues that should be addressed throughout the supply chain, such as the formulation of BCPs (Business Continuity Plan) for prompt business recovery and continuation in the event of a disaster, we have established the "Kyocera Supply Chain CSR Procurement Guidelines" and conduct surveys on the CSR activities of suppliers based on these guidelines.

For details, please refer to the following link: <https://global.kyocera.com/ecology/supplier.html>

### ***c. Competitive Advantage Over Competitors***

Kyocera is working to pursue additional synergies within the Group toward further strengthening its business while promoting the utilization of AI and robots for improving productivity. Moreover, Kyocera is working to strengthen competitiveness by proactively leveraging external management resources such as M&A and business collaboration. The strengths of each business are as follows.

#### ***(a) Industrial & Automotive Components Group***

Kyocera has continued to cultivate new markets since our founding through the development of fine ceramic materials and products. At present, Kyocera supplies fine ceramic parts to a wide array of markets such as the information and communications market and the industrial machinery market, which includes semiconductors. Kyocera boasts production technology and production capacity for these products that enable Kyocera to meet customer requirements, which include ceramic materials technology and design expertise accumulated in the process of cultivating new markets. This is one of the key reasons that Kyocera has been able to differentiate Kyocera's products from those of Kyocera's rivals, and through this, Kyocera has established a position as a global manufacturer.

In automotive components, Kyocera has products that boast high market share in powertrain parts that utilize fine ceramic technology. In addition, Kyocera is striving to increase market share of automotive cameras, an area on the rise to boost automotive safety, by developing new products and technologies including the means of alliances and collaborations with other companies.

In liquid crystal displays, Kyocera is focusing on the development of small- and medium-sized products and is seeking to expand business mainly for automotive and industrial applications. In addition, Kyocera is working to further strengthen our competitiveness and expand business through new product development in fields requiring reliability such as the medical field.

In the industrial tool business, Kyocera is making an effort to expand business as a comprehensive tool manufacturer. In the cutting tools business which are used primarily for metallic processing in automotive-related markets, although Kyocera has many competitors globally, Kyocera provides a diverse array of cutting tools for processing machinery based on advanced materials technology that contribute to enhanced productivity for Kyocera's customers. Kyocera is also developing products for a wide range of markets in addition to the automotive industry, including the aviation and energy markets. In the pneumatic and power tools business, Kyocera is working to expand its product lineup and strengthen its sales network by actively undertaking M&A.

***(b) Semiconductor Components Group***

In the ceramic material components business, Kyocera has established its position as a leader in the global market through sophisticated development, production technology and supply capabilities. Kyocera's main competitors in this domain are Japanese manufacturers. Kyocera will maximize use of these outstanding management resources and work to broadly expand the application of ceramic material components for the digital consumer equipment market as well as the automotive-related markets, optical communications market, medical market, IoT-related markets and other areas. Kyocera is also working to maintain and improve Kyocera's high market position by actively expanding production capacity in response to growing market needs.

In the organic multilayer substrates and boards business, Kyocera's main competitors are Japanese and Asian manufacturers. Kyocera has become a major supplier of high-end flip-chip packages and advanced multilayer printed wiring boards used in communications infrastructure such as servers and routers demanding exceptional electrical properties and reliability. In addition, Kyocera is working on the development of new products to strengthen business competitiveness in the automotive market which include ADAS where the use of electronics is increasing by leveraging our accumulated technological expertise in such areas as design technology.

***(c) Electronic Devices Group***

Kyocera develops and manufactures a wide variety of capacitors, crystal components, connectors, thermal printheads, inkjet printheads, power semiconductors, sensors, and wireless communications antennas. Kyocera develops Kyocera's business with our extensive product lineup for diverse applications worldwide.

Kyocera is a major supplier of parts for high-end smartphones by focusing on the development of products in cutting-edge fields that meet needs such as for miniaturization and high performance in capacitors, crystal components and connectors. Kyocera is striving to expand Kyocera's market share in multilayer ceramic capacitors (MLCCs), where demand is expected to continue to grow for 5G, by actively introducing new products and increasing production capacity. AVX Corporation, Kyocera's subsidiary, is a leading supplier in the tantalum capacitor market that develops products for a broad array of fields, including general industry, automotive-related and communications infrastructure. AVX Corporation is seeking to expand its product lineup, business area and market share through research and development and aggressive M&A activity.

In addition, Kyocera boasts high market share in thermal printheads used for barcode label printing and in inkjet printheads used in industries such as the textile printing market. Kyocera is striving to further boost Kyocera's market share by actively releasing new products and expanding applications.

***(d) Communications Group***

In the telecommunications equipment business, Kyocera supplies smartphones and feature phones mainly in Japan. Kyocera's main competitors are mobile phone manufacturers in the United States, Asia and Japan. Kyocera is focusing on developing products that provide a level of differentiation such as by adding waterproof and robustness features. In particular, Kyocera is developing an array of products, from simple mobile phones for senior generation to sophisticated smartphones, and by doing so, Kyocera is meeting diverse user needs.

In the communication module field, Kyocera is striving to expand business fields for automobiles and the IoT by developing applications for communications technology. Kyocera has been able to release products ahead of the competition by utilizing relationships with major carriers in Japan that Kyocera has built up in our mobile phone business and this has become a strength in terms of enabling response to the increasing sophistication of technology.

In the information and communications services business, Kyocera develops business mainly in Japan. In the ICT business, which primarily involves the development of application-related software and security-related software, Kyocera is developing and supplying products that meet user needs in line with the proliferation of the IoT and AI. Kyocera has also become a leading company in the LPWA (Low Power Wide Area) communications services field in Japan by securing license as the only operator in the country that can deploy Sigfox, an LPWA network where there are growing needs as a wireless communications network for the IoT.

***(e) Document Solutions Group***

In this reporting segment, Kyocera manufactures and sells printers, MFPs, commercial inkjet printers and provides solution services in the global market. Kyocera's competitors are mainly leading Japanese and the U.S. manufacturers of document equipment.

Kyocera supplies products that have been differentiated from the competition by being environmentally friendly and realizing low running costs through unique, long-life photoreceptor drums and low-power-consumption systems. Kyocera also continues to work on improving toner in the pursuit of high image quality and more energy savings in an effort to increase added value. Kyocera has also expanded our extensive product lineup ranging from high-speed to low-speed products to meet various customer needs. At the same time, Kyocera is raising our cost competitiveness by automating production lines for core components, toner containers and other areas.

Furthermore, in the commercial inkjet business, where it has made a new business entry, Kyocera undertakes development of products with exceptional economic efficiency that can reduce printing costs and respond to needs for large-volume printing of multi-product output, while it realizes high-resolution, high-productivity and high-durability.

In addition to expanding equipment development, Kyocera is working to further enhance competitiveness by bolstering document solutions business. Kyocera is expanding our business opportunities by providing the optimal document environment for each customer through effective use of various applications and software that meet user needs in document equipment to connect with a mobile terminals or cloud computing environment. Aside from this, Kyocera is further heightening the value Kyocera provides to customers in Kyocera's document solutions business by adding companies that handle ECM via aggressive M&A activity.

#### ***(f) Life & Environment Group***

In the solar energy business, Kyocera manufactures solar panels and sells solar power generation systems. The solar energy industry has a high number of competitors and competition is becoming increasingly severe from the perspectives of price. Despite this, Kyocera is working to expand business by leveraging competitive advantages in products that realize high conversion efficiency and long-term reliability based on technology backed up by experience accumulated over more than 40 years as one of the pioneering companies in the industry. In addition, Kyocera has generated top-class results in installing solar power generating systems for public and commercial use in Japan by providing system design, construction and maintenance.

Kyocera is actively seeking to expand its energy solutions business by strengthening development, particularly for power storage batteries and an EMS (Energy Management System), through utilization of the Group's management resources, knowhow and collaboration with outside parties and by participating in trial experiments relating to next-generation energy management with the aim of capturing demand for self-consumption of electricity, an area that expects to continue to grow. Kyocera succeeded in developing and manufacturing the world's first clay-type lithium-ion energy storage system, and plans to mass-produce low-cost, highly safe products in the future.

Further, a strong financial base enabling the provision of after-sales service and maintenance over a long period serves as a competitive advantage for us.

In the medical device business, Kyocera's main products are prosthetic joints, spinal implant and dental implants. Kyocera deals primarily with the Japanese market, Kyocera commands top-class competitiveness as a manufacturer in Japan. Kyocera is working to further strengthen its competitiveness by deploying products that integrate surface treatment technology for extending product life and technology that raises antibacterial properties. Kyocera is also striving to further expand business scale through efforts in the U.S. market based around M&A activities.

#### ***d. Trend Information***

Kyocera is working to expand sales in the four key markets of "information and communications," "automotive-related," "environment and energy" and "medical and healthcare" with the aim of generating further growth.

Kyocera believes 5G will serve as the driving force in the market for information and communications. In 2019, there was growth in demand for ceramic capacitors and other products for 5G base stations. In 2020, besides increased demand for 5G base station-related products to further enhance the infrastructure, demand for terminal-related products is expected to increase thanks to the introduction of 5G-compatible smartphones. However, future demand is now uncertain due to expect the reductions in production and sales resulting from the impact of COVID-19. Despite this situation, there is a move toward utilizing 5G services that enable high-speed, large-capacity, low-latency, and multi-connections in private networks. This is expected to be accompanied by an expansion in systems and services business for the building of local 5G network.

In the market for automotive-related, automobile sales volume in the 2020 calendar year is projected to remain sluggish. There will be continued rising needs for ADAS that lessen the burden on drivers, such as by enhancing autonomous driving and safety, as well as for environmental-related improvements. Nonetheless, the ceasing of production and decline in sales due to the impact of COVID-19 is concerned and we forecast that this will also affect demand for Kyocera's camera modules, communication modules, electronic components and parts for LED headlights.

In the environment and energy market, Kyocera forecasts demand in Japanese solar energy market, which is a major market for Kyocera's solar energy business is expected to shift from feed-in tariffs to self-consumption of renewable energy. To link this new demand to profits, in addition to solar panels, Kyocera will strive to expand sales of such products as the world's first clay-type lithium-ion energy storage system, SOFC (household-use Solid Oxide Fuel Cell) and EMS. In addition, Kyocera is witnessing movement toward the creation of infrastructure such as the VPP (Virtual Power Plant) domain and regional energy management system, to enable efficient energy use based on renewable energy. As a result, Kyocera projects increasing needs not only for Kyocera's equipment but also the various systems and services Kyocera offers.

Kyocera's main products in the medical and healthcare market are prosthetic joints. Kyocera anticipates that demand for these prosthetic joints will further increase in the future along with the aging of society. Kyocera commands the top market share in the market for prosthetic joints in Japan among Japanese manufacturers and have gained a high degree of trust from medical personnel. Taking advantage of these strengths, Kyocera will continue to expand into overseas markets with large market volumes. In view of expected demand for regenerative medicine and mobile health care, Kyocera is also collaborating with external organizations and participating in various types of projects and working to create new businesses.

## **2. Risk Factors**

In the matters described in business overview and financial information in annual report, Kyocera's management recognizes the following major risks that may adversely affect Kyocera's financial position, operating results and cash flows. This section is determined as of June 25, 2020, the filing date of this annual report. Described below are some of the potential risks to affect Kyocera's financial position, operating results and cash flows. However, this is not an exhaustive list of all risks to Kyocera.

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

#### ***(1) Risks Related to Changes in the Japanese and Global Economy***

Kyocera conducts business not only in Japan but also around the world and provides products and services for a variety of markets such as "information and communications," "automotive-related," "environment and energy," and "medical and healthcare." Changes in the Japanese and global economy may lead to a significant decrease in demand for our products. For the fiscal 2021, although diffusion of 5G services and recovery of the semiconductor market are expected, a global economy will continue to stagnate, and demand in automotive-related parts and document solutions businesses is expected to decline due to the spread of COVID-19.

(Key measures)

Even in such an uncertain economic environment, Kyocera will utilize our diverse management resources, and actively invest in growth businesses and strengthen R&D. Meanwhile, as value creation through digital reforms emerges as a trend in industrial society, Kyocera will proactively develop businesses in new growth areas in an effort to accelerate growth. In doing so, Kyocera will proceed with the following three strategies:

- further utilize our diverse management resources, from Kyocera's core technology of ceramics and other material technology to components, device and equipment, and system and service
- actively invest in growth businesses and strengthen R&D
- promote digital transformation across the entire group

#### ***(2) Risks Related to International Business Activities***

A substantial amount of Kyocera's investment has been targeted towards expanding manufacturing and sales channels located outside Japan, such as in the United States, Europe and Asia including China and Vietnam. In conducting business activities in these overseas markets, Kyocera may face various risks such as unexpected changes in laws and regulations concerning import-export control and restriction on investment, restriction on repatriation, transfer pricing legislation and controlled foreign companies legislation due to unfavorable political or economic factors.

(Key measures)

With regard to changes in overseas laws and regulations, Kyocera regularly holds meeting with the participation of legal staff of major subsidiaries to discuss legal issues and measures in each company. In terms of import-export control, Kyocera conducts employee training on security trade management and disseminates information on important business-related regulations in a timely manner. With regard to regulations on investment and the repatriation of profits to the home country, Kyocera and each group company will strive to prevent and avoid such risks by promptly collecting information on regulatory changes and taking appropriate measures. Kyocera is also aware of the changing international situation and taking active risk avoidance measures. For overseas tax systems, Kyocera strives to improve the transparency of our tax practices by submitting timely and appropriate information to build trust with the tax authorities in each country and strives to mitigate tax risks by confirming the appropriateness of our tax practices with the tax authorities in advance whenever possible. In particular, Kyocera conducts the international transactions within our group based on the arm's-length prices in accordance with the OECD transfer price guidelines, and Kyocera makes effort to pay taxes appropriately by utilizing Advance Pricing Agreement with tax authorities. We also prevent the transfer of sources of tax revenue to low tax rate countries and regions (so called "tax havens") with the purpose of excessive tax avoidance and work to make proper tax returns in accordance with each country's tax system.

### ***(3) Risks Related to Currency Exchange Rate Fluctuations***

As Kyocera operates in Japan and overseas, we are affected by exchange rate fluctuations. Since fluctuations in exchange rates always affect the results of Kyocera's business activities and the value and production costs of its overseas assets, they may affect Kyocera's financial position, operating results and cash flows, and may make it difficult to compare the results of its business activities over time.

Fluctuations in exchange rates may also adversely affect price competition for products sold in the same market by Kyocera and foreign competitors and the cost of imports necessary for Kyocera's business activities.

#### **(Key measures)**

Based on Kyocera's foreign exchange risk management policy, Kyocera seeks to mitigate currency exchange rate fluctuations by entering into foreign exchange contracts, primarily for the short-term. Kyocera is also working to reduce foreign exchange risks in purchasing prices by promoting local procurement of raw materials and other materials at overseas production sites.

### ***(4) Risks Related to the Competitive Environment of Kyocera's Products***

Kyocera sells a wide variety of products and, therefore, faces a broad range of competitors from large international companies to relatively small, rapidly growing and highly specialized companies. The competitive environment in Kyocera is not limited to these, but may change at any time due to emergence of new threats from competitors, including emerging countries with competitive advantages in terms of cost structure and other factors. Unlike many of our competitors specialize in a particular business area, Kyocera is multifaceted company and may not be able to invest as much capital as Kyocera's competitors in a particular business area. These competitors may have more financial, technical and marketing resources available than our individual businesses. Competitive factors vary by business segment, but prices and deadlines are key factors affecting all of Kyocera's business segments. Because the price pressure is generally constant, depending on demand and competitive conditions, declines in product prices are expected to continue and may consequently affect our financial position, operating results, and cash flows.

#### **(Key measures)**

Kyocera has management resources from materials technology to components, devices and equipment, and systems and services. In order to make effective use of these management resources, Kyocera is working to strengthen cooperation within the group and secure competitive advantage by providing high value-added products. In the businesses in which Kyocera develops, produces and distributes specialized parts for its customers' products, its competitive position depends significantly on being involved early in the process of creating a new product that meet its customers' requirements for each business. Moreover, in response to price decline, Kyocera is implementing through practice of its own management system "Amoeba Management System" to thoroughly manage profitability by division, in an effort to reduce costs and achieve high competitiveness.

***(5) Risks Related to Fluctuations in the Price of Raw Material Used in Production Activities and the Supply Capacity of Suppliers***

Raw materials used in the production activities of Kyocera's respective businesses are constantly subject to price fluctuations, and as such, an increase in raw material prices may lead to an increase in manufacturing costs. This increase in the cost of production may not be passed on to the selling price of the product and may reduce our profitability. When a cost of raw material exceeds net realizable value, the raw materials are written down to net realizable value, which is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale, and there is a possibility of writing down in the future.

In addition, Kyocera relies on certain suppliers for some of the raw materials used in its production cycle, and any excess demand on those suppliers resulting a shortage in the supply to us may cause delays and disruptions in our production cycle. If a substantial interruption should occur in the supply of these raw materials, Kyocera may not be able to obtain other sources of supply in a timely fashion or at a reasonable price. An increase in the price or an interruption in the supply of these raw materials may cause reduced demand for Kyocera's products.

(Key measures)

Kyocera has established "Basic Policy on Purchasing" for purchasing activities and reliable suppliers are selected through various surveys on company overviews and CSR, and Kyocera's basic policy is to procure raw materials and other materials from multiple companies to ensure stable and fair procurement.

As Kyocera operates a wide range of businesses, we are working to enhance our ability to negotiate better prices through intra-group cooperation in procuring raw materials and other materials.

Furthermore, as our company conducts business activities ranging from materials to systems and services, the entire group procures some of the materials and components for use in each business. This makes it possible to consider switching to procurement within the group if it is not possible to secure materials and components procured externally.

***(6) Risks Related to Manufacturing Delays or Defects Resulting from Outsourcing or Internal Manufacturing Processes***

Kyocera ordinarily outsources the fabrication of certain components and sub-assemblies of its products, often to one or a limited number of suppliers. Several suppliers require very complex manufacturing processes and long lead-time, which can delay the supply of components and sub-assemblies. If these parts and assemblies are not delivered in timely manner and of high quality or reliability, the related products may be materially affected, causing delays or interruptions in Kyocera's production cycle.

Furthermore, in the manufacturing process, minute impurities, difficulties in the production process or other factors can cause a substantial percentage of its products to be rejected or be non-functional. These factors can result in lower than expected production yields, which delay product shipments and cause a claim for damages may materially and adversely affect Kyocera's operating results. Moreover, in certain operations where fixed cost ratio is high, decreases in production volume or capacity utilization may adversely affect Kyocera's financial position, operating results and cash flows.

(Key measures)

Kyocera has established "Basic Policy on Purchasing" for selecting outsourcing contractors after careful consideration. In addition, Kyocera supplies raw materials and components for the manufacturing processes it has established and lends facilities and manufacturing specifications to subcontractors to meet delivery deadlines and quality requirements under the same production and quality management systems as Kyocera. Kyocera also working to reduce risk by continuously implementing quality improvement activities using data science and productivity improvement activities using AI and robots.

***(7) Risks Related to Future Initiatives and In-process Research and Development May not Produce the Desired Results***

Kyocera constantly expanding its production and development capability to satisfy growing demand and customer requirements. If we are unable to expand our production and development capabilities as planned due to unexpected technical delays or customer policy changes, Kyocera may not be able to achieve the expected results from newly produced products or developed technologies. Products resulting from in-process research and development activities in Kyocera may not meet market expectations.

(Key measures)

Kyocera strives to strengthen its R&D activities to respond to the rapidly changing market environment by carefully monitoring customer and market trends and globally expanding its development, manufacturing, sales and marketing activities. Kyocera will accelerate open innovation and create new products and services which contribute to the advancement of society and humankind with “Keihanna Research Center” which develops products and technologies related to materials and devices and “Minatomirai Research Center” develops software and system.

***(8) Risks Related to Companies or Assets Acquired by Kyocera May not Produce Returns or Benefits, or Bring in Anticipated Business Opportunities***

Kyocera considers and may acquire companies or assets through merger and acquisitions to develop its business. However, there is a possibility that Kyocera will not be able to integrate the operations, products and personnel of the acquired companies with its own in an efficient manner. Nor can there be any assurance that Kyocera will be able to achieve operational and financial returns or benefits, or bring in new business opportunities, which it expects from the acquisition. In addition, Kyocera may not be able to efficiently manufacture products or provide services as planned by Kyocera, and the demand for such products or services may not be at the levels that Kyocera anticipates. As a result, the inability to use the companies and assets acquired through acquisitions as expected could have a material adverse effect on Kyocera’s business. In addition, collaboration with other companies, academic institutions, governmental organizations, etc., may be affected in the same way as above.

(Key measures)

In making investment decisions such as corporate acquisitions, asset purchase, and business collaborations, Kyocera carefully deliberates on business plans that reasonably and conservatively estimate their effects at institutional meetings with external expert reviews. Subsequent to the acquisition, Kyocera promote PMI and monitors the degree of achievement for the business plan and implements appropriate measures to avoid the risk of loss.

***(9) Risks of Difficulties in Securing Superior Human Resources***

For Kyocera to thrive in the future, we need to secure key personnel, including engineering, operational and management personnel. Kyocera believes that it will need to hire additional talented personnel across all areas of its business. In recent years, competition for these talented personnel in various fields has become increasingly fierce, and there is a possibility that Kyocera will not be able to retain existing personnel or attract additional capable human resources in the future.

(Key measures)

Kyocera recruits new graduates with high potential and motivation, and aggressively employed experienced people with highly specialized skills and various managerial abilities throughout the year. Kyocera also provides human resource education aimed at improving their abilities through both the understanding and practice of “Kyocera Philosophy,” which uses “What is the right thing to do as a human being” as the criteria for decision making and mastering of the specialized knowledge and skills for the performance of business. Kyocera endeavors to optimize human resources who can help us achieve the management rationale by providing a variety of education programs based on the education system composed for each objective. We are also actively working to create a comfortable working environment in which various human resources can play an active role, such as enhancing work-life balance and promoting diversity.

***(10) Risk Related to Information Security***

Kyocera holds important business information, personal and confidential information obtained from our customers. There is a risk of information leakage, falsification, or system shutdown due to computer virus intrusion or advanced cyberattacks, etc. If such situation occurs, Kyocera's financial position, operating results, and cash flow may be affected due to additional countermeasures and expenses such as compensation for damages. In addition, to prevent unauthorized access to Kyocera's systems, we may incur additional costs related to maintaining information security that will enable it to respond to future technological innovations, which may affect our financial position and business activities.

(Key measures)

Kyocera has established "Information Security Management Policy" for the entire Kyocera group as we see management strategies, product development, expertise, technology and other as its important assets. In addition, Kyocera has established a variety of rules that employees must comply with and provide employee training to maintain and ensure information security. Kyocera works to take measures for security of networks and IT assets to strengthen information security.

***Risks Related to Legal Restrictions and Litigations***

***(11) Risk Related to Trade Secrets, Patents and Brand Value in Kyocera***

Kyocera's trade secrets and other intellectual property must be protected in order for Kyocera to develop in the future and to establish and maintain its dominant position in the marketplace. Kyocera has entered into confidentiality agreements with employees, partners such as joint ventures, customers, outsourcers, etc. to protect trade secrets. Kyocera also working to obtain patents in Japan and overseas for products and processes developed independently by Kyocera. Kyocera's financial position, operating results and cash flows could be affected by improper disclosure of trade secrets by the parties to the non-disclosure agreement, infringement of Kyocera's patented proprietary products and processes by other companies, or sales and offers for sale of counterfeit products that damage the brand value of Kyocera's brand value. While Kyocera strategically applies for patents on some of its inventions, such applications may not be registered and may be invalidated or avoided if registered.

(Key measures)

To protect trade secrets, Kyocera has confidentiality agreements with employees, partners such as joint ventures, customers, outsourcers, etc. Products and processes developed by Kyocera are patented in Japan and overseas to eliminate infringers. Kyocera increases the possibility of patent issues by filing several patent applications for an invention from various perspectives after investigating prior art. Kyocera also obtains several strong patents that strategically cover its relevant business area and products from various perspectives, and use these patents to contribute to business. Furthermore, in order to maintain and improve the value of Kyocera's brand, we obtained trademark rights and prosecuted counterfeit products.

***(12) Licensing Risks Required to Continue Manufacturing and Selling Kyocera's of Its Products***

From time to time, Kyocera has received, and may receive in the future, notice of claims of infringement of other parties' proprietary rights and licensing offers to commercialize third party's patent rights and has received requests for compensation for patent licenses. Accordingly, Kyocera cannot assure that:

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

(Key measures)

When developing new technologies and products, Kyocera investigates patents owned by other companies in advance and works to solve any problems before launching business. If other companies still assert infringements, Kyocera will deal with it in good faith and aim to solve it by paying the appropriate patent license fee if necessary.

***(13) Risks Related to Compliance***

Kyocera strives to ensure thorough compliance based on its corporate philosophy "Kyocera Philosophy" that is based on a concept included in Kyocera's decision making "What is the right thing to do as a human being." However, if the compliance is not thoroughly implemented and a violation of laws or social norms occurs, it may affect Kyocera's consolidated financial position, operating results and cash flows by suspension of transactions from customers due to a loss of credibility, payment of penalties and claims for damages.

(Key measures)

Kyocera understands that compliance is an important activity as an extension of its corporate rationale and corporate philosophy "Kyocera Philosophy," and that compliance with related laws and regulations of each country is an extremely important activity that leads to the trust of stakeholders. Kyocera is actively engaged in compliance activities, such as the establishment of specialized department of "Global Compliance Division" and the "Kyocera Compliance Statement." In addition, Kyocera ensures thorough compliance with the law by taking measures including management by each division in charge of a specific law or regulation, the establishment of an in-house communication system for notification of the enactment or revision of a law or regulation, the establishment of internal reporting system, the implementation of regular legal compliance audits, and the provision of compliance training to employees. Kyocera also regularly holds the "Kyocera Group Global Legal Affairs Meeting," in which legal and compliance affairs personnel of major subsidiaries participate in order to share their risks globally. The participants share their compliance activities and discuss on various legal issues affecting Kyocera Group at the meeting.

***(14) Risks Related to Incur Environmental Penalty Costs and Liability***

Kyocera is subject to various environmental laws and regulations in Japan and the other countries, including the greenhouse gas mitigation, air emissions, soil contamination, wastewater discharges, the handling, disposal and remediation of hazardous substances, wastes and certain chemicals, product recycling, health, safety and property preservations of employees and community residents, labeling or other notifications with respect to the content or other aspects of our processes, products or packaging, restrictions on the use of certain materials in or on design aspects of our products or product packaging, and responsibility for disposal of products or product packaging. As well as our current operations, these laws and regulations can be applied to our past operations and may be applicable to the past operations of businesses acquired from other companies even if such operations occurred before our acquisitions. Kyocera establishes reserves for specifically identified potential environmental liabilities when such liabilities are probable and can be reasonably estimated. In case we fail to comply with such laws and regulations, we could be required by the relevant governmental organizations to pay penalty costs or remediation compensation. Furthermore, we may make voluntary payments to compensate for environmental problems if we deem such compensation to be necessary. The cost obligations noted above may adversely affect Kyocera's financial position, operating results and cash flows.

(Key measures)

Kyocera has established "Kyocera Group Environmental Safety Policy," which includes reduction in environmental loads through product life cycle and control of greenhouse gas emissions throughout the value chain, to promote comprehensive measures for environmental safety based on its management rationale in business activities. In addition, Kyocera strives to thoroughly comply with environment-related laws and to appropriately understand and respond to changes in regulations.

***(15) Risks Related to Climate Change***

The environmental laws and regulations applicable to Kyocera may be more stringent or the scope of the laws and regulations can be broadened in the future due to factors including global climate change. With respect to greenhouse gas mitigation in particular, international emissions trading regime may be created based on the result of the intergovernmental dialogue on global climate change. The following risks may become apparent due to insufficient or delayed responses.

(Key measures)

Kyocera has set the target, approved as Science Based Targets (SBT) of "a 30% reduction in greenhouse gas emissions by FY2030 from the FY2013 level" at Kyocera Group CSR Committee chaired by Representative Director and President. Kyocera strives to promote the spread of renewable energy by implementation of demonstration tests and expanding its energy solutions business. Kyocera aims to decrease energy costs by increasing the ratio of renewable energy through the introduction of its solar power generation system, fuel cells and storage batteries. Kyocera works to reduce energy consumption by promoting energy saving in the manufacturing process. Kyocera expresses its support for TCFD (Task Force on Climate-related Financial Disclosures) and aims to actively disclose related information.

## **Risks Related to Disasters or Unpredictable Events**

### ***(16) Risks Related to Outbreaks of Disease, Terrorism, Wars or Similar Events***

Kyocera, as a global company, has been expanding its business worldwide. At the same time, Kyocera is increasingly exposed to risks from terrorism, outbreaks of disease, war and other similar events. In the case that those events occur, Kyocera's operating activities such as R&D, manufacturing, sales and services would be delay, disorder or suspension. If such delay or disruption occurs and continues for a long period of time, Kyocera's business, consolidated financial position, operating results and cash flows may be adversely affected.

(Key measures)

Kyocera's business activities have also been significantly affected by the pandemic of COVID-19, such as by contracting and ceasing production in accordance with the policies and action plans of the governments of each country. Kyocera expects that the second and third waves of COVID-19 will continue to prevail, and that the business environment will evolve due to various factors in the future.

With regard to respond to COVID-19, Kyocera gives top priority to maintaining the health of our customers, business partners, employees and their families and is making every effort to prevent and stop the spread of infections. Specifically, Kyocera is placing priority on production of products with high supply responsibilities and ceasing non-urgent production and encouraging employees to work from home. At the same time, Kyocera is taking such measures as providing special leave to employees who have difficulty in commuting or working from home due to the temporary closure of their children's schools. The spread of COVID-19 required both manufacturing and administrative departments to make quick responses such as for realizing laborsaving operations and encouraging work from home. Thanks to these efforts, Kyocera has been able to respond smoothly to these challenging circumstances. In the future, Kyocera will continue to promote activities for doubling productivity across the entire Group.

### ***(17) Risks Related to Suffering the Devastating Effects of Earthquakes and Other Disasters***

Kyocera's headquarters and major facilities including plants, sales offices and R&D centers are located not only in Japan but also all over the world. It might be inevitable that Kyocera would suffer from natural disasters such as earthquakes, typhoons, tsunamis, heavy rains, floods, heavy snow or other disasters, as well as manmade disasters such as a major industrial accident affecting one of our facilities. For instance, if a strong earthquake devastated Kyocera's employees, R&D or manufacturing facilities, Kyocera's operating activities would be suspended and manufacturing and shipment would be delayed. Kyocera may also incur a great amount of expenses, such as repair expenses for the damaged machines or facilities. In addition, if the social and economic infrastructure suffers from adverse damages, traffic disturbance and electric power outages could occur and they may affect Kyocera's supply chains or manufacturing operations. Furthermore, Kyocera may be unable to obtain raw materials if our suppliers sustain damage and Kyocera may also face difficulties shipping its products if its customers sustain damage. Those damages set forth above, as well as any resulting general economic slowdown and lower consumption levels, may have a material adverse effect on Kyocera's consolidated financial position, operating results and cash flows.

(Key measures)

Kyocera has established a system for the BCP against natural disasters such as earthquakes and human-made disasters and continued its activities. Kyocera takes measures to minimize damage of important resources such as personnel, equipment, materials, and information in advance. In case of a disaster, Kyocera prepares for the early resumption of operation by formulating a recovery plan and taking measures of alternative supply and providing training to employees.

## **Risks Related to Financial and Accounting**

### ***(18) Credit Risk on Trade Receivables Due to Its Customers' Worsening Financial Condition***

Kyocera maintains allowance for credit losses related to trade receivables for estimated losses resulting from customers' inability to make timely payments. However, trade receivables in the ordinary operating activity are not covered by collateral or credit insurance. Therefore, if customers with whom Kyocera has substantial accounts receivable face difficulty in making payments due to economic downturn, Kyocera's consolidated financial position, operating results and cash flows may be adversely affected.

(Key measures)

Kyocera sets collection terms and credit limits for each obligor in accordance with its credit management rules, and periodically reviews each obligor's credit. The deadline for collection is also managed daily. In the event of collection delays or credit concerns, Kyocera works to reduce credit risk by measures of credit protection on a case-by-case basis, such as collection of claims, modification of loan terms, and procurement of collateral and guarantees.

### ***(19) Risks Related to Investments in Equity Securities and other Investments that Kyocera Holds***

Kyocera holds investments in equity securities other than those of our subsidiaries and affiliates for the purpose of maintaining and improving its business relationship. A substantial portion of Kyocera's investment is in shares of KDDI Corporation, a Japanese telecommunication service provider. At March 31, 2020, Kyocera held 14.22% of outstanding shares of KDDI Corporation. As the investment in shares of KDDI Corporation accounts for approximately 30% of Kyocera's total assets, fluctuations in the market value of the shares of KDDI Corporation may materially affect Kyocera's financial position.

(Key measures)

Kyocera continues to hold shares of KDDI Corporation as an important business partner for economic rationality and future business opportunities. For equity securities including strategic investments in its portfolio, Kyocera periodically reviews the economic rationality of holding significance of those shares and, in principal, Kyocera sells those that it determines are not worth holding. Kyocera also monitors stock prices on regular basis to detect the possibility that fluctuations the stock prices may have a material impact on its financial position.

### ***(20) Risks Related to Impairment Losses on Property, Plant and Equipment, Goodwill and Intangible Assets***

Kyocera has many property, plant and equipment, goodwill and intangible assets. Property, plant and equipment and intangible assets with definite useful lives are tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Goodwill and intangible assets with indefinite useful lives, rather than being amortized, are tested for impairment at least annually, and also following any events and changes in circumstances that might lead to impairment. In case the above assets are considered to be impaired, a loss on impairment is recognized based on the amount by which the carrying value exceeds the recoverable amount of these assets. Such losses on impairment may materially affect Kyocera's consolidated financial position and operating results.

(Key measures)

As mentioned in “(8) Risks Related to Companies or Assets Acquired by Kyocera May not Produce Returns or Benefits, or Bring in Anticipated Business Opportunities,” in making decisions on investment such as corporate acquisitions, asset purchase, and business collaborations, Kyocera carefully deliberates on business plans that reasonably and conservatively estimate their effects at institutional meetings with external expert reviews. After acquisition, Kyocera monitors the degree of achievement against the initial business plan and accordingly implements appropriate measures to avoid the risk of making a loss.

***(21) Risks Related to Uncertainty of Deferred Tax Assets and Income Taxes***

Kyocera recognizes deferred tax assets only when it is probable to be available for future taxable profit. If future taxable profit is lower than expected due to future market conditions or poor operating results, significant adjustments to deferred tax assets may be required. Kyocera records liabilities for uncertain tax positions based on the premise of being subject to income tax examination by tax authorities, when it is probable that uncertain tax positions will not be sustained. Actual results, such as settlements with tax authorities, may differ from Kyocera's recognition.

(Key measures)

Kyocera strives to avoid changes in the collectability of deferred tax assets by checking the degree of achievement in the annual business plans of its subsidiaries in a timely manner and taking appropriate measures on a case-by-case basis. In addition, Kyocera uses outside experts to minimize risks associated with tax changes and audits in each country.

***(22) Changes in Accounting Standards May Adversely Impact Kyocera's Financial Position and Operating Results***

Adoptions of new accounting standards, or changes in accounting standards may have an effect on Kyocera's consolidated financial position and operating results. In addition, if Kyocera modifies its accounting software or information systems to introduce changes in accounting standards, certain investments or expenses may be required.

(Key measures)

Since the consolidated financial statements of Kyocera have been prepared in accordance with IFRS, a division has been established to appropriately respond to IFRS, and a system has been put in place to respond to the new accounting standards by obtaining standards and interpretations issued by the International Accounting Standards Board as needed. Changes in accounting standards are disclosed appropriately after ascertaining its impact on the Kyocera's financial position and operating results. Furthermore, although a certain amount of investment is required in order to establish effective internal control over financial reporting in the event of a change in accounting standards, the necessity of investment is determined based on an appropriate understanding of the changes.

### 3. Management's Discussion and Analysis of Financial Position, Operating Results and Cash Flows

#### (1) Summary of Performance

Sales revenue for fiscal 2020 was a slight decrease from fiscal 2019. Sales revenue of the Electronic Devices Group and the Document Solutions Group decreased due to a prolonged inventory adjustment and the slowdown of the global economy resulted from the spread of COVID-19, and this decrease was more than offset an increase in sales revenue in the Industrial & Automotive Components Group reflecting a contribution from M&A activity. Despite the impact of an increase in depreciation charge, profits increased from fiscal 2019 due mainly to the absence of a one-time charge recorded in fiscal 2019 resulting from, among others, structural reforms in the solar energy business and the organic materials business.

(Yen in millions)

	For the year ended March 31, 2019		For the year ended March 31, 2020		Change	
	Amount	%*	Amount	%*	Amount	%
Sales revenue	1,623,710	100.0	1,599,053	100.0	(24,657)	(1.5)
Operating profit	94,823	5.8	100,193	6.3	5,370	5.7
Profit before income taxes	140,610	8.7	148,826	9.3	8,216	5.8
Profit attributable to owners of the parent	103,210	6.4	107,721	6.7	4,511	4.4
Average U.S. dollar exchange rate (yen)	111	—	109	—	—	—
Average Euro exchange rate (yen)	128	—	121	—	—	—

\* % represents the percentage to sales revenue.

#### (2) Financial Position and Operating Results

##### a. Sales Revenue

Sales revenue in fiscal 2020 decreased by 24,657 million yen, or 1.5%, to 1,599,053 million yen, compared with 1,623,710 million yen in fiscal 2019.

Sales revenue in the Components Business in fiscal 2020 decreased by 15,949 million yen, or 1.7%, to 912,434 million yen, compared with 928,383 million yen in fiscal 2019. Sales in AVX Corporation decreased due to continued inventory adjustments at the distributor and sluggish demand in the automotive related industry, which more than offset contributions from M&A activities.

Sales revenue in the Equipment & Systems Business decreased by 8,660 million yen, or 1.2%, to 698,668 million yen, compared with 707,328 million yen in fiscal 2019. Sales revenue in the Document Solutions Group decreased due primarily to the effect of foreign currency fluctuation as well as lower demand caused by the slowdown of the global economy resulting from the spread of COVID-19.

Due mainly to the impact of the yen's appreciation against the U.S. dollar and Euro, sales revenue after translation into the yen in fiscal 2020 were pushed down by approximately 36 billion yen, compared with fiscal 2019.

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

In fiscal 2020, cost of sales decreased by 1,808 million yen, or 0.2%, to 1,157,879 million yen from 1,159,687 million yen in fiscal 2019.

Raw material costs of 420,158 million yen accounted for 36.3% of total cost of sales in fiscal 2020, which decreased by 45,365 million yen, or 9.7%, from 465,523 million yen in fiscal 2019. Labor costs of 247,480 million yen accounted for 21.4% of total cost of sales in fiscal 2020, which decreased by 3,506 million yen, or 1.4%, from 250,986 million yen in fiscal 2019. Depreciation charge of 54,570 million yen accounted for 4.7% of total cost of sales in fiscal 2020, which increased by 11,100 million yen, or 25.5%, from 43,470 million yen in fiscal 2019.

As a result, gross profit in fiscal 2020 decreased by 22,849 million yen, or 4.9%, to 441,174 million yen from 464,023 million yen in fiscal 2019. The gross profit ratio to sales revenue decreased by 1.0 percentage points from 28.6% to 27.6%.

#### ***c. Selling, General and Administrative Expenses and Operating Profit***

In fiscal 2020, selling, general and administrative expenses decreased by 28,219 million yen, or 7.6%, to 340,981 million yen from 369,200 million yen in fiscal 2019. This was due mainly to the absence of a one-time charge recorded in fiscal 2019 in the aggregate resulting from, among others, structural reforms in the solar energy business and the organic materials business, despite the impact of an increase in costs due to consolidating Kyocera Industrial Tools, Inc., which joined Kyocera in June 2019 as well as the recording of a one-time charge of 7,085 million yen relating to litigation at AVX Corporation and professional fee of 3,652 million yen expensed in making AVX Corporation as a wholly owned subsidiary.

Labor costs of 196,667 million yen accounted for 57.7% of total selling, general and administrative expenses in fiscal 2020, an increase of 21,866 million yen, or 12.5%, from 174,801 million yen, in fiscal 2019. Sales promotion and advertising costs of 42,989 million yen, accounted for 12.6% of total selling, general and administrative expenses in fiscal 2020, a decrease of 108 million yen, or 0.3%, from 43,097 million yen, in fiscal 2019.

Depreciation charge of 29,438 million yen, accounted for 8.6% of total selling, general and administrative expenses in fiscal 2020, an increase of 14,685 million yen, or 99.5% from 14,753 million yen, in fiscal 2019.

As a result, operating profit in fiscal 2020 increased by 5,370 million yen, or 5.7%, to 100,193 million yen, compared with 94,823 million yen in fiscal 2019. The operating profit ratio to sales revenue increased 0.5 percentage points to 6.3% in fiscal 2020, compared with 5.8% in fiscal 2019.

#### ***d. Finance Income***

Finance income in fiscal 2020 increased by 3,404 million yen, or 7.6%, to 48,154 million yen, compared with 44,750 million yen in fiscal 2019. This was due mainly to an increase in dividend income from KDDI Corporation.

#### ***e. Finance Expenses***

Finance expenses in fiscal 2020 increased by 312 million yen, or 25.1%, to 1,553 million yen, compared with 1,241 million yen in fiscal 2019.

#### ***f. Foreign Exchange Gains (Losses)***

The average exchange rates for fiscal 2020 were 109 yen to the U.S. dollar, marking appreciation of 2 yen (1.8%), and 121 yen to the Euro, marking appreciation of 7 yen (5.5%), from fiscal 2019. The exchange rates at March 31, 2020 were 109 yen to the U.S. dollar, marking appreciation of 2 yen (1.8%), and 120 yen to the Euro, marking appreciation of 5 yen (4.0%), from March 31, 2019. Kyocera recorded foreign exchange losses of 481 million yen in fiscal 2020.

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

#### ***g. Profit or Loss of Investments Accounted for Using the Equity Method***

Profit of investments accounted for using the equity method in fiscal 2020 decreased by 255 million yen, or 67.3%, to 124 million yen, compared with the profit of 379 million yen in fiscal 2019.

#### ***h. Profit Before Income Taxes***

Profit before income taxes in fiscal 2020 increased by 8,216 million yen, or 5.8%, to 148,826 million yen compared with 140,610 million yen in fiscal 2019. The ratio of profit before income taxes to sales revenue increased by 0.6 percentage points to 9.3% compared with 8.7% in fiscal 2019.

Business profit in the Components Business in fiscal 2020 decreased by 38,240 million yen, or 32.9%, to 78,068 million yen, compared with 116,308 million yen in fiscal 2019. This was due to the impact of an increase in depreciation charge and the recording of one-time charge mainly relating to litigation at AVX Corporation, which more than offset the absence of 16,184 million yen of impairment losses relating to machinery, equipment, goodwill and intangible asset in the organic materials business in fiscal 2019.

Business profit in the Equipment & Systems Business for fiscal 2020 increased by 47,836 million yen, to 34,741 million yen, compared with loss of 13,095 million yen in fiscal 2019. This was due mainly to the absence of settlement expenses and write-down recorded in fiscal 2019 in total amount of 52,313 million yen relating to long-term purchase agreements for procurement of polysilicon material in the solar energy business.

Due mainly to the impact of the yen's appreciation against the U.S. dollar and Euro, profit before income taxes after translation into the yen in fiscal 2020 were pushed down by approximately 11.5 billion yen, compared with fiscal 2019.

#### ***i. Income Taxes***

Income taxes in fiscal 2020 increased by 11,226 million yen, or 43.6% to 36,980 million yen, of which the effective tax rate was 24.8%, compared with 25,754 million yen in fiscal 2019, of which the effective tax rate was 18.3%. This was due mainly to that Kyocera recognized deferred tax assets for the temporary differences and the carryforward of unused tax losses of Kyocera Display Corporation based on that Kyocera Corporation merged with Kyocera Display Corporation for fiscal 2019.

#### ***j. Profit Attributable to Non-controlling Interests***

Profit attributable to non-controlling interests in fiscal 2020 decreased by 7,521 million yen, or 64.6%, to 4,125 million yen compared with 11,646 million yen in fiscal 2019. This was due mainly to a decrease in profit for the year of AVX Corporation, made it wholly owned subsidiary in March 2020, for which there was a non-controlling interest of approximate 28% during fiscal 2020.

#### ***k. Business Overview by Reporting Segment***

##### Industrial & Automotive Components Group

Sales revenue in the Industrial & Automotive Components Group for fiscal 2020 increased by 26,754 million yen, or 8.5%, to 341,093 million yen, compared with 314,339 million yen for fiscal 2019. Although the impact of the yen's appreciation pushing down approximately 7.5 billion yen in addition to sales of automotive parts, such as displays, decreased, sales of industrial tools increased as a result of the contribution of M&A activities. Sales in this reporting segment were buoyed by M&A activities, which increased sales by approximately 65 billion yen. Business profit for fiscal 2020 decreased by 22,637 million yen, or 58.9%, to 15,813 million yen, compared with 38,450 million yen for fiscal 2019. The Business profit ratio for fiscal 2020 was 4.6%. This was due to decreased sales in the industrial machinery and automotive-related markets as well as an increased depreciation charge approximately 4 billion yen resulting from capital expenditures for fiscal 2019.

##### Semiconductor Components Group

Sales revenue in the Semiconductor Components Group for fiscal 2020 was 247,228 million yen, remaining almost flat compared with fiscal 2019 with the impact of the yen's appreciation pushing down approximately 6 billion yen. Business profit increased by 19,579 million yen, or 179.1%, to 30,511 million yen, compared with 10,932 million yen for fiscal 2019. The business profit ratio for fiscal 2020 improved to 12.3%. This was due to improved profitability in the organic materials business, which became profitable, in addition to the absence of an impairment loss relating to machinery, equipment, goodwill and intangible asset in the organic materials business in the amount of 16,184 million yen recorded in fiscal 2019.

#### Electronic Devices Group

Sales revenue in the Electronic Devices Group for fiscal 2020 decreased by 40,714 million yen, or 11.2%, to 324,113 million yen, compared with 364,827 million yen for fiscal 2019. In addition to the impact of the yen's appreciation pushing down approximately 7 billion yen, sales in AVX Corporation decreased due to continued inventory adjustments at the distributor and sluggish demand in the automotive-related industry as well as the slowdown of the global economy resulting from the spread of COVID-19.

Business profit decreased by 35,182 million yen, or 52.6%, to 31,744 million yen, compared with 66,926 million yen for fiscal 2019. The business profit ratio for fiscal 2020 was 9.8%. This was due to the decrease in sales as well as the recording of a one-time charge in the amount of 10,737 million yen mainly relating to litigation at AVX Corporation.

#### Communications Group

Sales revenue in the Communications Group for fiscal 2020 was 252,062 million yen, remaining flat compared with fiscal 2019. Despite a slight increase in sales in the information system and telecommunication services business due mainly to higher sales in the ICT solutions business, sales in the telecommunications equipment business decreased slightly due to a re-examination of the line-up of handset models for overseas markets.

Business profit increased by 1,057 million yen, or 10.2%, to 11,450 million yen, compared with 10,393 million yen for fiscal 2019. The business profit ratio for fiscal 2020 was 4.5%. This was due to improved margins in the telecommunications equipment business resulting from cost reductions.

#### Document Solutions Group

Sales revenue in the Document Solutions Group for fiscal 2020 decreased by 15,232 million yen, or 4.1%, to 359,915 million yen, compared with 375,147 million yen for fiscal 2019. This was due to the impact of the yen's appreciation pushing down approximately 15 billion yen in addition to lower demand caused by the slowdown of the global economy resulting from the spread of COVID-19 which more than offset the contribution of M&A activities conducted in fiscal 2020, which had the effect of adding approximately 4.5 billion yen.

Business profit decreased by 9,039 million yen, or 20.8%, to 34,489 million yen, compared with 43,528 million yen for fiscal 2019. The business profit ratio for fiscal 2020 was 9.6%. This was due to the impact of the yen's appreciation pushing down approximately 6.5 billion yen in addition to decreased sales.

#### Life & Environment Group

Sales revenue in the Life & Environment Group for fiscal 2020 increased by 6,577 million yen, or 8.2%, to 86,691 million yen, compared with 80,114 million yen for fiscal 2019. This was due mainly to increased sales in the solar energy business for commercial market in Japan. In addition, shipment volume of solar modules in fiscal 2020 increased by approximately 10% compared with fiscal 2019.

Business loss for fiscal 2020 decreased by 55,818 million yen to 11,198 million yen, compared with 67,016 million yen for fiscal 2019 due to improved profitability resulting from cost reductions achieved through the progress of structural reforms, in addition to the absence of settlement expenses recorded and write-down in fiscal 2019 in total amount of 52,313 million yen relating to long-term purchase agreements for procurement of polysilicon material in the solar energy business.

## Sales Revenue by Reporting Segment

(Yen in millions)

	For the year ended March 31, 2019		For the year ended March 31, 2020		Change	
	Amount	%*	Amount	%*	Amount	%
Industrial & Automotive Components Group	314,339	19.4	341,093	21.3	26,754	8.5
Semiconductor Components Group	249,217	15.3	247,228	15.5	(1,989)	(0.8)
Electronic Devices Group	364,827	22.5	324,113	20.3	(40,714)	(11.2)
Total Components Business	928,383	57.2	912,434	57.1	(15,949)	(1.7)
Communications Group	252,067	15.5	252,062	15.8	(5)	(0.0)
Document Solutions Group	375,147	23.1	359,915	22.5	(15,232)	(4.1)
Life & Environment Group	80,114	5.0	86,691	5.4	6,577	8.2
Total Equipment & Systems Business	707,328	43.6	698,668	43.7	(8,660)	(1.2)
Others	17,190	1.0	16,737	1.0	(453)	(2.6)
Adjustments and eliminations	(29,191)	(1.8)	(28,786)	(1.8)	405	—
Sales revenue	1,623,710	100.0	1,599,053	100.0	(24,657)	(1.5)

\* % represents the component ratio.

## Business Profit (Loss) by Reporting Segment

(Yen in millions)

	For the year ended March 31, 2019		For the year ended March 31, 2020		Change	
	Amount	%*	Amount	%*	Amount	%
Industrial & Automotive Components Group	38,450	12.2	15,813	4.6	(22,637)	(58.9)
Semiconductor Components Group	10,932	4.4	30,511	12.3	19,579	179.1
Electronic Devices Group	66,926	18.3	31,744	9.8	(35,182)	(52.6)
Total Components Business	116,308	12.5	78,068	8.6	(38,240)	(32.9)
Communications Group	10,393	4.1	11,450	4.5	1,057	10.2
Document Solutions Group	43,528	11.6	34,489	9.6	(9,039)	(20.8)
Life & Environment Group	(67,016)	—	(11,198)	—	55,818	—
Total Equipment & Systems Business	(13,095)	—	34,741	5.0	47,836	—
Others	660	3.8	(4,484)	—	(5,144)	—
Total business profit	103,873	6.4	108,325	6.8	4,452	4.3
Corporate gains and share of net profit of investments accounted for using the equity method	38,954	—	41,977	—	3,023	7.8
Adjustments and eliminations	(2,217)	—	(1,476)	—	741	—
Profit before income taxes	140,610	8.7	148,826	9.3	8,216	5.8

\* % represents the percentage to sales revenue of each corresponding segment.

### ***l. Corporate Gains and Share of Net Profit of Investments Accounted for Using the Equity Method***

Corporate gains and losses mainly constitute gains or losses related to financial assets and income related to management supporting service provided by Kyocera's head office to each reporting segment. Such income increased by 3,023 million yen, or 7.8%, to 41,977 million yen, compared with 38,954 million yen in fiscal 2019. This was due mainly to an increase in dividend income from KDDI Corporation.

### ***m. Summary of Production, Order Backlog and Sales***

Order Backlog by Reporting Segment

(Yen in millions)

	For the year ended March 31, 2019		For the year ended March 31, 2020		Change
	Amount	%*	Amount	%*	%
Industrial & Automotive Components Group	315,926	19.6	339,495	21.9	7.5
Semiconductor Components Group	245,869	15.3	243,726	15.8	(0.9)
Electronic Devices Group	371,082	23.1	319,577	20.7	(13.9)
Total Components Business	932,877	58.0	902,798	58.4	(3.2)
Communications Group	251,619	15.6	219,530	14.2	(12.8)
Document Solutions Group	373,724	23.2	359,354	23.2	(3.8)
Life & Environment Group	69,019	4.3	83,513	5.4	21.0
Total Equipment & Systems Business	694,362	43.1	662,397	42.8	(4.6)
Others	11,559	0.7	10,744	0.7	(7.1)
Adjustments and eliminations	(29,303)	(1.8)	(29,016)	(1.9)	—
Order Backlog	1,609,495	100.0	1,546,923	100.0	(3.9)

\* % represents the component ratio.

(Note) Kyocera flexibly produces in accordance with growing demands, customer's request and market changes.

Therefore, results of production are similar to results of sales. Summary of production and sales is correlated to the description on "k. Business Overview by Reporting Segment."

### ***(3) Liquidity and Capital Resources***

#### ***a. Capital Resources***

< Status of funds at March 31, 2020 >

Kyocera's primary source of fund is cash generated by operations. Kyocera's net cash provided by operating activities in fiscal 2020 is 214,630 million yen, and cash and cash equivalents at March 31, 2020 is 419,620 million yen. In addition, Kyocera also holds significant amount of highly-liquid financial assets including time deposit of 62,999 million yen.

Cash and cash equivalents and highly-liquid financial assets held by Kyocera's foreign subsidiaries, aggregating of 237,461 million yen as of March 31, 2020, are not intended to be sent back for use in Japan at present.

In addition, Kyocera's working capital is 805,198 million yen, which is current assets less current liabilities, and the ratio of equity attributable to owners of the parent to total assets are 74.8%, Kyocera maintains a strong financial position at March 31, 2020.

This strong financial position allows to raise funds with borrowings at relatively low cost. At March 31, 2020, Kyocera's balance of short-term borrowings and long-term borrowings including current portion is 79,995 million yen, and the dependence on total assets remained low at 2.5%.

The borrowings for Kyocera Corporation are mainly denominated in yen, and certain overseas subsidiaries have borrowings denominated in U.S. dollars, Euros or other currencies.

< Cash demands in fiscal 2020 >

Cash demands of Kyocera for funds was for capital expenditures, R&D activities, M&As and dividend payments to shareholders in addition to working capital of operational activities.

Capital expenditures in fiscal 2020 decreased by 11,046 million yen, or 9.4%, to 106,003 million yen, compared with 117,049 million yen in fiscal 2019. Although investment increased in Corporate, capital expenditures decreased from fiscal 2019 mainly due to a decrease in investment in Industrial & Automotive Components Group and Semiconductor Components Group. R&D expenses in fiscal 2020 increased by 9,314 million yen, or 13.3%, to 79,241 million yen, compared with 69,927 million yen in fiscal 2019.

During fiscal 2020, Kyocera performed several business acquisitions in order to further expand the existing businesses, and the total consideration paid, net cash acquired in fiscal 2020 were 83,522 million yen. In March 2020, AVX Corporation, the U.S. subsidiary was made as a wholly owned subsidiary, with a payment of 112,410 million yen.

In fiscal 2020, Kyocera Corporation paid cash dividends totaling 57,935 million yen, at 160 yen per share including 140 yen per share of ordinary dividend and 20 yen per share of commemoration dividend.

During fiscal 2020, Kyocera used cash on hand for almost all capital expenditures, R&D expenditures, M&As and dividend payments, and a part of them were funded by borrowings from financial institutions.

< Expected cash demands in fiscal 2021 >

Kyocera expects cash demands for funds for capital expenditures, R&D activities and dividend payments to shareholders in addition to working capital of operational activities.

For fiscal 2021, Kyocera expects total capital expenditures to be approximately 100,000 million yen and R&D expenses to be approximately 80,000 million yen. Kyocera expects that total capital expenditures will decrease due mainly to the slowdown of the global economy resulting from the COVID-19 pandemic. On the other hand, R&D expenses are expecting to increase compared to fiscal 2020, intend to continue strengthening the development of new technologies and products in order to expand the business. The ratio of these items to sales revenue is expected to increase from fiscal 2020. The details of contractual obligations including the commitment for the acquisition of property, plant and equipment are described in “d. Tabular Disclosure of Contractual Obligations.” Kyocera Corporation has received the approval by the general meeting of shareholders held on June 25, 2020 for the payment of year-end dividends totaling 28,995 million yen, or 80 yen per share.

Kyocera expects cash demands for funds for capital expenditures, R&D activities and payments of dividends to shareholders in addition to working capital of operational activities. Based on those facts, Kyocera does not expect to face any liquidity issue in the foreseeable future.

If cash generated by operations are insufficient for funding purposes, Kyocera retains other financing options, including external sources, such as short-term borrowings or long-term borrowings, as well as financing directly in the capital markets through issuances of debt or equity securities. Consequently, Kyocera does not currently intend to use any other external financing sources that might affect its credit agency ratings.

Any future significant deterioration in market demand for Kyocera’s products, or a slump in product prices to levels substantially below those projected by Kyocera, could adversely affect Kyocera’s financial position and operating results, possibly resulting in reduced liquidity.

## ***b. Summary of Cash Flows***

(Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020	Change
Cash flows from operating activities	220,025	214,630	(5,395)
Cash flows from investing activities	(47,121)	(145,551)	(98,430)
Cash flows from financing activities	(89,056)	(157,126)	(68,070)
Effect of exchange rate changes on cash and cash equivalents	4,028	(5,147)	(9,175)
Increase (decrease) in cash and cash equivalents	87,876	(93,194)	(181,070)
Cash and cash equivalents at the beginning of the year	424,938	512,814	87,876
Cash and cash equivalents at the end of the year	512,814	419,620	(93,194)

### Cash flows from operating activities

Net cash provided by operating activities for the year ended March 31, 2020 decreased by 5,395 million yen, or 2.5%, to 214,630 million yen from 220,025 million yen for the year ended March 31, 2019. This was due mainly to decreases in cash inflows related to decreases in trade receivables and inventories, which was partly offset by a decrease in income tax paid.

### Cash flows from investing activities

Net cash used in investing activities for the year ended March 31, 2020 increased by 98,430 million yen, or 208.9%, to 145,551 million yen from 47,121 million yen for the year ended March 31, 2019. This was due mainly to a decrease in withdrawal of deposits and increases in payments for acquisitions of business.

### Cash flows from financing activities

Net cash used in financing activities for the year ended March 31, 2020 increased by 68,070 million yen, or 76.4%, to 157,126 million yen from 89,056 million yen for the year ended March 31, 2019. This mainly reflected that dividends paid increased and purchases of noncontrolling interests significantly increased as Kyocera made AVX Corporation a wholly owned subsidiary although proceeds from borrowings exceeded repayments and a purchase of treasury stock decreased.

Cash and cash equivalents at March 31, 2020 decreased by 5,147 million yen mainly due to the yen's appreciation against European and American currencies at the end of the previous fiscal year end.

Cash and cash equivalents at March 31, 2020 totaled 419,620 million yen, a decrease of 93,194 million yen, or 18.2%, from 512,814 million yen at March 31, 2019. Most of Kyocera's cash and cash equivalents were denominated in the yen but certain cash and cash equivalents, mainly in overseas subsidiaries, were denominated in foreign currencies, such as the U.S. dollar.

## ***c. Assets, Liabilities and Equity***

Kyocera's total assets at March 31, 2020 increased by 281,700 million yen, or 9.5%, to 3,250,175 million yen, compared with 2,968,475 million yen at March 31, 2019.

Cash and cash equivalents decreased by 93,194 million yen, or 18.2%, to 419,620 million yen, due mainly to the acquisition of AVX Corporation as wholly owned subsidiary and M&As expenditure.

Short-term investments decreased by 36,211 million yen, or 36.5%, to 62,999 million yen, due mainly to withdrawal from maturities of time deposits.

Trade and other receivables decreased by 21,058 million yen, or 5.9%, to 336,294 million yen, due mainly to decreases in sales revenue of fiscal year end resulting from the COVID-19 pandemic.

Inventories increased by 424 million yen, or 0.1%, to 344,304 million yen, due mainly to M&As in spite of the decrease of the production resulting from the COVID-19 pandemic.

Equity and debt instruments increased by 232,983 million yen, or 24.2%, to 1,196,634 million yen, due mainly to increases in market value of shares of KDDI Corporation and other equity securities at March 31, 2020 compared with March 31, 2019.

Investments accounted for using the equity method increased by 13,263 million yen, or 318.9%, to 17,422 million yen, due mainly to additional investments.

Property, plant and equipment at March 31, 2020 increased by 41,416 million yen, or 12.1%, to 383,271 million yen compared with March 31, 2019. Capital expenditure was 106,003 million yen and depreciation were 62,413 million yen in fiscal 2020.

Right-of-use assets increased to 34,921 million yen, due to the adoption of IFRS 16 “Leases” (hereinafter “IFRS 16”).

Goodwill increased by 62,708 million yen, or 41.9%, to 212,207 million yen, due mainly to M&As in fiscal 2020.

Intangible assets increased by 38,532 million yen, or 48.2%, to 118,533 million yen, due mainly to M&As in fiscal 2020.

Kyocera’s total liabilities at March 31, 2020 increased by 189,718 million yen, or 31.3%, to 795,933 million yen, compared with 606,215 million yen at March 31, 2019.

Borrowing in current liabilities increased by 30,821 million yen, or 733.1%, to 35,025 million yen, due mainly to the bank loans.

Trade and other payables decreased by 12,981 million yen, or 7.0%, to 173,300 million yen, due mainly to the settlement of trade and other payables.

Lease liabilities in current liabilities increased to 15,477 million yen, due to the adoption of IFRS 16.

Borrowing in non-current liabilities increased by 39,314 million yen, or 695.1%, to 44,970 million yen, due mainly to the bank loans.

Lease liabilities in non-current liabilities increased to 31,847 million yen, due to the adoption of IFRS 16.

Deferred tax liabilities increased by 96,494 million yen, or 55.2%, to 271,317 million yen compared with March 31, 2019. This is due mainly to an increase in market capitalization resulting from a rise in the share price of shares held, including shares of KDDI Corporation and an increase in intangible assets acquired in M&As.

Total equity at March 31, 2020 increased by 91,982 million yen, or 3.9%, to 2,454,242 million yen, compared with 2,362,260 million yen at March 31, 2019.

Capital surplus at March 31, 2020 decreased by 41,686 million yen, or 25.2%, to 123,539 million yen, compared with 165,225 million yen at March 31, 2019, due mainly to the acquisition of AVX Corporation as a wholly owned subsidiary.

Retained earnings at March 31, 2020 increased by 47,963 million yen, or 2.9%, to 1,686,672 million yen, compared with 1,638,709 million yen at March 31, 2019 due mainly to recording 107,721 million yen of profit attributable to owners of the parent for fiscal 2020, which was partly offset by cash dividend payments of 57,935 million yen.

Other components of equity increased by 156,852 million yen, or 37.5%, to 575,495 million yen, due mainly to an increase in market capitalization resulting from a rise in the share price of shares held, including shares of KDDI Corporation at March 31, 2020 compared with March 31, 2019.

Ratio of equity attributable to owners of the parent to total assets at March 31, 2020 was 74.8%, decreased by 1.5 percentage points compared with 76.3% at March 31, 2019.

Non-controlling interests decreased by 74,233 million yen, or 77.1%, to 22,108 million yen, compared with 96,341 million yen at March 31, 2019, due mainly to the acquisition of AVX Corporation as a wholly owned subsidiary.

#### ***d. Tabular Disclosure of Contractual Obligations***

The following table provides information of Kyocera's contractual obligations at each scheduled date for the next several years. Kyocera believes that it can fulfill its obligations under these contracts with its own funds.

(Yen in millions)

	Fiscal 2021	Between fiscal 2022 and 2023	Between fiscal 2024 and 2025	After fiscal 2026	Total
Short-term borrowings	30,208	—	—	—	30,208
Interest payments for short-term borrowings*	4	—	—	—	4
Long-term borrowings (including due within one year)	4,817	44,200	645	125	49,787
Interest payments for long-term borrowings* (including due within one year)	204	142	15	3	364
Lease liabilities	15,567	15,739	5,671	11,671	48,648
Commitment for the acquisition of property, plant and equipment	40,848	5,123	4,161	—	50,132
Total	91,648	65,204	10,492	11,799	179,143

(Note) The actual interest rate at March 31, 2020 is used to calculate expected future interest payments for the borrowings with floating interest rates.

In addition to contractual obligations shown in the above table, Kyocera forecasts to contribute 10,880 million yen to its defined benefit plans in the year ending March 31, 2021. Kyocera recorded liabilities of 489 million yen for gross uncertain tax positions at March 31, 2020, which are not included in the above table because we are unable to make reasonable estimates of the period of settlements.

#### ***(4) Significant Accounting Estimates and Judgments Involving Estimation***

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

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

#### ***a. Evaluation of Inventories***

Kyocera estimates the amount of write-downs to ensure that inventories are properly valued. Inventories aged over certain holding periods are considered to be slow-moving or obsolete, for which write-downs are accrued as well as valuation losses required to adjust recorded cost to its net realizable value. Kyocera also records inventory write-downs based on its projections of future demand, market conditions and related management's judgment even though the age of corresponding inventory is shorter than certain holding periods. If the market conditions or demand for the products are less favorable than Kyocera's projections, additional write-downs may be required.

***b. Impairment of Property, Plant & Equipment, Goodwill and Intangible Assets***

Kyocera reviews its property, plant and equipment and intangible assets with definite useful lives for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Goodwill and intangible assets with indefinite useful lives, rather than being amortized, are tested for impairment at least annually, and also following any events and changes in circumstances that might lead to impairment. The impairment loss is recognized when the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount.

The recoverable amount of an asset or cash generating unit is the higher of fair value less costs to sell, or value in use. In calculating the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset.

The value in use of the impairment test for the year ended March 31, 2020 is calculated based on a business plan that takes into account the impact of decrease in the demand as well as suspension of production due to the COVID-19 pandemic. The impact of this infectious disease in the future is highly uncertain and, if necessary, could have a material impact on Kyocera's consolidated financial position and operating results in the year ending March 31, 2021.

***c. Impairment of Financial Assets Measured at Amortized Cost***

Kyocera recognizes an allowance for credit losses for trade receivables and other financial assets measured at amortized cost by estimating expected credit losses in consideration of the possibility of collection and significant increases in credit risk. However actual losses may be greater or less than expected credit losses.

***d. Fair Value of Financial Instruments***

When Kyocera evaluates the fair value of certain financial instruments, it uses valuation techniques that use inputs that are not observable in the market. These unobservable inputs could be affected by the result of fluctuations in uncertain future economic conditions, and if a revision becomes necessary, it could have a significant impact on the consolidated financial position and operating results.

***e. Income Taxes***

Kyocera recognizes only deferred tax assets that are likely to be available for future taxable profit. The valuation of deferred tax assets principally depends on the estimation of future taxable profit and feasible tax planning strategies. If future taxable profit is lower than expected due to future market conditions or poor operating results, significant adjustments to deferred tax assets may be required. Kyocera recognized deferred tax assets of 120,002 million yen as of March 31, 2020. Kyocera considers the reasonableness of the recoverability of the deferred tax assets in the future, considering the comparison between the amounts of income from continuing operations before income taxes and income taxes for the year ended March 31, 2020.

Kyocera records liabilities for uncertain tax positions based on the premise of being subject to income tax examination by tax authorities, when it is probable that uncertain tax positions will not be sustained.

Actual results, such as settlements with tax authorities, may differ from Kyocera's recognition.

As of March 31, 2020, gross uncertain tax positions amounted to 489 million yen. Kyocera does not anticipate the final resolution of procedures to have a material impact on the consolidated statements of profit or loss in the future.

***f. Defined Benefit Plans***

The over-funded or under-funded status of defined benefit postretirement plans, which depends on defined benefit obligations and plan assets, are recognized as an asset or liability in our consolidated statement of financial position and changes in that funded status are recognized through comprehensive income in the year in which the changes occur. Defined benefit obligations are determined on an actuarial basis and are significantly affected by the assumptions used in their calculation, such as the discount rates, the rate of increase in compensation levels and other assumptions.

Kyocera determines the discount rate by referencing the yield on high quality fixed income securities. The rate of increase in compensation levels is determined based mainly on results of operations and inflation. Kyocera annually reviews the assumptions underlying its actuarial calculations, making adjustments based on current market conditions, if necessary.

If Kyocera is required to decrease its assumptions of the discount rate because of a stagnation of Japanese and global economies, defined benefit obligations and net defined benefit costs will be increased.

### ***g. Provisions and Contingencies***

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

### ***h. Revenue Recognition***

Kyocera recognizes revenue in accordance with IFRS 15 “Revenue from contracts with customers” (hereinafter, “IFRS 15”), excluding interest and dividend income and other such income from financial instruments recognized in accordance with IFRS 9 “Financial Instruments” and excluding lease arrangement recognized in accordance with IFRS 16 “Leases,” (In fiscal 2019, IAS 17 “Leases,”) by applying the following step:

- Step 1: Identify the contracts with customers
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Kyocera generates revenue principally through the sale of the following markets: information and communications, automotive-related, environment and energy and medical and healthcare. Kyocera’s operations consist of the following reporting segments: “Industrial & Automotive Components Group,” “Semiconductor Components Group,” “Electronic Devices Group,” “Communications Group,” “Document Solutions Group” and “Life & Environment Group.”

Sales to customers in each of the above segments are based on the specific terms and conditions contained in basic contracts with customers and firm customer orders which detail the price, quantity and timing of the transfer of ownership (such as risk of loss and title) of the products.

For most customer orders, the revenue recognition occurs at the time of shipment of the products to the customer because the customer obtains control over the products upon shipment, the performance obligation is judged to have been satisfied and revenue is therefore recognized upon shipment of the products. For the customer orders, the revenue recognition occurs at the time of receipt of the products by the customer because the customer obtains control over the products upon receipt, the performance obligation is judged to have been satisfied, with the exception of sales of solar power generating systems in the “Life & Environment Group” and printers and multifunctional products in the “Document Solutions Group” for which sales are made to end users together with installation services. The revenue recognition in these cases occur at the completion of installation and customer acceptance because the performance obligation is judged to have been satisfied, as Kyocera have no further obligations under the contracts.

For all sales in the above segments, product returns are only accepted if the products are determined to be defective. There are no price protections, stock rotation or returns provisions, except for certain programs in the “Electronic Devices Group” as noted below.

## Sales Incentives

In the “Electronic Devices Group,” sales to independent electronic component distributors may be subject to various sale programs for which a provision for incentive programs is recorded as a reduction of revenue at the time of sale. Revenue is measured at the consideration promised in a contract with a customer, less sales incentive.

### ***(a) Distributor Stock Rotation Program***

Stock rotation is a program whereby distributors are allowed to return, for credit, qualified inventory, semiannually, equal to a certain percentage of the previous six months net sales. An estimated right of return liability for stock rotation is recorded at the time of sale based on a percentage of distributor sales using historical trends, current pricing and volume information, other market specific information and input from sales, marketing and other key management personnel. An asset is recorded for the estimated value of returned product. These procedures require the exercise of significant judgments. Kyocera believes that these procedures enable Kyocera to make reliable estimates of future returns under the stock rotation program. Kyocera’s actual results have historically approximated its estimates. When the products are returned and verified, the distributor is given credit against their accounts receivables.

### ***(b) Distributor Ship-From-Stock and Debit Program***

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

## Sales Rebates

In the case of sales to distributors in the “Industrial & Automotive Components Group” and “Document Solutions Group,” Kyocera provides cash rebates when predetermined sales targets are achieved during a certain period. Provisions for sales rebates are recorded as a reduction of revenue at the time of revenue recognition based on the best estimate of forecasted sales to each distributor.

## Sales Returns

Kyocera records an estimated right of return liability for returns at the time of sale based on historical return experience. Revenue is measured at the consideration promised in a contract with a customer, less right of return liability.

## Products Warranty

In the “Document Solutions Group,” Kyocera provides a standard one-year manufacturer’s warranty on its products. For sales directly to end users, Kyocera offers extended warranty plans that may be purchased and that are renewable in one-year incremental periods at the end of the warranty term. Service revenues are recognized over the term of the related service maintenance contracts.

In the case of revenue relating to hybrid transactions in which Kyocera provides multiple goods or services, such as selling products and providing maintenance services, Kyocera identifies performance obligations in the contract and if it is necessary to allocate the consideration under the contract to separate performance obligations, Kyocera usually allocates the transaction price based on the estimated standalone sale price through the approach of adding a margin to the expected cost.

#### **4. Material Agreements**

##### **(1) License Permitted to Produce Products**

Name	Counterparty	Country	Contents	Period
Kyocera Corporation	Qualcomm Incorporated	United States	License under patent rights for mobile phone	From August 31, 1996 to patent expiration

##### **(2) License—Cross Agreements**

Name	Counterparty	Country	Contents	Period
Kyocera Document Solutions Inc.	Canon Inc.	Japan	License under patents regarding electrophotographic technology	From April 1, 2012 to patent expiration

##### **(3) Stock Purchase Agreements**

On April 25, 2019, Kyocera Corporation entered into a stock purchase agreement to acquire all of the common stocks from the shareholders of Fastener Topco, Inc., the holding company of SouthernCarlson, Inc., a U.S. based distributor of pneumatic power tool in order to expand the pneumatic power tool business in the U.S.

On June 3, 2019, Kyocera Corporation acquired all of the common stocks of Fastener Topco, Inc. and made it consolidated subsidiary and changed its name to Kyocera Industrial Tools, Inc.

On December 27, 2019, Kyocera Document Solutions, Inc., a Japanese based subsidiary, entered into a stock purchase agreement to acquire 97% of the common stocks from the shareholders of OPTIMAL SYSTEMS GmbH, a German based company in order to expand the ECM business in Germany.

On April 15, 2020, Kyocera Document Solutions, Inc. acquired 97% of common stocks of OPTIMAL SYSTEMS GmbH and made it consolidated subsidiary.

On March 25, 2020, Kyocera Corporation entered into a stock purchase agreement to acquire 93.53% of the common stocks of Showa Optronics Co., Ltd., an optical components manufacturer from NEC Corporation, in order to expand its business.

On June 1, 2020, Kyocera Corporation acquire 93.53% of common stocks of Showa Optronics Co., Ltd. and made it consolidated subsidiary.

##### **(4) Asset Purchase Agreements**

On May 29, 2019, Kyocera Fineceramics GmbH, a Germany based subsidiary, entered into an agreement to acquire fine ceramics business of Friatec GmbH.

On January 7, 2019, Kyocera Fineceramics GmbH established a new company, Kyocera Fineceramics (Mannheim) GmbH. On September 2, 2019, fine ceramics business of Friatec GmbH was transferred to this new company and changed its name to Kyocera Fineceramics Solutions GmbH.

##### **(5) Definitive Agreement to Make AVX Corporation a Wholly Owned Subsidiary and Tender Offer**

On February 21, 2020, Kyocera Corporation entered into definitive agreement pursuant to which Kyocera Corporation will acquire all the outstanding common stocks held by non-controlling interests of AVX Corporation via an all-cash tender offer for \$21.75 per share.

On March 2, 2020, Kyocera Corporation commenced a tender offer, through a special purpose entity established in the United States.

The tender offer was consummated on March 27, 2020, and AVX Corporation became a wholly owned subsidiary of Kyocera Corporation by merging with the special purpose entity in March 30, 2020.

## ***5. Research and Development***

In addition to developing new technologies and products in each business, Kyocera is combining internal management resources such as in components, equipment, and systems and making an effort to accelerate the speed of development by strengthening external collaboration to spur non-sequential innovation while working to create new businesses and expand business areas. Kyocera is strengthening new product and new technology development to secure business opportunities accompanying the spread 5G, IoT, ADAS, energy management, and digital health care as well as carrying out research on utilizing AI and robots to improve productivity.

An outline of R&D activities in the reporting segments are as follows.

### ***(1) Industrial & Automotive Components Group***

In this reporting segment, Kyocera is engaged in the R&D of various products mainly for the industrial machinery and automotive-related markets.

Kyocera is engaged in fundamental research to further enhance our fine ceramic materials technology, processing technology and design technology that Kyocera has accumulated since our earliest days. Kyocera is working to develop new products in a wide range of markets by leveraging these core technologies. In addition, Kyocera is working on the development of components and materials for next-generation equipment, which is characterized by advanced integration that includes micro wiring and 3D structures, for the expanding semiconductor processing equipment market. Kyocera also actively utilizes external resources, which includes starting development of nitride ceramics boasting exceptional heat conductivity and mechanical properties enabling use in higher temperatures, in conjunction with an outside company.

Further, Kyocera is working to enhance the efficiency of cell stacks for SOFC systems where there are expectations for proliferation as new clean energy supply systems in the environment and energy market, by leveraging fine ceramics technology.

In automotive-related markets, business opportunity is expected to increase along with the progress in areas such as ADAS. Kyocera is developing high-value-added products for this market. This includes strengthening development of software aimed at achieving more sophisticated image recognition technology for automotive camera systems. Furthermore, Kyocera is developing TFT liquid crystal displays that are distinct from the competition in terms of high luminance and other features and products that apply TFT membrane technology for various industrial markets in addition to automotive-related markets.

In industrial tools, Kyocera's products are used for metallic processing in a wide array of markets such as the automotive, energy and infrastructure, and aircraft business fields. In addition to these markets, Kyocera is working to expand business domain to the industrial machinery and construction markets in addition to automotive-related markets, and Kyocera is strengthening the development of high-quality and high-precision cutting tools from the materials technology stage that contribute to increased productivity for users as well as developing new products in power and pneumatic tools with increased product appeal by leveraging various technologies held within the Kyocera Group.

### ***(2) Semiconductor Components Group***

In the digital consumer equipment market, which is typified by smartphones and tablet terminals, needs are growing for equipment that is more sophisticated as well as smaller and thinner. In line with this, electronic components used in such equipment are getting smaller while semiconductors are becoming more refined.

In the information and communications network market, there is demand for the creation of fast, large-capacity communications infrastructure for 5G service partly spurred by progress in the IoT. In the automotive-related market, there is a need to further respond to advancements in electrifications and lower power consumption based on developments in ADAS. Demand for various sensors is also increasing, for use in these core markets. In order to respond to these market trends and expand the business, Kyocera is working to develop new high-value-added products that leverage our own unique material, design and processing technologies.

In the ceramic package business, Kyocera is working on the development of high-strength, high-rigidity, ultra-small and thin ceramic packages that employ micro wiring for electronic devices and sensor as well as ceramic packages for optical communications that are capable of even higher frequency such as 5G and ceramic packages for LEDs boasting thermal dissipation and exceptional durability.

In the organic package business, as an initiative toward high-speed and larger-capacity data transmission technology, Kyocera is strengthening the development of fine-pitch, thin, highly precise flip-chip packages and module substrates capable of high-speed signal and high bandwidth memory.

In the chemical business, which supports these businesses through material technology, Kyocera is working on the synthesis of new materials and strengthening the development of new material compounding technologies to meet needs for enhanced functionality for information and communications market and automotive-related markets in addition to improving electrical properties such as insulating reliability. This functionality includes thermal hardening, photo-reactivity, and shape and stress stability.

### ***(3) Electronic Devices Group***

Along with diffusion of 5G and IoT related products, the increasing demand for device sophistication and the shift to multi-bands for communications terminals such as smartphones and base stations, it is necessary to make components smaller and more reliable for those terminals.

To meet these market needs, Kyocera is developing such products as small, high-capacitance ceramic capacitors with enhanced reliability relative to temperature and humidity, as well as small, low-loss and highly reliable SAW devices, small, high-performance crystal components, fine-pitch, low-profile connectors enabling highspeed transmission, and high-efficiency active and passive antennas.

In the automotive and industrial equipment markets, Kyocera is developing ceramic capacitors and connectors with enhanced high-temperature reliability and pressure resistance, power semiconductors including discrete products and power modules, and various control devices. In addition to further enhancing the properties of component, Kyocera is pushing ahead with the development of high-value-added modules that combine various components.

Additionally, in inkjet printheads mainly for the commercial printing market, Kyocera is working on the development of products that assure durability on top of enabling higher speed and higher image quality required in digital printing.

### ***(4) Communications Group***

In the telecommunications equipment business, Kyocera is strengthening the development of the convenient communications terminals with exceptional waterproof, dust prevention and durability features.

In the information and communication services business, Kyocera is striving to develop platforms related to the collection, management and use of data taken from diverse terminals and networks and security-related software in line with increasingly complex and sophisticated customer needs alongside use of the IoT. Kyocera is also strengthening the development of platforms and software that leverage deep learning for services that utilize AI in image and text analysis as use of AI grows in corporate and other business fields.

In addition, Kyocera is strengthening the development of communications modules (M2M modules) for the IoT market, which includes LPWA technology enabling wireless communications over a wide area yet with low power consumption, through the integration of Kyocera's component, terminal and system technology. Kyocera is also vigorously pushing ahead that include tie-ups with outside organizations for further development of wireless network systems and communications equipment and systems for automotive-related market as well as the solution business such as local 5G system by utilizing wireless communication technology that cultivated through telecommunications equipment business.

### ***(5) Document Solutions Group***

In this reporting segment, Kyocera is developing printers and MFPs that have exceptional environmental performance and economic efficiency, which are key features of Kyocera, in order to ensure differentiation from competitors. In terms of equipment, Kyocera is focusing on the development of printers and MFPs with long life and minimal waste and is working to provide products that contribute to reduce running costs and excellent environmental friendliness by minimizing consumable components that lead to waste. Kyocera also continues to work on improving toner in the pursuit of high image quality and more energy savings in an effort to increase added value. Furthermore, in the commercial inkjet business, where it has made a new entry, Kyocera is working to provide new value to the market by introducing products that offer high-resolution, high-productivity and high-durability as well as variable and customized printing capabilities in response to the increasing demand for large-volume printing of multi-product output.

In terms of document solution services, Kyocera is pushing ahead with the development of products including application software that contributes to information sharing and business efficiency by connecting with mobile equipment, the cloud environment and document management systems owned by customers. Kyocera is also strengthening its ECM business that computerizes a company's data so that it can be managed and run in a more comprehensive and efficient manner together with outsourcing service for document related operations. Kyocera is striving to develop new services by integrating these businesses with existing businesses.

### ***(6) Life & Environment Group***

In the solar energy business, Kyocera is working to improve product performance and quality as well as enhance the degree of freedom in installation, which includes efforts to enhance the conversion efficiency of monocrystalline and multicrystalline silicon solar cells, boost the output and durability of modules, and develop products that enable installation on roofs, the surface of the water and agricultural land of varying shapes and sizes, for instance. Furthermore, amid changing needs in power usage from the sale of power to self-consumption, Kyocera is focusing on the development of various next-generation high-efficiency peripheral solar energy equipment and systems that include initiatives such as downsizing and high power generation performance in SOFC systems in addition to developing an energy management system that enables efficient use of power generated by a photovoltaic (PV) systems and power storage systems that realize high safety, long life, and low costs. Kyocera is also strengthening development aimed at expanding Kyocera's business into the total energy solution field by pushing ahead with the development of technology for the purpose of increasing business in the demand response and virtual power plant markets in line with the deregulation of electric power.

In the medical devices business, Kyocera mainly deals with prosthetic joints and dental implants and is developing products that can contribute to improving the quality of life (QOL) of patients. Specifically, Kyocera is working on the development of surface treatment technology realizing long life by minimizing wear to the prosthetic joints, as well as products with enhanced antibacterial properties. To deploy these technologies in other fields, Kyocera is proceeding with research and development in collaboration with external research institutions. Also, in new medical fields, Kyocera is strengthening its technology development in the rapidly expanding field of regenerative medicine field and in the mobile healthcare field as exemplified by telemedicine.

## Research and Development expenses by reporting segment

(Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020	Change (%)
Industrial & Automotive Components Group	14,589	14,367	(1.5)
Semiconductor Components Group	3,389	4,486	32.4
Electronic Devices Group	13,877	16,445	18.5
Total Components Business	31,855	35,298	10.8
Communications Group	5,238	6,550	25.0
Document Solutions Group	21,787	21,615	(0.8)
Life & Environment Group	8,145	9,049	11.1
Total Equipment & Systems Business	35,170	37,214	5.8
Others	2,902	6,729	131.9
Total Research and Development expenses	69,927	79,241	13.3
Ratio to sales revenue	4.3%	5.0%	—

### III. Equipment and Facilities

#### 1. Overview of Capital Expenditures

During fiscal 2020, Kyocera made capital expenditures to enhance its production capacity in order to cope with high levels of demand and improve productivity primarily in Electronic Devices Group and Industrial & Automotive Components Group, and to establish the domestic plant building and new research center. Due to the aggressive capital expenditures for fiscal 2019, capital expenditures for fiscal 2020 decreased by 11,046 million yen, or 9.4%, to 106,003 million yen, compared with fiscal 2019. Required funds for fiscal 2020 were mainly financed from internal resources.

Capital expenditures by reporting segment (for property, plant and equipment)

(Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020	Change (%)
Industrial & Automotive Components Group	37,746	22,969	(39.1)
Semiconductor Components Group	17,737	11,958	(32.6)
Electronic Devices Group	33,275	29,558	(11.2)
Total Components Business	88,758	64,485	(27.3)
Communications Group	4,945	4,330	(12.4)
Document Solutions Group	7,571	8,866	17.1
Life & Environment Group	5,548	7,578	36.6
Total Equipment & Systems Business	18,064	20,774	15.0
Others	1,119	3,198	185.8
Corporate	9,108	17,546	92.6
Total capital expenditures	117,049	106,003	(9.4)

(Note) The amount does not include consumption taxes.

## 2. Major Equipment and Facilities

Major equipment and facilities for year ended March 31, 2020 are as follows:

### (1) Kyocera Corporation

As of March 31, 2020

Office name	Location	Reporting Segment	Type of equipment and facilities	Carrying amount (Yen in millions)					Number of employees
				Building & Structures	Machinery & Equipment	Land (Area: m <sup>2</sup> )	Others	Total	
Nagano Okaya Plant	Okaya, Nagano	Industrial & Automotive Components Group and Electronic Devices Group	Manufacturing Equipment for Fine Ceramic Components, Industrial Tools, Electronic Components, Printing Devices	1,157	968	96 (84,465)	4,131	6,352	482
Shiga Gamo Plant	Higashi-Ohmi, Shiga	Industrial & Automotive Components Group and Semiconductor Components Group	Manufacturing Equipment for Fine Ceramic Components, Ceramic Packages	1,290	3,171	364 (131,630)	1,355	6,180	966
Shiga Yokaichi Plant	Higashi-Ohmi, Shiga	Industrial & Automotive Components Group and Electronic Devices Group	Manufacturing Equipment for Fine Ceramic Components, Industrial Tools, Electronic Components, Printing Devices	4,799	6,225	3,096 (308,985)	14,772	28,892	1,524
Shiga Yasu Plant	Yasu, Shiga	Industrial & Automotive Components Group and Life & Environment Group	Manufacturing Equipment for Liquid Crystal Displays, Solar Power Generating System Related Products, Medical Devices	6,877	5,021	1,052 (198,196)	892	13,842	1,289
Kyoto Ayabe Plant	Ayabe, Kyoto	Semiconductor Components Group	Manufacturing Equipment for Organic Multilayer Substrates	5,279	290	1,588 (152,061)	41	7,198	591
Kagoshima Sendai Plant	Satsuma-Sendai, Kagoshima	Industrial & Automotive Components Group, Semiconductor Components Group and Life & Environment Group	Manufacturing Equipment for Fine Ceramic Components, Industrial Tools, Ceramic Packages, Organic Multilayer Substrates, Ceramic Knives	10,587	9,762	1,525 (215,525)	1,355	23,229	2,846
Kagoshima Kokubu Plant	Kirishima, Kagoshima	Industrial & Automotive Components Group, Semiconductor Components Group and Electronic Devices Group	Manufacturing Equipment for Fine Ceramic Components, Automotive Components, Ceramic Packages, Electronic Components, Printing Devices	15,712	15,772	2,501 (400,871)	3,552	37,537	3,459

**(2) Domestic Subsidiaries**

As of March 31, 2020

Office name	Location	Reporting Segment	Type of equipment and facilities	Carrying amount (Yen in millions)					Number of employees
				Building & Structures	Machinery & Equipment	Land (Area: m <sup>2</sup> )	Others	Total	
Kyocera Realty Development	Shibuya, Tokyo	Other	Hotel and Building for rent	5,257	37	5,331 (40,628)	241	10,866	272
Kyocera Document Solutions Inc.	Chuo, Osaka	Document Solutions Group	Manufacturing Equipment for Supplies for Printers and Multifunctional Products	5,911	1,647	5,196 (332,995)	1,000	13,754	2,175

**(3) Oversea Subsidiaries**

As of March 31, 2020

Office name	Location	Reporting Segment	Type of equipment and facilities	Carrying amount (Yen in millions)					Number of employees
				Building & Structures	Machinery & Equipment	Land (Area: m <sup>2</sup> )	Others	Total	
Kyocera Document Technology (Dongguan) Co., Ltd.	Dongguan Guangdong, China	Document Solutions Group	Manufacturing Equipment for Printers and Multifunctional Products	1,559	1,248	—	2,674	5,481	4,893
Kyocera Vietnam Co., Ltd.	Hung Yen Vietnam	Industrial & Automotive Components Group, Semiconductor Components Group	Manufacturing Equipment for Industrial Tools, Ceramic Packages	4,167	1,915	—	249	6,331	1,731
Kyocera Document Technology Vietnam Co., Ltd.	Hai Phong, Vietnam	Document Solutions Group	Manufacturing Equipment for Printers and Multifunctional Products	4,540	544	—	2,303	7,387	3,991
Kyocera International, Inc.	San Diego California, U.S.A.	Industrial & Automotive Components Group, Semiconductor Components Group	Manufacturing Equipment for Fine Ceramic Components, Ceramic Packages	5,321	2,475	1,102 (571,795)	2,799	11,697	1,078
AVX Corporation	Fountain Inn, South Carolina, U.S.A.	Electronic Devices Group	Manufacturing Equipment for Electronic Components	4,311	1,095	545 (862,383)	807	6,758	970
AVX Manufacturing (Malaysia) Sdn. Bhd.	Penang, Malaysia	Electronic Devices Group	Manufacturing Equipment for Electronic Components	3,619	4,335	63 (45,453)	3,813	11,830	1,256
AVX Czech Republic, S.R.O.	Lanskroun, Czech Republic	Electronic Devices Group	Manufacturing Equipment for Electronic Components	4,128	981	139 (135,618)	433	5,681	2,120
Kyocera Fineceramics Precision GmbH	Selb, Bavaria, Germany	Industrial & Automotive Components Group	Manufacturing Equipment for Fine Ceramic Components	1,114	2,172	236 (56,558)	843	4,365	230

(Notes) 1. The “others” in carrying amount is an amount total of tools, furniture, construction in progress, and right-of-use assets. The amount does not include consumption taxes.

2. Currently there is no major idle equipment and facilities.

### **3. Plans for New Additions or Disposals**

#### **(1) Significant New Additions**

For fiscal 2021, Kyocera expects total capital expenditures to be approximately 100,000 million yen, decreasing 6,003 million yen, or 5.7%, compared with fiscal 2020. Since Kyocera does not plan capital expenditures by each project, main purpose of capital expenditure and financing method by each reporting segment are described as follows:

	Main purpose of capital expenditure	Financing Method
Industrial & Automotive Components Group	Introduction equipment to increase productivity	Cash on hand
Semiconductor Components Group	Introduction equipment to increase production and productivity	Same as above
Electronic Devices Group	Introduction equipment to increase production and productivity	Same as above
Communications Group	Introduction equipment to increase productivity	Same as above
Document Solutions Group	Introduction equipment to increase production and productivity	Same as above
Life & Environment Group	Introduction equipment to increase productivity	Same as above

#### **(2) Significant Disposals**

There is no sales and disposal plan which affect significant impact to productive capacity except sales and disposal for replacement to retain production capacity.

#### **IV. Corporate Information**

##### **1. Information on Kyocera's Shares and Others**

###### **(1) Total Number of Shares and Others**

###### a. Total Number of Shares

Class	Total number of shares authorized to be issued (shares)
Common stock	600,000,000
Total	600,000,000

###### b. Shares Issued

Class	Number of shares issued as of March 31, 2020 (shares)	Number of shares issued as of the filing date (shares) (June 25, 2020)	Stock exchange on which Kyocera is listed or authorized financial instruments firm's association where Kyocera is registered	Description
Common stock	377,618,580	377,618,580	Tokyo Stock Exchange (the first section)	This is Kyocera's standard stock. There is no restriction on contents of the right of the stock. The number of shares per one unit of shares is 100 shares.
Total	377,618,580	377,618,580	—	—

###### **(2) Information on the Stock Acquisition Rights and Others**

###### a. Details of Stock Option Plans

Not Applicable

###### b. Rights Plans

Not Applicable

###### c. Other Information about Stock Acquisition Rights

Not Applicable

###### **(3) Information on Moving Strike Convertible Bonds**

Not Applicable

###### **(4) Changes in the Total Number of Shares Issued, Amount of Common Stock and Others**

Date	Change in the total number of shares issued (shares)	Balance of the total number of shares issued (shares)	Changes in common stock (Yen in millions)	Balance of common stock (Yen in millions)	Changes in additional paid-in capital (Yen in millions)	Balance of additional paid-in capital (Yen in millions)
February 12, 2014	(5,000,000)	377,618,580	—	115,703	—	192,555

(Note) Decrease due to retirement of treasury stock.

**(5) Status of Shareholders**

As of March 31, 2020

Classification	Status of shares (one unit of shares is 100 shares)								Shares less than one unit (shares)
	National and local governments	Financial institutions	Securities companies	Other corporation	Foreign shareholders		Individuals and other	Total	
					Other than individuals	Individuals			
Number of shareholders	—	127	34	565	792	36	41,080	42,634	—
shares held (shares)	—	1,471,896	82,982	270,254	1,303,839	195	643,720	3,772,886	329,980
Ratio (%)	—	39.01	2.20	7.16	34.56	0.01	17.06	100.00	—

(Notes) 1. The “Other corporation” and “Shares less than one unit” column includes 11 unit and 8 shares registered in the name of Japan Securities Depository Center (“JASDEC”).

2. The “Individuals and other” and “Shares less than one unit” column includes 151,863 unit and 54 shares of treasury stock.

**(6) Major Shareholders**

As of March 31, 2020

Name	Address	Number of shares held (thousands of shares)	Ownership percentage to the total number of shares issued (Excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	54,811	15.12
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	24,715	6.82
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	One Lincoln Street, Boston Massachusetts 02111 USA (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo)	14,896	4.11
The Bank of Kyoto, Ltd.	700, Yakushimae-cho, Karasuma-dori, Matsubara-Agaru, Shimogyo-ku, Kyoto	14,436	3.98
Kazuo Inamori	Fushimi-ku, Kyoto	10,212	2.82
Inamori Foundation	620 Suiginya-cho, Shimogyo-ku, Kyoto	9,360	2.58
KI Enterprise Co., Ltd.	88, Kankoboko-cho, Shijodori-Muromachi-Higashiiru, Shimogyo-ku, Kyoto	7,099	1.96
Stock Purchase Plan for Kyocera Group Employees	6, Takeda Tobadono-cho, Fushimi-ku, Kyoto	6,281	1.73
Japan Trustee Services Bank, Ltd. (Trust Account 5)	8-11, Harumi 1-Chome, Chuo-ku, Tokyo	5,735	1.58
Trust & Custody Services Bank, Ltd. (Stock Investment Trust Account)	8-12, Harumi 1-Chome, Chuo-ku, Tokyo	5,706	1.57
Total	—	153,252	42.28

(Note) According to the report filed with EDINET system on April 3, 2019, Nomura Securities Co., Ltd. and its related partners held shares as of March 29, 2019, as shown in the following table. Despite this report, they are not included in the above list of major shareholders because Kyocera is not able to confirm the number of shares beneficially held by them from Kyocera's shareholders records as of March 31, 2020.

Name	Address	Number of shares held (thousands of shares)	Ownership percentage to the total number of shares issued (%)
Nomura Securities Co., Ltd.	9-1, Nihombashi 1-chome, Chuo-ku, Tokyo	899	0.24
NOMURA INTERNATIONAL PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	228	0.06
Nomura Asset Management Co., Ltd.	12-1, Nihombashi 1-chome, Chuo-ku, Tokyo	31,045	8.22
Total	—	32,173	8.52

**(7) Information on Voting Rights**

a. Shares Issued

As of March 31, 2020

Classification	Number of shares (shares)	Number of voting rights	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury stock)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury stock)	(Number of treasury stock) Common stock 15,186,300	—	This is Kyocera's standard stock. There is no restriction on contents of the right of the stock. The number of shares per one unit of shares is 100 shares.
Shares with full voting rights (others)	Common stock 362,102,300	3,621,023	Same as above
Shares less than one unit	Common stock 329,980	—	—
Number of shares issued	377,618,580	—	—
Total number of voting rights	—	3,621,023	—

(Note) The "Shares with full voting rights (others)" column includes 1,100 shares registered in the name of JASDEC and the "Number of voting rights" column includes 11 voting rights for those shares.

b. Treasury Stock and Others

As of March 31, 2020

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the name of others (shares)	Total shares held (shares)	Ownership percentage to the total number of shares issued (%)
Kyocera Corporation	6, Takeda Tobadonocho, Fushimi-ku, Kyoto	15,186,300	—	15,186,300	4.02
Total	—	15,186,300	—	15,186,300	4.02

## 2. Acquisition of Treasury Stock and Other Related Status

【Class of shares】 Acquisition of shares of common stock falling under Article 155, Item 7 of the Companies Act of Japan

### (1) Acquisition of Treasury Stock Based on a Resolution Approved at the Ordinary General Meeting of Shareholders

Not Applicable

### (2) Acquisition of Treasury Stock Based on a Resolution Approved by the Board of Directors

Not Applicable

### (3) Acquisition of Treasury Stock not Based on a Resolution Approved at the Ordinary General Meeting of Shareholders or a Resolution Approved by the Board of Directors

Classification	Number of shares (shares)	Total amount (Yen)
Treasury stock acquired during the year ended March 31, 2020	3,681	25,888,874
Treasury stock acquired during the year ending March 31, 2021	172	1,024,108

(Note) Stocks less than a unit is not included in Treasury stock acquired during the year ending March 31, 2021, from June 12, 2020 to the date of submission of this Annual Report.

### (4) Current Status of the Disposition and Holding of Acquired Treasury Stock

Classification	For the year ended March 31, 2020		For the year ending March 31, 2021	
	Number of shares (shares)	Total disposition amount (yen)	Number of shares (shares)	Total disposition amount (yen)
Acquired treasury stock for which subscribers has been solicited	—	—	—	—
Acquired treasury stock that has been disposed	—	—	—	—
Acquired treasury stock for which transfer of shares has been conducted in association with merger/stock exchange/corporate separation	—	—	—	—
Other *1	682,248	4,811,895,164	150	861,722
Number of shares of treasury stock held *2	15,186,354	—	15,186,376	—

(Notes) 1. The breakdown for the year ended March 31, 2020 and the year ending March 31, 2021 are Disposal of Treasury Stock Through Third-party Allotment to Employees Shareholding Association\*(i), Disposal of Treasury Stock for Restricted Stock Compensation\*(ii) and the transfer of stocks less than a unit in response to purchase requests. Acquired treasury stock that has been disposed is not included in Treasury stock acquired during the year ending March 31, 2021, from June 12, 2020 to the date of submission of this Annual Report.

- (i) 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 disposition amount	4,743,847,800 yen
Disposal method	Third-party allotment
Subscriber	Stock Purchase Plan for Kyocera Group Employees

- (ii) 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 (hereinafter, "Eligible 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 disposition amount	67,370,256 yen
Allottees and number thereof, and number of shares to be disposed of	11 Directors (excluding Outside Directors) 6,942 shares 17 Executive Officers 2,610 shares

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

2. Sales of treasury stock less than a unit are not included in treasury stock acquired during the year ending March 31, 2021, from June 12, 2020 to the date of submission of this Annual Report.

### 3. Dividend Policy

Kyocera Corporation believes that the best way to increase corporate value and meet shareholders' expectations is to improve future consolidated performance on an ongoing basis. Kyocera Corporation therefore has adopted a principal guideline that dividend amounts shall fall within a range based on profit attributable to owners of the parent on a consolidated basis, and has set its dividend policy to maintain a payout ratio of around 50% of profit attributable to owners of the parent on a consolidated basis. In addition, Kyocera Corporation determines dividend amounts based on a comprehensive assessment, taking into account various factors including the amount of capital expenditures necessary for medium-to-long-term corporate growth.

Kyocera Corporation also has adopted policies to ensure a sound financial basis, and, for such purpose it sets aside other general reserves in preparation for the creation of new businesses, cultivation of new markets, development of new technologies and acquisition, as necessary, of outside management resources to achieve sustainable corporate growth.

In addition to the above-mentioned basic policy, within a certain range based on cash flow, Kyocera Corporation will implement acquisitions of its own shares as appropriate, as a powerful mechanism for enhancing shareholder returns.

The Articles of Incorporation of Kyocera Corporation provide that an interim dividend may be paid as stipulated in Article 454, Paragraph 5 of the Companies Act in Japan, and its basic policy is to pay a year-end dividend and an interim dividend. These dividends are determined by the Ordinary General Meeting of Shareholders for the year-end dividends and by the Board of Directors for the interim dividends.

For fiscal 2020, the amount of the year-end dividend is 80 yen per share in light of the performance for the consolidated fiscal year and in accordance with the above-mentioned basic policy. As a result, the annual dividend is 160 yen per share when aggregated with the interim dividend in the amount of 80 yen per share. This amount represents an increase of 20 yen per share as compared with the amount of the annual dividend in fiscal 2019, which was 140 yen per share.

The proposed appropriation of surplus are as follows:

Date of Resolution	Aggregate Amount	Per Share Amount
The Board of Directors Meeting held on October 31, 2019	28,995 million yen	80 yen
The Ordinary General Meeting of Shareholders held on June 25, 2020	28,995 million yen	80 yen

#### **4. Information of Corporate Governance**

##### **(1) Corporate Governance**

###### **a. Basic Views on Corporate Governance**

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

[Detail of Board of Directors Meeting]

September 21, 2018

KYOCERA CORPORATION

Board of Directors Meeting

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 establishment of a system to ensure that conduct of business by the Directors will be in compliance with all applicable laws and regulations and the Articles of Incorporation and to ensure proper conduct of business by Kyocera Corporation (the “Company”) and 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 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 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 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 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 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 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 effective audit by the Audit & Supervisory Board Members, Representative Directors shall comply with such request:

- 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 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 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 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 Kyocera Group

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

***b. Summary of Corporate Governance and Reason for Adoption***

***(a) Board of Directors***

The Board of Directors of Kyocera is an organization to decide the important matters and to supervise the execution of businesses of Kyocera Group as a whole. It consists of Directors including three Outside Directors. The Directors are nominated by the General Shareholders Meeting based on the proposal of candidates who have enough understanding of Kyocera Group and with outstanding “personality,” “capability” and “insight” to engage in the management of Kyocera.

Besides, Kyocera adopts the Executive Officer system to facilitate the efficiency of the management of Kyocera. The execution of the businesses of Kyocera is undertaken by the Executive Officers under the instruction of the Representative Director and President of Kyocera. Representative Director and President is nominated by the Board of Directors, which undertakes the management decision and supervision of the execution of businesses. Representative Directors direct the Executive Officers to report the status of the execution of the businesses to the Board of Directors, and the Board of Directors makes sure that the businesses is efficiently executed. As such, Kyocera clarifies the responsibility and authority to achieve efficient management of Kyocera, and to realize the efficient functionality of appropriate corporate governance and internal control of Kyocera. The Directors of Kyocera include some presidents of the important subsidiaries in Japan and overseas of Kyocera, to make sure that corporate governance works for whole Kyocera Group.

***(b) Audit and Supervisory Board***

Kyocera has Audit & Supervisory Board Members and Audit & Supervisory Board based on the corporate governance policy and the provision of its Articles of Incorporation which was approved by the General Shareholders Meeting. Audit & Supervisory Board Members include two full-time Audit & Supervisory Board Member originally an employee of Kyocera, as well as two Outside Audit & Supervisory Board Members, who have plenty of knowledge and experience as an attorney-at-law or CPA. The Audit & Supervisory Board Members are conducting audit of Kyocera as a whole based on the accurate information about Kyocera gathered from inside and utilizing variety of viewpoints as outsider of Kyocera.

***(c) Nominating and Remuneration Committee***

With respect to the nomination and remuneration of Directors, proposed nomination and remuneration are subject to prior review by the Nominating and Remuneration Committee, the majority of which consists of Outside Directors, the Board of Directors examine them, so that the decision relating thereto shall be made in a fair manner and appropriately.

***(d) Kyocera Group Management Committee***

Kyocera has established “Kyocera Group Management Committee” consisting of the Directors (excluding Outside Directors) who live in Japan and Kyocera holds meetings every month regularly. Such Committee examines not only the agenda of the meetings of the Board of Directors but also other important matters relating to the execution of the businesses of Kyocera Group as a whole to secure the sound management of Kyocera Group.

***(e) Kyocera Disclosure Committee***

Kyocera has established an organ known as the “Kyocera Disclosure Committee” for disclosure of corporate information. This Committee investigates all disclosure documents for the purpose of assuring the appropriateness of disclosures of corporate information, reporting the results of its investigations to the Representative Director and President which educates Group companies concerning rules relating to disclosure and promotes appropriate disclosure of information for the entire Group.

***(f) Kyocera Group Internal Audit Committee***

Kyocera has established “Kyocera Group Internal Audit Committee” in order to improve of internal control level in Kyocera Group and strengthen cooperation with internal audit department in each company. The committee aims to heighten the effectiveness of internal control by receiving report of audit results from the Corporate Global Audit Division and internal audit division in consolidated subsidiaries and issuing instructions for any necessary corrective action by Representative Director and President and Directors in each subsidiary of Kyocera Group.

***(g) Kyocera Group Philosophy Committee***

Kyocera has established “Kyocera Group Philosophy Committee” to educate and permeate “Kyocera Philosophy,” which is our corporate philosophy setting forth importance of conducting business of management in a fair and honest way, basing its fundamental judgments on a precept that “what is the right thing to do as a human being.” The committee has set education policy of “Kyocera Philosophy” of each entity in Kyocera Group, and discusses and decides the measures to promote an understanding of “Kyocera Philosophy” and practice it.

Members of each organization and committee are as set forth. (◎ represents chairman)

Position	Name	Board of Directors	Audit and Supervisory Board	Nominating and Remuneration Committee	Kyocera Group Management Committee	Kyocera Disclosure Committee	Kyocera Group Internal Audit Committee	Kyocera Group Philosophy Committee
Representative Director and Chairman	Goro Yamaguchi	◎		○	◎			◎
Representative Director and President	Hideo Tanimoto	○			○		◎	○
Director	Hiroshi Fure	○			○			○
Director	Yoji Date	○			○			○
Director	Norihiko Ina	○			○			○
Director	Keiji Itsukushima	○			○			○
Director	Koichi Kano	○			○	○		○
Director	Shoichi Aoki	○			○	◎		○
Director	Takashi Sato	○			○	○		○
Director	Junichi Jinno	○			○	○		○
Director	John Sarvis	○						
Director	Robert Whisler	○					○	
Outside director (Independent Director)	Hiroto Mizobata	○		○				
Outside director (Independent Director)	Atsushi Aoyama	○		○				
Outside director (Independent Director)	Akiko Koyano	○		○				
Full-time Auditor & Supervisory Board Member	Itsuki Harada	○	◎					
Full-time Auditor & Supervisory Board Member	Shigeru Koyama	○	○					
Outside audit & supervisory board member (Independent Director)	Hitoshi Sakata	○	○					
Outside audit & supervisory board member (Independent Director)	Masaaki Akiyama	○	○					
—	Other					○*1	○*2	○*3

(Notes) 1. Divisional manager of management strategies division, internal audit division, information security division, accounting division, finance division, investor relations division and management control division are included.

2. Divisional manager of internal audit division and President of consolidated subsidiaries that have internal audit division are included.

3. Executive officers and general managers of domestic divisions of Kyocera and President of domestic subsidiaries are included.

[Detail of Minimum Liability]

Kyocera has executed an agreement with all of external executives and auditors respectively in accordance with Article 427, Paragraph 1 of the Companies Act and Article 28 and 36 of the Articles of Incorporation of Kyocera, which limits Outside Directors' indemnity liability. The maximum on the amount of liability under the said agreement is the minimum liability amount as provided in laws and ordinances.

***c. Preparedness of Systems Relating to Corporate Governance and Internal Control***

The current status of the preparedness of systems relating to corporate governance and internal control are as follows:

- (a) The "Kyocera Code of Conduct" was established in June 2000.
- (b) 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.
- (c) The "Kyocera Management Committee," which was renamed the "Kyocera Group Management Committee" in August 2002, was established in January 2001.
- (d) The "Kyocera Disclosure Committee" was established in April 2003.
- (e) The "Employee Counseling Office" was established in April 2003 as a function of the whistleblower reporting system.
- (f) The Executive Officer System was introduced in June 2003 to improve management efficiency.
- (g) 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.
- (h) The "Kyocera Group Philosophy Committee" was established in May 2013.
- (i) 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 Division" was established within the Group in January 2014 in order to restructure the risk management system.
- (j) The "Kyocera Group Basic Policy for Risk Management" was established in June 2016.
- (k) The "Kyocera Group Internal Audit Committee" and "Kyocera Group Internal Audit Committee Charter" were established in June 2018.
- (l) The "Global Compliance Division" was established in October 2018.
- (m) The "Nominating and Remuneration Committee," a majority of whose members are Outside Directors, was established in December 2018.
- (n) The "Risk Management Department" was merged to "Global Compliance Division" and the functions of risk management were transferred into the "Global Compliance Division."

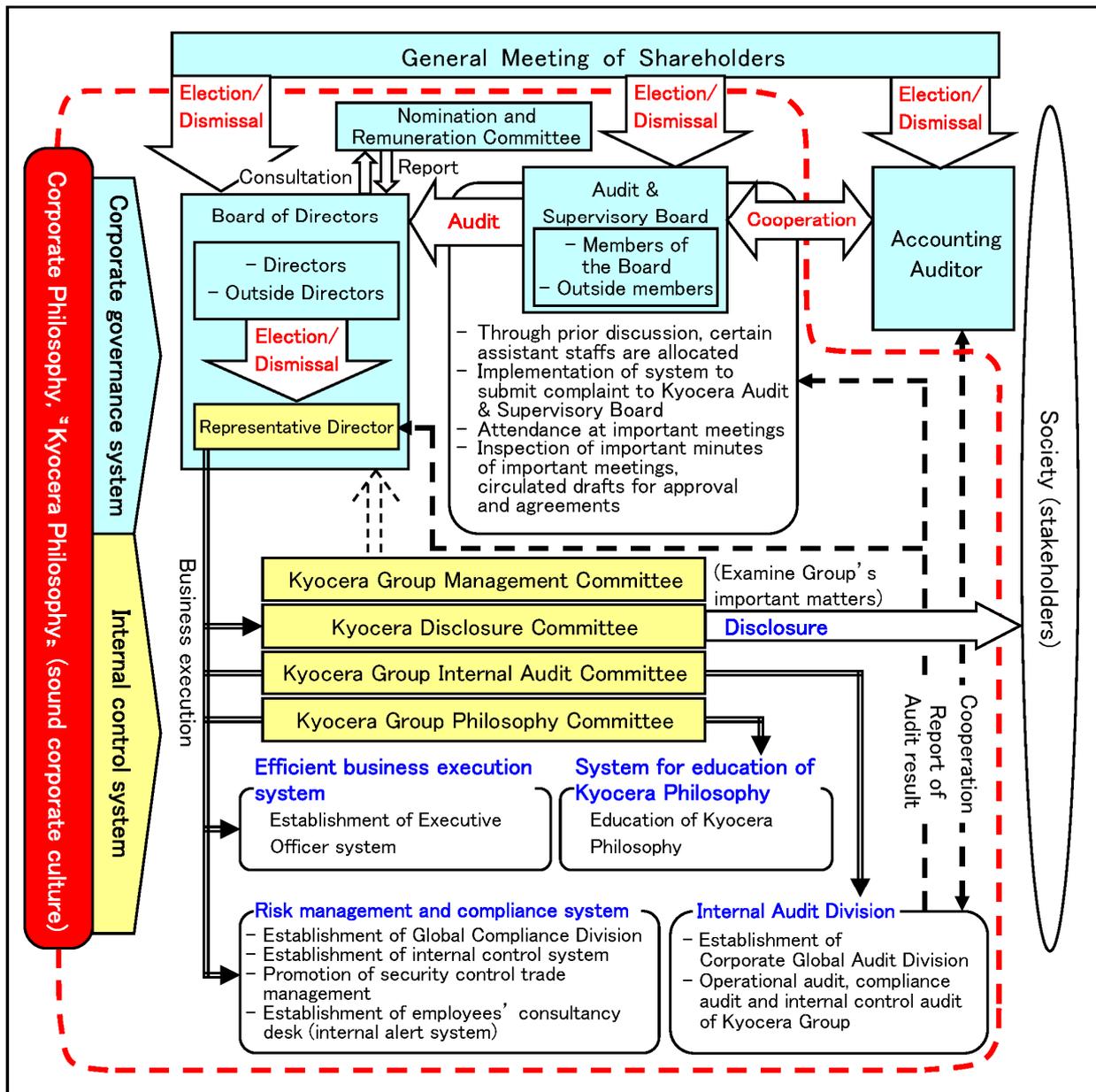
Kyocera supports and educates to each section for risk management with Kyocera risk assessment based on Kyocera philosophy in Global Compliance Division. Kyocera prepares the global reporting system for significant risk factor.

**d. Corporate Governance Chart of Kyocera**

The view on Corporate Governance of Kyocera is as set forth



Corporate Governance System of Kyocera is as set forth



***e. Acquisition of Treasury Stocks***

In order to enable the execution of a flexible and swift capital policy for the purpose of responding to changes in the management environment, the Articles of Incorporation set forth that Kyocera may acquire its own shares by means of a market transaction upon a resolution of the Board of Director based on Article 165, paragraph 2 of the Companies Act of Japan.

***f. Requirement for Special Resolutions of the General Meeting of Shareholder***

For smooth management of the General Meeting of the Shareholders by relaxing the quorum of special resolutions, the Articles of Incorporation set forth that a resolution of the General Meeting of Shareholders as specified by Article 309, paragraph 2 of the Companies Act of Japan is valid if the shareholders who have at least one-third of the total voting rights attend the meeting and of which two-thirds of the votes support such resolution.

***g. Number of Board and Director***

The Articles of Incorporation set forth that the Number of Board and Director is less than 20 people.

***h. Resolution Requirements for Appointment of Director***

Regarding resolutions for the appointment of Directors, our Articles of Incorporation set forth that attendance of shareholders who hold one-third or more of the voting rights of the shareholders who can exercise voting rights is necessary. The Articles of Incorporation also set forth that resolutions for the appointment of Directors may not be made with cumulative voting.

***i. Decision Institute of Interim Dividend***

In order to enable profits to be returned to shareholders in a flexible and swift manner, the Articles of Incorporation set forth that Kyocera may pay interim dividends, upon a resolution by the Board of Directors based on Article 454, paragraph 5 of the Companies Act of Japan, with September 30 set as the record date each year.

**(2) Directors and Audit & Supervisory Board Members**

**a. List of Directors and Audit & Supervisory Board Members**

Male 18 people, Female one person

(The ratio of the female member in Directors and Audit & Supervisory Board Members 5%)

Position	Name	Date of Birth	Career Summary	Term of Office	Shareholdings *1
Representative Director and Chairman	Goro Yamaguchi	January 21, 1956	<p>Mar. 1978 Joined Kyocera Corporation</p> <p>Jun. 2003 Executive Officer of Kyocera Corporation</p> <p>Jun. 2005 Senior Executive Officer of Kyocera Corporation</p> <p>Apr. 2009 Managing Executive Officer of Kyocera Corporation</p> <p>Jun. 2009 Director and Managing Executive Officer of Kyocera Corporation</p> <p>Apr. 2013 Representative Director and President, Executive Officer and President of Kyocera Corporation</p> <p>Mar. 2017 Representative Director and Chairman of the Kyoto Purple Sanga Co., Ltd. [Present]</p> <p>Apr. 2017 Representative Director and Chairman of Kyocera Corporation [Present]</p> <p>Representative Director and Chairman of Kyocera Communication Systems Co., Ltd. [Present]</p> <p>Representative Director and Chairman of Kyocera Document Solutions Inc. [Present]</p> <p>Representative Director and Chairman of Kyocera Realty Development Co., Ltd. [Present]</p> <p>Apr. 2019 Representative Director and Chairman of Kyocera Industrial Tools Corporation [Present]</p>	*5	44,695
Representative Director and President Executive Officer and President	Hideo Tanimoto	March 18, 1960	<p>Mar. 1982 Joined Kyocera Corporation</p> <p>Apr. 2015 Executive Officer of Kyocera Corporation</p> <p>Apr. 2016 Managing Executive Officer of Kyocera Corporation</p> <p>Jun. 2016 Director and Managing Executive Officer of Kyocera Corporation</p> <p>Apr. 2017 Representative Director and President, Executive Officer and President of Kyocera Corporation [Present]</p> <p>Chairman of the Board of Directors of Kyocera (China) Sales &amp; Trading Corporation [Present]</p> <p>Chairman of the Board of Directors of Dongguan Shilong Kyocera Co., Ltd. [Present]</p> <p>Chairman of the Board of Directors of Shanghai Kyocera Electronics Co., Ltd. [Present]</p> <p>Authorized Representative and Chairman of Kyocera Vietnam Co., Ltd. [Present]</p> <p>Jun. 2017 Representative Director and Chairman of Kyocera Korea Co., Ltd. [Present]</p>	*5	10,668
Director Senior Managing Executive Officer  General Manager of Corporate Organic Materials Semiconductor Components Group	Hiroshi Fure	February 24, 1960	<p>Mar. 1984 Joined Kyocera Corporation</p> <p>Apr. 2011 Executive Officer of Kyocera Corporation</p> <p>Apr. 2013 Managing Executive Officer of Kyocera Corporation</p> <p>Jun. 2013 Director and Managing Executive Officer of Kyocera Corporation</p> <p>Apr. 2015 Director and Senior Managing Executive Officer of Kyocera Corporation [Present]</p> <p>Sep. 2016 General Manager of Corporate Organic Materials Semiconductor Components Group of Kyocera Corporation [Present]</p>	*5	6,287

Position	Name	Date of Birth	Career Summary	Term of Office	Shareholdings *1
Director Senior Managing Executive Officer  General Manager of Corporate Electronic Components Group	Yoji Date	September 20, 1956	Mar. 1979 Joined Kyocera Corporation Apr. 2012 Executive Officer of Kyocera Corporation Apr. 2013 Managing Executive Officer of Kyocera Corporation Jun. 2013 Director and Managing Executive Officer of Kyocera Corporation Apr. 2015 Director and Senior Managing Executive Officer of Kyocera Corporation [Present] Apr. 2017 General Manager of Corporate Electronic Components Group of Kyocera Corporation [Present] Chairman of the Board of Directors of Kyocera International Electronics Co., Ltd. [Present]	*5	10,540
Director Managing Executive Officer	Norihiko Ina	September 16, 1963	Apr. 1987 Joined Mita Industrial Co., Ltd. (currently Kyocera Document Solutions Inc.) Apr. 2017 Executive Officer of Kyocera Corporation Representative Director and President of Kyocera Document Solutions Inc. [Present] Jun. 2017 Director and Managing Executive Officer of Kyocera Corporation [Present]	*5	3,079
Director Managing Executive Officer  General Manager of Corporate Communication Equipment Group	Keiji Itsukushima	May 3, 1958	Mar. 1982 Joined Kyocera Corporation Apr. 2016 Senior Executive Officer of Kyocera Corporation General Manager of Corporate Communication Equipment Group of Kyocera Corporation [Present] Apr. 2017 Managing Executive Officer of Kyocera Corporation Jun. 2017 Director and Managing Executive Officer of Kyocera Corporation [Present]	*5	4,668
Director Managing Executive Officer  General Manager of Corporate Development Group	Koichi Kano	September 21, 1961	Mar. 1985 Joined Kyocera Corporation Apr. 2012 General Manager of Corporate Development Group of Kyocera Corporation [Present] Apr. 2013 Executive Officer of Kyocera Corporation Apr. 2015 Senior Executive Officer of Kyocera Corporation Apr. 2016 Managing Executive Officer of Kyocera Corporation Jun. 2016 Director and Managing Executive Officer of Kyocera Corporation [Present]	*5	4,859
Director Managing Executive Officer  General Manager of Corporate Management Control Group	Shoichi Aoki	September 19, 1959	Mar. 1983 Joined Kyocera Corporation Jun. 2005 Executive Officer of Kyocera Corporation Apr. 2009 Managing Executive Officer of Kyocera Corporation Jun. 2009 Director and Managing Executive Officer of Kyocera Corporation [Present] Apr. 2018 General Manager of Corporate Management Control Group of Kyocera Corporation [Present] Dec. 2019 Chairman of the Board of Directors of Kyocera Management (Shanghai) Co., Ltd. [Present]	*5	12,684
Director Managing Executive Officer  General Manager of Corporate General Affairs Human Resources Group	Takashi Sato	September 22, 1960	Mar. 1983 Joined Kyocera Corporation Apr. 2013 Executive Officer of Kyocera Corporation Apr. 2016 Senior Executive Officer of Kyocera Corporation General Manager of Corporate General Affairs Human Resources Group of Kyocera Corporation [Present] Apr. 2017 Managing Executive Officer of Kyocera Corporation Jun. 2017 Director and Managing Executive Officer of Kyocera Corporation [Present]	*5	8,088

Position	Name	Date of Birth	Career Summary	Term of Office	Shareholdings *1
Director Managing Executive Officer  General Manager of Corporate Legal and Intellectual Property Group	Junichi Jinno	May 7, 1955	Jul. 1983 Joined Kyocera Corporation Jun. 2003 Executive Officer of Kyocera Corporation Apr. 2011 General Manager of Corporate Legal and Intellectual Property Group [Present] Apr. 2013 Senior Executive Officer of Kyocera Corporation Apr. 2018 Managing Executive Officer of Kyocera Corporation Jun. 2018 Director and Managing Executive Officer of Kyocera Corporation [Present]	*5	4,456
Director	John Sarvis	March 4, 1950	Dec. 1973 Joined AVX Corporation Jun. 2016 Director of Kyocera Corporation [Present] Jul. 2016 Chairman of the Board, Chief Executive Officer and President of AVX Corporation [Present]	*5	—
Director	Robert Whisler	February 17, 1953	Mar. 1981 Joined Kyocera America, Inc. (currently Kyocera International, Inc.) Jun. 2005 Executive Officer of Kyocera Corporation Apr. 2016 President and Director of Kyocera International, Inc. [Present] Jun. 2016 Director of Kyocera Corporation [Present]	*5	—
Director	Hiroto Mizobata	July 31, 1963	Apr. 1986 Joined KPMG Asahi Shinwa Accounting, Inc. (currently KPMG AZSA LLC) Mar. 1988 Registration as certified public accountant Dec. 1991 Registration as licensed tax accountant Mar. 1992 Representative of Mizobata Certified Public Accountant Office [Present] Jun. 2015 Outside Director of Kyocera Corporation [Present]	*5	1,897
Director	Atsushi Aoyama	August 2, 1960	Apr. 1985 Joined Mitsubishi Research Institute, Inc. May. 1995 Researcher of Imperial College London Oct. 1999 Associate Professor of Chemical Resources Laboratory, Tokyo Institute of Technology Apr. 2005 Professor of Graduate School of Technology Management, Ritsumeikan University [Present] Jun. 2016 Outside Director of Kyocera Corporation [Present]	*5	674
Director	Akiko Koyano	April 23, 1974	Dec. 2008 Registration as Attorney [Present] Belonging to Kyoto Bar Association [Present] Joined Koyano & Aoki Law Office Jul. 2009 Transferred to Koyano LPC Feb. 2018 Partner Attorney-at-law of Koyano LPC [Present] Jun. 2019 Outside Director of Kyocera Corporation [Present]	*5	56
Full-time Audit & Supervisory Board Member	Itsuki Harada	August 5, 1955	Mar. 1980 Joined Kyocera Corporation Oct. 1996 General Manager of Accounting section of Dongguan Shilong Kyocera Optics Co., Ltd. (currently Dongguan Shilong Kyocera Co., Ltd.) Apr. 2010 General Manager of Corporate Global Audit Division of Kyocera Corporation Jun. 2016 Full-time Audit & Supervisory Board Member of Kyocera Corporation [Present]	*6	820
Full-time Audit & Supervisory Board Member	Shigeru Koyama	October 6, 1956	Mar. 1980 Joined Kyocera Corporation Apr. 2011 President and Representative Director of Kyocera Fineceramics GmbH (Currently Kyocera Europe GmbH) Apr. 2013 Executive Officer of Kyocera Corporation Apr. 2015 Senior Executive Officer of Kyocera Corporation Jun. 2020 Full-time Audit & Supervisory Board Member of Kyocera Corporation [Present]	*6	5,321

Position	Name	Date of Birth	Career Summary	Term of Office	Shareholdings *1
Audit & Supervisory Board Member	Hitoshi Sakata	January 22, 1953	Apr. 1985 Registration as Attorney [Present] Belonging to Kyoto Bar Association [Present] Jul. 1995 Partner Attorney-at-law of Oike Law Office [Present] Feb. 2010 Researcher of University of Cambridge Apr. 2011 Professor of Graduate School of Law Department, Doshisha University (Doshisha Law School) Jun. 2013 Outside Director of Nippon Shinyaku Co., Ltd. [Present] Jun. 2016 Audit & Supervisory Board Member of Kyocera Corporation [Present]	*6	674
Audit & Supervisory Board Member	Masaaki Akiyama	January 4, 1945	Oct. 1968 Joined Tomishima Audit Corporation (currently Ernst & Young ShinNihon LLC) Mar. 1973 Registration as certified public accountant Sep. 2010 Outside Audit & Supervisory Board Member of Joyful Honda Co., Ltd. [Present] Jun. 2016 Audit & Supervisory Board Member of Kyocera Corporation [Present]	*6	674
Total					120,140

- (Notes) 1. The shareholdings are the information as of March 31, 2020.
2. Messrs. Hiroto Mizobata and Atsushi Aoyama and Ms. Akiko Koyano are outside directors.
3. Messrs. Hitoshi Sakata and Masaaki Akiyama are outside audit & supervisory board members.
4. Kyocera adopts an “executive officer system,” which aims to establish corporate governance appropriate for a global corporation together with a decision-making system responsive to the business environment and to train the next generation of senior executives.
5. This is from the closing of the Ordinary General Meeting of Shareholders related to the year ended March 31, 2019 to the closing of the Ordinary General Meeting of Shareholders related to the year ending March 31, 2021.
6. This is from the closing of the Ordinary General Meeting of Shareholders related to the year ended March 31, 2020 to the closing of the Ordinary General Meeting of Shareholders related to the year ending March 31, 2024.

***b. Outside Director and Audit & Supervisory Board Member***

***(a) The number of Outside Directors and Audit & Supervisory Board Members***

Outside Directors: three people

Outside Audit & Supervisory Board Members: two people

***(b) Important Concurrent Posts Undertaken by Outside Director and Audit & Supervisory Board Members, and their Relations with Kyocera***

Outside Directors, Messrs. Hiroto Mizobata and Atsushi Aoyama and Ms. Akiko Koyano, and Outside Audit & Supervisory Board Members, Messrs. Hitoshi Sakata and Masaaki Akiyama, own Kyocera's shares.

There is no special interest between Mr. Hiroto Mizobata, an Outside director, and Kyocera Corporation nor is there any special interest between Kyocera Corporation and Mizobata Certified Public Accountant Office where Mr. Hiroto Mizobata serves as a Representative. In addition, Kyocera Corporation has no special interest with Yamaki Co., Ltd. and ES-CON JAPAN Ltd., where he serves as an Outside Director (the Audit and Supervisory Committee Member).

There is no special interest between Mr. Atsushi Aoyama, an Outside Director, and Kyocera Corporation. There were two relatives within the second degree who had served as employees of Kyocera Corporation in the past. However, even those who retired as employee at the end of their careers had not had any impact on their relatives as more than 30 years had passed since their retirement. He is also a professor at the Graduate School of Technology Management, Ritsumeikan University. The University and Kyocera Corporation have a Technical Assistance Agreement (600 thousand yen) in the field of electronic devices but no agreement with the Graduate School of Technology Management where he serves as a Professor.

There is no special interest between Ms. Akiko Koyano, an Outside Director, and Kyocera Corporation nor is there any special interest between Kyocera Corporation and Koyano LPC where Ms. Akiko Koyano serves as a Partner Attorney-at-law.

There is no special interest between Mr. Hitoshi Sakata, an Outside Audit & Supervisory Board Member, and Kyocera Corporation nor is there any special interest between Kyocera Corporation and Oike Law Office where Mr. Hitoshi Sakata serves as a Partner Attorney-at-law. In addition, Kyocera Corporation has no special interest with Nippon Shinyaku Co., Ltd. where he serves as an Outside Director.

There is no special interest between Mr. Masaaki Akiyama, an Outside Audit & Supervisory Board Member, and Kyocera Corporation nor is there any special interest between Kyocera Corporation and Joyful Honda Co., Ltd. where Mr. Masaaki Akiyama serves as an Outside Audit & Supervisory Board Member. In addition, Kyocera Corporation has no special interest with United Urban Investment Corporation where he served as a Supervisory Officer until August 31, 2019.

***(c) Function and Role of Outside Director and Audit & Supervisory Board Member for Corporate Governance***

Kyocera Corporation has strengthened the supervisory function of the Board of Directors and audit function of Directors by appointing three Outside Directors with extensive knowledge and experience as certified public accountant and tax accountant, scholar or attorney-at-law, and two Outside Audit & Supervisory Board Members with extensive knowledge and experience as an attorney-at-law or certified public accountant and having the Directors provide sufficient explanations to the Outside Directors and Outside Audit & Supervisory Board Members at meetings of the Board of Directors and other meetings. In addition, Directors make decisions with an external perspective by exchanging opinions with Outside Directors and Audit & Supervisory Board Members on overall management.

Furthermore, Kyocera Corporation has established a sound corporate culture pursuant to the "Kyocera Philosophy," which is the corporate philosophy based on the general criteria in making judgment, namely "what is the right thing to do as human being." Kyocera establishes its corporate governance system through practicing the Kyocera Philosophy. Such system is supplemented by the function to check the management by the Outside Directors and Audit & Supervisory Board Members.

The role of each Outside Director and Outside Audit & Supervisory Board Member which Kyocera Corporation expects is as below:

Kyocera Corporation expects that Mr. Hiroto Mizobata will be continuously capable of providing advice on and undertaking supervision of general corporate activities as an Outside Director of Kyocera Corporation, based on his abundant experience and exceptional insight as a certified public accountant and licensed tax accountant.

Kyocera Corporation expects that Mr. Atsushi Aoyama will be continuously capable of providing advice on and undertaking supervision of general corporate activities as an Outside Director of Kyocera Corporation, based on his abundant experience and exceptional insight relating to the area of Technology Management that study companies who make much of technology development and innovation.

Kyocera Corporation expects that Ms. Akiko Koyano will be continuously capable of providing advice on and undertaking supervision of corporate activities as an Outside Director of Kyocera Corporation, based on her extensive experience and insight as an attorney at law specializing in corporate law and wide-ranging insight into social issues, such as gender equality, etc.

Kyocera Corporation expects that Mr. Hitoshi Sakata will be capable of conducting a general audit of the Kyocera's global corporate activities as an Outside Audit & Supervisory Board Member based on his abundant experience and exceptional insight as an attorney at law and his familiarity with the field of company legal affairs including Companies Act and overseas intellectual property.

Kyocera Corporation expects that Mr. Masaaki Akiyama will be capable of conducting a general audit of Kyocera's corporate activities as an Outside Audit & Supervisory Board Member based on his abundant knowledge relating to finance and accounting as a certified public accountant and his abundant experience and exceptional insight.

***(d) Thoughts of Kyocera with Respect to the Independence of Outside Director of Kyocera and Reason for Nomination as Independent Director***

Kyocera thinks that it is important to retain a person, who has outstanding "personality," "capability" and "insight" as an Outside Director of Kyocera and to have such person supervise Kyocera's management from an objective point of view. Kyocera nominates the persons who satisfy the above-mentioned criteria to Outside Director and Outside Audit & Supervisory Board Members. The Outside Directors of Kyocera are selected as independent directors in compliance with the requirements concerning the Outside Directors prescribed by the Companies Act and the independence standards prescribed by the financial instruments exchanges.

Kyocera has three Independent Outside Directors and two Independent Outside Audit & Supervisory Board Members who will not have any conflicts of interest with the shareholders in general of Kyocera in order to effectively achieve the purpose of auditing Kyocera from an independent standpoint. Kyocera thinks there is a system for adequate supervision and auditing of Kyocera from an objective point view at this point. Kyocera, therefore, nominated all of these five people as independent Directors of Kyocera set by the Tokyo Stock Exchange.

***c. Supervision and Internal Audit by Outside Audit & Supervisory Board Members, Cooperation between Audit by Audit & Supervisory Board Members and Accounting Audit and Relationship with the Internal Control Division***

Outside Audit & Supervisory Board Members receive reports from internal audit and control division and discuss the status of the audit every first half and second half. They receive reports from accounting auditors and discuss audit plan and results of the audit every quarter. Besides, they receive reports from full-time audit and supervisory board member and discuss the status of the audit. In addition, they have meetings to discuss about the substance of the audit and share information from time to time.

**(3) Status of Audit**

**a. Audit by Audit & Supervisory Board Members**

Kyocera's Audit & Supervisory Board consists of four Audit & Supervisory Board Members, including two outside Audit & Supervisory Board Members. Their career and their attendance for the Audit & Supervisory Board meetings held during the fiscal year are as follows:

Position	Name	Career etc.	Attendances at the meeting of the Audit & Supervisory Board held during the fiscal year
Full-time Audit & Supervisory Board Member	Itsuki Harada	He has long experience in the accounting department and the global audit department of Kyocera and has substantial knowledge of finance and accounting.	100% (8 out of 8)
Audit & Supervisory Board Member	Osamu Nishieda	He has familiarity with the Kyocera internal affairs and has extensive experience and deep insight as an attorney.	100% (8 out of 8)
Outside Audit & Supervisory Board Member	Hitoshi Sakata	He has extensive experience and deep insight as an attorney, as well as great familiarity with corporate legal practice and overseas intellectual property rights.	100% (8 out of 8)
Outside Audit & Supervisory Board Member	Masaaki Akiyama	He has extensive experience and deep insight as a certified public accountant and has substantial knowledge of finance and accounting.	100% (8 out of 8)

The items to be audited based on the audit policy and plan decided by the Audit & Supervisory Board in the fiscal year are as follows:

Items	Details of the audit
Permeation status of corporate ethics	<ul style="list-style-type: none"> <li>▪ Permeation status of Kyocera Philosophy</li> <li>▪ Motivation of employees to work</li> </ul>
Current initiatives for key management issues	<ul style="list-style-type: none"> <li>▪ Achievement status of management policy and key directive</li> <li>▪ Progress status of management plan</li> <li>▪ Status of grasping and responding to management issues</li> </ul>
Compliance with laws and Articles of Incorporation	<ul style="list-style-type: none"> <li>▪ Confirmation of the legality of management decision</li> <li>▪ Compliance with fiduciary duty of director</li> <li>▪ The appropriateness of disclosures under the Companies Act as well as the Financial Instrument and Exchange Act</li> <li>▪ Compliance with and operation of laws</li> </ul>
The effectiveness of internal control system	<ul style="list-style-type: none"> <li>▪ Status of the design and operation of company regulations</li> <li>▪ Status of the design and operation of the framework for information management</li> <li>▪ Operation status of consultation desks of inside and outside the company</li> <li>▪ Status of organization of quality management systems, environmental conservation and others and operation them</li> </ul>
Status of the design of risk management system	<ul style="list-style-type: none"> <li>▪ Status of risk management organization and risk management operation</li> <li>▪ Status of risk assessment in each division</li> <li>▪ Status of risk countermeasures</li> </ul>
Grasping the status of the management in subsidiaries	<ul style="list-style-type: none"> <li>▪ System to grasp the status of the management in subsidiaries</li> <li>▪ Status of the design and operation of the internal control system in subsidiaries</li> </ul>
Timely disclosure of business results	<ul style="list-style-type: none"> <li>▪ Announcement of the financial results</li> <li>▪ Timely and appropriate disclosure of corporate information</li> </ul>

The main activities of each Audit & Supervisory Board Members in relation to audit items are as follows. The results of audits conducted by Full-time Audit & Supervisory Board Member are reported to other Audit & Supervisory Board Member as appropriate.

Main activities	Person in charge
Confirming the management decision-making process and internal control environment by the attendance of the Board of Directors	All Audit & Supervisory Board Member
Attendance at important meetings such as the Kyocera Group Management Committee to confirm the status of initiatives for key management issues	Only Full-time Audit & Supervisory Board Member
Ascertaining the status of business activities by holding hearings with each division, plant and office of Kyocera Head Office	Only Full-time Audit & Supervisory Board Member
Confirming the status of audit and internal control based on the regular meetings with their Corporate Auditors of the subsidiary	All Audit & Supervisory Board Member
Confirming the status of internal control and asset management by visiting audit affiliated based on a certain rotation	Only Full-time Audit & Supervisory Board Member
Sharing issues of internal control and business operation based on audit results of Corporate Global Audit Division	Only Full-time Audit & Supervisory Board Member
Holding regular meetings with audit firm to discuss about the audit result of the audit and confirm financial results	All Audit & Supervisory Board Member
Review of independence of audit firms and appropriateness of audit	All Audit & Supervisory Board Member
Confirming business results through financial reporting meetings	All Audit & Supervisory Board Member
Investigation based on the system for internal complaint reporting to the Audit & Supervisory Board	Only Full-time Audit & Supervisory Board Member
Inspection of minutes of Kyocera Board of Directors Meeting, reporting documents of each business group and document related to financial results, etc.	Only Full-time Audit & Supervisory Board Member
Meetings with Representative Directors to exchange opinions regarding management of the company in general	All Audit & Supervisory Board Member
Regular meetings with Outside Directors to communicate and share a common perception	All Audit & Supervisory Board Member

***b. Internal Audit***

The “Corporate Global Audit Division” which was established as internal audit division to conduct regularly audits of consolidated subsidiaries of Kyocera and to report the results of such audits to the Directors and Audit & Supervisory Board Members of Kyocera. The number of members of “Corporate Global Audit Division” is 64 people at the date of submission.

The internal audit division and the Audit & Supervisory Board Members report with each other and discuss the status and result of the audit in a timely manner. Besides, they meet from time to time to discuss the substance of audit and exchange information.

The internal audit division and accounting auditors discuss the status and result of the audit in a timely manner. Besides, they meet from time to time to discuss the substance of audit and exchange information.

The internal audit division, accounting auditors and internal control division hold meetings regarding status in establishment of internal control as necessary from time to time.

***c. Summary of Certified Public Accountants Who Execute Audit***

***(a) The Name of Audit Firm***

PricewaterhouseCoopers Kyoto

***(b) The Year of Service Served by the Accounting Auditor***

From the year ended March 31, 1970.

Kyocera engaged Kyoto Audit Corporation, currently PricewaterhouseCoopers Kyoto, since the year ended March 31, 2008. Kyocera engaged Kyoto office of Chuo Accounting Office, substantial predecessor of PricewaterhouseCoopers Kyoto, in the year ended March 31, 1970. Therefore, the year of service served by the accounting auditor is described from the year ended March 31, 1970.

***(c) Name and Term of Certified Public Accountants Who Execute the Audit***

Engagement partner from PricewaterhouseCoopers Kyoto

Keiichiro Kagi (Number of years of continuous service: six years)

Tetsuhiro Yasumoto (Number of years of continuous service: two years)

***(d) Structure of Supporter Related to Audit***

Certified public accountants: 11 people

Associate from the Japanese Institute of Certified Public Accountants: three people

Others: 10 people

***(e) Policy and Reason for Electing the Audit Firm***

Audit and Supervisory Board of Kyocera selects audit firm taking into account the policy of specialists, view, independence, specialized knowledge, size, number of people, capability and proficiency of audit-related service, quality management system of audit, the results and remuneration provision.

Besides, should anything occur to negatively impact the qualifications or independence of the Accounting Auditor, making it unlikely that such Accounting Auditor will be able to properly perform an audit, the Audit & Supervisory Board shall determine the resolution to be proposed to the General Meeting of Shareholders to terminate or not to reappoint such Accounting Auditor.

Audit and Supervisory Board of Kyocera selects the audit firm, taking into account that PricewaterhouseCoopers Kyoto has adequate capability, system and credential to conduct appropriate audit and not fit into policy of decision to terminate or not to reappoint Accounting Auditor.

***(f) The Assessment of Audit Firm by Audit & Supervisory Board***

Audit and Supervisory Board of Kyocera assesses the audit firm. The assessment is conducted by confirming the status through audit plan, quarterly reports of the result of audit and meetings from time to time.

**d. Details of Audit Fees and Other Matters**

**(a) Details of Fees Paid to the Certified Public Accountant Auditor**

(Yen in millions)

Classification	Year ended March 31, 2019		Year ended March 31, 2020	
	Audit Fees	Not Audit Fees	Audit Fees	Not Audit Fees
Kyocera Corporation	251	41	245	—
Consolidated subsidiaries	170	4	233	9
Total	421	45	478	9

**Details of Non-Auditing Work Performed by the Certified Public Accountant Auditor of Kyocera**

(Year ended March 31, 2019)

Kyocera Group paid consideration to PricewaterhouseCoopers Kyoto for the advisory service relating to an introduction of International Financial Reporting Standards and the advisory service relating to financial report.

(Year ended March 31, 2020)

Kyocera Group paid consideration to PricewaterhouseCoopers Kyoto for the advisory service relating to financial report.

**(b) Details of Fees Paid to PricewaterhouseCoopers, which Belongs to the Same Network as the Certified Public Accountant Auditor (Excluding (a))**

(Yen in millions)

Classification	For the year ended March 31, 2019		For the year ended March 31, 2020	
	Audit Fees	Not Audit Fees	Audit Fees	Not Audit Fees
Kyocera Corporation	—	51	—	177
Consolidated subsidiaries	1,490	168	1,591	260
Total	1,490	219	1,591	437

**Details of Non-Auditing Work Performed by PricewaterhouseCoopers, which Belongs to the Same Network as the Certified Public Accountant Auditor**

(Year ended March 31, 2019)

Kyocera Group paid consideration to PricewaterhouseCoopers for the tax services.

(Year ended March 31, 2020)

Kyocera Group paid consideration to PricewaterhouseCoopers for the tax services.

**(c) Details of Other Significant Fees**

Not Applicable.

**(d) Policy for Determining Audit Fees**

Kyocera enters into an audit contract, which includes an audit fee, after examining the appropriateness of the amount and the independence of the audit firm, based on the size and nature of Kyocera's business.

**(e) The Reason for Audit & Supervisory Board Members Agreed to Audit Fees**

Audit & Supervisory Board agrees to the fee of Accounting Auditor based on Paragraph 1 of Article 399 of the Companies Act through following measures. Audit & Supervisory Board obtains the necessary materials from Directors, relevant internal company divisions and Accounting Auditor and receives the reports. And Audit & Supervisory Board confirms audit content, hours and details and trend of its fee in the previous fiscal year, and considers estimates of audit fee in the fiscal year.

**(4) Remuneration of Directors**

**a. Amount of Remuneration by Classification, Components and Number of Directors**

(Yen in millions)

Classification	Amount	Components			Number of Directors
		Basic remuneration	Bonus to Directors	Restricted Stock Compensation	
Directors (excluding outside Directors)	347	163	135	49	12
Outside Directors	38	38	–	–	4
Auditors (excluding outside Auditors)	36	36	–	–	2
Outside Auditors	21	21	–	–	2
Total	442	258	135	49	20

(Notes) 1. The amount of restricted stock compensation stated in the table above is the amount recognized as expense for the year ended March 31, 2020.

2. Aside from the “Basic remuneration” and “Bonus to Directors” in the above table, the aggregate amount of remuneration to Directors (excluding Outside Directors) was 273 million yen in salaries for services as employees or Executive Officers for those Directors who serve as such and was 179 million yen in bonus for services as employees.

**b. Remuneration of Directors Who Earned or Earned More Than a Total of 100 Million Yen on Consolidated Basis**

(Yen in million)

Name	Company and Post	Components				Amount
		Basic remuneration	Bonus	Stock-based remuneration	Other	
Goro Yamaguchi	Kyocera Corporation (Submit company) Chairman of the Board and Representative Director	60	49	13	–	128
	AVX Corporation Director	2	–	4	–	
Hideo Tanimoto	Kyocera Corporation (Submit company) President and Representative Director	67	54	15	–	142
	AVX Corporation Director	2	–	4	–	
John Sarvis	Kyocera Corporation (Submit company) Director	6	6	–	–	138
	AVX Corporation Chairman of the Board and Representative Director and Executive Officer	59	4	21	42	

(Notes) 1. The positions of Goro Yamaguchi, Hideo Tanimoto and John Sarvis represent their positions as of March 31, 2020.

2. AVX Corporation is Kyocera’s consolidated subsidiary in the United States and the determination of compensation for directors and officers of AVX Corporation was made by AVX Corporation’s Compensation Committee pursuant to the U.S. regulations and based on its consideration for general and customary levels of compensation in the United States.

3. The amounts of compensation provided originally in the U.S. dollars at AVX Corporation was translated into the yen at a rate of 109 yen per 1.00 U.S. dollar, which is the average rate during the year ended March 31, 2020.

***c. The Contents of Policies of Calculating the Amount of Remuneration to the Directors and Procedures in Determining of Remuneration***

***(a) Contents of the Resolution on the General Meeting of Shareholders***

Remuneration to Directors and Audit & Supervisory Board Members was determined by the resolution adopted at the 55th Ordinary General Meeting of Shareholders, which was held on June 25, 2009, and the 65th Ordinary General Meeting of Shareholders, which was held on June 25, 2019, as follows:

**i. Remuneration to the Directors (Total amount)**

Basic Remuneration: No more than 400 million yen per year (not including salaries for services as employees or Executive Officers for those Directors who serve as such).

Bonuses to Directors: No more than 0.2% of profit attributable to owners of the parent for the relevant fiscal year, provided that such amount shall not exceed 300 million yen per year. \*

(Note) As of June 25, 2009, “No more than 0.2% of the Consolidated Net Income of Kyocera” was determined based on U.S. GAAP. The account is presented based on IFRS from the 65th business term.

Restricted Stock Compensation: No more than 100 million yen per year as well as no more than 0.1 % of the profit attributable to owners of the parent (The total number of common stocks to be issued or disposed of shall not exceed 25,000 shares per year).

**ii. Remuneration to Audit & Supervisory Board Members (Total amount)**

Basic Remuneration: No more than 100 million yen per year.

***(b) The Content and Policy of Calculating the Amount of Remuneration***

The structure and level of remuneration for Kyocera’s Directors is determined by the Board of Directors within the range of the resolution above, after consulting in advance the Nomination and Remuneration Committee, a majority of which consists of Outside Directors, from the perspective of ensuring objectivity and achieving transparency in decision-making processes. The Nomination and Remuneration Committee also refers to the benchmark results of compensation for directors and corporate auditors provided by external consultants, and confirms the appropriateness of Kyocera’s remuneration in light of public standards.

Remuneration to the Directors of Kyocera consists of three components, namely, “i. Basic Remuneration”, “ii. Bonus to Directors” and “iii. Compensation for granting restricted stocks to Directors”.

**i. Basic Remuneration**

It is remuneration to be paid based on the responsibility of each Director and Audit and Supervisory Board Members. Level of the amount to be paid to each Director shall be decided based on the responsibility of each Director taking into consideration the amount of the remuneration of other companies doing similar businesses with Kyocera.

**ii. Bonuses to Directors**

The performance linked remuneration system varies with the level of each director’s contribution to the performance of “Profit attributable to owners of the parent.” It does not, however, determine the proportion of compensation to total compensation, and does not impose restrictions on maximum incentives for improving performance. The ratio of “Basic Remuneration” and “Bonuses to Directors” and “Restricted Stock Compensation” to the total amount of compensation for Directors in the fiscal year is five:four:one.

The reason for selecting “Profit attributable to owners of the parent” as a performance indicator is that directors have an incentive to maximize profits and that the linkage with the dividend payout ratio is made clear so as to align the interests of shareholders.

**iii. Restricted Stock Compensation**

It is compensation to be paid for the purpose of providing incentives for Directors of Kyocera to continuously improve Kyocera’s corporate value, as well as to promote further shared value between Directors and shareholders. The amount of payment is set according to the position of Director.

Remuneration to Outside Directors consists of “Basic Remuneration,” which is the fixed remuneration.

Remuneration to Audit & Supervisory Board Members consists of “Basic Remuneration,” which is the fixed remuneration decided after their consultation.

**(5) Status of Shareholdings**

**a. Standard and Views on Stocks for Investment**

Kyocera does not hold shares for pure investment purposes whose purpose is to earn profits from fluctuations in the value of shares. Kyocera holds shares with the objective of enhancement and maintenance of business relationships and improving corporate value over the medium to long-term, and classifies all of shares as investment other than pure investment purposes.

**b. Stocks for Investment Held for Purposes Other than Pure Investment**

**(a) Policy of Shareholdings and Methods to Assess the Rationale of Shareholdings and Verification of Appropriateness of Each Shareholding at the Meetings of the Board of Directors**

Kyocera Group Management Committee and our Board of Directors conduct an annual review of all crossholdings of shares to assess whether continued holding of the relevant shares is appropriate, taking into account business needs, such as maintenance and/or enhancement of business relationships and efficiency in use of assets, including capital costs, with respect to individual shares. For any shares as to which a justifiable reason for holding them cannot be identified, we decrease our holdings of such shares through discussions with the issuing companies.

**(b) Number of Shares and Amount Recorded on the Balance Sheet**

	Number of Issuers	Amount on Balance Sheet (Yen in Millions)
Unlisted stock	45	28,959
Other than unlisted stock	24	1,124,581

(The number of stocks increased during this year end)

	Number of Issuers	Acquisition Amount (Yen in Millions)	Reason for Increase in the Number
Unlisted stock	4	1,026	Acquiring of management resources for business expansion and research and development
Other than unlisted stock	2	2	Enhancing and maintaining of business relationships

(The number of stocks decreased during this year end)

	Number of Issuers	Sold Amount (Yen in Millions)
Unlisted stock	4	40
Other than unlisted stock	—	—

**(c) Information of Number and Amount Recorded on the Balance Sheet of Specified Investment Shares and Deemed Stockholdings**

**Specified Investment Shares**

Stock name	As of March 31, 2020	As of March 31, 2019	Purpose and quantitative effect of holding, and reason for increase in number of shares held	Holding of Kyocera's shares
	Number of shares	Number of shares		
	Amount on balance sheet (Yen in millions)	Amount on balance sheet (Yen in millions)		
KDDI Corporation	335,096,000	335,096,000	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by enhancement and maintenance of business relationships, and shareholdings, issuing companies' social significance. Kyocera continues to hold these shares for economic reasons and because Kyocera anticipates that KDDI Corporation will be an important business partner of Kyocera in future business opportunities.	No
	1,068,956	799,204		
Japan Airlines Co., Ltd.	7,638,400	7,638,400	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by enhancement and maintenance of business relationships, and shareholdings, issuing companies' social significance.	No
	15,200	29,782		
Daikin Industries, Ltd.	1,131,600	1,131,600	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by enhancement and maintenance of corporate collaborations and business relationships, and shareholdings.	Yes
	14,903	14,677		
The Bank of Kyoto, Ltd.	1,596,059	1,596,059	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by maintenance of corporate collaborations, facilitation of financial transactions and shareholdings.	Yes
	5,490	7,390		
Murata Manufacturing Co., Ltd. *2	725,400	241,800	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by enhancement and maintenance of corporate collaborations and business relationships, and shareholdings.	Yes
	3,969	3,998		
SPCG Public Company Limited	63,500,000	63,500,000	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by enhancement and maintenance of business relationships, and shareholdings.	No
	2,960	3,984		
Nidec Corporation	190,850	190,850	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by enhancement and maintenance of corporate collaborations and business relationships, and shareholdings.	Yes
	2,140	2,677		
BROTHER INDUSTRIES, LTD.	1,000,000	1,000,000	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by enhancement and maintenance of business relationships, and shareholdings.	No
	1,654	2,048		

Stock name	As of March 31, 2020	As of March 31, 2019	Purpose and quantitative effect of holding, and reason for increase in number of shares held	Holding of Kyocera's shares
	Number of shares	Number of shares		
	Amount on balance sheet (Yen in millions)	Amount on balance sheet (Yen in millions)		
ROHM Co., Ltd.	260,000	260,000	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by enhancement and maintenance of corporate collaborations and business relationships, and shareholdings.	Yes
	1,542	1,794		
Mitsubishi Electric Corporation	980,430	980,430	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by enhancement and maintenance of corporate collaborations and business relationships, and shareholdings.	Yes
	1,309	1,395		
Wacoal Holdings Corp.	478,500	478,500	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by enhancement and maintenance of corporate collaborations and business relationships, and shareholdings.	Yes *1
	1,123	1,317		
TAIYO YUDEN CO., LTD.	350,000	350,000	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by enhancement and maintenance of corporate collaborations and business relationships, and shareholdings.	Yes
	1,001	762		
Daiwa Securities Group Inc.	2,151,366	2,151,366	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by maintenance of corporate collaborations and business relationships, facilitation of financial transactions and shareholdings.	Yes
	902	1,160		
TDK Corporation	100,000	100,000	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by enhancement and maintenance of corporate collaborations and business relationships, and shareholdings.	Yes
	838	867		
Mitsubishi UFJ Financial Group, Inc.	1,576,060	1,576,060	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by maintenance of corporate collaborations and business relationships, facilitation of financial transactions and shareholdings.	Yes *1
	635	867		
AEON Financial Service Co., Ltd.	474,000	474,000	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by enhancement and maintenance of business relationships, and shareholdings.	No
	549	1,068		
NAKAYAMA FUKU CO., LTD.	918,639	917,127	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by enhancement and maintenance of business relationships, and shareholdings.  <The reason for increase in number of shares held> In order to enhance transactions, it is acquired through the client stock ownership plan.	No
	429	481		

Stock name	As of March 31, 2020	As of March 31, 2019	Purpose and quantitative effect of holding, and reason for increase in number of shares held	Holding of Kyocera's shares
	Number of shares	Number of shares		
	Amount on balance sheet (Yen in millions)	Amount on balance sheet (Yen in millions)		
Naito & Co., Ltd.	3,080,000	3,080,000	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by enhancement and maintenance of business relationships, and shareholdings.	No
	422	659		
Shinko Shoji Co., Ltd. *3	240,000	120,000	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by enhancement and maintenance of corporate collaborations and business relationships, and shareholdings.	Yes
	214	225		
TOKYO SEIMITSU CO., LTD.	55,000	55,000	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by enhancement and maintenance of corporate collaborations and business relationships, and shareholdings.	Yes
	169	155		
Kyushu Financial Group, Inc.	192,712	192,712	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by maintenance of corporate collaborations and business relationships, facilitation of financial transactions and shareholdings.	Yes *1
	80	87		
Sumitomo Mitsui Financial Group, Inc.	26,318	26,318	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by maintenance of corporate collaborations and business relationships, facilitation of financial transactions and shareholdings.	Yes *1
	69	102		
YONDOSHI HOLDINGS INC.	11,915	11,477	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by enhancement and maintenance of business relationships, and shareholdings.  <The reason for increase in number of shares held> In order to enhance transactions, it is acquired through the client stock ownership plan.	No
	23	24		
Mizuho Financial Group, Inc.	20,000	20,000	Kyocera holds shares with the objective of improving corporate value over the medium to long-term, focusing on corporate growth through earning profits by maintenance of corporate collaborations and business relationships, facilitation of financial transactions and shareholdings.	Yes *1
	2	3		

(Notes) 1. Major subsidiaries of issuers hold shares of Kyocera.

2. On April 1, 2019, each common stock of Murata Manufacturing Co., Ltd. has been split into three shares.
3. On October 1, 2019, each common stock of Shinko Shoji Co., Ltd. has been split into two shares.
4. Quantitative holding effects are not included for business reasons, but Kyocera verifies the method described in “b. Stocks for Investment Held for Purposes Other than Pure Investment (a) Policy of Shareholdings and Methods to Assess the Rationale of Shareholdings and Verification of Appropriateness of Each Shareholding at the Meetings of the Board of Directors” and considers that there is sufficient holding rationality.

Deemed Stockholdings

Not Applicable

**c. Stocks for Investment Held for Pure Investment Purposes**

Not Applicable

## V. Financial Information

### 1. Consolidated Financial Statements and Other Information

#### (1) Consolidated Financial Statements

##### a. Consolidated Statement of Financial Position

(Yen in millions)

	Note	As of March 31, 2019	As of March 31, 2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	512,814	419,620
Short-term investments	10,31	99,210	62,999
Trade and other receivables	9,31	357,352	336,294
Other financial assets	10,19,31	9,871	11,035
Inventories	11	343,880	344,304
Other current assets	12	34,637	28,455
Total current assets		1,357,764	1,202,707
<b>Non-current assets</b>			
Equity and debt instruments	10,31	963,651	1,196,634
Investments accounted for using the equity method	13,35	4,159	17,422
Other financial assets	10,19,31	17,869	27,179
Property, plant and equipment	14	341,855	383,271
Right-of-use assets	19	—	34,921
Goodwill	7,15	149,499	212,207
Intangible assets	7,15	80,001	118,533
Deferred tax assets	16	38,558	40,434
Other non-current assets	12	15,119	16,867
Total non-current assets		1,610,711	2,047,468
<b>Total assets</b>		<b>2,968,475</b>	<b>3,250,175</b>

The accompanying notes are an integral part of these statements.

(Yen in millions)

	Note	As of March 31, 2019	As of March 31, 2020
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	18,31	4,204	35,025
Trade and other payables	17,31	186,281	173,300
Lease liabilities	31	–	15,477
Other financial liabilities	31	2,417	1,544
Income tax payables		12,672	11,396
Accrued expenses		120,903	114,983
Provisions	21,35	11,166	14,411
Other current liabilities	18,22	37,105	31,373
Total current liabilities		374,748	397,509
<b>Non-current liabilities</b>			
Borrowings	18,31	5,656	44,970
Lease liabilities	31	–	31,847
Retirement benefit liabilities	20	25,479	28,406
Deferred tax liabilities	16	174,823	271,317
Provisions	21,35	7,892	8,760
Other non-current liabilities	22	17,617	13,124
Total non-current liabilities		231,467	398,424
<b>Total liabilities</b>		606,215	795,933
<b>Equity</b>			
Common stock	23	115,703	115,703
Capital surplus		165,225	123,539
Retained earnings		1,638,709	1,686,672
Other components of equity	23	418,643	575,495
Treasury stock	23	(72,361)	(69,275)
Total equity attributable to owners of the parent		2,265,919	2,432,134
Non-controlling interests	32	96,341	22,108
<b>Total equity</b>		2,362,260	2,454,242
<b>Total liabilities and equity</b>		2,968,475	3,250,175

The accompanying notes are an integral part of these statements.

**b. Consolidated Statement of Profit or Loss**

(Yen in millions)

	Note	For the year ended March 31, 2019	For the year ended March 31, 2020
<b>Sales revenue</b>	6,25	1,623,710	1,599,053
Cost of sales	11,20,26	1,159,687	1,157,879
<b>Gross profit</b>		464,023	441,174
Selling, general and administrative expenses	7,14,15, 20,26,27	369,200	340,981
<b>Operating profit</b>		94,823	100,193
Finance income	28	44,750	48,154
Finance expenses	28	1,241	1,553
Foreign exchange gains (losses)	31	53	(481)
Share of net profit (loss) of investments accounted for using the equity method	13	379	124
Other, net		1,846	2,389
<b>Profit before income taxes</b>	6	140,610	148,826
Income taxes	16	25,754	36,980
<b>Profit for the year</b>		114,856	111,846
<b>Profit attributable to:</b>			
Owners of the parent		103,210	107,721
Non-controlling interests		11,646	4,125
<b>Profit for the year</b>		114,856	111,846
<b>Per share information:</b>	29		
<b>Earnings per share attributable to owners of the parent</b>			
Basic (Yen)		284.94	297.36
Diluted (Yen)		284.70	297.36

The accompanying notes are an integral part of these statements.

*c. Consolidated Statement of Comprehensive Income*

(Yen in millions)

	Note	For the year ended March 31, 2019	For the year ended March 31, 2020
<b>Profit for the year</b>		114,856	111,846
<b>Other comprehensive income, net of taxation</b>			
Items that will not be reclassified to profit or loss:			
Financial assets measured at fair value through other comprehensive income	23	(84,165)	177,776
Re-measurement of defined benefit plans	20,23	(1,618)	(675)
Total items that will not be reclassified to profit or loss		(85,783)	177,101
Items that may be reclassified subsequently to profit or loss:			
Net changes in fair value of cash flow hedge	23	36	(154)
Exchange differences on translating foreign operations	23	4,943	(24,222)
Share of other comprehensive income of investments accounted for using the equity method	13,23	66	25
Total items that may be reclassified subsequently to profit or loss:		5,045	(24,351)
<b>Total other comprehensive income</b>		(80,738)	152,750
<b>Comprehensive income for the year</b>		34,118	264,596
<b>Comprehensive income attributable to:</b>			
Owners of the parent		21,514	262,750
Non-controlling interests		12,604	1,846
<b>Comprehensive income for the year</b>		34,118	264,596

The accompanying notes are an integral part of these statements.

**d. Consolidated Statement of Changes in Equity**

For the year ended March 31, 2019

(Yen in millions)

	Note	Total equity attributable to owners of the parent						Non-controlling interests	Total equity
		Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total		
<b>Balance as of April 1, 2018 (Before applying new accounting standard)</b>		115,703	165,079	1,577,641	499,710	(32,342)	2,325,791	87,508	2,413,299
Cumulative effects of new accounting standard applied				2,973	(729)		2,244		2,244
<b>Balance as of April 1, 2018 (After applying new accounting standard)</b>		115,703	165,079	1,580,614	498,981	(32,342)	2,328,035	87,508	2,415,543
Profit for the year				103,210			103,210	11,646	114,856
Other comprehensive income					(81,696)		(81,696)	958	(80,738)
Total comprehensive income for the year		—	—	103,210	(81,696)	—	21,514	12,604	34,118
Cash dividends	24			(43,768)			(43,768)	(4,410)	(48,178)
Purchase of treasury stock	23					(40,020)	(40,020)		(40,020)
Reissuance of treasury stock			0			1	1		1
Transactions with non-controlling interests and other			146		11		157	639	796
Transfer to retained earnings	23			(1,347)	1,347		—		—
<b>Balance as of March 31, 2019</b>		115,703	165,225	1,638,709	418,643	(72,361)	2,265,919	96,341	2,362,260

For the year ended March 31, 2020

(Yen in millions)

	Note	Total equity attributable to owners of the parent						Non-controlling interests	Total equity
		Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total		
<b>Balance as of April 1, 2019</b>		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	24			(57,935)			(57,935)	(4,111)	(62,046)
Purchase of treasury stock						(26)	(26)		(26)
Reissuance of treasury stock	23		1,700			3,112	4,812		4,812
Transactions with non-controlling interests and other	32		(43,386)		0		(43,386)	(71,968)	(115,354)
Transfer to retained earnings	23			(1,823)	1,823		—		—
<b>Balance as of March 31, 2020</b>		115,703	123,539	1,686,672	575,495	(69,275)	2,432,134	22,108	2,454,242

The accompanying notes are an integral part of these statements.

*e. Consolidated Statement of Cash Flows*

(Yen in millions)

	Note	For the year ended March 31, 2019	For the year ended March 31, 2020
<b>Cash flows from operating activities:</b>			
Profit for the year		114,856	111,846
Depreciation and amortization		63,889	92,748
Finance expenses (income)	28	(43,509)	(46,601)
Share of net profit of investments accounted for using the equity method	13	(379)	(124)
Impairment loss	14,15	16,630	297
(Gains) losses from sales or disposal of property, plant and equipment		442	(6,938)
Income taxes	16	25,754	36,980
(Increase) decrease in trade and other receivables		25,016	7,170
(Increase) decrease in inventories		24,597	4,772
(Increase) decrease in other assets		31,022	8,811
Increase (decrease) in trade and other payables		(11,028)	(6,869)
Increase (decrease) in accrued expenses		(34)	(8,573)
Increase (decrease) in provisions	21	(33,276)	3,409
Increase (decrease) in other liabilities		3,751	(9,690)
Other, net		(289)	(3,702)
Subtotal		217,442	183,536
Interests and dividends received		45,192	48,978
Interests paid		(660)	(1,430)
Income taxes refund (paid)		(41,949)	(16,454)
Net cash provided by operating activities		220,025	214,630
<b>Cash flows from investing activities:</b>			
Payments for purchases of property, plant and equipment		(111,040)	(107,135)
Payments for purchases of intangible assets		(7,515)	(13,599)
Proceeds from sales of property, plant and equipment		2,782	11,537
Acquisitions of business, net of cash acquired	7,30	(22,165)	(83,522)
Acquisition of time deposits and certificate of deposits		(331,212)	(194,493)
Withdrawal of time deposits and certificate of deposits		428,810	218,218
Payments for purchases of securities		(71,143)	(3,920)
Proceeds from sales and maturities of securities		65,484	35,339
Other, net		(1,122)	(7,976)
Net cash used in investing activities		(47,121)	(145,551)
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term borrowings	30	(356)	28,947
Proceeds from long-term borrowings	30	3,676	45,059
Repayments of long-term borrowings	30	(3,394)	(41,055)
Repayments of lease liabilities	19,30	—	(17,610)
Dividends paid		(48,064)	(62,017)
Purchase of treasury stock	23	(40,020)	(26)
Reissuance of treasury stock	23	2	4,745
Purchase of non-controlling interests	32	(88)	(115,984)
Other, net		(812)	815
Net cash used in financing activities		(89,056)	(157,126)
<b>Effect of exchange rate changes on cash and cash equivalents</b>		4,028	(5,147)
<b>Increase (decrease) in cash and cash equivalents</b>		87,876	(93,194)
<b>Cash and cash equivalents at the beginning of the year</b>		424,938	512,814
<b>Cash and cash equivalents at the end of the year</b>	8	512,814	419,620

The accompanying notes are an integral part of these statements.

## ***Notes to Consolidated Financial Statements***

### ***1. Reporting Entity***

Kyocera Corporation is a corporation domiciled in Japan, whose shares are listed on the Tokyo Stock Exchange. The registered address of headquarter and principal business offices are available on the Kyocera Corporation's website (<https://global.kyocera.com/>).

The consolidated financial statements as of and for the year ended March 31, 2020 consist of Kyocera Corporation and its consolidated subsidiaries (hereinafter, "Kyocera") and shares of associates of Kyocera.

Kyocera globally operates various kinds of businesses, which include productions and distributions of material components, electronic devices and equipment as well as provisions of systems and services, in the markets primarily related to information and communications, automotive-related, environment and energy and medical and healthcare. The details are described in Note "6. Segment Information."

### ***2. Basis of Preparation***

#### ***(1) Compliance with IFRS***

The consolidated financial statements of Kyocera have been prepared in accordance with IFRS issued by International Accounting Standards Board pursuant to the provision of Article 93 of Regulations for Consolidated Financial Statements, as Kyocera meets the criteria of a "Designated IFRS Specified Company" defined under Article 1-2 of the regulations.

#### ***(2) Basis of Measurement***

These consolidated financial statements have been prepared under the historical cost basis, except for certain items, such as financial instruments that are measured at fair value.

#### ***(3) Functional Currency and Presentation Currency***

These consolidated financial statements are presented in Japanese yen, which is the functional currency of Kyocera, and amounts less than one million yen are rounded.

#### ***(4) Change in Accounting Policy***

Adopting 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) without restatement as 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

#### ***(5) Change in Presentation***

##### ***a. Statement of Consolidated Financial Position***

Borrowings, which were included in other financial liability for the year ended March 31, 2019 has been separately presented for the year ended March 31, 2020 due to an increase in its quantitative significance.

To reflect this change in presentation, Kyocera has reclassified the previous statement of consolidated financial position.

As a result, 6,621 million yen of “other financial liabilities” in statement of consolidated financial position has been reclassified as 4,204 million yen of “borrowings” and 2,417 million yen of “other financial liabilities.” In addition, 7,800 million yen of “long-term financial liabilities” has been reclassified as 5,656 million yen of “borrowings” and 2,144 million yen of “other non-current liabilities.”

##### ***b. Statement of Consolidated Cash Flows***

“Reissuance of treasury stock” and “purchase of non-controlling interests,” which were included in “other net” of cash flows from financing activities for the year ended March 31, 2019 has been separately presented for the year ended March 31, 2020 due to an increase in its quantitative significance.

To reflect this change in presentation, Kyocera has reclassified the previous statement of consolidated cash flows. As a result, (898) million yen of “other, net” has been reclassified as 2 million yen of “reissuance of treasury stock,” (88) million yen of “purchase of non-controlling interests” and (812) million yen of “other, net.”

### **3. Significant Accounting Policies**

#### **(1) Basis of Consolidation**

##### **a. Subsidiaries**

A subsidiary is an entity that is controlled by Kyocera. Kyocera controls an entity when Kyocera is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date when control is obtained to the date when the control is lost.

If any accounting policies applied by subsidiaries are different from those applied by Kyocera, adjustments are made to the subsidiary's financial statements, as needed. All intragroup balances, transactions and unrealized gains or losses arising from intragroup transactions are eliminated in the preparation of consolidated financial statements. Any changes in ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transaction. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration is directly recognized in equity and attributed to owners of the parent. When Kyocera loses control of a subsidiary, gains and losses arising from the loss of control are recognized in profit or loss.

##### **b. Associates**

An associate is an entity over which Kyocera has significant influence over their financial and operating policies but does not have control. Associates are accounted for using the equity method from the date on which Kyocera has significant influence until the date on which Kyocera ceases to have significant influence.

#### **(2) Business Combination**

Business combinations are accounted for using the acquisition method and acquisition-related costs are expensed as incurred. Each identifiable asset acquired, liability and contingent liability assumed in a business combination is measured at fair value at its acquisition date.

When the total of consideration transferred in business combinations, amount of non-controlling interests in the acquiree and fair value of the equity interest in the acquiree previously held by the acquirer exceeds net value of identifiable assets and liabilities on the acquisition date, such excess is recognized as goodwill. When the total is lower than the net value of identifiable assets and liabilities, the difference is recognized as profit. Consideration transferred is calculated as the total of the fair value of the assets transferred, liabilities assumed and equity interest issued, and includes fair value of assets of liabilities arising from the contingent consideration arrangement. Non-controlling interests are measured at fair value or as non-controlling interest's proportionate share of the acquirer's net identifiable assets, for each individual business combination transaction.

#### **(3) Foreign Currency Translation**

##### **a. Functional Currency**

Each entity in Kyocera determines its own functional currency and measures transactions based on its own functional currency.

##### **b. Foreign Currency Transactions**

Foreign currency transactions are translated at the spot exchange rate at the date of transaction, or an exchange rate that approximates the spot exchange rate.

Monetary items denominated in foreign currencies are translated into the functional currency at the current exchange rates at the end of the reporting period. Non-monetary items that are measured at fair value in foreign currencies are translated into the functional currency at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at cost in foreign currencies are translated at the exchange rate of the transaction date. Differences arising from the translation and settlement are recognized in profit or loss during the period except for those deferred in equity as effective cash flow hedges.

### ***c. Foreign Operations***

Foreign operation is an entity that is a subsidiary or an associate of Kyocera, the activities of which are based or conducted in a country or currency other than those of Kyocera. Assets and liabilities of foreign operations are translated into Japanese yen at the rates of exchange prevailing at the closing date, while income and expenses of foreign operations are translated into Japanese yen at the average exchange rates for the period. Exchange differences arising from translation of foreign operations' financial statements are recognized in other comprehensive income. In case of loss of control or significant influence by the disposal of a foreign operation, the cumulative amount of exchange differences are reclassified to profit or loss as the part of gains or losses on disposal.

### ***(4) Cash and Cash Equivalents***

Cash and cash equivalents consist of cash, demand deposits and highly liquid investments with maturity of three months or less from the acquisition date.

### ***(5) 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.

### ***(6) 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 mainly on a straight-line method over their useful lives. The useful lives of major components of property, plant and equipment are as follows:

Building and structures	2 to 50 years
Machinery and equipment	2 to 20 years

The residual values, the useful lives and the depreciation methods of the assets are reviewed at the 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.

## **(7) 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.

Expenditures in development activities are recognized as assets only if all of the following requirements can be demonstrated. Otherwise, it is recognized in profit or loss as incurred.

- Technical feasibility of completing the intangible asset so that it will be available for use or sale
- Intention to complete the intangible asset and use or sell it
- Ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits
- Availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- Ability to measure reliably the expenditure attributable to the intangible asset during its development

Intangible assets with finite useful lives are amortized using the straight-line method over their useful lives. The useful lives of major components of intangible assets are as follows:

Customer relationships	3 to 20 years
Trademarks rights	2 to 21 years
Software	2 to 15 years
Others	2 to 50 years

The amortization period and amortization method for intangible assets with finite useful lives are reviewed at the end of each reporting period and the effect of any changes in estimate would be accounted prospectively as changes in an accounting estimates.

For intangible assets with finite useful life, an impairment test is carried out when there is an indication that the unit may be impaired. Intangible assets with indefinite useful life or which are not available for use are not amortized, and impairment test is carried out on an annual basis (January 1) or at time when there is an indication that the unit may be impaired, or situation is changed.

## **(8) Lease**

For the year ended March 31, 2019

### **a. Lease as a Lessee**

Leases are classified as finance leases whenever substantially all the risks and rewards incidental to ownership of assets are transferred to Kyocera. All other leases are classified as operating leases.

At inception, Kyocera recognizes finance leases as assets at the lower of amounts equal to the fair value of the leased property or the present value of the minimum lease payments. Subsequent to the initial recognition, assets held under finance leases are depreciated using straight-line method over the shorter of the lease term or their estimated useful lives based on the accounting policies applied to the assets. Lease payments under a finance lease are apportioned between finance expenses and the reduction in the carrying amount of the liability, and the finance expenses are recognized in the consolidated statement of profit or loss.

Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term in consolidated statement of profit or loss.

### **b. Lease as a Lessor**

Lease receivables arising from finance lease transactions are recognized at the amounts of the net investment in the relevant lease transactions.

Gross operating lease incomes are recognized as revenues on a straight-line basis over the relevant lease terms.

For the year ended March 31, 2020

### **c. 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 the interest rate implicit in the lease, if that rate can readily determined. If that rate cannot be readily determined, lessee's incremental borrowing rate is used. 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.

### **d. 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.

### ***(9) Impairment of Non-Financial Assets***

At the end of each fiscal year, Kyocera reviews each non-financial asset, excluding inventories and deferred tax assets, to assess whether there is an indication that it may be impaired. If any such indication exists, the recoverable amount of the asset is estimated and tested for impairment. Regardless of whether or not there are indications of impairment, impairment tests of goodwill and intangible assets with indefinite useful lives are tested annually (January 1). The impairment loss is recognized when the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount.

The recoverable amount of an asset or cash generating unit is the higher of fair value less costs to sell, or value in use. In calculating the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset.

Kyocera assesses whether there is any indication that an impairment loss recognized in prior years for an asset excluding goodwill may no longer exist or may have decreased, such as any changes in assumptions used for the determination of the recoverable amount. If any such indication exists, the recoverable amount of the asset or cash generating unit is estimated, and if the recoverable amount exceeds the carrying amount of the asset or cash generating unit, impairment losses are reversed up to the lower of the estimated recoverable amount or the carrying amount (net of depreciation) that would have been determined if no impairment losses had been recognized in prior years.

### ***(10) 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 depending on whether the financial asset is an 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 debt instruments are subsequently measured at amortized cost when the following conditions are both satisfied.

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

Financial assets other than those measured at amortized cost are classified as financial assets measured at fair value.

##### ***(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 allowance for credit losses is recognized at each reporting date.

When the credit risk of the financial instrument has increased significantly since initial recognition, allowance for credit losses 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 and lease 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.

At the inception of the hedging relationship there is formal documentation of the relationship between hedging instruments and hedged items, Kyocera's risk management objective, strategy for undertaking the hedge, methods for assessing whether a hedging relationship meets the hedge effectiveness requirements and methods for measuring hedge effectiveness and hedge ineffectiveness. Kyocera judges that the hedge is effective if all of the following requirements are met:

- there is an economic relationship between the hedged item and hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

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.

Kyocera discontinues hedge accounting prospectively only when the hedging relationship ceases to meet the qualifying criteria after taking into account any adjustment to the hedge ratio of hedging relationship.

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 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. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included directly in the initial cost or other carrying amount of the asset or liability.

When it is determined that a derivative is not effective or that it has ceased to be effective, 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.

### ***(11) Income Taxes***

Income taxes are composed of current and deferred taxes, and recognized in profit or loss, except for taxes related to business combinations and items that are recognized in other comprehensive income or directly in equity.

Current taxes are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year.

Deferred taxes are recognized on temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for taxation purposes, the carryforward of unused tax losses and unused tax credit. Deferred tax assets are not recognized for temporary differences from initial recognition of assets and liabilities that do not arise from business combinations and that do not impact accounting profit or taxable income. Deferred tax liabilities are also not recognized for taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are not recognized for taxable temporary differences associated with investments in subsidiaries and associates when Kyocera is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for deductible temporary differences associated with investments in subsidiaries and associates when it is probable that the temporary difference will reverse in the foreseeable future and when there will be sufficient taxable profits against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured using the tax rates that are expected to be applied when they reverse, using tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if Kyocera has a legally enforceable right to set off current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity. In principal, deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, the carryforward of unused tax losses and unused tax credit. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Kyocera records the effect of unrecognized tax benefits based on the premise of being subject to income tax examination by tax authorities, when it is probable that tax benefits associated with tax positions will not be sustained. Actual results such as settlements with taxing authorities may differ from the recognition accounted.

### ***(12) Government Grants***

Government grants are recognized at fair value when there is a reasonable assurance that Kyocera receives the grants and complies with the terms and conditions attached to the grants. Government grants that are intended to compensate for specific costs are recognized as income in the period in which Kyocera recognizes the corresponding expenses. Government grants related to assets are directly deducted from acquisition cost of the assets.

### ***(13) Employee Benefits***

#### ***a. Post-Employment 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.

### ***(14) Provisions***

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.

### ***(15) Equity***

#### ***a. Common Stock***

Proceeds from the issuance of common stocks by Kyocera are recognized in common stock and capital surplus and its transaction costs, net of taxation, are deducted from capital surplus.

#### ***b. Treasury Stock***

When Kyocera acquires treasury stock, the consideration paid, net of direct transaction costs and tax, are recognized as a deduction from equity.

When Kyocera sells treasury stock, amount of the consideration received is recognized as an increase in equity.

### ***(16) Revenue Recognition***

Kyocera recognizes revenue in accordance with IFRS 15 “Revenue from contracts with customers” (hereinafter, “IFRS 15”), excluding interest and dividend income and other such income from financial instruments recognized in accordance with IFRS 9 “Financial instruments”(hereinafter, “IFRS 9”) and excluding lease arrangement recognized in accordance with IFRS 16 (for fiscal 2019, IAS 17 ) by applying the following step:

- Step 1: Identify the contracts with customers
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Kyocera generates revenue principally through the sale of the following markets: information and communications, automotive-related, environment and energy and medical and healthcare. Kyocera’s operations consist of the following reporting segments: “Industrial & Automotive Components Group,”

“Semiconductor Components Group,” “Electronic Devices Group,” “Communications Group,” “Document Solutions Group” and “Life & Environment Group.”

Sales to customers in each of the above segments are based on the specific terms and conditions contained in basic contracts with customers and firm customer orders which detail the price, quantity and timing of the transfer of ownership (such as risk of loss and title) of the products.

For most customer orders, the revenue recognition occurs at the time of shipment of the products to the customer because the customer obtains control over the products upon shipment, the performance obligation is judged to have been satisfied and revenue is therefore recognized upon shipment of the products. For the remainder of customer orders, the revenue recognition occurs at the time of receipt of the products by the customer because the customer obtains control over the products upon receipt, the performance obligation is judged to have been satisfied, with the exception of sales of solar power generating systems in the “Life & Environment Group” and printers and multifunctional products in the “Document Solutions Group” for which sales are made to end users together with installation services. The revenue recognition in these cases occur at the completion of installation and customer acceptance because the performance obligation is judged to have been satisfied, as Kyocera have no further obligations under the contracts.

For all sales in the above segments, product returns are only accepted if the products are determined to be defective. There are no price protections, stock rotation or returns provisions, except for certain programs in the “Electronic Devices Group” as noted below.

#### **Sales Incentives**

In the “Electronic Devices Group,” sales to independent electronic component distributors may be subject to various sale programs for which a provision for incentive programs is recorded as a reduction of revenue at the time of sale. Revenue is measured at the consideration promised in a contract with a customer, less sales incentive.

#### ***(a) Distributor Stock Rotation Program***

Stock rotation is a program whereby distributors are allowed to return, for credit, qualified inventory, semiannually, equal to a certain percentage of the previous six months net sales. An estimated right of return liability for stock rotation is recorded at the time of sale based on a percentage of distributor sales using historical trends, current pricing and volume information, other market specific information and input from sales, marketing and other key management personnel. An asset is recorded for the estimated value of returned product. These procedures require the exercise of significant judgments. Kyocera believes that these procedures enable Kyocera to make reliable estimates of future returns under the stock rotation program. Kyocera’s actual results have historically approximated its estimates. When the products are returned and verified, the distributor is given credit against their accounts receivables.

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

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

**Sales Rebates**

In the case of sales to distributors in the "Industrial & Automotive Components Group" and "Document Solutions Group," Kyocera provides cash rebates when predetermined sales targets are achieved during a certain period. Provisions for sales rebates are recorded as a reduction of revenue at the time of revenue recognition based on the best estimate of forecasted sales to each distributor.

**Sales Returns**

Kyocera records an estimated right of return liability for returns at the time of sale based on historical return experience. Revenue is measured at the consideration promised in a contract with a customer, less right of return liability.

**Products Warranty**

In the "Document Solutions Group," Kyocera provides a standard one-year manufacturer's warranty on its products. For sales directly to end users, Kyocera offers extended warranty plans that may be purchased and that are renewable in one-year incremental periods at the end of the warranty term. Service revenues are recognized over the term of the related service maintenance contracts.

In the case of revenue relating to hybrid transactions in which Kyocera provides multiple goods or services, for example, selling products and warranties, Kyocera identifies performance obligations in the contract and if it is necessary to allocate the consideration under the contract to separate performance obligations, Kyocera usually allocates the transaction price based on the estimated standalone sale price through the approach of adding a margin to the expected cost.

***(17) Earnings Per Share Attributable to Owners of the Parent***

Earnings per share attributable to owners of the parent - Basic is calculated by dividing profit attributable to owners of the parent by the average number of ordinary shares outstanding after adjusting for treasury stock during the period.

Earnings per share attributable to owners of the parent - Diluted is calculated by adjusting the effects of dilutive potential stocks.

#### ***4. Significant Accounting Estimates and Judgments Involving Estimations***

In preparing the consolidated financial statements, the management is required to make estimates, judgments and assumptions that affect the application of accounting policies and carrying amounts of assets, liabilities, revenue and expenses. By the nature of the estimates or assumptions, however, actual results in the future may differ from those estimates and assumptions.

The estimates and underlying assumptions are continuously reviewed. Revision to accounting estimates are recognized in the period in which the estimates are revised as well as in the future periods.

Significant judgements, estimates and assumptions that affect the amounts recognized in Kyocera's consolidated financial statements are as follows:

##### ***a. Evaluation of Inventories***

Kyocera estimates the amount of write-downs to ensure that inventories are properly valued. Inventories aged over certain holding periods are considered to be slow-moving or obsolete, for which write-downs are accrued as well as valuation losses required to adjust recorded cost to its net realizable value. Kyocera also records inventory write-downs based on its projections of future demand, market conditions and related management's judgment even though the age of corresponding inventory is shorter than certain holding periods. If the market conditions or demand for the products are less favorable than Kyocera's projections, additional write-downs may be required. For detailed information, see Note "3. Significant Accounting Policies (5) Inventories" and "11. Inventories."

##### ***b. Impairment of Property, Plant & Equipment, Goodwill and Intangible Assets***

Kyocera reviews its property, plant and equipment and intangible assets with definite useful lives for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount of an asset or cash generating units is the higher of fair value less costs of disposal and value in use. In calculating the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to an asset.

The value in use of the impairment test for the year ended March 31, 2020 is calculated based on a business plan that takes into account the impact of decrease in the demand as well as suspension of production due to the COVID-19 pandemic. The impact of this pandemic in the future is highly uncertain and, if necessary, could have a material impact on Kyocera's consolidated financial position and operating results in the year ending March 31, 2021.

For detailed information, see Note "3. Significant Accounting Policies (9) Impairment of Non-Financial Assets," "14. Property, Plant and Equipment" and "15. Goodwill and Intangible Assets."

##### ***c. Impairment of Financial Assets Measured at Amortized Cost***

Kyocera recognizes an allowance for credit losses for trade receivables and other financial assets measured at amortized cost by estimating expected credit losses in consideration of the possibility of collection and significant increases in credit risk. However actual losses may be greater or less than expected credit losses.

For detailed information, see Note "3. Significant Accounting Policies (10) Financial Instruments" and "31. Financial Instruments."

##### ***d. Fair value of Financial Instruments***

When Kyocera evaluates the fair value of certain financial instruments, it uses valuation techniques using inputs that are not observable in the market. These unobservable inputs could be affected by the result of fluctuations in uncertain future economic conditions, and if a revision becomes necessary, it could have a significant impact on the consolidated financial position and operating results.

For detailed information, see Note "3. Significant Accounting Policies (10) Financial Instruments," "10. Short-Term Investments, Equity, Debt Instruments and Other Financial Assets" and "31. Financial Instruments."

#### ***e. Income Taxes***

Kyocera recognizes only deferred tax assets that are likely to be available for future taxable profit. The valuation of deferred tax assets principally depends on the estimation of future taxable profit and feasible tax planning strategies. If future taxable profit is lower than expected due to future market conditions or poor operating results, significant adjustments to deferred tax assets may be required.

Kyocera records liabilities for uncertain tax positions based on the premise of being subject to income tax examination by tax authorities, when it is probable that uncertain tax positions will not be sustained.

Actual results, such as settlements with tax authorities, may differ from Kyocera's recognition.

For detailed information, see Note "3. Significant Accounting Policies (11) Income Taxes" and "16. Income Taxes."

#### ***f. Defined Benefit Plans***

The over-funded or under-funded status of defined benefit postretirement plans, which depends on defined benefit obligations and plan assets, are recognized as an asset or liability in our consolidated statement of financial position and changes in that funded status are recognized through comprehensive income in the year in which the changes occur. Defined benefit obligations are determined on an actuarial basis and are significantly affected by the assumptions used in their calculation, such as the discount rates, the rate of increase in compensation levels and other assumptions.

Kyocera determines the discount rate by referencing the yield on high quality fixed income securities. The rate of increase in compensation levels is determined based mainly on results of operations and inflation. Kyocera annually reviews the assumptions underlying its actuarial calculations, making adjustments based on current market conditions, if necessary.

If Kyocera is required to decrease its assumptions of the discount rate because of a stagnation of Japanese and global economies, defined benefit obligations and net defined benefit costs will be increased.

For detailed information, see Note "3. Significant Accounting Policies (13) Employee Benefits" and "20. Employee Benefits."

#### ***g. Provisions and Contingencies***

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

For detailed information, see Note "3. Significant Accounting Policies (14) Provisions," "21. Provisions" and "35. Contingency."

#### ***h. Revenue Recognition***

Please see Note "3. Significant Accounting Policies (16) Revenue Recognition" and "25. Sales Revenue."

#### ***5. Issued IFRS Standards and Interpretations not yet Adopted***

Kyocera does not consider that any new standards, amendments or interpretations issued by the approval of consolidated financial statements will have a significant impact.

## 6. Segment Information

Kyocera's reporting segments are components of business activities for which discrete financial information is available, and such information is regularly reviewed by management in order to make decisions regarding the allocation of resources and assess its performance. Kyocera's reporting segment are reclassified taking similarity of target market and economic characteristics into consideration.

Kyocera's reporting segments and main products or businesses of each reporting segment are as follows:

Reporting segment	Main products or businesses
Industrial & Automotive Components Group	Fine Ceramic Components, Automotive Components, Liquid Crystal Displays, Industrial Tools
Semiconductor Components Group	Ceramic Packages, Organic Multilayer Substrates and Boards
Electronic Devices Group	Electronic Components (Capacitors, Crystal Devices, Connectors, Power Semiconductor Devices, etc.), Printing Devices
Communications Group	Smartphones, Mobile Phones, Communication Modules (Telematics, IoT), Information Systems and Telecommunication Services
Document Solutions Group	Printers/Multifunctional Products, Commercial Inkjet Printers Document Solution Services, Supplies
Life & Environment Group	Solar Power Generating System Related Products, Medical Devices, Jewelry and Ceramic Knives

Inter-segment sales and transfers are made with reference to prevailing market prices. Transactions between reporting segments are disclosed as "Adjustment & eliminations" and not shown separately due to immateriality. "Adjustment & eliminations" also includes adjustment of unrealized profit regarding inter-company transaction between each reporting segment.

Business profit for each reporting segment represents sales revenue, less related costs and operating expenses, excluding corporate gains (losses) and share of net profit (loss) of investments accounted for using the equity method and income taxes. Corporate gains (losses) includes income and expenses which do not belong to any reporting segments and mainly consists of finance income and expenses.

Assets for each segment represent those assets associated with a specific segment. Corporate assets consist primarily of cash and cash equivalents, equity and debt instruments, and various other investments and assets that are not specific each segment.

### Information by reporting segment

The segment information for the year ended March 31, 2019 and 2020 are as follows:

Sales revenue (Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Industrial & Automotive Components Group	314,339	341,093
Semiconductor Components Group	249,217	247,228
Electronic Devices Group	364,827	324,113
Communications Group	252,067	252,062
Document Solutions Group	375,147	359,915
Life & Environment Group	80,114	86,691
Other	17,190	16,737
Adjustment and eliminations	(29,191)	(28,786)
Total	1,623,710	1,599,053

## Profit (loss) before income taxes

(Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Industrial & Automotive Components Group	38,450	15,813
Semiconductor Components Group	10,932	30,511
Electronic Devices Group	66,926	31,744
Communications Group	10,393	11,450
Document Solutions Group	43,528	34,489
Life & Environment Group	(67,016)	(11,198)
Other	660	(4,484)
Total business profit	103,873	108,325
Corporate gains and share of net profit (loss) of investments accounted for using the equity method	38,954	41,977
Adjustment and eliminations	(2,217)	(1,476)
Total	140,610	148,826

## Depreciation and amortization

(Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Industrial & Automotive Components Group	13,934	24,128
Semiconductor Components Group	9,336	9,818
Electronic Devices Group	18,971	23,622
Communications Group	5,165	8,365
Document Solutions Group	9,717	14,640
Life & Environment Group	3,123	4,744
Other	1,347	3,528
Corporate	2,296	3,903
Total	63,889	92,748

From the year ended March 31, 2020, depreciation and amortization charge include the depreciation charge of right-of-use assets.

## Capital expenditures (for property, plant and equipment)

(Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Industrial & Automotive Components Group	37,746	22,969
Semiconductor Components Group	17,737	11,958
Electronic Devices Group	33,275	29,558
Communications Group	4,945	4,330
Document Solutions Group	7,571	8,866
Life & Environment Group	5,548	7,578
Other	1,119	3,198
Corporate	9,108	17,546
Total	117,049	106,003

## Assets by reporting segment:

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
Industrial & Automotive Components Group	325,890	463,585
Semiconductor Components Group	209,482	201,972
Electronic Devices Group	471,023	456,540
Communications Group	172,947	147,525
Document Solutions Group	343,053	358,459
Life & Environment Group	102,366	116,677
Other	31,403	45,951
Corporate and adjustment	1,312,311	1,459,466
Total	2,968,475	3,250,175

Information by geographic segments

Information for Sales revenue from external customers by destination and Non-current assets, “Property, plant and equipment,” “Right-of-use assets,” “Goodwill” and “Intangible assets,” based on physical location as of and for the year ended March 31, 2019 and 2020 are summarized as follows:

## Sales revenue

(Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Japan	595,364	598,113
Asia	382,635	358,946
Europe	331,508	306,326
United States of America	248,947	276,002
Others	65,256	59,666
Total	1,623,710	1,599,053

## Non-current assets

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
Japan	275,433	321,198
Asia	64,982	73,362
Europe	90,579	128,966
United States of America	127,815	212,167
Others	12,546	13,239
Total	571,355	748,932

There are no individually material countries with respect to revenue from external customers and non-current assets in Asia, Europe and Others for the year ended March 31, 2019 and 2020.

## 7. Business Combination

On March 1, 2019, Kyocera International, Inc., a U.S. based subsidiary, acquired major assets of orthopedic implants business from Renovis Surgical Technologies, Inc., a U.S. based company, for 10,375 million yen in cash in order to expand its medical equipment business in the U.S. Kyocera International, Inc. established a new company, Kyocera Medical Technologies, Inc. on January 18, 2019, and the assets were transferred to this new company on March 1, 2019.

The fair value of the assets acquired and the liabilities assumed, as of March 31, 2019, was booked provisionally and allocation of the purchase price was completed during the year ended March 31, 2020.

The following table shows the result of the adjustments to the provisional fair value.

Fair value of assets acquired and liabilities assumed as of the acquisition date (Yen in millions)

	Initial provisional fair value	Adjustments	Fair value after adjustments
<b>Assets:</b>			
Inventories	2,536	42	2,578
Other current assets	3	26	29
Total current assets	2,539	68	2,607
Property, plant and equipment	723	—	723
Intangible assets	2,239	595	2,834
Other non-current assets	4	—	4
Total non-current assets	2,966	595	3,561
Total	5,505	663	6,168
<b>Liabilities:</b>			
Accrued expenses	211	—	211
Total current liabilities	211	—	211
Total	211	—	211
Total identified assets and liabilities at fair value (net amount)	5,294	663	5,957
Purchase price (cash)	10,385	(10)	10,375
Goodwill *	5,091	(673)	4,418

(Note) The amount of goodwill is expected to be deductible for tax purposes.

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

(Yen in millions)

	Initial provisional fair value	Adjustments	Fair value after adjustments
<b>Intangible assets subject to amortization:</b>			
Patents	2,239	17	2,256
Others	—	578	578
Total	2,239	595	2,834

On March 1, 2019, Kyocera Senco Industrial Tools, Inc., a U.S. based subsidiary, acquired 100% of the common stock of Van Aerden Group BV, a European pneumatic tool manufacturing and sales company, for 5,262 million yen in cash, made it consolidated subsidiary and changed its name as Kyocera Aerfast Europe BV in order to strengthen Kyocera's pneumatic tool business in Europe.

The fair value of the assets acquired and the liabilities assumed, as of March 31, 2019, was booked provisionally and allocation of the purchase price was completed during the year ended March 31, 2020.

The following table shows the result of the adjustments to the provisional fair value.

Fair value of assets acquired and liabilities assumed as of the acquisition date (Yen in millions)

	Initial provisional fair value	Adjustments	Fair value after adjustments
<b>Assets:</b>			
Cash and cash equivalents	1,295	42	1,337
Trade and other receivables	1,513	(351)	1,162
Inventories	2,008	(230)	1,778
Other current assets	56	(33)	23
Total current assets	4,872	(572)	4,300
Property, plant and equipment	1,020	(34)	986
Intangible assets	584	(120)	464
Other non-current assets	101	–	101
Total non-current assets	1,705	(154)	1,551
<b>Total</b>	<b>6,577</b>	<b>(726)</b>	<b>5,851</b>
<b>Liabilities:</b>			
Borrowings	117	22	139
Trade and other payables	943	(163)	780
Other financial liabilities	1	–	1
Income tax payables	167	(20)	147
Accrued expenses	228	8	236
Other current liabilities	66	(61)	5
Total current liabilities	1,522	(214)	1,308
Borrowings	402	–	402
Deferred tax liabilities	252	(69)	183
Other non-current liabilities	229	–	229
Total non-current liabilities	883	(69)	814
<b>Total</b>	<b>2,405</b>	<b>(283)</b>	<b>2,122</b>
Total identified assets and liabilities at fair value (net amount)	4,172	(443)	3,729
Purchase price (cash)	5,300	(38)	5,262
Goodwill *	1,128	405	1,533

(Note) The amount of goodwill is not expected to be deductible for tax purposes.

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

(Yen in millions)

	Initial provisional fair value	Adjustments	Fair value after adjustments
<b>Intangible assets subject to amortization:</b>			
Customer relationships	501	(122)	379
Trademarks	83	2	85
<b>Total</b>	<b>584</b>	<b>(120)</b>	<b>464</b>

On April 12, 2019, Kyocera Fineceramics GmbH, a Germany based subsidiary, acquired all of the common stocks of H.C. Starck Ceramics GmbH, which operates ceramics business, for 12,965 million yen in order to acquire the fine ceramic manufacturing assets in Europe, production line up, and to further expand its fine ceramics business in Europe, and made it consolidated subsidiary and changed its name to Kyocera Fineceramics Precision GmbH. Kyocera has used the acquisition method of accounting to record assets acquired and liabilities assumed, and the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. Factors that contributed to the recognition of goodwill include those expected synergies and the trained workforce. The allocation of the purchase price was completed during the year ended March 31, 2020.

Fair value of assets acquired and liabilities assumed as of the acquisition date (Yen in millions)

	Fair value
Assets:	
Trade and other receivables	542
Inventories	1,405
Other current assets	59
Total current assets	2,006
Other financial assets	6
Property, plant and equipment	3,630
Right-of-use assets	12
Intangible assets	8,570
Total non-current assets	12,218
Total	14,224
Liabilities:	
Borrowings	709
Trade and other payables	443
Lease liabilities	5
Accrued expenses	269
Other current liabilities	919
Total current liabilities	2,345
Lease liabilities	7
Retirement benefit liabilities	1,414
Deferred tax liabilities	2,278
Total non-current liabilities	3,699
Total	6,044
Total identified assets and liabilities at fair value (net amount)	8,180
Purchase price (cash)	12,965
Goodwill *	4,785

(Note) The amount of goodwill is not expected to be deductible for tax purposes.

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

(Yen in millions)

	Fair value
Intangible assets subject to amortization:	
Customer relationships	7,635
Non-patent technology	674
Others	261
<b>Total</b>	<b>8,570</b>

Acquisition-related costs of 246 million yen were included in “selling, general and administrative expenses” in the consolidated statement of profit or loss. The result of operation of the acquired business is included into Kyocera’s consolidated financial statements since the acquisition date. For segment reporting, it is reported in “Industrial & Automotive Components Group.”

The information on sales revenue and profit for the period of this business combination, as though the acquisition date had been as of the beginning of the annual reporting period, is immaterial.

On April 25, 2019, Kyocera Corporation entered into a stock purchase agreement to acquire all of the common stocks from the shareholders of Fastener Topco, Inc., the holding company of SouthernCarlson, Inc., a U.S. based distributor of pneumatic power tool in order to acquire sales channel and service bases, in the U.S. for pneumatic power tool and its related business, and to expand the pneumatic power tool business in the U.S. On June 3, 2019, Kyocera Corporation acquired all of the common stocks of Fastener Topco, Inc. by cash, and made it consolidated subsidiary and changed its name to Kyocera Industrial Tools, Inc. Based on this stock purchase agreement, Kyocera paid 88,732 million yen in cash, which is the total of 48,176 million yen for acquisition consideration and repayment of Fastener Topco, Inc's borrowings and others of 40,556 million yen.

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

The allocation of the purchase price was completed during the year ended March 31, 2020.

Fair value of assets acquired and liabilities assumed as of the acquisition date	(Yen in millions)
	Fair value
Assets:	
Cash and cash equivalents	144
Trade and other receivables	6,977
Inventories	11,353
Other current assets	103
Total current assets	18,577
Property, plant and equipment	1,274
Right-of-use assets	5,443
Intangible assets	28,385
Other non-current assets	63
Total non-current assets	35,165
Total	53,742
Liabilities:	
Borrowings	255
Trade and other payables	5,852
Lease liabilities	1,276
Accrued expenses	4,812
Total current liabilities	12,195
Borrowings	35,384
Lease liabilities	4,090
Deferred tax liabilities	3,267
Other non-current liabilities	188
Total non-current liabilities	42,929
Total	55,124
Total identified assets and liabilities at fair value (net amount)	(1,382)
Purchase price (Cash)	48,176
Goodwill*	49,558

(Note) The amount of goodwill is not expected to be deductible for tax purposes.

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

(Yen in millions)

	Fair value
Intangible assets subject to amortization :	
Customer relationships	27,843
Trademarks	542
Total	28,385

Acquisition-related costs of 1,188 million yen is included in “selling, general and administrative expenses” in the consolidated statement of profit or loss. The result of operation of the acquired business is included into Kyocera’s consolidated financial statements since the acquisition date. For segment reporting, it is reported in the “Industrial & Automotive Components Group.”

The information on sales revenue and profit for the year of this business combination, as though the acquisition date had been as of the beginning of the annual reporting period, is immaterial.

On September 2, 2019, Kyocera Fineceramics GmbH, a Germany based subsidiary, acquired the ceramics business from Friatec GmbH, a European company, for 13,153 million yen in order to offer customers comprehensive service through local production and sales in Europe, and to further expand its fine ceramic business in Europe. Kyocera Fineceramics GmbH established a new company, Kyocera Fineceramics (Mannheim) GmbH on January 7, 2019, and the fine ceramics business was transferred to this new company on September 2, 2019, and changed its name to Kyocera Fineceramics Solutions GmbH.

Kyocera has used the acquisition method of accounting to record assets acquired and liabilities assumed, and the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. Factors that contributed to the recognition of goodwill include those expected synergies and the trained workforce. The allocation of the purchase price was completed during the year ended March 31, 2020.

Fair value of assets acquired and liabilities assumed as of the acquisition date (Yen in millions)

	Fair value
Assets:	
Inventories	1,803
Other current assets	5
Total current assets	1,808
Property, plant and equipment	2,597
Right-of-use assets	31
Intangible assets	3,296
Total non-current assets	5,924
Total	7,732
Liabilities:	
Trade and other payables	11
Lease liabilities	7
Accrued expenses	337
Provisions	22
Total current liabilities	377
Lease liabilities	18
Retirement benefit liabilities	103
Total non-current liabilities	121
Total	498
Total identified assets and liabilities at fair value (net amount)	7,234
Purchase price (cash)	13,153
Goodwill *	5,919

(Note) The amount of goodwill is expected to be deductible for tax purposes.

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

(Yen in millions)

	Fair value
Intangible assets subject to amortization:	
Customer relationships	1,996
Non-patent technology	967
Trademarks	300
Others	33
Total	3,296

Acquisition-related costs of 454 million yen is included in “selling, general and administrative expenses” in the consolidated statement of profit or loss. The result of operation of the acquired business is included into Kyocera’s consolidated financial statements since the acquisition date. For segment reporting, it is reported in “Industrial & Automotive Components Group.”

The information on sales revenue and profit for the year of this business combination, as though the acquisition date had been as of the beginning of the annual reporting period, was immaterial.

Kyocera performed several other business combinations during the year ended March 31, 2020. These business combinations do not have a material impact on Kyocera’s financial position, operating results and cash flows.

## 8. Cash and Cash Equivalents

The components of cash and cash equivalents are as follows:

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
Cash on hand and demand deposits	215,381	222,870
Time deposits and certificate of deposits (Within 3 months to original maturity)	297,433	196,750
Total	512,814	419,620

## 9. Trade and Other Receivables

The components of trade and other receivables are as follows:

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
Trade notes receivable	22,519	19,005
Trade accounts receivable	296,274	271,970
Contract assets	8,586	11,395
Others	32,296	37,127
Allowance for credit losses	(2,323)	(3,203)
Total	357,352	336,294

Trade notes receivable and trade accounts receivable are classified as financial asset measured at amortized cost. For financial asset measured at amortized cost, please refer to Note “31. Financial Instruments.”

## 10. Short-Term Investments, Equity, Debt Instruments and Other Financial Assets

### (1) The Components of Short-Term Investments, Equity, Debt Instruments and Other Financial Assets

The components of short-term investments, equity, debt instruments and other financial assets are as follows:

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
Derivative assets	2,485	1,670
Stocks	908,134	1,162,553
Bonds	87,842	53,845
Time deposits and certificate deposits (Over 3 months to original maturity)	65,603	40,167
Lease receivable	19,166	30,537
Others	9,033	10,867
Allowance for credit losses	(1,662)	(1,792)
Total	1,090,601	1,297,847

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
Current assets	109,081	74,034
Non-current assets	981,520	1,223,813
Total	1,090,601	1,297,847

(Note) Classification is as follows:

Derivative asset: Financial assets measured at fair value through profit and loss (except for hedge instruments)

Stocks: Financial assets measured at fair value through other comprehensive income

Bonds, Time deposits and certificate deposits (Over 3 months to original maturity): Financial assets measured at amortized cost

## **(2) Equity Financial Assets Measured at Fair Value through Other Comprehensive Income**

The principal issuer of the equity financial assets measured at fair value through other comprehensive income and its fair values are as follows:

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
KDDI Corporation	799,204	1,068,956

Stocks held mainly for enhancing and maintaining business relationships with the issuers are classified as financial assets measured at fair value through other comprehensive income.

Kyocera received dividends from KDDI Corporation, and included them in “finance income” in the consolidated statements of profit or loss. The amount of the dividends is as follows:

(Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Dividends from KDDI Corporation	31,834	36,861

## **(3) Derecognition of Financial Assets Measured at Fair Value through Other Comprehensive Income**

Kyocera disposed of certain financial assets measured at fair value through other comprehensive income and derecognized principally to improve efficiency of asset holdings.

The fair value at the disposals date and the accumulated gains or losses recognized in other comprehensive income are as follows:

(Yen in millions)

For the year ended March 31, 2019		For the year ended March 31, 2020	
Fair value	Accumulated gains or losses	Fair value	Accumulated gains or losses
100	78	1,009	(1,635)

Note: When Kyocera derecognized the financial assets measured at fair value through other comprehensive income, the amount of accumulated gain or loss recognized in other comprehensive income was transferred to retained earnings. The accumulated gains or losses of other comprehensive income, net of taxation, transferred to retained earnings is 54 million yen for the year ended March 31, 2019, and (1,145) million yen for the year ended March 31, 2020.

## **11. Inventories**

The components of inventories are as follows:

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
Finished goods and merchandise	149,839	151,133
Work in process	83,684	86,535
Raw materials and supplies	110,357	106,636
Total	343,880	344,304

Inventories are stated at the lower of cost and net realizable value. When the net realizable value is lower than its carrying amount due to a decline in profitability, the difference is recorded as a write-down in the “cost of sales” on the consolidated statement of profit or loss and as a deduction of “inventories” in the consolidated statement of financial position.

Kyocera recognized inventory write-downs of 13,004 million yen for the year ended March 31, 2019 and 5,985 million yen for the year ended March 31, 2020, respectively.

## 12. Other Assets

The components of other assets are as follows:

Other current assets

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
Prepaid expenses	12,276	13,121
Advance payments	13,090	6,458
Other	9,271	8,876
Total	34,637	28,455

Other non-current assets

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
Retirement benefit assets	8,513	9,093
Other	6,606	7,774
Total	15,119	16,867

## 13. Investments Accounted for Using the Equity Method

There are no associates that are individually material to Kyocera. The carrying amounts of investments in individually immaterial associates and Kyocera's share of comprehensive income of those companies are as follows:

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
Carrying amounts of investments	4,159	17,422

(Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Net profit	379	124
Other comprehensive income	66	25
Comprehensive income	445	149

#### 14. Property, Plant and Equipment

##### (1) Reconciliation

The components of changes in carrying amounts, the beginning and ending balance of acquisition costs and the beginning and ending balance of accumulated depreciation and accumulated impairment losses of property, plant and equipment are as follows. The depreciation of property, plant and equipment is included in “cost of sales” and “selling, general and administrative expenses” on consolidated statement of profit or loss.

##### Carrying amounts

(Yen in millions)

	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
As of April 1, 2018	51,175	97,982	115,745	23,996	288,898
Acquisitions	154	18,878	49,569	48,448	117,049
Acquisitions through business combinations	57	1,157	1,078	19	2,311
Depreciation	—	(10,389)	(41,135)	—	(51,524)
Impairment loss	—	(70)	(10,923)	—	(10,993)
Sales or disposal	(942)	(697)	(1,499)	(44)	(3,182)
Reclassification	36	6,098	36,924	(43,058)	—
Exchange differences on translating foreign operations	227	783	(366)	(192)	452
Others	(74)	(2,260)	1,300	(122)	(1,156)
As of March 31, 2019	50,633	111,482	150,693	29,047	341,855
Impact of adopting IFRS 16	—	—	(3,578)	—	(3,578)
As of April 1, 2019	50,633	111,482	147,115	29,047	338,277
Acquisitions	239	24,099	35,065	46,600	106,003
Acquisitions through business combinations	1,401	1,166	4,804	793	8,164
Depreciation	—	(12,371)	(50,042)	—	(62,413)
Impairment loss	—	(5)	(292)	—	(297)
Sales or disposal	(1,650)	(798)	(2,032)	(3)	(4,483)
Reclassification	7	8,893	40,331	(49,231)	—
Exchange differences on translating foreign operations	(283)	(1,871)	(2,214)	(251)	(4,619)
Others	—	1,467	1,242	(70)	2,639
As of March 31, 2020	50,347	132,062	173,977	26,885	383,271

##### Acquisition costs

(Yen in millions)

	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
As of April 1, 2018	51,703	362,676	882,293	23,996	1,320,668
As of March 31, 2019	51,161	379,225	916,226	29,047	1,375,659
As of March 31, 2020	50,752	397,630	936,159	26,885	1,411,426

Accumulated depreciation and accumulated impairment losses

(Yen in millions)

	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
As of April 1, 2018	528	264,694	766,548	—	1,031,770
As of March 31, 2019	528	267,743	765,533	—	1,033,804
As of March 31, 2020	405	265,568	762,182	—	1,028,155

**(2) Impairment Loss of Property, Plant and Equipment**

Kyocera groups the property, plant and equipment based on the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairment loss of property, plant and equipment in each segment are as follows:

(Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Semiconductor Components Group	10,599	—
Electronic Devices Group	25	42
Life & Environment Group	369	174
Others	—	81
Total	10,993	297

Kyocera recognized impairment loss of 10,548 million yen on property, plant and equipment for the year ended March 31, 2019 due to the deterioration of profitability in the organic materials business included in the Semiconductor Components Group. The carrying amounts of those assets were written down to their recoverable amounts. The recoverable amount was measured at the value in use. The value in use was calculated by discounting future cash flows based on the three year business plan approved by the management to present value using the pre-tax discount rate (11.2%). Impairment losses were included in “selling, general and administrative expenses” on the consolidated statements of profit or loss.

## 15. Goodwill and Intangible Assets

### (1) Reconciliation

The components of changes in carrying amounts, the beginning and ending balance of the acquisition costs, and the beginning and ending balance of accumulated amortization and accumulated impairment losses of goodwill and intangible assets are as follows. The amortization of intangible asset is included in “Cost of Sales” or “Selling, general and administrative expenses” on consolidated statement of profit or loss.

#### Carrying amounts

(Yen in millions)

	Goodwill	Intangible assets				
		Customer relationships	Trademark rights	Software	Other	Total
As of April 1, 2018	144,268	31,171	15,379	9,639	23,997	80,186
Acquisitions	—	—	—	4,745	870	5,615
Acquisitions through business combinations	11,003	3,024	383	4	2,667	6,078
Amortization	—	(3,697)	(1,175)	(4,407)	(2,921)	(12,200)
Impairment loss	(5,548)	—	—	(85)	(4)	(89)
Sales or disposal	—	(2)	—	(42)	(5)	(49)
Exchange differences on translating foreign operations	(1,116)	514	(157)	(5)	183	535
Other	892	217	—	(97)	(195)	(75)
As of March 31, 2019	149,499	31,227	14,430	9,752	24,592	80,001
Acquisitions	—	—	1	8,531	3,439	11,971
Acquisitions through business combinations	66,593	39,503	1,177	171	4,059	44,910
Amortization	—	(6,096)	(1,517)	(4,947)	(3,741)	(16,301)
Impairment loss	—	—	—	—	—	—
Sales or disposal	—	(1)	—	(32)	(524)	(557)
Exchange differences on translating foreign operations	(3,606)	(1,092)	(485)	(153)	(449)	(2,179)
Other	(279)	62	4	(5)	627	688
As of March 31, 2020	212,207	63,603	13,610	13,317	28,003	118,533

#### Acquisition costs

(Yen in millions)

	Goodwill	Intangible assets				
		Customer relationships	Trademark rights	Software	Other	Total
As of April 1, 2018	185,728	52,023	18,943	38,325	43,438	152,729
As of March 31, 2019	196,506	56,294	19,305	37,935	45,254	158,788
As of March 31, 2020	259,210	94,508	19,856	43,868	51,060	209,292

#### Accumulated amortization and accumulated impairment losses

(Yen in millions)

	Goodwill	Intangible assets				
		Customer relationships	Trademark rights	Software	Other	Total
As of April 1, 2018	41,460	20,852	3,564	28,686	19,441	72,543
As of March 31, 2019	47,007	25,067	4,875	28,183	20,662	78,787
As of March 31, 2020	47,003	30,905	6,246	30,551	23,057	90,759

Goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination. Amounts of goodwill allocated to each of the cash-generating units or groups of cash-generating units are as follows:

(Yen in millions)

	As of March 31 2019	As of March 31 2020
Fine Ceramics	8	10,642
Industrial Tool	33,783	83,148
Electronics Components	20,173	20,173
AVX	38,264	38,181
Document Solutions	37,521	40,457
Other	19,750	19,606
Total	149,499	212,207

(Note) Individually immaterial goodwill that are allocated to cash-generating units or groups of cash-generating units are included in “Other.”

## **(2) Impairment Loss of Goodwill and Intangible Assets**

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment (January 1 every year), or more frequently if events or changes in circumstances indicate that an impairment may occur. In consideration of the impact of the COVID-19 pandemic, an additional impairment test was performed on March 31, 2020. The recoverable amount of the impairment test is determined based on value-in-use calculations.

The calculations use cash flow projections based on business plan approved by management covering a period of one to three years, and discounting to the present value by using pre-tax discount rate of cash-generating units or groups of cash-generating units. The business plan reflects past experience and is consistent with external information. The growth rate is determined in view of long-term average growth rate of markets or countries to which each cash generating units belongs. The pre-tax discount rate is determined at 10.0% to 13.8% for the year ended March 31, 2019 and 10.1% to 15.9% for the year ended March 31, 2020 based on weighted average capital cost of the cash-generating units or groups of cash-generating units. Taking into consideration of future uncertainties, cash flows beyond the period covered by the business plan are extrapolated using the growth rate of zero. The value-in-use calculation of the impairment test for the year ended March 31, 2020 is based on a business plan that takes into account the impact of decrease in the demand of Automotive-related market and Printers and MFPs market as well as suspension of production due to the COVID-19 pandemic.

Intangible assets are grouped on the basis of the smallest group of assets that generates cash inflows that are largely independent.

Impairment loss of goodwill and intangible assets in each segment are as follows:

(Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Semiconductor Components Group	5,637	—

In the year ended March 31, 2019, Kyocera mainly recorded impairment losses on goodwill recognized at the time of acquisition. This was due to an impairment losses recognized on goodwill and intangible assets as the recoverable amount of the organic materials business included in the Semiconductor Component Group was lower than its carrying amount. Recoverable amounts are measured based on its value in use. The calculation use cash flow projections based on business plan approved by management covering a three-year period, and discounting to present value by using pre-tax discount rate of 11.2%. Impairment losses were included in “selling, general and administrative expenses” in the consolidated statements of profit or loss.

As a result of the impairment test carried in the year ended March 31, 2020, the recoverable amount of the Fine Ceramics Component business and the Industrial Tool business have exceeded the carrying amount by 8,602 million yen, or 8.6%, and 2,517 million yen, or 1.2%, respectively. However, there is a risk of impairment in the event of a change in the key assumptions underlying the value in use.

Except as noted above, management have considered and assessed reasonably possible changes for key assumptions used in the impairment test and have determined that the possibility of carrying amount to exceed the recoverable amount is low.

## 16. Income Taxes

### (1) Deferred Tax Assets and Deferred Tax Liabilities

The main components of and changes in deferred tax assets and deferred tax liabilities are as follows:

For the year ended March 31, 2019

(Yen in millions)

	As of April 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	Other*	As of March 31, 2019
Deferred tax assets					
Enterprise tax	1,488	(969)	—	—	519
Inventories	19,493	7,110	—	18	26,621
Allowance for credit losses	1,373	(193)	—	27	1,207
Accrued expenses	11,772	629	—	290	12,691
Net defined benefit liabilities and accrued payroll	14,928	1,881	(211)	103	16,701
Depreciation and amortization	39,676	(4,095)	—	(76)	35,505
Securities	1,252	638	(276)	2	1,616
Carryforward of unused tax losses and unused tax credits	11,220	10,446	—	816	22,482
Allowances for loss on purchase agreements	9,266	(9,266)	—	—	—
Other	10,416	2,162	7	(262)	12,323
Total	120,884	8,343	(480)	918	129,665
Deferred tax liabilities					
Depreciation and amortization	13,286	(2,334)	—	715	11,667
Securities	278,487	621	(35,370)	2	243,740
Net defined benefit assets	2,493	328	(295)	(29)	2,497
Other	6,198	1,527	19	282	8,026
Total	300,464	142	(35,646)	970	265,930

(Note) Other consists mainly of business combinations and foreign currency translation adjustments.

For the year ended March 31, 2020

(Yen in millions)

	As of April 1, 2019	Recognized in profit or loss	Recognized in other comprehensive income	Other*	As of March 31, 2020
Deferred tax assets					
Enterprise tax	519	188	—	—	707
Inventories	26,621	(13,051)	—	45	13,615
Allowance for credit losses	1,207	515	—	(15)	1,707
Accrued expenses	12,691	(1,016)	203	(133)	11,745
Net defined benefit liabilities and accrued payroll	16,701	(217)	893	(41)	17,336
Depreciation and amortization	35,505	(1,551)	—	(301)	33,653
Securities	1,616	984	(15)	(2)	2,583
Carryforward of unused tax losses and unused tax credits	22,482	5,904	—	326	28,712
Other	12,323	(5,810)	(649)	4,080	9,944
Total	129,665	(14,054)	432	3,959	120,002
Deferred tax liabilities					
Depreciation and amortization	11,667	(1,066)	—	10,702	21,303
Securities	243,740	940	76,193	(1)	320,872
Net defined benefit assets	2,497	(781)	656	(3)	2,369
Other	8,026	141	(439)	(1,387)	6,341
Total	265,930	(766)	76,410	9,311	350,885

(Note) Other consists mainly of business combinations and foreign currency translation adjustments.

Carryforward of unused tax losses and unused tax credits as well as future deductible temporary differences for which no deferred tax assets are recognized are as follows:

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
Carryforward of unused tax losses and unused tax credits	44,990	43,811
Future deductible temporary differences	27,243	26,857
Total	72,233	70,668

The expiry date of unused tax loss and unused tax credit for which no deferred tax assets are recognized are as follows:

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
1st year	570	554
2nd year	2,366	648
3rd year	570	343
4th year	589	310
5th year and thereafter	10,970	15,288
No expiration	29,925	26,668
Total	44,990	43,811

The total amount of future taxable temporary differences associated with investments in subsidiaries and associates for which no deferred tax liabilities are recognized are 335,998 million yen as of March 31, 2019 and 409,827 million yen as of March 31, 2020. These deferred tax liabilities are not recognized if Kyocera is able to control the timing of the reversal of the temporary differences and it is probable that the taxable temporary differences will not reverse in the foreseeable future.

## (2) Income Tax Expenses

The components of income tax expenses are as follows:

(Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Current tax expenses	33,955	23,692
Deferred tax expenses		
Temporary differences originated and reversed	(8,258)	13,239
Changes of effective tax rate	57	49
Total	25,754	36,980

Reconciliation of the Japanese statutory effective tax rate and effective tax rate of income tax expense on consolidated statement of profit or loss is as follows:

(%)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Statutory effective tax rate	30.0	30.0
Difference in statutory tax rates of foreign subsidiaries	(6.0)	(3.6)
Change of unrecognized deferred tax assets	(8.8)	0.1
Tax credit for research and development	(0.6)	(0.8)
Impairment of goodwill	1.2	—
Other	2.5	(0.9)
Effective tax rate of income tax expense	18.3	24.8

Kyocera is subject mainly to corporate tax, inhabitant tax and enterprise tax, and the combined statutory tax rates calculated based on these taxes were 30.0% for the year ended March 31, 2019 and 2020. Foreign subsidiaries are subject to income taxes at their locations.

The effective tax rate of income tax expense for the year ended March 31, 2020 increased to 24.8%, compared with 18.3% for the year ended March 31, 2019.

This was due mainly to that Kyocera recognized deferred tax assets of 10,139 million yen for the temporary differences and the carryforward of unused tax losses of Kyocera Display Corporation based on that Kyocera Corporation merged with Kyocera Display Corporation for the year ended March 31, 2019.

### 17. Trade and Other Payables

The components of trade and other payables are as follows:

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
Trade notes payable	25,990	23,011
Accounts payable	109,069	107,896
Other notes and accounts payable	51,222	42,393
Total	186,281	173,300

### 18. Borrowings

#### (1) Components of Borrowings

The components of borrowings are as follows:

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020	Average interest rate*	Maturity
Short-term borrowings	113	30,208	0.02%	—
Current portion of long-term borrowings	4,091	4,817	2.69%	—
Long-term borrowings	5,656	44,970	0.31%	year 2021 to year 2028
Total	9,860	79,995	—	—
Current liabilities	4,204	35,025	—	—
Non-current liabilities	5,656	44,970	—	—
Total	9,860	79,995	—	—

(Note) Average interest rate is the weighted average interest rate of borrowings as of March 31, 2020.

#### (2) Assets Pledged as Collateral

The assets pledged as collateral for liabilities are as follows:

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
Property, plant and equipment, net	1,884	1,433

The liabilities related to these assets pledged as collateral are as follows:

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
Current portion of long-term borrowings	71	27
Other current liabilities	—	1,038
Long-term borrowings	292	221
Total	363	1,286

## 19. Leases

### (1) Lease as Lessee

Kyocera, as lessee, leases land, buildings and equipment. Some lease contracts contain a renewal or purchase options. However, Kyocera does not have any lease contracts that contain future restrictions imposed by lease arrangements, such as those for additional debt or leases.

Comparative information is based on IAS 17.

For the year ended March 31, 2019

Gross future minimum lease payments under non-cancellable operating leases are as follows:

(Yen in millions)

	As of March 31, 2019
Within one year	6,668
Between one and five years	10,334
After five years	2,123
Total	19,125

For the year ended March 31, 2020

Profit or loss relating to leases consist of the following:

(Yen in millions)

	For the year ended March 31, 2020
Land and buildings	11,691
Machinery and others	2,343
Total depreciation charge of right-of-use assets	14,034
Interest expense on lease liabilities	618
Expense relating to short-term leases	489
Expense relating to leases of low-value assets	605
Expense relating to variable lease payments not included in the measurement of lease liabilities	645
Total expense relating to leases	16,391
Income from sub-leasing right-of-use assets	(525)
Total	15,866

The recognized right-of-use assets relate to the following types of assets:

(Yen in millions)

	As of April 1, 2019	As of March 31, 2020
Right-of-use assets		
Land and buildings	22,016	30,333
Machinery and others	4,390	4,588
Total	26,406	34,921

The total additions to right-of-use assets for the year ended March 31, 2020 was 23,087 million yen.

The total cash out flow for leases for the year ended March 31, 2020 was 19,349 million yen.

Please refer to Note "31 Financial Instruments (4) Liquidity Risk Management" for maturity analysis of lease liabilities.

**(2) Lease as Lessor**

Kyocera, as lessor, mainly leases multifunctional products.

Comparative information is based on IAS 17.

For the year ended March 31, 2019

The gross investment in the lease and the present value of future minimum lease receivables under finance lease contracts are as follows:

(Yen in millions)

	Gross investment in the lease	Present value of future minimum lease receivables
Within one year	7,677	7,404
Between one and five years	12,175	11,760
After five years	3	2
Total	19,855	19,166
Unearned finance income	(769)	
Net investment in the lease	19,086	
Unguaranteed residual value	80	
Present value of future minimum lease receivables	19,166	

For the year ended March 31, 2020

Maturity analysis of undiscounted lease payments receivable are as follows:

(Yen in millions)

	Lease payments receivable	
	As of April 1, 2019	As of March 31, 2020
Within one year	8,230	9,126
Between one and two years	8,019	6,463
Between two and three years	3,045	4,614
Between three and four years	1,947	3,155
Between four and five years	1,373	2,093
After five years	6,949	6,793
Total	29,563	32,244
Unearned finance income	(1,585)	(1,764)
Unguaranteed residual value	80	57
Net investment in the lease	28,058	30,537

## 20. Employee Benefits

### (1) Reconciliation of the Defined Benefit Obligations and Plan Assets

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

AVX Corporation and its consolidated subsidiaries (AVX), consolidated U.S. subsidiaries of Kyocera Corporation, maintain noncontributory defined benefit pension plans in the U.S. and contributory defined benefit pension plans inside the U.S. Pension benefits provided to certain U.S. employees covered under collective bargaining agreements are based on a flat benefit formula. Effective December 31, 1995, AVX froze benefit accruals under its domestic non-contributory defined benefit pension plan for a significant portion of the employees covered under collective bargaining agreements. Effective December 1, 2018, the plan was amended to freeze benefit accruals for the remainder of employees covered under collective bargaining agreements. AVX’s pension plans for certain European employees provide for benefits based on a percentage of final pay. AVX’s funding policy is to contribute amounts sufficient to meet minimum funding requirements as set forth in employee benefit and tax laws.

TA Triumph-Adler GmbH (TA), a German subsidiary of Kyocera Document Solutions Inc., maintains a defined benefit pension plan, which covers certain employees in Germany. The defined benefit obligation is subjected to the actuarial risks of changes in cost, interest rate and life expectancy. TA does not maintain an external fund for this benefit pension plan.

The defined benefit obligations recognized in the consolidated statements of financial position are as follows:

Domestic	(Yen in millions)	
	As of March 31, 2019	As of March 31, 2020
Present value of defined benefit obligations	218,820	216,723
Fair value of plan assets	225,501	224,090
Fund status	(6,681)	(7,367)
Net defined benefit liability (asset)	(6,681)	(7,367)
Amounts in the consolidated statements of financial position:		
Retirement benefit liabilities	1,767	1,726
Other non-current assets	(8,448)	(9,093)
Net defined benefit liability (asset) recognized in the consolidated statements of financial position	(6,681)	(7,367)

## Foreign

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
Present value of defined benefit obligations	56,022	54,631
Fair value of plan assets	39,775	35,613
Fund status	16,247	19,018
Effect of asset ceiling	3,502	3,772
Net defined benefit liability (asset)	19,749	22,790
Amounts in the consolidated statements of financial position:		
Retirement benefit liabilities	19,814	22,790
Other non-current assets	(65)	—
Net defined benefit liability (asset) recognized in the consolidated statements of financial position	19,749	22,790

The amount of “Cost of sales” and “Selling, general and administrative expenses” recognized related to defined benefit plans in the consolidated statement of profit or loss are as follows:

## Domestic

(Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Service cost	12,062	12,130
Net interest cost	(79)	(38)
Total	11,983	12,092

## Foreign

(Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Service cost	768	823
Net interest cost	281	314
Prior service cost	—	(415)
Total	1,049	722

**(2) Changes in the Present Value of Defined Benefit Obligations**

Changes in the present value of defined benefit obligations are as follows:

Domestic	(Yen in millions)	
	For the year ended March 31, 2019	For the year ended March 31, 2020
Present value of defined benefit obligations at the beginning of the year	213,740	218,820
Service cost	12,062	12,130
Interest cost	1,274	1,113
Re-measurements		
Actuarial gains (losses) arising from changes in demographic assumptions	(1,872)	(954)
Actuarial gains (losses) arising from changes in financial assumptions	1,410	(1,990)
Experience adjustments	1,208	(222)
Benefits paid	(10,134)	(12,174)
Other	1,132	-
Present value of defined benefit obligations at the end of the year	218,820	216,723

The weighted-average duration of the defined benefit obligation as of March 31, 2019 and March 31, 2020 are both 14 years.

Foreign	(Yen in millions)	
	For the year ended March 31, 2019	For the year ended March 31, 2020
Present value of defined benefit obligations at the beginning of the year	55,275	56,022
Service cost	768	823
Interest cost	1,586	1,511
Re-measurements		
Actuarial gains (losses) arising from changes in demographic assumptions	143	(602)
Actuarial gains (losses) arising from changes in financial assumptions	927	1,832
Experience adjustments	278	(331)
Prior service cost and liquidation gain or loss	-	(415)
Benefits paid	(2,675)	(3,276)
Acquisitions of business	-	1,356
Exchange differences on translating foreign operations	(196)	(2,246)
Other	(84)	(43)
Present value of defined benefit obligations at the end of the year	56,022	54,631

The weighted-average duration of the defined benefit obligation as of March 31, 2019 and March 31, 2020 are both 13 years.

**(3) Changes in the Fair Value of Plan Assets**

Changes in the fair value of plan assets are as follows:

Domestic	(Yen in millions)	
	For the year ended March 31, 2019	For the year ended March 31, 2020
Fair value of plan assets at the beginning of the year	221,314	225,501
Interest income	1,353	1,151
Re-measurements		
Return on plan assets	1,095	(781)
Employer contribution	10,878	10,357
Benefits paid	(10,070)	(12,138)
Other	931	-
Fair value of plan assets at the end of the year	225,501	224,090

Kyocera Corporation and its major domestic subsidiaries expect to contribute to the plan approximately 10,099 million yen for the year ending March 31, 2021.

Foreign	(Yen in millions)	
	For the year ended March 31, 2019	For the year ended March 31, 2020
Fair value of plan assets at the beginning of the year	37,891	39,775
Interest income	1,305	1,197
Re-measurements		
Return on plan assets	177	(2,019)
Employer contribution	1,616	823
Benefits paid	(1,571)	(2,279)
Exchange differences on translating foreign operations	399	(1,796)
Other	(42)	(88)
Fair value of plan assets at the end of the year	39,775	35,613

KII and AVX expect to contribute to the plan approximately 781 million yen for the year ending March 31, 2021.

**(4) The Components of Plan Assets**

The components of plan assets are as follows:

Domestic

(Yen in millions)

	As of March 31, 2019			As of March 31, 2020		
	Plan assets with quoted prices in active markets	Plan assets without quoted prices in active markets	Total	Plan assets with quoted prices in active markets	Plan assets without quoted prices in active markets	Total
Life insurance company general account	—	99,895	99,895	—	101,309	101,309
Equity financial instruments						
Pooled funds*1	—	43,035	43,035	—	39,880	39,880
Debt financial instruments						
Corporate bonds	9,265	—	9,265	7,912	—	7,912
Pooled funds*2	—	6,525	6,525	—	6,923	6,923
Other types of investments						
Real estate funds*3	—	27,620	27,620	—	28,606	28,606
Large scale solar power generation business funds	—	9,576	9,576	—	11,293	11,293
Other	—	7,242	7,242	—	11,257	11,257
Cash and cash equivalents	22,343	—	22,343	16,910	—	16,910
Total	31,608	193,893	225,501	24,822	199,268	224,090

(Notes) 1 This category includes pooled funds that mainly invest in domestic and international equity securities that are listed on securities exchanges.

2 This category includes pooled funds that mainly invest in domestic and international government bonds, municipal bonds and corporate bonds.

3 This category includes private open-ended real estate funds.

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 in the future. In terms of the plan assets management, Kyocera Corporation and its major domestic subsidiaries make appropriate investment choices and optimal portfolios with a consideration of its performances, expected returns and risks, and entrusts their plan assets to the fund trustees which can be expected to be the most appropriate to accomplish Kyocera's objective. Kyocera Corporation and its major domestic subsidiaries also make an effort to maintain their portfolios within reasonable allocations of plan assets. Kyocera Corporation and its major domestic subsidiaries evaluate their categories of plan assets allocations and can change their portfolios when it is needed. Kyocera Corporation and its major domestic subsidiaries' long-term strategy is for target allocations of approximately 45% investment in life insurance company general accounts, approximately 30% main investment in equity securities that are listed on securities exchanges and in debt securities such as governments bonds, approximately 25% investment in long-term operation assets such as real estate funds.

## Foreign

(Yen in millions)

	As of March 31, 2019			As of March 31, 2020		
	Plan assets with quoted prices in active markets	Plan assets without quoted prices in active markets	Total	Plan assets with quoted prices in active markets	Plan assets without quoted prices in active markets	Total
Equity instruments						
International	5,302	—	5,302	3,326	—	3,326
Pooled funds*1	6,460	—	6,460	6,395	—	6,395
Debt instruments						
Government bonds and Government agency bonds	979	1,452	2,431	1,000	1,525	2,525
Corporate bonds	—	1,208	1,208	3,674	1,324	4,998
Pooled separate accounts*2	—	22,776	22,776	—	17,861	17,861
Other	—	1,421	1,421	—	419	419
Cash and cash equivalents	177	—	177	89	—	89
Total	12,918	26,857	39,775	14,484	21,129	35,613

(Notes) 1 This category includes pooled funds that mainly invest in U.S. equity financial instruments that are listed on securities exchanges.

2 This category includes pooled separate accounts held by AVX that mainly invest in equity financial instruments and debt financial instrument.

KII's long-term strategy is for target allocation of 70%-80% equity securities and 20%-30% debt securities for its defined benefit plans. AVX's long-term strategy is for target allocation of 50% equity and 50% fixed income for its U.S. defined benefit plans and 45% equity and 55% fixed income for its European defined benefit plans.

**(5) Actuarial Assumptions**

The significant actuarial assumptions are as follows:

Domestic (%)

	As of March 31, 2019	As of March 31, 2020
Discount rate	0.20 to 0.52	0.27 to 0.53

Foreign (%)

	As of March 31, 2019	As of March 31, 2020
Discount rate	1.33 to 3.86	1.50 to 3.15
Rate of increase in compensation levels	2.50 to 3.50	2.50 to 3.25

**(6) Sensitivity Analysis**

The following table illustrates the effect of assumed changes in discount rates while holding assuming all other assumptions consistent, for the benefit plan at Kyocera Corporation and its major domestic subsidiaries which accounts for a significant portion of Kyocera's defined benefit obligations.

The sensitivity analysis assumes that actuarial assumptions other than those subject to the analysis are constant, but in fact, the movement of other actuarial assumptions may impact to sensitive analysis.

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
0.1% increase in discount rate	(2,550)	(2,411)
0.1% decrease in discount rate	2,607	2,463

## 21. Provisions

The main components of and changes in the provisions are as follows:

(Yen in millions)

	Provision for product warranties	Provision for loss on litigation	Other provisions	Total
As of April 1, 2019	3,965	6,632	8,461	19,058
Increase during the year	716	6,849	2,011	9,576
Decrease during the year (intended use)	(643)	—	(933)	(1,576)
Decrease during the year (reversal)	(348)	(2,700)	(447)	(3,495)
Exchange differences on translating foreign operations	(103)	(120)	(169)	(392)
As of March 31, 2020	3,587	10,661	8,923	23,171

### Provision for product warranties

In preparation for repair expenses expected to be incurred during the warranty period of a specific product, Kyocera estimates the amount of product warranty which is calculated based on the past results and prospects for the future. The majority of these expenses are expected to be incurred in the year ending March 31, 2021.

### Provision for loss on litigation

Please refer to Note “35. Contingency (2) Patent Lawsuits.”

## 22. Other Liabilities

The main components of other liabilities are as follows:

### Other current liabilities

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
Contract liability	26,862	20,891
Other	10,243	10,482
Total	37,105	31,373

### Other non-current liabilities

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
Long-term payable *	5,466	4,978
Other	12,151	8,146
Total	17,617	13,124

(Note) AVX Corporation, a U.S. based subsidiary, record a tax expenses related to one-time tax on accumulated foreign earnings for the year ended March 31, 2018, resulting from the Tax Cuts and Jobs Act which was enacted into law in the U.S. on December 22, 2017. AVX Corporation plans to pay this tax expenses for over a period of eight years, and the amount to be paid over one year after the reporting period, which is included in long-term payable, is 5,282 million yen as of March 31, 2019, and 4,096 million yen as of March 31, 2020, respectively.

## 23. Common Stock and Other Equity Items

### (1) Common Stock

The number of authorized and issued shares are as follows:

(unit: shares)

	As of March 31, 2019	As of March 31, 2020
Total number of authorized shares	600,000,000	600,000,000
Total number of issued shares		
Balance at the beginning of the year	377,618,580	377,618,580
Increase (decrease) during the year	—	—
Balance at the end of the year	377,618,580	377,618,580

- (Notes) 1. Shares issued by Kyocera is common stock with no par value and no restriction on contents of the rights.  
2. Shares issued have been fully paid.

### (2) Treasury Stocks

The number and the amount of treasury stocks are as follows:

	Number of shares	Amount (Yen in millions)
Balance as of April 1, 2018	9,910,822	32,342
Increase (decrease) during the year *1	5,954,099	40,019
Balance as of March 31, 2019	15,864,921	72,361
Increase (decrease) during the year *2, 3	(678,567)	(3,086)
Balance as of March 31, 2020	15,186,354	69,275

- (Note) 1. Kyocera has resolved at the meeting of its Board of Directors held on April 26, 2018 to undertake a repurchase of its own shares under the provisions of the Articles of Incorporation of the Company pursuant to Article 165, Paragraph 2 of the Companies Act of Japan, as described below.

Type of shares repurchased	Common stock
Total number of shares repurchased	5,951,000 shares
Total amount of repurchase price	40,000 million yen
Period of repurchase	From April 27, 2018 to May 30, 2018
Method of repurchase	Market purchases through the Tokyo Stock Exchange

- (Note) 2. 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	4,744 million yen
Carry amount of treasury stock to be disposed of	3,068 million yen
Disposal method	Third-party allotment
Subscriber	Stock Purchase Plan for Kyocera Group Employees

(Note) 3. 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 million yen
Carry amount of treasury stock to be disposed of	43 million yen
Allottees and number thereof, and number of shares to be disposed of	11 Directors (excluding Outside Directors) 6,942 shares 17 Executive Officers 2,610 shares

**(3) Capital Surplus and Retained Earnings**

The Companies Act of Japan provides that an amount equal to 10% of dividends must be appropriated as legal reserves until the total of aggregate amount of the legal reserves equals 25% of the common stock.

**(4) Other Components of Equity**

(Yen in millions)

	Items that will not be reclassified to profit or loss		Items that may be reclassified to profit or loss				Total
	Financial assets measured at fair value through other comprehensive income	Re-measurements of defined benefit plans	Net changes in fair value of cash flow hedge	Exchange differences on translating foreign operations	Net unrealized gains (losses) on securities	Share of other comprehensive income (loss) of investments accounted for using the equity method	
As of April 1, 2018 (Before applying new accounting standard)	—	—	(21)	(5,517)	505,632	(384)	499,710
Cumulative effects of new accounting standards applied	504,903	—	—	—	(505,632)	—	(729)
As of April 1, 2018 (After applying new accounting standard)	504,903	—	(21)	(5,517)	—	(384)	498,981
Arising during the period:							
Pre-tax amount	(120,241)	(1,736)	(23)	4,943	—	(3)	(117,060)
Income tax (expense) benefit	36,076	118	(1)	—	—	15	36,208
Net-of-tax amount	(84,165)	(1,618)	(24)	4,943	—	12	(80,852)
Reclassification to profit or loss:							
Pre-tax amount	—	—	70	—	—	77	147
Income tax (expense) benefit	—	—	(10)	—	—	(23)	(33)
Net-of-tax amount	—	—	60	—	—	54	114
Other comprehensive income (loss), net of tax	(84,165)	(1,618)	36	4,943	—	66	(80,738)
Transfer to retained earning	(54)	1,401	—	—	—	—	1,347
Other comprehensive income (loss) attributable to non-controlling interest, net-of-taxation	(6)	217	(10)	(1,159)	—	—	(958)
Others	—	—	—	11	—	—	11
As of March 31, 2019	420,678	—	5	(1,722)	—	(318)	418,643
Arising during the period:							
Pre-tax amount	253,965	(845)	(15)	(24,172)	—	(28)	228,905
Income tax (expense) benefit	(76,189)	170	17	400	—	3	(75,599)
Net-of-tax amount	177,776	(675)	2	(23,772)	—	(25)	153,306
Reclassification to profit or loss:							
Pre-tax amount	—	—	(170)	(450)	—	71	(549)
Income tax (expense) benefit	—	—	14	—	—	(21)	(7)
Net-of-tax amount	—	—	(156)	(450)	—	50	(556)
Other comprehensive income (loss), net of tax	177,776	(675)	(154)	(24,222)	—	25	152,750
Transfer to retained earning	1,145	678	—	—	—	—	1,823
Other comprehensive income (loss) attributable to non-controlling interest, net-of-taxation	(4)	(3)	43	2,243	—	—	2,279
Others	—	—	—	—	—	—	—
As of March 31, 2020	599,595	—	(106)	(23,701)	—	(293)	575,495

## 24. Dividends

### (1) Dividends Paid

For the year ended March 31, 2019

	Class of shares	Total amount of dividends (Yen in millions)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
The resolution of the Ordinary General Meeting of Shareholders held on June 26, 2018	Common stock	22,062	60	March 31, 2018	June 27, 2018	Retained earnings
The resolution of the Board of Directors Meeting held on October 30, 2018	Common stock	21,706	60	September 30, 2018	December 5, 2018	Retained earnings

For the year ended March 31, 2020

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

(Note) Dividends per share for the resolution of the Ordinary General Meeting of Shareholders held on June 25, 2019 includes 60th commemoration dividends of 20 yen.

### (2) Dividends for which the Record Date Fall in the Year Ended March 31, 2019 and 2020 with an Effective Date in the Subsequent Period

For the year ended March 31, 2019

	Class of shares	Total amount of dividends (Yen in millions)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
The resolution of the Ordinary General Meeting of Shareholders held on June 25, 2019	Common stock	28,940	80	March 31, 2019	June 26, 2019	Retained earnings

(Note) Dividends per share for the year ended March 31, 2019 includes 60th commemoration dividends of 20 yen.

For the year ended March 31, 2020

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

## 25. Sales Revenue

### (1) Breakdown of Revenue

Regarding to the breakdown of revenue, please refer to Note “6. Segment information.”

Revenues recognized in accordance with IFRS 15 as well as revenues from leases recognized in accordance with IFRS 16 (for fiscal 2019, IAS 17) were included in “Sales revenue.”

### (2) Contract Balance

Receivables from contracts with customers, contract assets and contract liabilities are shown on the table below.

On the consolidated statement of financial position, contract assets are included in “Trade and other receivables,” and contract liabilities are included in “Accrued expenses” and “Other current liabilities,” respectively.

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
Receivables from contracts with customers	314,829	285,975
Contract assets	8,586	11,395
Contract liabilities	36,148	27,050

Contract assets relate mainly to Kyocera’s right to consideration in exchange for goods or services for which Kyocera has satisfied or partially satisfied the performance obligations but has not claimed yet as of the fiscal year end. Contract assets are reclassified to trade receivables when the right to consideration becomes unconditional.

The components of contract liabilities are as follows:

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
Advance received	25,630	19,750
Refund liabilities	10,518	7,300
Total	36,148	27,050

The balance of advance received as of April 1, 2018 was recognized as revenue for the year ended March 31, 2019. The balance of advance received as of March 31, 2019 was recognized as revenue for the year ended March 31, 2020. The amount of revenue from performance obligation satisfied within previous period was immaterial. The disclosure of remained performance obligation is omitted due to that there are no significant transactions with individual expected contractual terms exceeds over a year.

## 26. Expenses by Nature

The components of cost of sales and selling, general and administrative expenses by nature are as follows:

(Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Raw materials	465,523	420,158
Subcontract expenses	117,740	115,045
Direct expenses for sale	37,547	37,650
Labor cost	425,787	444,147
Depreciation and amortization	63,889	92,748
General expenses	418,401	389,112
Total	1,528,887	1,498,860

Settlement expenses relating to long-term purchase agreements for procurement of polysilicon material in the solar energy business and an impairment loss of property, plant and equipment, goodwill and intangible assets in the organic materials business is recorded in general expenses for the year ended March 31, 2019. Settlement expenses relating to litigation of 7,085 million yen at AVX Corporation are recorded in general expenses for the year ended March 31, 2020.

During calendar year 2014, AVX Corporation was named as a co-defendant in a series of cases filed in the United States District Court, Northern District of California that AVX and numerous other companies were participants in alleged price-fixing in the capacitor market. On March 12, 2020, AVX entered into a settlement agreement with the class of plaintiffs.

## 27. Research and Development Expenses

The amount of research and development expenses for the year ended March 31, 2019 and 2020 are as follows.

These research and development expenses are mainly recorded in "Labor cost" and "General expenses" of "Selling, general and administrative expenses."

(Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Research and Development expenses	69,927	79,241

## 28. Finance Income and Expenses

### (1) Finance Income

The components of finance income are as follows:

(Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Interest income		
Financial assets measured at amortized cost	10,361	8,291
Dividend income		
Financial assets measured at fair value through other comprehensive income	34,200	39,637
Other	189	226
<b>Total</b>	<b>44,750</b>	<b>48,154</b>

### (2) Finance Expenses

The components of finance expenses are as follows:

(Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Interest expenses		
Financial liabilities measured at amortized cost	1,209	867
Lease liabilities	—	618
Other	32	68
<b>Total</b>	<b>1,241</b>	<b>1,553</b>

## 29. Earnings Per Share

Basic and diluted earnings per share attributable to owners of the parent are as follows:

	For the year ended March 31, 2019	For the year ended March 31, 2020
Profit attributable to owners of the parent (Yen in millions)	103,210	107,721
Adjustment related to potential shares of consolidated subsidiaries (Yen in millions)	(86)	—
Diluted profit attributable to owners of the parent (Yen in millions)	103,124	107,721
Weighted average number of ordinary shares (Thousands of shares)	362,216	362,263
Earnings per share attributable to owners of the parent:		
- Basic (Yen)	284.94	297.36
- Diluted (Yen)	284.70	297.36

(Note) Earnings per share attributable to owners of the parent - Diluted for the year ended March 31, 2020 equals earnings per share attributable to owners of the parent -Basic, as there is no potential share.

### 30. Cash Flow Information

The supplemental information associated with consolidated statement of cash flows are as follows:

Non-cash investing and financing activities (Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Accounts payable for purchase of property, plant and equipment	22,672	21,807
Accounts payable for purchase of intangible assets	2,273	672
Acquisition of right-of-use assets from lease transaction *	1,787	23,087

(Note) In accordance with the adoption of IFRS 16, the previous presentation “obtaining assets by entering into finance lease” has been changed.

Acquisitions of businesses (Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Acquired assets at fair value	29,221	150,877
Assumed liabilities at fair value	(4,963)	(65,955)
Non-controlling interests, etc.	–	(289)
Cash acquired	(2,093)	(1,111)
Total	22,165	83,522

The changes in liabilities arising from financing activities (Yen in millions)

	Short-term borrowings	Long-term borrowings	Lease liabilities	Total
As of April 1, 2018	145	8,890	2,470	11,505
Changes from financing cash flows	(356)	282	(1,165)	(1,239)
Changes arising from obtaining or losing control of subsidiaries or other businesses	321	581	13	915
Exchange differences on translating foreign operations	3	(82)	(12)	(91)
Others	–	76	1,867	1,943
As of March 31, 2019	113	9,747	3,173	13,033
Impact of adopting IFRS 16	–	–	33,095	33,095
As of April 1, 2019	113	9,747	36,268	46,128
Changes from financing cash flows	28,947	4,004	(17,610)	15,341
Changes from lease contracts	–	–	23,450	23,450
Changes arising from obtaining or losing control of subsidiaries or other businesses	1,158	36,469	5,606	43,233
Exchange differences on translating foreign operations	(14)	(434)	(488)	(936)
Others	4	1	98	103
As of March 31, 2020	30,208	49,787	47,324	127,319

### 31. Financial Instruments

#### (1) Capital Management

In order to realize high-growth and profitable company, Kyocera aims to achieve sustained double-digit growth in sales revenue and profit before income taxes. In addition, Kyocera considers the profit ratio of equity attributable to owners of the parent (ROE) as an important indicator and are working to improve it.

Kyocera utilizes management resources for sustainable corporate growth such as capital investment, research and development and M&A. If Kyocera has cash on hand in excess of the required investment funds, Kyocera will implement acquisitions of its own shares within a certain range based on cash flow for enhancing shareholder returns.

Kyocera's profit ratio of equity attributable to owners of the parent (ROE) are as follow:

	For the year ended March 31, 2019	For the year ended March 31, 2020
Profit ratio of equity attributable to owners of the parent (ROE)	4.5	4.6

(%)

#### (2) Financial Risk Management

Kyocera's activities are exposed to varieties of market risks, including the effects of changes in foreign currency exchange rates, interest rates and stock prices. In order to hedge against these risks, Kyocera uses derivative financial instruments but does not hold or issue derivative financial instruments for trading purposes. Kyocera regularly assesses these market risks based on policies and procedures established to protect against the adverse effects of these risks and other potential exposures, primarily by reference to the market value of financial instruments.

#### (3) Credit Risk Management

Kyocera is principally exposed to credit risk of customers on trade receivables and credit risk of counterparties of derivatives.

Kyocera defines default on trade receivables as "customer's failure to discharge its obligation without reasonable grounds" and presume as default when it is three months past due. With regard to trade receivables, in accordance with the credits management policies, Kyocera sets the credit limit for the business partner, and in order to ensure early identification and mitigate concerns about collection due to deterioration in the financial condition of Kyocera's customers, Kyocera conducts due date management and balance management for each customer, taking into consideration of a variety of factors, including the collection period of past due receivables, historical experience, and the current business environment.

With regard to derivative transactions, Kyocera minimizes the credit risk by entering into transactions with creditworthy counterparties, limiting the amount of exposure to each counterparty, and monitoring the financial condition of its counterparties.

No significant concentration of credit risk is present in a particular customer. Kyocera's maximum exposure to credit risks is financial assets on the consolidated statement of financial position.

Changes in allowance for credit losses are as follows:

	For the year ended March 31, 2019	For the year ended March 31, 2020
Opening balance	4,276	3,985
Increase	405	1,921
Decrease (intended use)	(106)	(82)
Decrease (reversal)	(491)	(615)
Exchange differences on translating foreign operations	(99)	(214)
Closing balance	3,985	4,995

(Yen in millions)

There was no significant increase or decrease in the gross carrying amount that could affect a change in allowance for credit losses for the year ended March 31, 2019 and 2020.

Total carrying amount of financial instruments subject to allowance for credit losses are as follows:

**a. Trade Receivables**

(Yen in millions)

	As of March 31, 2019	As of March 31, 2020
Not past due	290,555	265,089
Due within 3 months	23,530	22,394
Due over 3 months to 1 year	3,239	1,939
Due over 1 year	1,469	1,553
Total	318,793	290,975

The contract balance of financial assets that were directly written off during the reporting period but still subject to recovery activities as of March 31, 2019 and 2020 were not material.

**b. Receivables Other than Trade Receivables, etc.**

The information of receivables other than trade receivables has been omitted since there are no assets of which credit risk was considered to significantly increase and credit risk of the carrying amount were not material.

**(4) Liquidity Risk Management**

Liquidity risks are Kyocera's risks of nonfulfillment of repayment obligations for financial liabilities due. Kyocera held sufficient cash and cash equivalents as of March 31, 2020, and also held highly-liquid financial assets. Based on those facts, Kyocera does not expect to face any liquidity issue in the foreseeable future.

In the short term, Kyocera expects cash demands for funds for capital expenditures, R&D activities and payments of dividends to shareholders in addition to working capital of operational activities. Kyocera's primary source of short-term liquidity is cash generated by operations, and Kyocera believes cash on hand will be sufficient to fund all cash requirements outlined. Consequently, Kyocera does not currently intend to use any other external financing sources that might affect its credit agency ratings. If cash generated by operations are insufficient for funding purposes, Kyocera retains other financing options, including external sources, such as short-term borrowings or long-term borrowings, as well as financing directly in the capital markets through issuances of debt or equity securities. Kyocera maintains a strong financial position, which leads Kyocera to believe that any capital requirements could be secured from external sources at a relatively low cost.

The balance of major financial liabilities by contractual maturities as of March 31, 2019 and 2020 are as follows:

As of March 31, 2019

(Yen in millions)

	Carrying amount	Contract amount	Due within 1 year	Due over 1 year to 5 years	Over 5 years
Non-derivative liabilities:					
Borrowings	9,860	9,860	4,204	5,420	236
Trade and other payables	186,281	186,281	186,281	—	—
Other financial liabilities	1,029	1,029	1,029	—	—
Total	197,170	197,170	191,514	5,420	236
Derivative liabilities:					
Other financial liabilities	1,388	1,388	1,388	—	—

As of March 31, 2020

(Yen in millions)

	Carrying amount	Contract amount	Due within 1 year	Due over 1 year to 5 years	Over 5 years
Non-derivative liabilities:					
Borrowings	79,995	79,995	35,025	44,845	125
Trade and other payables	173,300	173,300	173,300	—	—
Lease liabilities	47,324	48,648	15,567	21,410	11,671
Total	300,619	301,943	223,892	66,255	11,796
Derivative liabilities:					
Other financial liabilities	1,544	1,544	1,544	—	—

##### (5) Currency Risks Management

Kyocera conducts business in countries outside Japan, which exposes it to fluctuations in foreign currency exchange rates. Kyocera may enter into mainly short-term forward contract transaction to hedge this risk. Nevertheless, fluctuations in foreign currency exchange rates could have an adverse effect on its business. Fluctuations in foreign currency exchange rates may affect Kyocera's consolidated results of operations, financial condition, cash flows, the value of its foreign assets and production costs, which in turn may adversely affect reported earnings and the comparability of period-to-period results of operations.

Changes in currency exchange rates may affect the relative prices at which Kyocera and foreign competitors sell products in the same market. In addition, changes in the value of the relevant currencies may affect the cost of imported items required in its operations.

In case appreciation of 1 yen against U.S. dollar and Euro, the impact on profit before income taxes for the year ended March 31, 2019 and 2020 are as follows:

(Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020
U.S. dollar	(1,159)	(759)
Euro	(1,091)	(1,057)

##### (6) Interest Rate Risk Management

Kyocera recorded "borrowings" and "lease liabilities" in the consolidated statement of financial position. As interest rate risk relating to these interest-bearing liabilities upon Kyocera's result of operation or cash flow is immaterial, sensitivity analysis is omitted.

### ***(7) Market Price Fluctuation Risks***

Kyocera holds investments in equity securities of companies not affiliated with us, which we generally hold on a long-term position for business relationship purposes. A substantial portion of Kyocera's investments in equity securities consists of an investment in shares of KDDI Corporation, a Japanese telecommunication service provider. Kyocera's investment in shares of KDDI Corporation accounts for approximately 30% of Kyocera's total assets. Accordingly, fluctuations in the market value of the shares of KDDI Corporation may materially affect Kyocera's financial condition.

For equity securities held by Kyocera as of end of fiscal year, the impact of a 10% change in market price on other comprehensive income as of March 31, 2019 and 2020 are 79,920 million yen and 106,896 million yen, respectively. This analysis is based on the assumption that all other variables are constant.

From the perspective of enhancing the corporate value of Kyocera on a medium-to-long-term basis, Kyocera intends to keep its ownership of some of the equity securities as strategic investments including KDDI shares in light of attaining growth of business through strengthening, maintaining trade relationship and securing profits from shareholding and consideration for the social significance of Kyocera. For equity securities including strategic investments in its portfolio, with periodical checks for the economic rationality, Kyocera may dispose of some securities, which lack merit for Kyocera, although market conditions may not permit us to do so at the time, speed or price we may wish.

### ***(8) Derivatives and Hedging***

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.

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

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

Kyocera's affiliate accounted for by the equity method uses interest rate swaps to minimize significant, unanticipated cash flow fluctuations caused by interest rate volatility. The affiliate also reduces credit risks by entering into transactions with certain creditworthy counterparty and limiting the amount of exposure to the counterparty.

#### ***a. Cash Flow Hedges***

Kyocera uses certain foreign currency forward contracts with terms normally lasting for less than four months designated as cash flow hedges to protect against foreign currency exchange rate risks inherent in its forecasted transactions related to purchase commitments and sales. Kyocera's affiliate accounted for by the equity method uses interest rate swaps mainly to convert a portion of its variable rates debt to fixed rates debt.

#### ***b. Other Derivatives***

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

The aggregate contractual amounts of derivative financial instruments as of March 31, 2019 and 2020 are as follows:

The aggregate contractual amounts (Yen in millions)

	As of March 31, 2019	As of March 31, 2020
Derivatives designated as hedging instruments:		
Foreign currency forward contracts	7,965	5,594
Derivatives not designated as hedging instruments:		
Foreign currency forward contracts	385,336	201,622
Total	393,301	207,216

The fair value and location (Yen in millions)

	As of March 31, 2019	As of March 31, 2020
Derivative assets		
Derivatives designated as hedging instruments:		
Foreign currency forward contracts	63	26
Other financial assets		
Derivatives not designated as hedging instruments:		
Foreign currency forward contracts	2,422	1,644
Other financial assets		
Total	2,485	1,670
Derivative liabilities		
Derivatives designated as hedging instruments:		
Foreign currency forward contracts	35	213
Other financial liabilities		
Derivatives not designated as hedging instruments:		
Foreign currency forward contracts	1,353	1,331
Other financial liabilities		
Total	1,388	1,544

Changes in the fair value of derivative financial instruments not designated as hedging instruments for the year ended March 31, 2019 and 2020 are as follows:

Type of derivatives (Yen in millions)

	Presented Account	For the year ended March 31, 2019	For the year ended March 31, 2020
Foreign currency forward contracts	Foreign exchange gains (losses)	(3,786)	(756)

Gains (losses) recognized in income of derivatives designated as hedging instruments were not material.

**(9) Fair Values of Financial Instruments**

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of inputs that may be used to measure fair value are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

Carrying amount and fair value of financial instruments measured at amortized cost are as follows:

(Yen in millions)

	As of March 31, 2019		As of March 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets:				
Short-term investments	99,097	99,142	62,323	62,164
Long-term instruments in debt securities	53,842	53,792	31,689	31,214
Other financial assets	25,255	25,255	36,544	36,544
Total	178,194	178,189	130,556	129,922
Liabilities:				
Borrowings	9,860	9,860	79,995	79,995
Other financial liabilities	1,029	1,029	—	—
Total	10,889	10,889	79,995	79,995

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.

The levels of the fair value hierarchy of financial instruments measured at fair value are as follows:

(Yen in millions)

	As of March 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Equity and debt instruments				
Financial assets measured at fair value through other comprehensive income	875,168	—	32,966	908,134
Financial assets measured at fair value through profit or loss	—	—	1,788	1,788
Other financial assets	—	2,485	—	2,485
Total	875,168	2,485	34,754	912,407
Liabilities				
Other financial liabilities	—	1,388	—	1,388
Total	—	1,388	—	1,388

(Yen in millions)

	As of March 31, 2020			
	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

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 other financial assets and other financial liabilities are derivatives, and their fair values are 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 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, 2019 and 2020.

For financial instruments classified Level 3, there were no significant changes for the year ended March 31, 2019 and 2020.

### 32. Major Subsidiaries

#### (1) Organizational Structure

Major subsidiaries of Kyocera as of March 31, 2020 are as follows:

Name	Location	Reporting segment	Ownership ratio of voting rights (%)
Kyocera Industrial Tools Corporation	Japan	Industrial & Automotive Components	100.00
Kyocera Communication Systems Co., Ltd.	Japan	Communications	76.30
Kyocera Document Solutions Inc.	Japan	Document Solutions	100.00
Kyocera Solar Corporation	Japan	Life & Environment	100.00
Kyocera (China) Sales & Trading Corporation	China	Industrial & Automotive Components Semiconductor Components Electronic Devices	90.00
Dongguan Shilong Kyocera Co., Ltd.	China	Industrial & Automotive Components	90.00
Shanghai Kyocera Electronics Co., Ltd.	China	Semiconductor Components	100.00
Kyocera (Tianjin) Solar Energy Co., Ltd.	China	Life & Environment	90.00
Kyocera Korea Co., Ltd.	Korea	Semiconductor Components Electronic Devices	100.00
Kyocera Precision Tools Korea Co., Ltd.	Korea	Industrial & Automotive Components	90.00
Kyocera Asia Pacific Pte. Ltd.	Singapore	Industrial & Automotive Components Semiconductor Components Electronic Devices	100.00
Kyocera Display (Thailand) Co., Ltd.	Thailand	Industrial & Automotive Components	100.00
Kyocera Vietnam Co., Ltd.	Vietnam	Semiconductor Components	100.00
Kyocera International, Inc.	U.S.A	Industrial & Automotive Components Semiconductor Components Communications	100.00
Kyocera Senco Industrial Tools, Inc.	U.S.A	Industrial & Automotive Components	100.00
Kyocera Industrial Tools, Inc.	U.S.A	Industrial & Automotive Components	100.00
AVX Corporation	U.S.A	Electronic Devices	100.00
Kyocera Fineceramics GmbH	Germany	Industrial & Automotive Components Semiconductor Components Electronic Devices	100.00

(Note) Kyocera Corporation made the resolution for the liquidation of Shanghai Kyocera Electronics Co., Ltd. at the meeting of the Board of Directors held on May 29, 2019.

## **(2) Change in the Parent's Ownership Interest in a Subsidiary**

Significant changes in the parent's ownership interest in subsidiaries are as follows:

On January 10, 2020, Kyocera Corporation additionally acquired all the outstanding shares of common stock of Kyocera Industrial Tools Corporation, a consolidated subsidiary, held by non-controlling interest in cash. As a result, Kyocera Corporation made Kyocera Industrial Tools Corporation as a wholly owned subsidiary. Since this transaction is considered as equity transaction, the difference between the consideration paid of 2,630 million yen and decreased non-controlling interest of 2,533 million yen, which is 97 million yen, is accounted for as a decrease in additional paid in capital.

On March 2, 2020, Kyocera Corporation conducted a tender offer for the purpose of acquiring all of the outstanding shares of common stocks of AVX Corporation, the U.S. listed subsidiary, held by non-controlling interest for 21.75 dollars per share in cash via specific purpose entity domiciled in the U.S. The tender offer expired on March 27, 2020, and on March 30, 2020, AVX Corporation became a wholly owned subsidiary by merging with the specific purpose entity.

Since this transaction is considered as equity transaction, the difference between the consideration paid of 112,410 million yen and decreased non-controlling interest of 70,866 million yen, which is 41,544 million yen, is accounted for as a decrease in additional paid in capital.

## **33. Related Party**

### **(1) Transaction with Related Party**

There are no significant related party transactions and balances to be disclosed for the year ended March 31, 2019 and 2020.

### **(2) Remuneration of Major Executives**

Remuneration of major executives are as follows:

(Yen in millions)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Basic remuneration	253	258
Bonus	183	135
Restricted Stock Compensation	—	49
Total	436	442

## **34. Commitments**

### **Acquisition of Property, Plant and Equipment**

Contractual commitments for the acquisition of property, plant and equipment at March 31, 2019 was 42,658 million yen and 50,132 million yen at March 31, 2020, respectively.

### **35. Contingency**

#### **(1) Assets Pledged as Collateral**

Kyocera's investment in Kagoshima Mega Solar Power Corporation was pledged as collateral for its debts from financial institutions in the amount of 14,033 million yen at March 31, 2020.

The investment was accounted for using the equity method, and its book value was 2,049 million yen at March 31, 2019 and 2,064 million yen at March 31, 2020, respectively.

#### **(2) Patent Lawsuits**

On April 25, 2013, AVX Corporation was named as a defendant in a patent infringement case filed in the United States District Court for the District of Delaware captioned Greatbatch, Inc. v. AVX Corporation. This case alleged that certain AVX products infringe on one or more of six Greatbatch patents. On January 26, 2016, the jury returned a verdict in favor of the plaintiff in the first phase of a segmented trial and a mixed verdict in the second phase of a segmental trial, and found damages to Greatbatch in the amount of 4,088 million yen (37.5 million dollars), which was recorded in the year ended March 31, 2016. That verdict was later vacated by the court on March 30, 2018, which resulted in a favorable accrual adjustment of 162 million yen (1.5 million dollars). In a new trial, the amount of damages (excluding interest) was determined by a jury to be 2,409 million yen (22.1 million dollars) on January 15, 2019 resulting in a favorable accrual adjustment of 1,571 million yen (13.9 million dollars) for the year ended in March 31, 2019. During the year ended March 31, 2019 AVX Corporation made a payment of 2,409 million yen (22.1 million dollars) to an escrow account. Additionally, during the year ended March 31, 2020, AVX Corporation made a payment of 610 million yen (5.6 million dollars), representing prejudgment interest, to an escrow account. However, the matter is now on appeal which could result in a material impact to the accrual for this case in the future.

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

#### **(3) Environmental Matters**

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

### ***36. Subsequent Events***

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.

On June 1, 2020, Kyocera acquired 93.53% of the common stocks of Showa Optronics Co., Ltd., a Japanese based manufacturer of optical components, from NEC Corporation for 8,518 million yen in cash in order to expand the optical components business, and made it consolidated subsidiary.

These purchase prices are provisionally determined and the amounts are subject to change. In addition, these fair values of the assets acquired, the liabilities assumed and contingent consideration at the acquisition date are in the process of being calculated.

### ***37. Approval of Consolidated Financial Statements***

The consolidated financial statements have been approved by Hideo Tanimoto, President and Representative Director, and Shoichi Aoki, Director, Managing Executive Officer and General Manager of Corporate Management Control Group, on June 25, 2020.

## 2 Others

### a. Quarterly Information for the Year Ended March 31, 2020

(Yen in millions, unless otherwise stated)

	For the three months ended June 30, 2019	For the six months ended September 30, 2019	For the nine months ended December 31, 2019	For the year ended March 31, 2020
Sales revenue	384,937	799,050	1,196,885	1,599,053
Profit before income taxes	45,486	85,213	141,629	148,826
Profit attributable to owners of the parent for the period (year)	32,037	59,614	101,265	107,721
Earnings per share attributable to owners of the parent (Yen)	88.56	164.64	279.58	297.36

	For the three months ended June 30, 2019	For the three months ended September 30, 2019	For the three months ended December 31, 2019	For the three months ended March 31, 2020
Earnings per share attributable to owners of the parent (Yen)	88.56	76.09	114.92	17.82

### b. Litigation

For the details of litigation, please refer to Note “35. Contingency (2) Patent Lawsuits” under “V. Financial Information 1. Consolidated Financial Statements and Other Information (1) Consolidated Financial Statements.”

**VI. Outline Regarding the Administration of Kyocera's Stock**

Year Ended	April 1 - March 31
Annual General Meeting of Shareholders	During June
Record date	March 31
Record dates for dividends of retained earnings	September 30 March 31
Number of shares in one trading unit	100 shares
Buyback in holdings of shares less than one unit	
Place of handling	Mitsubishi UFJ Trust and Banking Corporation Osaka Securities Agency Department, 6-3, Fushimi-cho, 3-chome, Chuo-ku, Osaka
Administrator of shareholder registry	Mitsubishi UFJ Trust and Banking Co., Ltd., 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Forwarding office	—
Fees for buyback in holdings	Free
Method of giving public notice	Public notifications by means of electronic public notice ( <a href="https://www.kyocera.co.jp">https://www.kyocera.co.jp</a> ) However, in the event of an accident which makes electronic notice not possible, or the occurrence of similar circumstances which cannot be controlled, public notification shall be posted in the Nihon Keizai Shimbun (the Nikkei Newspaper).
Shareholders privileges	Not applicable

## ***VII. Other Reference Information***

### ***1. Information on Parent Company***

Kyocera Corporation has no parent company pursuant to first paragraph of Article 24-7, of Financial Instruments and Exchange Act of Japan.

### ***2. Other Reference Information***

Kyocera Corporation filed the following documents with Director of the Kanto Local Finance Bureau during the period from the commencing date of the year ended March 31, 2019 to the filing date of this Annual Report.

(1) Annual Report, documents attached, and Confirmation Letter	Business Term (65th)	From April 1, 2018 To March 31, 2019	Filed on June 25, 2019
(2) Internal Control Report and documents attached	Business Term (65th)	From April 1, 2018 To March 31, 2019	Filed on June 25, 2019
(3) Quarterly Report and Confirmation Letter	(66th First Quarter)	From April 1, 2019 To June 30, 2019	Filed on August 9, 2019
	(66th Second Quarter)	From July 1, 2019 To September 30, 2019	Filed on November 8, 2019
	(66th Third Quarter)	From October 1, 2019 To December 31, 2019	Filed on February 13, 2020
(4) Extraordinary Report	Pursuant to Article 19, Paragraph 2, Item 9-2 of Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.		Filed on June 27, 2019

***Part II. Corporate Information on Guarantors and Others***  
Not Applicable

## TRANSLATION

Following is an English translation of the Independent Auditors' Report filed under the Financial Instrument and Exchange Act of Japan. This report is presented merely as supplemental information.

### Independent Auditors' Report

(filed under the Financial Instruments and Exchange Act of Japan)

June 25, 2020

To the Board of Directors of  
Kyocera Corporation (Kyocera Kabushiki Kaisha):

PricewaterhouseCoopers Kyoto

Designated and Engagement Partner,  
Certified Public Accountant:

Keiichiro Kagi

Designated and Engagement Partner,  
Certified Public Accountant:

Tetsuhiro Yasumoto

#### Audit of Financial Statements

##### *Audit Opinion*

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the "Financial Information," namely, the consolidated statements of financial position as of March 31, 2020 of Kyocera Corporation (the "Company") and its consolidated subsidiaries, and the consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, including notes to consolidated financial statements.

In our opinion, the consolidated financial statements, prepared with the omission of a part of the disclosure item required under the designated International Financial Reporting Standards pursuant to the provisions of the second sentence of paragraph 1 of Article 120 of the Rules of Corporate Accounting of Japan, present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of March 31, 2020 and the consolidated results for the year then ended.

##### *Basis for opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities in auditing standards are stated in "Auditor's Responsibility for Audit of Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries and fulfill our other ethical responsibilities as an auditor in accordance with the provisions regarding professional ethics in our country. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a basis for our opinion.

##### *Management, the Audit & Supervisory Board Members and the Audit & Supervisory Board's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes implementing and maintaining internal controls deemed necessary by management for the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements on the basis of the going concern assumption and for disclosing any matters relating to going concern, if necessary, in accordance with International Financial Reporting Standards.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible to monitor the execution of the directors' duties in the design and operation of the financial reporting process.

## *Auditors' Responsibility for Audit of the Consolidated Financial Statements*

Our responsibility is to express an opinion on these consolidated financial statements in the audit report from an independent position based on our audit, with obtaining reasonable assurance as to whether the consolidated financial statements are free from material misstatement due to fraud or error. A misstatement can be caused by fraud or error and is judged to be material when individually or collectively it is reasonably expected to affect decisions of users of the consolidated financial statements. We shall, in accordance with the auditing standards generally accepted in our country, make judgments as professional experts and maintain professional skepticism throughout the audit process and carry out the following:

- We shall identify and assess material misstatement risks due to fraud or error. In addition, we shall plan and perform audit procedures in response to material misstatement risks. The audit procedures selected and applied depend on the auditor's judgement. In addition, we shall obtain sufficient appropriate audit evidence which provides a basis for our opinion.
- In making such risk assessment, we shall consider the Company's internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- We shall assess the appropriateness of the accounting policies adopted by management and the application thereof, as well as the reasonableness of accounting estimates made by management and the validity of related notes.
- We shall conclude whether it is appropriate for management to prepare the consolidated financial statements based on the going concern assumption and whether there are significant uncertainties regarding events or circumstances that may raise material doubts about the going concern assumption based on the audit evidence obtained. If significant uncertainties regarding the going concern assumption are identified, we are required to draw attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements are inappropriate, we are required to express an opinion with exceptive items to the consolidated financial statements. Our conclusions are based on audit evidence obtained by the date of the audit report, but there are possibilities not to continue as a going concern by future events and circumstance.
- We shall assess whether the presentation and notes to the consolidated financial statements are in accordance with IFRS as well as the presentation, structure and content of the consolidated financial statements, including related notes, and whether the consolidated financial statements properly present the underlying transactions and accounting events.
- We shall obtain sufficient appropriate audit evidence of the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the instructions, supervision and implementation of the audit of the consolidated financial statements. We are solely responsible for the audit opinion.

We shall report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on the scope and timing of the planned audit, the significant findings of the audit including the significant deficiencies in internal control identified in the process of the audit and other matters required by the audit standards.

We shall report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on their compliance with the provisions on professional ethics in our country with regard to independence and on matters reasonably considered to affect the independence of the auditors and the content of safeguards, if any, to remove or reduce impediments to their independence.

## **Audit of Internal Control**

### *Audit Opinion*

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of the Company as of March 31, 2020.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of the Company as of March 31, 2020 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

### *Basis for opinion*

We conducted our audit of Internal Control in accordance with an audit standard of internal control over financial reporting that is generally considered acceptable in Japan. Our responsibilities under the auditing standards of internal control over financial reporting are further described in the “Auditor’s Responsibilities for the Audit of the internal control.” We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the internal control in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibility of Management, the Audit & Supervisory Committee for the Report on Internal Control*

The Company’s management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible to monitor and verify the design and operation of internal control over financial reporting.

There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

### *Auditors’ Responsibility for the Audit of the Internal Control*

Our responsibility is to express an opinion on management’s report on internal control based on our internal control audit from independent position obtaining reasonable assurance about whether the management’s report on internal control as a whole are free from material misstatement.

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan exercising professional judgment and maintain professional skepticism throughout the audit.

- Perform audit procedures for obtaining audit evidence regarding the evaluation results of internal control over financial reporting in the report on internal control. Audit procedures for internal control audits are selected and applied depend on the auditor’s judgement, based on the significance of impact on the reliability of financial reporting.
- Consider presentation of the report on internal control as a whole, including the description made by the management regarding the scope of evaluation of internal control over financial reporting, the procedures for evaluation, and the results of the evaluation.
- Obtain sufficient and appropriate audit evidence regarding the evaluation results of internal control over financial reporting in the report on internal control. We are responsible for the direction, supervision and performance of the audit of the report on internal control. We are solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, the results of internal control audits, any material weakness in internal control identified, the results of their corrections, and other matters required in internal control auditing.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### *Interest*

Our firm and its designated engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.