

Annual Report

(English translation of consolidated financial information)

(The 67th Business Term)

From April 1, 2020 to March 31, 2021

KYOCERA CORPORATION

Table of Contents

The 67th 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	37
4. Material Agreements	51
5. Research and Development	52
III . Equipment and Facilities	56
1. Overview of Capital Expenditures	56
2. Major Equipment and Facilities	57
3. Plans for New Additions or Disposals	59
IV . Corporate Information	60
1. Information on Kyocera’s shares and Others	60
2. Acquisition of Treasury Stock and Other Related Status	64
3. Dividend Policy	66
4. Information of Corporate Governance	67
V . Financial Information	96
1. Consolidated Financial Statements and Other Information	96
2. Others	167
VI . Outline Regarding the Administration of Kyocera’s Stock	168
VII . Other Reference Information	169
Part II . Corporate Information on Guarantors and Others	170

Independent Auditor’s Report (Translation)

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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 2021” refers to the year ended March 31, 2021, 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	67th
Year ended	April 1, 2017	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021
Sales revenue	—	1,577,039	1,623,710	1,599,053	1,526,897
Profit before income taxes	—	129,992	140,610	148,826	117,559
Profit attributable to owners of the parent	—	79,137	103,210	107,721	90,214
Comprehensive income attributable to owners of the parent	—	43,131	21,514	262,750	210,784
Equity attributable to owners of the parent	2,326,884	2,325,791	2,265,919	2,432,134	2,591,415
Total assets	3,084,637	3,128,813	2,968,475	3,250,175	3,493,470
Equity per share attributable to owners of the parent (Yen)	6,328.00	6,325.11	6,263.71	6,710.59	7,149.91
Earnings per share attributable to owners of the parent- Basic (Yen)	—	215.22	284.94	297.36	248.91
Earnings per share attributable to owners of the parent- Diluted (Yen)	—	215.20	284.70	—	—
Ratio of equity attributable to owners of the parent to total assets (%)	75.4	74.3	76.3	74.8	74.2
Profit ratio of equity attributable to owners of the parent (%)	—	3.4	4.5	4.6	3.6
Price earnings ratio (Times)	—	27.90	22.81	21.55	28.22
Cash flows from operating activities	—	158,905	220,025	214,630	220,821
Cash flows from investing activities	—	(53,128)	(47,121)	(145,551)	(183,792)
Cash flows from financing activities	—	(51,572)	(89,056)	(157,126)	(80,968)
Cash and cash equivalents at the end of the year	376,195	424,938	512,814	419,620	386,727
Number of employees	70,153	75,940	76,863	75,505	78,490

- (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 and 67th business terms are not described in the above table, as there is no potential share.

(Yen in millions unless otherwise stated)

	Generally Accepted Accounting Principles of the United States of America	
	63rd	64th
Year ended	March 31, 2017	March 31, 2018
Net sales	1,422,754	1,577,039
Income before income taxes	137,849	131,866
Net income attributable to Kyocera Corporation's shareholders	103,843	81,789
Comprehensive income	85,628	48,650
Kyocera Corporation's shareholders' equity	2,334,219	2,336,246
Total assets	3,110,470	3,157,077
Kyocera Corporation's shareholders' equity per share (Yen)	6,347.95	6,353.54
Net income attributable to Kyocera Corporation's shareholders - Basic (Yen)	282.62	222.43
Net income attributable to Kyocera Corporation's shareholders - Diluted (Yen)	282.62	222.43
Ratio of equity attributable to Kyocera Corporation's shareholders to total assets (%)	75.1	74.0
Profit ratio of equity attributable to owners of the parent (%)	4.5	3.5
Price earnings ratio (Times)	21.94	26.99
Cash flows from operating activities	164,231	158,953
Cash flows from investing activities	(112,089)	(53,128)
Cash flows from financing activities	(47,972)	(51,620)
Cash and cash equivalents at the end of the year	376,195	424,938
Number of employees	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)

	63rd	64th	65th	66th	67th
Year ended	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021
Net sales	662,595	742,066	736,263	730,388	708,177
Recurring profit	81,339	82,901	119,978	98,356	103,245
Net income	83,724	78,536	55,129	88,466	93,269
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	1,922,944	1,917,101	1,805,568	2,015,786	2,124,257
Total assets	2,435,888	2,389,403	2,181,058	2,520,096	2,685,137
Net assets per share (Yen)	5,229.48	5,213.65	4,991.15	5,561.83	5,860.98
Annual dividends per share (Yen)	110.00	120.00	140.00	160.00	140.00
Interim dividends per share (Yen)	50.00	60.00	60.00	80.00	60.00
Net income per share - Basic (Yen)	227.86	213.58	152.20	244.20	257.34
Net income per share - Diluted (Yen)	—	—	—	—	—
Net assets to total assets (%)	78.9	80.2	82.8	80.0	79.1
Return on equity (%)	4.4	4.1	3.0	4.6	4.5
Price earnings ratio (Times)	27.22	28.11	42.71	26.24	27.30
Dividends payout ratio (%)	48.3	56.2	92.0	65.5	54.4
Number of employees	16,463	18,451	19,268	19,352	19,865
Total shareholder return (%)	127.3	125.8	138.6	140.0	155.2
Comparative indicator: Dividend-included TOPIX (%)	114.7	132.9	126.2	114.2	162.3
Highest share price (Yen)	6,462	8,345	7,042	7,764	7,610
Lowest share price (Yen)	4,559	5,613	5,127	5,320	5,456

- (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 potential 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	Integrated 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 and changed its name to Kyocera SOC Corporation
January	2021	Made Soraa Laser Diode, Inc., U.S. based company commercializing gallium nitride (GaN) based laser products, as consolidated subsidiary and changed its name to Kyocera SLD Laser, Inc.

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, 294 consolidated subsidiaries, 13 entities accounted for using the equity method as of March 31, 2021, 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
(1) Industrial & Automotive Components Group	
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 Asia Pacific Pte. Ltd. Kyocera (Thailand) Co., Ltd. Kyocera International, Inc. Kyocera Senco Industrial Tools, Inc. Kyocera Industrial Tools, Inc. Kyocera Europe GmbH Kyocera Unimerco A/S
(2) Semiconductor Components Group	
Ceramic Packages Organic Packages and Boards	Kyocera Corporation Kyocera (China) Sales & Trading Corporation Kyocera Korea Co., Ltd. Kyocera Asia Pacific Pte. Ltd. Kyocera Vietnam Co., Ltd. Kyocera International, Inc. Kyocera Europe GmbH
(3) Electronic Devices Group	
Capacitors Crystal Devices SAW Devices Connectors Power Semiconductor Devices Sensing Devices Control Devices Printing Devices	Kyocera Corporation Kyocera (China) Sales & Trading Corporation Kyocera Korea Co., Ltd. Kyocera Asia Pacific Pte. Ltd. AVX Corporation Kyocera Europe 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 (MFPs) 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 (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 boards for electronic components and devices such as crystal components, SAW devices and CMOS/CCD sensors as well as ASICs (Application Specific Integrated Circuits) etc., which are used in various markets including smartphones and communication infrastructures as well as the automotive-related markets.

(3) Electronic Devices Group

This reporting segment develops, manufactures and sells a wide variety of electronic components and devices including capacitors and crystal 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 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. Also, we are offering solution services tailored to the document environment of each customer by providing application software that enables collaboration between mobile devices and cloud environments and the document management systems of customers. Moreover, we are strengthening the ECM (Enterprise Contents Management) business, which involves digitizing and comprehensively and efficiently managing and utilizing company internal information, and providing new services by integrating this with existing businesses.

(6) Life & Environment Group

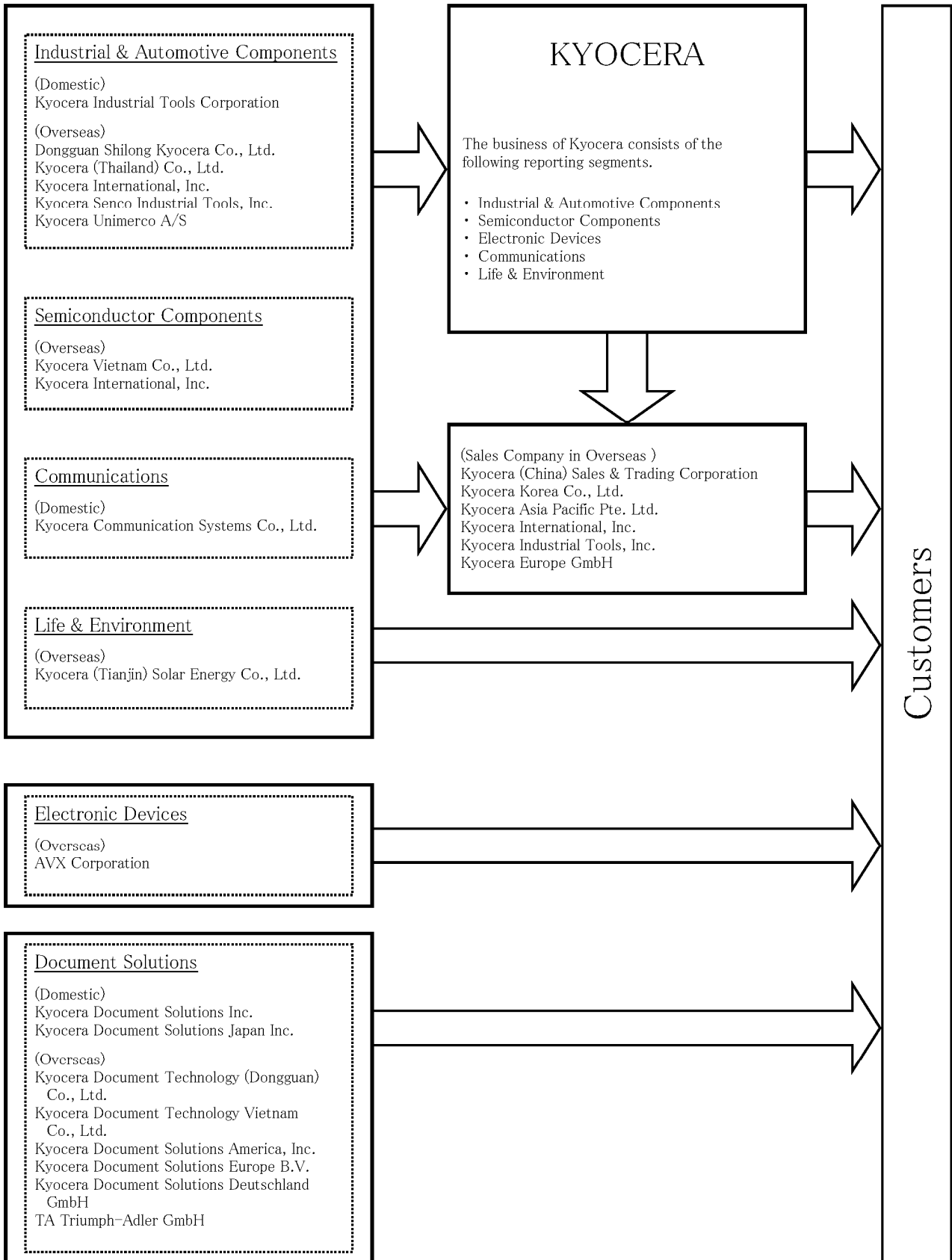
This reporting segment develops, manufactures and sells products related to life and environment such as solar modules for commercial and residential uses, smart energy related products including storage batteries and energy management systems, medical devices including prosthetic joints and dental prosthetics,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

Kyocera reorganized its organization in April 2021, with the aim of further pursue synergies between businesses and strengthen growth potential. As a result, from the year ending March 31, 2022, the reporting segments will be changed. Specifically, Kyocera will change the conventional wording of “Industrial & Automotive Components Group,” “Semiconductor Components Group,” “Electronic Devices Group,” “Communications Group,” “Document Solutions Group” and “Life & Environment Group” to “Core Components Business,” “Electronic Components Business,” and “Solutions Business.”

Main businesses and subsidiaries of each reporting segment are as follows.

Reporting Segment	Main Businesses and Subsidiaries
Core Components Business	Fine Ceramic Components, Automotive Components, Optical Components, Ceramic Packages, Organic Packages and Boards, Medical Devices, Jewelry & Applied Ceramic Related Products
Electronic Components Business	Electronic Components, AVX Corporation
Solutions Business	Industrial Tools, Information Equipment (KYOCERA Document Solutions Inc.), Telecommunications Equipment, Information Systems and Telecommunication Services (KYOCERA Communication Systems Co., Ltd.), Liquid Crystal Displays, Printing Devices, Smart Energy Business

The above is shown in the business diagram below.



4. Associates

As of March 31, 2021

Name	Address	Capital	Principle Lines of Business	Ownership Ratio of Voting Rights (%)	Relationship with Kyocera Corporation		
					Interlocking Directorate	Funding Support	Business Transaction
(Consolidated Subsidiaries)							
Kyocera Industrial Tools Corporation	Fukuyama-shi, Hiroshima, Japan	Yen 100 million	Development, manufacture and sale of Industrial Tools	100.00	Yes	–	–
Kyocera Communication Systems Co., Ltd.	Fushimi-ku, Kyoto, Japan	Yen 2,986 million	Information Systems and Telecommunication Services	76.64	Yes	–	Supporting Kyocera Corporation for system services
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 Services	100.00	Yes	Yes	Raw materials supply from Kyocera Corporation
Kyocera Document Solutions Japan Inc.	Chuo-ku Osaka, 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 Realty Development Co., Ltd.	Shibuya-ku, Tokyo, Japan	Yen 50 million	Ownership, management and rental of real estate	100.00	Yes	Yes	–

Name	Address	Capital	Principle Lines of Business	Ownership Ratio of Voting Rights (%)	Relationship with Kyocera Corporation		
					Interlocking Directorate	Funding Support	Business Transaction
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
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 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 (Thailand) Co., Ltd. *4	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
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 finished goods and raw materials supply from Kyocera Corporation
Kyocera Senco Industrial Tools, Inc.	Cincinnati, Ohio, the U.S.A.	US\$ 0.01	Development, manufacture and sale of Industrial Tools	100.00	Yes	–	–

As of March 31, 2021

Name	Address	Capital	Principle Lines of Business	Ownership Ratio of Voting Rights (%)	Relationship with Kyocera Corporation		
					Interlocking Directorate	Funding Support	Business Transaction
Kyocera Industrial Tools, Inc.	Omaha, Nebraska, the U.S.A.	US\$ 1.00	Sale of Industrial Tools	100.00	Yes	—	—
AVX Corporation	Fountain Inn, South Carolina, the U.S.A.	US\$ 1,763 thousand	Development, manufacture and sale of Electronic Components	100.00	Yes	—	—
Kyocera Europe GmbH *4	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 270 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, 2021, Kyocera Corporation has 13 entities accounted for using the equity method. The description of those entities is omitted since they are immaterial.

4. The following consolidated subsidiaries has changed their names on April 1, 2020.

And the following table sets forth their former and current names.

Former	Current
Kyocera Display (Thailand) Co., Ltd.	Kyocera (Thailand) Co., Ltd.
Kyocera Fineceramics GmbH	Kyocera Europe GmbH

5. Employees

(1) Kyocera Corporation and its Subsidiaries

As of March 31, 2021

	Number of Employees
Industrial & Automotive Components Group	16,851
Semiconductor Components Group	8,745
Electronic Devices Group	20,355
Communications Group	4,943
Document Solutions Group	21,656
Life & Environment Group	2,646
Others	1,573
Corporate	1,721
Total	78,490

(Note) The number of employees indicates fulltime employees.

(2) Kyocera Corporation

As of March 31, 2021

Number of Employees	Average Age	Average Year of Service	Average Yearly Salary (Yen)
19,865	41.1	17.5	6,840,910

As of March 31, 2021

	Number of Employees
Industrial & Automotive Components Group	5,120
Semiconductor Components Group	6,099
Electronic Devices Group	3,555
Communications Group	1,387
Document Solutions Group	—
Life & Environment Group	1,901
Others	970
Corporate	833
Total	19,865

(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, 2021.

(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 become a high-growth and profitable company by maximizing its comprehensive strengths through the utilization of the Group’s various management resources and by strengthening alliances with external resources. In particular, we are working to expand existing businesses and create new businesses mainly in the “Information & Communications,” “Automotive-related,” “Environment & Energy” and “Medical & Healthcare” markets, while also making efforts to double productivity to improve profitability.

Furthermore, in order to revitalize the organization to accelerate growth, sixteen main business sectors and subsidiaries were consolidated into three reporting segments, namely, the “Core Components Business,” “Electronic Components Business” and “Solutions Business” from April 2021, and the administrative divisions were consolidated into “Headquarters.” With newly appointed executive officers in charge of each organization, who have been delegated substantial authority from our top management, we will implement a quicker and more dynamic management decision system.

Strengthen the Management Foundation through Reorganization of Business Structure

[Aim of Reorganization of Business Structure]

Strategic planning and execution across business divisions

Greater mobility of human resources and vitalization of organizations

Enhance efficiency and promote effective use of management resources

[Overview of Reorganization of Business Structure]

Core Components Business	Electronic Components Business	Solutions Business	Headquarters
Officer in charge: Director, Managing Executive Officer Hiroshi Fure	Officers in charge: Managing Executive Officer John Sarvis (Deputy) Director, Managing Executive Officer Koichi Kano	Officer in charge: Director, Managing Executive Officer Norihiko Ina	Officer in charge: Director, Managing Executive Officer Shoichi Aoki
Fine Ceramic Components	Electronic Components	Industrial Tools	General Affairs Human Resources
Automotive Components	AVX Corporation	Information Equipment	Purchasing
Optical Components		Telecommunications Equipment	Management Control
Ceramic Packages		Information Systems and Telecommunication Services	Legal and Intellectual Property
Organic Packages and Boards		Liquid Crystal Displays	Corporate Development
Medical Devices		Printing Devices	Management Promotion
Jewelry and Applied Ceramic Related Products		Smart Energy Business	

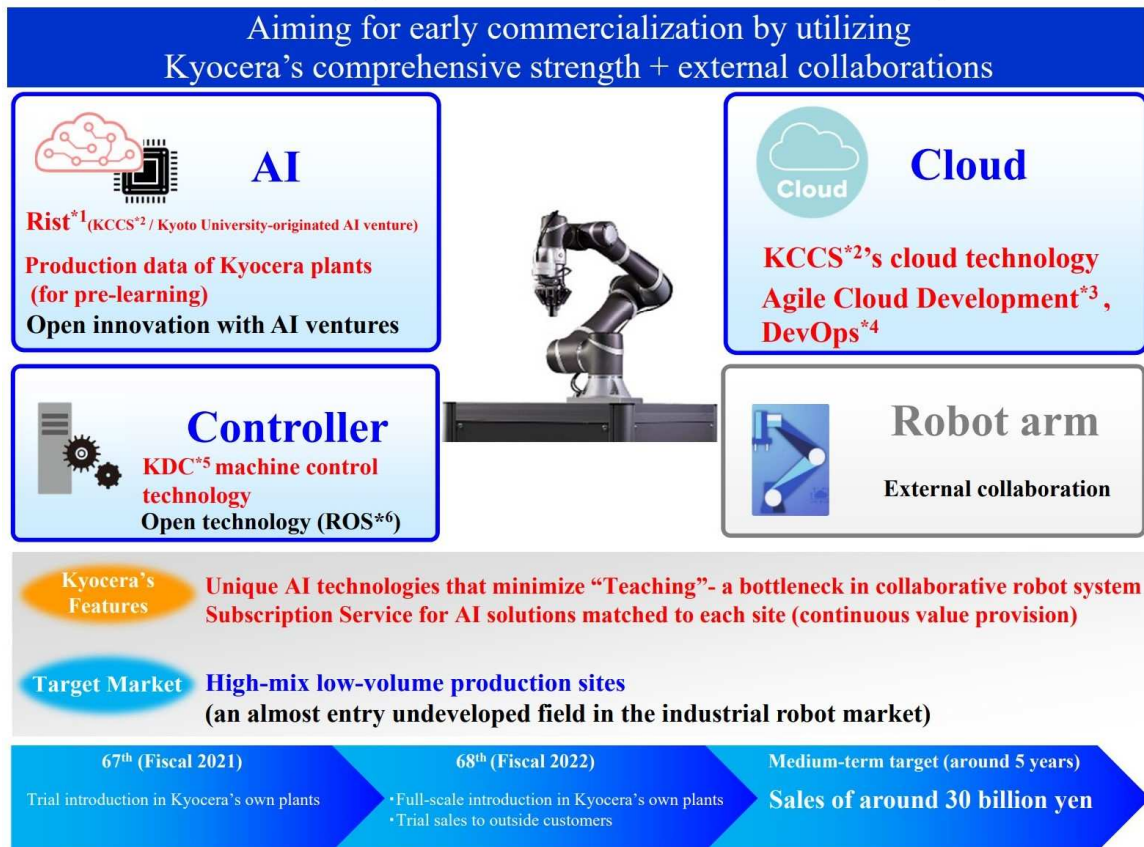
(4) Major Management Challenges

a. Expand existing businesses and create new businesses

In the “Information & Communications” and “Automotive-related” markets, robust demand for 5G, semiconductors and ADAS (Advanced Driver-Assistance Systems)-related products is expected to continue. We continue to actively make capital investment to seize this business opportunity and expand existing businesses. In particular, to enhance our production capacity for ceramic packages, capacitors and crystal devices etc., we will install mass production systems and automation of production lines, as well as construct new buildings at production sites in Japan and overseas.

In order to achieve medium- to long-term growth, we will strive to create new businesses, which will contribute to the solution of social issues, by strengthening cooperation within and outside the group. We are entering the AI collaborative robot system business utilizing our unique AI technology, etc. We have also begun development of application for gallium nitride (GaN) devices, a key material that will contribute to the achievement of a low-carbon emission society. In addition, we are developing energy businesses which place solar power generation systems at their center, as well as regenerative medicine businesses taking advantage of our accumulated know-how in the artificial joint business. In the future, we will promote the trial introduction and demonstration of these new businesses to achieve contributions to profit as soon as possible.

Overview of Kyocera’s AI Collaborative Robot System



*1 Rist: Rist, Inc., a group company of Kyocera Communication Systems Co., Ltd.
 *2 KCCS: Kyocera Communication Systems Co., Ltd.
 *3 Agile Cloud Development: A method of system and software development. Agile software development is a software development method that promotes development of processes from planning to design, development, testing, etc. by having small functional units as a team, working collaboratively and repeatedly.
 *4 DevOps: A method of system and software development. DevOps is a coined term that combines Development and Operations. It is a method for developers and operations personnel to collaborate on development.
 *5 KDC: Kyocera Document Solutions
 *6 ROS: Robot Operating System: A software platform for robots.

Overview of Gallium Nitride (GaN) Systems Business



*7 Li-Fi communication : A wireless communication technology which utilizes lights such as laser.

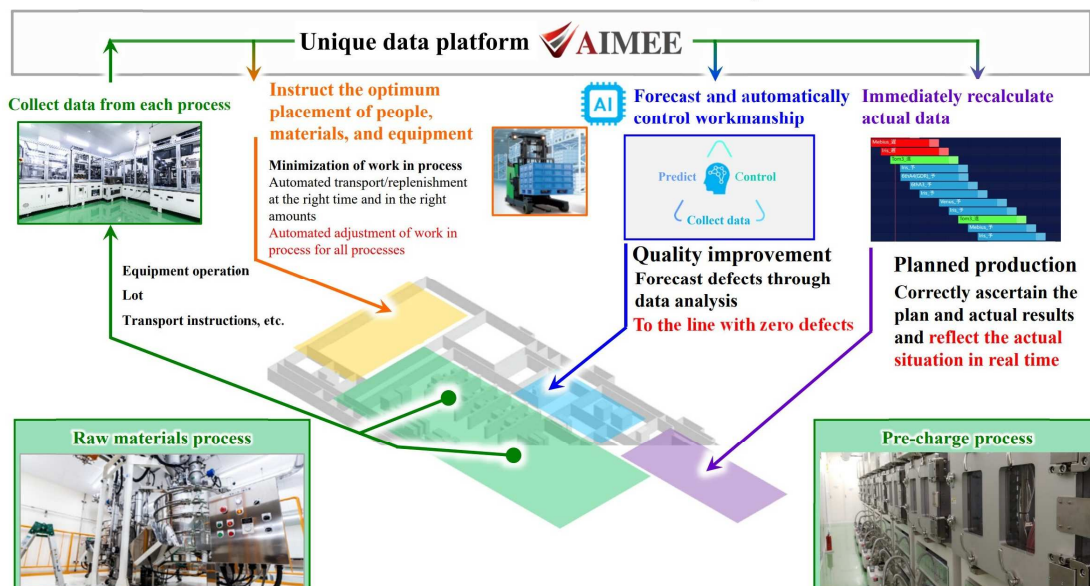
*8 AR/VR : AR stands for Augmented Reality, VR stands for Virtual Reality.

b. Double Productivity

We are working to double productivity by developing production technologies that make full use of AI, robots and IoT. Specifically, at our manufacturing site for clay-type lithium-ion energy storage system, we are constructing a smart factory that incorporate data links among our manufacturing processes through IoT devices and make production lines autonomous through AI control. In the future, we will expand these automation technologies and systems to each business in order to improve the productivity of the Group as a whole.

In addition, we will make further use of remote work, which has accelerated due to the COVID-19 pandemic, to further improve operational efficiency in our sales and administrative divisions.

Overview of Smart Factory



c. Promotion of ESG (Environment, Social and Governance) Management



Kyocera strives to address environmental and social issues as well as strengthen corporate governance, for sustainable corporate management.

With respect to environmental issues, we are working to reduce greenhouse gas emissions through the use of renewable energy, including the installation of solar power generation systems at our own sites. We are also setting long-term environmental targets and enhancing information disclosure based on TCFD (Task Force on Climate related Financial Disclosures) recommendations.

Regarding social issues, we are working to create a work environment and systems in which diverse human resources can play an active role in order to realize our management rationale “To provide opportunities for the material and intellectual growth of all our employees.” In addition to the arrangement of flexible work systems, we are introducing various systems to encourage new ideas and challenges.

With regard to corporate governance, we are working to further clarify the role of the Board of Directors in management supervision and execution and also to improve its effectiveness. As approved at the 67th Ordinary General Meeting of Shareholders held in June 2021, the ratio of outside directors increased to one-third of all Directors and a corporate executive was elected as a new outside director. With this new board structure, we aim to establish an enhanced level of corporate governance.

Promotion of ESG Management

<p>1. Responding to Environment Issues</p> <p>Utilize renewable energy</p> <p>Installation of solar power generation systems at own sites</p> <p>Establish long-term environmental targets</p> <p>Setting targets for reducing greenhouse gas emissions and introducing renewable energy</p>  <p>Enhancement of disclosure based on TCFD</p> <p>Details disclosed in the Integrated Report</p> 	<p>2. Active Participation of Diverse Workforce</p> <p>Introduce a flexible work system</p> <p>Work from home, flextime system, etc.</p> <p>Introduce a system to support challenges</p> <p>Launch the new business idea startup programs utilize system for seconding personnel to external ventures, etc.</p> <p>Promote active participation by women</p> <p>Raise the ratio of female managers Aim to reach 6%*9 by the end of March 2023 (Reference) 3.5%*9 as of April 1, 2020 *9 At Kyocera Corporation</p>	<p>3. Strengthening Corporate Governance</p> <p>Increase ratio of outside directors</p> <p>Following the resolution of the 67th Ordinary General Meeting of Shareholders, the number of internal directors was reduced by half and the ratio of outside directors increased.</p> <p>[Composition of the Board of Directors]</p> <table border="1"> <thead> <tr> <th>Number of Director</th> <th>Before resolution</th> <th>After resolution</th> </tr> </thead> <tbody> <tr> <td>Internal Director</td> <td>12</td> <td>6</td> </tr> <tr> <td>Independent Outside Director</td> <td>3</td> <td>3</td> </tr> <tr> <td>Ratio of Outside Director</td> <td>1/5</td> <td>1/3</td> </tr> </tbody> </table> <p>Appointment of Corporate Executive as Outside Director</p> <p>Eiji Kakiuchi Representative Director, Chairman, Member of the Board of SCREEN Holdings Co., Ltd.</p>	Number of Director	Before resolution	After resolution	Internal Director	12	6	Independent Outside Director	3	3	Ratio of Outside Director	1/5	1/3
Number of Director	Before resolution	After resolution												
Internal Director	12	6												
Independent Outside Director	3	3												
Ratio of Outside Director	1/5	1/3												

(5) Business Environment

During fiscal 2021, the spread of COVID-19 caused delays in some sales networks, procurements and supplies. Nevertheless, the impacts of these were gradually alleviated along with the resumption of economic activities. In addition, activities for securing orders have also resumed thanks in part to the growing use of online business discussions.

On the other hand, robust demand for products for 5G and ADAS-related markets has resulted in a global shortage of semiconductors while US-China trade conflicts have affected orders for components. Kyocera must keep a close eye on the impacts of these developments and to minimize the effects on its business it will work to expand production of products experiencing favorable demand, create new businesses, and increase productivity.

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 that include the semiconductor industry and automotive-related industries worldwide through our distributors in addition to direct sales. Kyocera also makes sales through retailers, the Internet and other avenues in the pneumatic and 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 mobile device business of the Communication Group, we supply smartphones and mobile phones to telecommunications carriers in Japan and the United States. We also supply in-vehicle communication modules to automobile components manufacturers as well as provide various IoT modules to corporate users and system integrators.

In the information system and telecommunication services business, we undertake the ICT business and management consulting business targeting general companies and public institutions in Japan as well as in China and are undertaking our engineering business for telecommunications carriers, wireless equipment vendors, and solar power generation companies in our main market of Japan as well as in Malaysia.

In continually expanding 5G-related markets, we work to capture to new customer needs and expansion sales network by deploying new products and new businesses, such as connecting devices that connect various devices to 5G networks, as well as providing local 5G solutions.

In the Documents Solutions Group, we provide document solution services that solve document-related management issues, and our own-brand printers and multifunction products that realize long operating lives and low running costs, from 37 sales bases spanning over 140 countries through distributors and direct sales.

In the smart 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 2021, 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, 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. The internally manufactured components also include core components that contribute to the differentiation of product 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. In normal times, Kyocera convenes supplier seminars and social gatherings. In view of the current situation with COVID-19, however, during fiscal 2021 Kyocera worked to promote an understanding of its procurement activities and maintain partnerships by actively holding online interviews with domestic and overseas suppliers.

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/sustainability/social/supplier.html>

c. Competitive Advantage Over Competitors

In working to strengthen its businesses, besides actively utilizing external management resources such as M&A and collaboration, through organizational restructuring, which was implemented from April 2021, Kyocera will pursue further synergies within the Kyocera Group that transcend the frameworks of existing organizations such as realizing quick management decisions and effectively utilizing management resources. Kyocera is also working to improve productivity by utilizing AI and robots and is making efforts to strengthen competitiveness through these measures.

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 by ceramic materials technology and design expertise accumulated in the process of cultivating new markets and external collaboration that enable Kyocera to meet customer requirements. Furthermore, Kyocera's production capacity for these products is the reason 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 business, 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 has been increasing the opportunity for using in automotive with the rise to boost automotive safety, by developing new products including high resolution cameras and various sensor cameras as well as new technologies.

In liquid crystal displays business, Kyocera is focusing on the development of small- and medium-sized products and is seeking to expand business mainly for automotive and industrial applications. Kyocera is working to further strengthen our competitiveness and expand business through development of high value-added products such as heads up display systems together with the development of new product 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, although Kyocera has many competitors globally, Kyocera provides a diverse array of cutting tools for processing machinery, mainly in automotive-related markets, that contribute to enhanced productivity for Kyocera's customers based on advanced materials technologies as well as expanding Kyocera's products for a wide range of markets such as 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 along with further strengthen our cost competitiveness by pursuing synergies within the Kyocera Group.

(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 5G capable mobile phone handsets as well as base station, optical communications market, automotive-related markets, 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 package 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 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 small and high reliability 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 devices, 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.

In capacitors, crystal devices, SAW devices and connectors for smartphones, Kyocera is a major supplier of parts for mainly high-end smartphones by focusing on the development of products in cutting-edge fields that meet needs such as for miniaturization and high performance. Kyocera is striving to expand Kyocera's market share where demand is expected to continue to grow for 5G capable devices, by actively introducing new products and increasing production capacity. In addition, 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. Kyocera made AVX Corporation into a wholly owned subsidiary in fiscal 2020 and is working to pursue synergies that leverage the strengths of both companies. Kyocera will strive to further strengthen its competitiveness in the electronic components market, where growth is expected over the medium to long term.

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. By offering a wide range of products, from simple mobile phones to 5G capable smartphones in addition to products that are distinctive in terms of waterproof properties and high durability, Kyocera is meeting diverse user needs of various corporations that include the education and learning support industry and the construction industry in addition to consumer markets.

In the communication module field, Kyocera is striving to expand business fields for automobiles and the IoT by developing applications for communications technology. Also, by utilizing the communications technologies cultivated to the present and relationships with major domestic carriers, Kyocera is able to undertake new businesses such as local 5G systems and this is becoming one of Kyocera's strengths.

In the information and communications services business, Kyocera develops business mainly in Japan. In the ICT business, which primarily involves the application and security-related software, Kyocera is developing and supplying products that meet various user needs in line with the accompanying the promotion of DX (digital transformation) as well as the proliferation of the AI and IoT.

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 design. 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 cost competitiveness by automating production lines.

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, 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 which 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 smart energy business, in addition to solar panels, Kyocera supplies a wide range of energy-related products that include storage batteries, fuel cells, and solar power systems. To capture demand for self-consumption toward the realization of a carbon-free society, a segment expected to grow in the future, Kyocera will leverage the Kyocera Group's management resources and know-how in addition to utilizing collaboration with outside entities to strengthen development, including development of storage batteries and energy management systems.

Furthermore, Kyocera is actively promoting the development of the total energy solution business such as by participating in demonstration testing of next-generation energy management systems.

Particularly for power storage batteries, 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. In addition to these diverse product lineups, strong financial base enabling the provision of after-sales service and maintenance over a long period serves as a competitive advantage for Kyocera.

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. Besides expanding into the US market through M&A activities, Kyocera is also working to further expand its business in the field of regenerative medicine such as by acquiring the rights in Japan for exclusive use of allogeneic mesenchymal stem cells technologies, which enables stable production at low cost, through collaboration with an external organization.

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 continue to serve as the driving force in the market for information and communications. In addition to ceramic packages and organic packages, orders for electronic components such as ceramic capacitors, crystal devices, SAW devices, and connectors are expected to increase on the back of increased demand for related products such as 5G capable smartphones and base stations. Also, there is an increasingly active move toward building local 5G that uses self-operated 5G networks locally, and an expansion of related systems and services business are expected.

In automotive-related markets, with expectation of rising needs for ADAS and environmental improvements in the current year as well, demand for camera modules, communication modules, organic packages, various electronic components, and components for LED headlights is forecast to trend firmly. Furthermore, as initiatives for autonomous driving systems, besides improving the performance of automobiles, there are also expected to be technology and product needs for safe driving support systems in the area of transportation infrastructure such as V2I (Vehicle to Infrastructure) roadside machines.

In environment and energy markets, demand in the domestic market, which is the main market for the smart energy business, is forecast to witness an accelerating transition to self-consumption of renewable energy toward the realization of a carbon-free society from the implementation of the feed-in tariff (FIT) system for electricity. In response to this demand, Kyocera will build an energy management system centered on three types of batteries, namely in addition to solar batteries, the world’s first clay-type lithium-ion batteries and SOFCs (Solid Oxide Fuel Cells). 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 in the medium term.

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, and are not an exhaustive list of all risks to Kyocera. This section is determined as of the filing date of this annual report.

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 & Communications," "Automotive-related," "Environment & Energy," and "Medical & Healthcare." Changes in the Japanese and global economy may lead to a significant decrease in demand for our products. For the fiscal 2022, the global economy is expected to recover from fiscal 2021. In addition, although demand for products in 5G, semiconductors, and ADAS market is expected to increase due to the progress of digitization, demand for our products may fall below the aforementioned expectations due to the re-spread of COVID-19.

(Key measures)

Kyocera is working to expand existing businesses, create new businesses and double productivity aiming at securing business opportunities in these markets with the following initiatives:

- continue to actively make capital expenditures for ceramic packages, capacitors, crystal devices and other components for which strong demand is expected in the future in order to expand existing businesses;
- strengthen cooperation both inside and outside the company, including through M&As in order to create new businesses such as the AI collaborative robot system business utilizing our unique AI technology and application systems for gallium nitride devices, a key material that will contribute to the achievement of a low-carbon emission society; and,
- promoting the introduction of automated production lines that utilize AI and robots across the Kyocera Group to further improve productivity.

In addition, Kyocera continues to develop a flexible work system, including work from home in order to continue business activities even in a harsh business environment, such as the re-spread of COVID-19.

(2) Risks Related to International Business Activities

In addition to Japan, Kyocera is investing substantial amount in the United States, and Europe, as well as China, Vietnam and other Asian countries to expand its manufacturing and sales channels. In conducting business activities in these overseas markets, Kyocera may be exposed to unexpected changes in laws and regulations related to import-export controls and investment regulations, restriction on repatriation of profits, transfer pricing legislation and tax havens prevention legislations due to unfavorable political and economic factors.

In addition, human rights are increasingly being considered worldwide, and human rights issues in the supply chain as well as in the Kyocera itself are required to be taken into consideration. And there is a possibility that unexpected legal and regulatory changes may occur.

(Key measures)

In response to major overseas laws and regulations such as the Competition Law, Anti-Bribery Law and Personal Data Protection Law which have been globally strengthening regulations, Kyocera regularly holds meeting with legal staffs from major subsidiaries to discuss legal issues and measures at each company. In terms of import-export control, we conduct employee training on security trade management and disseminates information on important business-related regulations in a timely manner. In addition, we are aware of ever changing international situations and taking active risk avoidance measures. With regard to investment regulations and regulations on repatriation of profits, our company and each group companies will strive to prevent and avoid such risks by promptly gathering information on regulatory changes at an early stage and taking appropriate measures. For overseas tax systems, we strive to reduce tax risks by establishing a relationship of trust with the tax authorities of each country through timely and appropriate submission of tax information, and conducting prior inquiries as necessary. In particular, international transactions within the group are carried out based on the arm's-length prices in accordance with the OECD Transfer Pricing Guidelines, and pay taxes appropriately by utilizing Advance Pricing Agreement with tax authorities. In addition, we prevent the transfer of tax sources to countries and regions with low tax rate (so called "tax havens") for the purpose of excessive tax avoidance, and we strive to make appropriate tax returns in accordance with each country's tax system. Kyocera has also established "Kyocera Group Human Rights Policy" and is implementing human rights issues through human rights due diligence in the supply chain.

(3) Risks Related to Currency Exchange Rate Fluctuations

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

Changes in exchange rates may also adversely affect price competition between Kyocera and its foreign competitors for products sold in the same market as well as on the cost of imported products required for our business activities.

(Key measures)

In accordance with Kyocera's foreign exchange risk management policy, we mainly use short-term forward contracts to mitigate the impact of exchange rate fluctuations. We are also working to reduce exchange rate risks at purchase prices by promoting local procurement of raw 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 areas. It is possible that the competitive environment will constantly change due to emergence of competitors that pose new threats, including emerging economies that have competitive advantages in terms of cost structure and other factors. Unlike many of our competitors specialize in a particular business areas, Kyocera operates in a diverse range of businesses and may not be able to invest as much in individual business areas as our competitors. These competitors may have more financial, technical and marketing resources available than our individual businesses. Competitive factors vary by business segment, but prices and delivery are key factors that affect all Kyocera's business segments. Depending on demand competitive conditions, price pressure is generally constant, and therefore, product prices are expected to decline in the future, 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, we are working to secure a competitive advantage by strengthening cooperation within the group and providing high value-added products. In addition, in the business where Kyocera develops, produces and distributes specialized parts for its customers' products, we are working to strengthen our competitiveness by quickly developing new products that meet customer requirements. Moreover, in response to price decline, Kyocera is implementing to reduce costs and achieve high competitiveness by thoroughly managing profitability for each division through the practice of its own management system "Amoeba Management System."

(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 Kyocera's production activities are constantly subject to price fluctuations, and as such, higher raw material prices may lead to higher manufacturing costs. Such increases in the manufacturing costs may not be passed on to the sales price of products 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 consumes in its production activities. Excessive demand for these suppliers could cause delays or disruptions to our production activities, if supply to our company is insufficient. In the event of a significant delay in the supply of such materials, our company may not be able to immediately secure a source of supply on behalf of a particular supplier or to secure materials at a reasonable price. An increase in the price and raw material shortages may reduce demand for Kyocera's products.

(Key measures)

In purchasing activities, Kyocera has established "Basic Policy on Purchasing," which selects reliable suppliers through various surveys related to the company's general situation and CSR. It also makes purchasing from multiple companies, and we strive to ensure stable procurement at appropriate prices.

As Kyocera operates diverse range of businesses, we are working to improve our ability to negotiate prices through intra-group cooperation in the procurement of raw materials and other materials.

Furthermore, we are working to absorb rising raw material prices through internal improvements such as cost reductions. We also procure raw materials and components within the group for use in its businesses, which range from materials and components to devices, equipment, systems and services. This allows us to consider measures such as switching to procurement within the group if we are unable secure materials and components procured externally.

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

Kyocera outsources the fabrication of certain components and sub-assemblies of its products, often to a single or limited number of suppliers. Several suppliers require very complex manufacturing processes or long lead-times, which can delay the supply of components and sub-assemblies. Failure to deliver these components and assemblies in a timely manner or in poor quality or reliability could have material impact on the production of the products involved and could delay or disrupt Kyocera's production.

Furthermore, in the manufacturing process, there are cases where products cannot be delivered due to contamination with minute impurities or problems in production process or where other products are out of specification. 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)

In selecting outsourcing contractors, Kyocera has established "Basic Policy on Purchasing" and selects outsourcing contractors after careful consideration. Kyocera supplies raw materials and components, and leases equipment and manufacturing specifications to subcontractors for manufacturing processes established in-house. These processes meet delivery dates and quality requirements of customers under the same production and quality management systems as Kyocera. We are 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 is constantly expanding its production and development capabilities to meet growing demand and customer requirements. If we cannot expand our production and development capabilities as planned due to unexpected technical delays or changes in customer policies, we may not be able to achieve the expected results from newly produced products or developed technologies. In addition, products resulting from in-process research and development activities in Kyocera may not receive the expected evaluation in the market.

(Key measures)

Kyocera is strengthening 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 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. In addition, collaboration with other companies, academic institutions, governmental organizations, etc., may be affected in the same way as above.

(Key measures)

Kyocera carefully deliberates business plans that reasonably and conservatively estimate the effects of corporate acquisitions, collaboration, and other investment decisions at the stage of institutional decisions, based on reviews by outside experts. Subsequent to acquisition, we promote Post Merger Integration (PMI), monitor the degree of achievement of our business plans, and implement appropriate measures to avoid the risk of loss.

(9) Risks of Difficulties in Securing Superior Human Resources

In order for Kyocera to develop in the future, it is necessary to secure key personnel in the areas of 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 may not be able to maintain its human resources or increase in number of capable human resources in the future.

In addition, if we do not enhance work-life balance and promote diversity, such as by introducing a work system that supports balancing work with childcare and nursing care, Kyocera may not be able to maintain existing human resources.

(Key measures)

Kyocera recruits new graduates with high potential and who desire to take on new challenges to support the future of Kyocera. We also actively hire a wide range of human resources with advanced professional skill and excellent management skills as experienced employees throughout the year. Kyocera also provides human resource education to its employees with aim of improving their abilities to understanding and practice of "Kyocera Philosophy," which uses "What is the right thing to do as a human being" as the standard for making decision and to acquire the specialized knowledge and skills for the performance of business. By developing education based on a system of education for each purpose, we are striving to develop capable human resources who can contribute to the realization of our management rationale.

In addition, by introducing flexible system, we are working to enhance work-life balance, promote diversity, and create a work environment in which diverse human resources can play an active role with a sense of job satisfaction.

(10) Risk Related to Information Security

Kyocera holds important business information, personal and confidential information obtained from our customers. With respect to this information, there is a risk of information leakage, falsification, loss or system shutdown due to information equipment failure, software malfunction, malware intrusion or advanced cyberattacks, etc. In the event of such situation, Kyocera's financial position, operating results, and cash flow may be affected by additional countermeasures and expenses such as compensation for damages. In addition, to prevent unauthorized access to Kyocera's systems, we may incur additional costs associated with maintaining information security to support future technological innovations, which may affect our financial position and business activities.

(Key measures)

Based on the recognition of management strategy, product development, various know-how, and technologies as important assets of Kyocera, we have established "Information Security Management Policy" for the entire Kyocera group. In addition, in order to maintain and ensure information security, we have established a variety of rules that define the items employees must comply with and provide education to employees. Kyocera works to take measures for security of networks and IT assets and to formulate Business Continuity Plan (BCP) to strengthen information security. In the case of external malware intrusion and cyber attacks, we take intrusion prevention measures through continuous monitoring by the systems, and also take early recovery measures in case of damage.

Risks Related to Legal Restrictions and Litigations

(11) Risk Related to Trade Secrets, Intellectual Property 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, external contractors to protect trade secrets. Kyocera also working to obtain patents and other intellectual property for products and products and processes developed independently by Kyocera both in Japan and overseas. Kyocera's financial position, operating results and cash flows could be affected by improper disclosure of trade secrets by the parties other than Kyocera to the non-disclosure agreement, infringement of Kyocera's patented proprietary products and processes by other companies, or sales for counterfeit products that damage Kyocera's brand value. Kyocera also strategically files for intellectual property applications, which may not be registered, may be invalidated, or may circumvent Kyocera's intellectual property rights.

(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 acquired intellectual property in Japan and overseas to eliminate infringers. Kyocera increases the possibility of patent issues by filing several patent applications for intellectual property after previous research. Kyocera also obtains several strong intellectual properties 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 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 licenses. Similar cases may occur in the future. 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 intellectual property rights owned by other companies in advance and confirm the risks of intellectual property 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 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 sufficiently 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, establishment of compliance day and the provision of compliance training to employees. Kyocera also regularly holds the global 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.

<Inappropriate Responses Related to Compliance>

Certain chemical products were improperly identified by Kyocera as receiving certification from Underwriters Laboratories (hereinafter, “UL”), a third-party safety science organization in the United States. Regarding flame retardancy and insulation properties of chemical products, Kyocera has learned of internal improprieties relating to its testing and certification program, which include the case that the samples submitted to UL for testing were different than the manufactured products sold to customers. We have brought this matter to UL, and, upon review, the certification of the five chemical products have been rescinded as of March 17, 2021.

Kyocera received an investigation report from the committee on May 13, 2021, which is disclosed on our website (<https://global.kyocera.com/ir/news/pdf/210514E.pdf>) with corrective and preventive measures for the future.

Kyocera is preparing reapplication for certification. We are also making efforts to regain trust by pursuing accountability, implementing measures to prevent something similar from occurring again in the future.

In addition, the Special Investigation Committee pointed out that one of the reasons for the inadequate handling of UL certification in the chemical business was a lack of ethics and compliance awareness regarding quality assurance. Based on lessons learned from inappropriate responses to UL certification in the Chemical Business, we will develop internal rules related to quality of products and reexamine the compliance system, and conduct education to employees in order to promote understanding of the importance of compliance and practices.

Kyocera’s financial position, operating results and cash flows may be affected if significant costs related to these products are incurred due to the demands from customers.

(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. Lack or delay in responding to the unexpected rapid transition to a decarbonized society may result in increased cost and a decline in the corporate brand.

(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 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

As Kyocera expands its business globally, Kyocera is 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 may be interrupted, disrupted or postponed. If such situation continues for a long period of time, Kyocera's financial position, operating results and cash flows may be adversely affected.

(Key measures)

During fiscal 2021, due to the pandemic of COVID-19, Kyocera's business activities were significantly affected by downsizing and suspension of production based on government policies and action plans in each country. The business environment is expected to continue to change due to various factors such as the prolonged epidemic. 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. Kyocera has been able to respond rapidly to the spread of COVID-19 by promoting digitalization in administrative departments and realizing laborsaving operations and encouraging work from home, as well as automation in manufacturing departments through the use of AI and robots.

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

Kyocera's has numerous development, manufacturing and business facilities in Japan and overseas. In Japan and other areas where such facilities are located, there may be impacts on the business due to unavoidable natural disasters such as earthquakes, typhoons, tsunamis, heavy rains, floods, heavy snow or large-scale disasters that affect the facilities of Kyocera due to human errors and equipment failure. For instance, in the event of strong earthquake, Kyocera's employees, development and manufacturing facilities could be devastated and operations would be suspended and manufacturing and shipment would be delayed. Kyocera may also incur a great amount of expenses for restoration of damaged facilities. In addition, if there is significant damage to social and economic infrastructure, it may cause traffic disturbance and electric power outages and 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 BCP system to deal with natural disasters, such as earthquakes, human error and equipment failure, and continues its activities. In addition to measures to minimize damage of important resources such as personnel, equipment, materials, and information, we have formulated early recovery plans and alternative supply measures in the event of a disaster, and implemented education and training to avoid business interruptions and enable early resumption of operation.

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. As of March 31, 2021, Kyocera held 14.54% 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 have significant impact on 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 principle, Kyocera sells those that it determines are not worth holding. Kyocera also monitors stock prices on regular basis to detect the possibility that fluctuations in 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

During fiscal 2021, sales revenue and profit decreased compared with fiscal 2020 due to the impact of the economic downturn caused by the spread of COVID-19.

Sales revenue in the Components Business increased slightly compared with fiscal 2020 due to the contribution of M&A activities and increased demand in the semiconductor and 5G-related markets, which more than offset the significant adverse impact of a slump in the automotive-related market during the three months ended June 30, 2020 ("the first quarter"). On the other hand, sales revenue in the Equipment & Systems Business decreased as a whole.

As for profits, operating profit, profit before income taxes and profit attributable to owners of the parent all decreased as compared with fiscal 2020 due to the decrease in sales revenue and also an increase in depreciation charges owing to continued aggressive capital expenditures as well as the recording of a one-time loss in the smart energy business.

(Note) On April 1, 2020, the "solar energy business" was renamed the "smart energy business."

(Yen in millions)

	For the year ended March 31,				Change	
	2020		2021			
	Amount	%*	Amount	%*	Amount	%
Sales revenue	1,599,053	100.0	1,526,897	100.0	(72,156)	(4.5)
Operating profit	100,193	6.3	70,644	4.6	(29,549)	(29.5)
Profit before income taxes	148,826	9.3	117,559	7.7	(31,267)	(21.0)
Profit attributable to owners of the parent	107,721	6.7	90,214	5.9	(17,507)	(16.3)
Average U.S. dollar exchange rate (yen)	109	—	106	—	—	—
Average Euro exchange rate (yen)	121	—	124	—	—	—

* % represents the percentage to sales revenue.

(2) Financial Position and Operating Results

a. Sales Revenue

Sales revenue in fiscal 2021 decreased by 72,156 million yen, or 4.5%, to 1,526,897 million yen, compared with 1,599,053 million yen in fiscal 2020.

Sales revenue in the Components Business in fiscal 2021 increased by 15,375 million yen, or 1.7%, to 927,809 million yen, compared with 912,434 million yen in fiscal 2020 due to the contribution of M&A activities and increased demand in the semiconductor and 5G-related markets, which more than offset the significant adverse impact of a slump in the automotive-related market during the first quarter.

Sales revenue in the Equipment & Systems Business decreased by 91,617 million yen, or 13.0%, to 612,863 million yen, compared with 704,480 million yen in fiscal 2020. This was due mainly to the decrease in sales revenue in the Document Solutions Group and Communications Group.

Due mainly to the impact of the yen's appreciation against the U.S. dollar, sales revenue after translating into the yen in fiscal 2021 were pushed down by approximately 9 billion yen, compared with fiscal 2020.

b. Cost of Sales and Gross Profit

In fiscal 2021, cost of sales decreased by 37,929 million yen, or 3.3%, to 1,119,950 million yen from 1,157,879 million yen in fiscal 2020.

Raw material costs of 393,030 million yen accounted for 35.1% of total cost of sales in fiscal 2021, which decreased by 27,128 million yen, or 6.5%, from 420,158 million yen in fiscal 2020. Labor costs of 241,976 million yen accounted for 21.6% of total cost of sales in fiscal 2021, which decreased by 5,504 million yen, or 2.2%, from 247,480 million yen in fiscal 2020. Depreciation charge of 65,129 million yen accounted for 5.8% of total cost of sales in fiscal 2021, which increased by 10,559 million yen, or 19.3%, from 54,570 million yen in fiscal 2020.

As a result, gross profit in fiscal 2021 decreased by 34,227 million yen, or 7.8%, to 406,947 million yen from 441,174 million yen in fiscal 2020. The gross profit ratio to sales revenue decreased by 0.9 percentage points from 27.6% to 26.7%.

c. Selling, General and Administrative Expenses and Operating Profit

In fiscal 2021, selling, general and administrative expenses decreased by 4,678 million yen, or 1.4%, to 336,303 million yen from 340,981 million yen in fiscal 2020. This was due mainly to a decrease in travel expenses due to the impact of COVID-19, despite an impairment loss of 11,518 million yen recorded in the Smart Energy business in fiscal 2021, as well as the absence of the impact of a one-time charge recorded in fiscal 2020 relating to litigation at AVX Corporation and professional fee expensed in making AVX Corporation as a wholly owned subsidiary.

Labor costs of 184,914 million yen accounted for 55.0% of total selling, general and administrative expenses in fiscal 2021, a decrease of 11,753 million yen, or 6.0%, from 196,667 million yen, in fiscal 2020. Sales promotion and advertising costs of 39,069 million yen, accounted for 11.6% of total selling, general and administrative expenses in fiscal 2021, a decrease of 3,920 million yen, or 9.1%, from 42,989 million yen, in fiscal 2020.

Depreciation charge of 33,843 million yen, accounted for 10.1% of total selling, general and administrative expenses in fiscal 2021, an increase of 4,405 million yen, or 15.0% from 29,438 million yen, in fiscal 2020.

As a result, operating profit in fiscal 2021 decreased by 29,549 million yen, or 29.5%, to 70,644 million yen, compared with 100,193 million yen in fiscal 2020. The operating profit ratio to sales revenue decreased 1.7 percentage points to 4.6% in fiscal 2021, compared with 6.3% in fiscal 2020.

d. Finance Income

Finance income in fiscal 2021 decreased by 2,504 million yen, or 5.2%, to 45,650 million yen, compared with 48,154 million yen in fiscal 2020. This was due mainly to a decrease in interest income.

e. Finance Expenses

Finance expenses in fiscal 2021 increased by 641 million yen, or 41.3%, to 2,194 million yen, compared with 1,553 million yen in fiscal 2020.

f. Foreign Exchange Gains (Losses)

The average exchange rates for fiscal 2021 were 106 yen to the U.S. dollar, marking appreciation of 3 yen, or 2.8%, and 124 yen to the Euro, marking depreciation of 3 yen, or 2.5%, from fiscal 2020. The exchange rates at the end of fiscal 2021 were 111 yen to the U.S. dollar, marking depreciation of 2 yen, or 1.8%, and 130 yen to the Euro, marking depreciation of 10 yen, or 8.3%, from the end of fiscal 2020. Kyocera recorded foreign exchange gains of 375 million yen in fiscal 2021.

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 2021 increased by 137 million yen, or 110.5%, to 261 million yen, compared with the profit of 124 million yen in fiscal 2020.

h. Profit Before Income Taxes

Profit before income taxes in fiscal 2021 decreased by 31,267 million yen, or 21.0%, to 117,559 million yen compared with 148,826 million yen in fiscal 2020. The ratio of profit before income taxes to sales revenue decreased by 1.6 percentage points to 7.7% compared with 9.3% in fiscal 2020.

Business profit in the Components Business in fiscal 2021 decreased by 6,398 million yen, or 8.2%, to 71,670 million yen, compared with 78,068 million yen in fiscal 2020. This was due to the impact of an increase in depreciation charges.

Business profit in the Equipment & Systems Business for fiscal 2021 decreased by 15,379 million yen, or 44.2%, to 19,404 million yen, compared with 34,783 million yen in fiscal 2020. This was due mainly to the decrease in sales revenue and also the recording of an impairment loss in the amount of 11,518 million yen in the smart energy business.

i. Income Taxes

Income taxes in fiscal 2021 decreased by 12,771 million yen, or 34.5% to 24,209 million yen, of which the effective tax rate was 20.6%, compared with 36,980 million yen in fiscal 2020, of which the effective tax rate was 24.8%. This was due mainly to a decrease in profit before income taxes and recognition of deferred tax assets for temporary differences associated with investments in certain subsidiaries and associates in fiscal 2021.

j. Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests in fiscal 2021 decreased by 989 million yen, or 24.0%, to 3,136 million yen compared with 4,125 million yen in fiscal 2020.

k. Business Overview by Reporting Segment

Industrial & Automotive Components Group

Sales revenue for fiscal 2021 increased by 17,951 million yen, or 5.3%, to 359,044 million yen, compared with 341,093 million yen for fiscal 2020. Although sales of liquid crystal displays for the automotive-related markets decreased, in addition to increased sales in businesses including the industrial tools business, among others, due to contributions from M&A activities, sales of fine ceramic parts for semiconductor processing equipment increased. Sales revenue were buoyed by M&A activities, which increased sales by approximately 19 billion yen compared with fiscal 2020.

Business profit for fiscal 2021 increased by 2,329 million yen, or 14.7%, to 18,142 million yen, compared with 15,813 million yen for fiscal 2020. The business profit ratio for fiscal 2021 was 5.1%. This was due to increased sales revenue and decreased manufacturing cost, which more than offset the impact of an increase in depreciation and amortization charges of 5,106 million yen resulting from continued capital expenditures to increase production capacity of fine ceramic parts for semiconductor processing equipment and from M&A activities in the industrial tools business, etc.

Semiconductor Components Group

Sales revenue for fiscal 2021 increased by 16,367 million yen, or 6.6%, to 263,595 million yen, compared with 247,228 million yen for fiscal 2020. Sales increased mainly due to strong demand for ceramic packages for 5G capable smartphones.

On the other hand, business profit decreased by 2,251 million yen, or 7.4%, to 28,260 million yen compared with 30,511 million yen in fiscal 2020. The business profit ratio for fiscal 2021 was 10.7%. This was due mainly to an increase in depreciation and amortization charges of 3,564 million yen in line with an increase in capital expenditures in an anticipation of a medium-term increase in demand for ceramic and organic packages.

Electronic Devices Group

Sales revenue for fiscal 2021 decreased by 18,943 million yen, or 5.8%, to 305,170 million yen, compared with 324,113 million yen for fiscal 2020. This was due to a decrease in sales at AVX Corporation and sales of printing devices, particularly for the industrial market, in addition to the impact of the yen's appreciation, which pushed down sales revenue by approximately 4 billion yen.

Business profit decreased by 6,476 million yen, or 20.4%, to 25,268 million yen, compared with 31,744 million yen for fiscal 2020. The business profit ratio for fiscal 2021 was 8.3%. Despite efforts to reduce costs, business profit decreased due to an increase of 3,068 million yen in depreciation and amortization charges due mainly to an increase in capital expenditures for business expansion and an increase of 2,735 million yen in R&D expenses. Furthermore, there was also the impact of the yen's appreciation, which pushed down business profit by approximately 1 billion yen.

Communications Group

Sales revenue for fiscal 2021 decreased by 38,079 million yen, or 14.1%, to 232,739 million yen compared with 270,818 million yen for fiscal 2020. This was due to a decrease in the number of mobile phone handsets sold and a decrease in sales in the engineering business in the information systems and telecommunication service business. On the other hand, business profit for fiscal 2021 increased by 3,338 million yen, or 29.6%, to 14,597 million yen compared with 11,259 million yen in fiscal 2020. The business profit ratio for fiscal 2021 rose to 6.3%. This was due to improved profitability in the mobile phone business and information systems and telecommunication service business through cost reductions, which more than offset the impact of lower sales.

Document Solutions Group

Sales revenue for fiscal 2021 decreased by 43,689 million yen, or 12.1%, to 316,226 million yen, compared with 359,915 million yen for fiscal 2020. Despite a recovery in demand after hitting bottom in the first quarter, sales volume of printers and MFPs decreased by approximately 15% compared with fiscal 2020. Sales revenue were buoyed by M&A activities, which increased sales by approximately 8 billion yen.

Business profit decreased by 5,730 million yen, or 16.6%, to 28,759 million yen, compared with 34,489 million yen for fiscal 2020. The business profit ratio for fiscal 2021 was 9.1%. This was due mainly to the decrease in sales revenue which more than offset a decrease of R&D expenses by 3,449 million yen compared with fiscal 2020.

Life & Environment Group

Sales revenue for fiscal 2021 decreased by 9,849 million yen, or 13.4%, to 63,898 million yen compared with 73,747 million yen for fiscal 2020. This was due mainly to lower sales of solar power generation systems in the smart energy business.

Business loss increased by 12,987 million yen, to 23,952 million yen compared with 10,965 million yen in fiscal 2020. This was due to lower sales revenue and the recording of an impairment loss in the amount of 11,518 million yen relating to machinery, equipment and goodwill as well as intangible assets in the smart energy business.

Sales Revenue by Reporting Segment

(Yen in millions)

	For the year ended March 31,				Change	
	2020		2021			
	Amount	%*	Amount	%*	Amount	%
Industrial & Automotive Components Group	341,093	21.3	359,044	23.5	17,951	5.3
Semiconductor Components Group	247,228	15.5	263,595	17.3	16,367	6.6
Electronic Devices Group	324,113	20.3	305,170	20.0	(18,943)	(5.8)
Total Components Business	912,434	57.1	927,809	60.8	15,375	1.7
Communications Group	270,818	17.0	232,739	15.2	(38,079)	(14.1)
Document Solutions Group	359,915	22.5	316,226	20.7	(43,689)	(12.1)
Life & Environment Group	73,747	4.6	63,898	4.2	(9,849)	(13.4)
Total Equipment & Systems Business	704,480	44.1	612,863	40.1	(91,617)	(13.0)
Others	16,737	1.0	18,169	1.2	1,432	8.6
Adjustments and eliminations	(34,598)	(2.2)	(31,944)	(2.1)	2,654	—
Sales revenue	1,599,053	100.0	1,526,897	100.0	(72,156)	(4.5)

* % represents the component ratio.

Business Profit (Loss) by Reporting Segment

(Yen in millions)

	For the year ended March 31,				Change	
	2020		2021			
	Amount	%*	Amount	%*	Amount	%
Industrial & Automotive Components Group	15,813	4.6	18,142	5.1	2,329	14.7
Semiconductor Components Group	30,511	12.3	28,260	10.7	(2,251)	(7.4)
Electronic Devices Group	31,744	9.8	25,268	8.3	(6,476)	(20.4)
Total Components Business	78,068	8.6	71,670	7.7	(6,398)	(8.2)
Communications Group	11,259	4.2	14,597	6.3	3,338	29.6
Document Solutions Group	34,489	9.6	28,759	9.1	(5,730)	(16.6)
Life & Environment Group	(10,965)	—	(23,952)	—	(12,987)	—
Total Equipment & Systems Business	34,783	4.9	19,404	3.2	(15,379)	(44.2)
Others	(4,484)	—	(3,102)	—	1,382	—
Total business profit	108,367	6.8	87,972	5.8	(20,395)	(18.8)
Corporate gains and share of net profit of investments accounted for using the equity method	41,977	—	31,703	—	(10,274)	(24.5)
Adjustments and eliminations	(1,518)	—	(2,116)	—	(598)	—
Profit before income taxes	148,826	9.3	117,559	7.7	(31,267)	(21.0)

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

(Note) On April 1, 2020, a domestic subsidiary, Kyocera Communication Systems Co., Ltd., which is included in “Communications Group,” absorbed and merged with a domestic subsidiary Kyocera Solar Corporation, which was included in “Life & Environment Group.” As a result, “For the year ended March 31, 2020” in the above tables are presented in the reporting segment after the merger.

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 decreased by 10,274 million yen, or 24.5%, to 31,703 million yen, compared with 41,977 million yen in fiscal 2020. This was due mainly to an increase in expenses related to the promotion of digital transformation to improve productivity through the utilization of AI and IoT.

m. Summary of Production, Orders Received and Sales

Orders Received by Reporting Segment

(Yen in millions)

	For the year ended March 31,				Change
	2020		2021		
	Amount	%*	Amount	%*	%
Industrial & Automotive Components Group	339,495	21.9	360,216	23.5	6.1
Semiconductor Components Group	243,726	15.8	266,775	17.4	9.5
Electronic Devices Group	319,577	20.7	304,369	19.8	(4.8)
Total Components Business	902,798	58.4	931,360	60.7	3.2
Communications Group	237,614	15.4	245,989	16.0	3.5
Document Solutions Group	359,354	23.2	318,009	20.7	(11.5)
Life & Environment Group	70,923	4.6	61,662	4.0	(13.1)
Total Equipment & Systems Business	667,891	43.2	625,660	40.7	(6.3)
Others	10,744	0.7	11,269	0.7	4.9
Adjustments and eliminations	(34,510)	(2.3)	(32,966)	(2.1)	—
Orders Received	1,546,923	100.0	1,535,323	100.0	(0.7)

* % represents the component ratio.

(Notes) 1. 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."

2. On April 1, 2020, a domestic subsidiary, Kyocera Communication Systems Co., Ltd., which is included in "Communications Group," absorbed and merged with a domestic subsidiary Kyocera Solar Corporation, which was included in "Life & Environment Group." As a result, "For the year ended March 31, 2020" in the above tables are presented in the reporting segment after the merger.

(3) Liquidity and Capital Resources

a. Capital Resources

< Status of funds at March 31, 2021 >

Kyocera's primary source of fund is cash provided by operating activities. Cash flows from operating activities in fiscal 2021 is 220,821 million yen. At the end of fiscal 2021, Kyocera holds 386,727 million yen in cash and cash equivalents and 79,852 million yen in highly-liquid financial assets such as time deposits.

The total amount of cash and cash equivalents and highly-liquid financial assets held by foreign consolidated subsidiaries at the end of fiscal 2021 is 246,750 million yen. At present, Kyocera does not anticipate that these will be returned back for the purpose of use in Japan.

At the end of fiscal 2021, working capital, which is current assets less current liabilities, is 776,911 million yen, and the ratio of equity attributable to owners of the parent to total assets are 74.2% and Kyocera continues to maintain a strong financial.

This strong financial position enables Kyocera to raise funds from borrowings at relatively low cost. The balance of short-term borrowings and long-term borrowings including current portion at the end of fiscal 2021 is 97,908 million yen, and continue to represent a low dependence on total assets at 2.8%.

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 2021 >

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

Capital expenditures in fiscal 2021 increased by 11,103 million yen, or 10.5%, to 117,106 million yen, compared with 106,003 million yen in fiscal 2020. Although investment decreased in Industrial & Automotive Components Group and Corporate, capital expenditures increased from fiscal 2020 mainly due to increased investment in Semiconductor Components Group and Electronic Devices Group. R&D expenses in fiscal 2021 decreased by 3,784 million yen, or 4.8%, to 75,457 million yen, compared with 79,241 million yen in fiscal 2020.

In addition, Kyocera performed M&As primarily to further expand the existing businesses and create new businesses, and the total consideration paid, net cash acquired were 59,877 million yen.

In fiscal 2021, Kyocera Corporation paid cash dividends of 140 yen per share, totaling 50,741 million yen.

During fiscal 2021, Kyocera used its own funds mainly for capital expenditures, R&D expenditures, M&As and dividend payments.

< Expected cash demands in fiscal 2022 >

In the fiscal 2022, Kyocera expects to meet its principal cash demands, which include working capital for operating activities, capital expenditures, R&D activities and dividend payments to shareholders.

In the fiscal 2022, Kyocera expects total capital expenditures to be 170,000 million yen and R&D expenses to be 90,000 million yen. Capital expenditures are expected to increase from fiscal 2021 mainly for 5G, semiconductors and ADAS-related products. In addition, R&D expenses are expected to increase compared to fiscal 2021, 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 2021. 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, 2021 for the payment of year-end dividends of 80 yen per share, totaling 28,995 million yen.

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

In event of a temporary large demand for funds, Kyocera has additional borrowings from financial institutions and other financing instruments such as issuance of corporate bonds and stocks. However, Kyocera does not currently intend to use any other external financing sources that might affect its credit agency ratings.

If demand trends in Kyocera's major markets deteriorate or if product prices decline significantly beyond our expectations, Kyocera's financial position and operating results may be affected, and consequently, liquidity may be adversely affected.

b. Summary of Cash Flows

(Yen in millions)

	For the year ended March 31,		Change
	2020	2021	
Cash flows from operating activities	214,630	220,821	6,191
Cash flows from investing activities	(145,551)	(183,792)	(38,241)
Cash flows from financing activities	(157,126)	(80,968)	76,158
Effect of exchange rate changes on cash and cash equivalents	(5,147)	11,046	16,193
Increase (decrease) in cash and cash equivalents	(93,194)	(32,893)	60,301
Cash and cash equivalents at the beginning of the year	512,814	419,620	(93,194)
Cash and cash equivalents at the end of the year	419,620	386,727	(32,893)

Cash flows from operating activities

Net cash provided by operating activities for the year ended March 31, 2021 increased by 6,191 million yen, or 2.9%, to 220,821 million yen from 214,630 million yen for the year ended March 31, 2020. This was due mainly to an increase in depreciation and impairment losses, which exceeded a decrease in profit for the year.

Cash flows from investing activities

Net cash used in investing activities for the year ended March 31, 2021 increased by 38,241 million yen, or 26.3%, to 183,792 million yen from 145,551 million yen for the year ended March 31, 2020. This was due mainly to increases in capital expenditures and purchases of securities as well as decreases in sales of real estate and withdrawal of time deposits, despite decreases in payments for M&A.

Cash flows from financing activities

Net cash used in financing activities for the year ended March 31, 2021 decreased by 76,158 million yen, or 48.5%, to 80,968 million yen from 157,126 million yen for the year ended March 31, 2020. This was due mainly to the absence of the purchases of non-controlling interests for making AVX Corporation a wholly-owned subsidiary in fiscal 2020, despite decreases in proceeds from borrowings.

Cash and cash equivalents increased by 11,046 million yen by exchange rate changes for the year ended March 31, 2021. This was mainly the result of yen's depreciation against the Euro and the U.S. dollar at March 31, 2021 compared to March 31, 2020.

Cash and cash equivalents at March 31, 2021 totaled 386,727 million yen, a decrease of 32,893 million yen, or 7.8%, from 419,620 million yen at March 31, 2020. Most of Kyocera's cash and cash equivalents were denominated in the yen. On the other hands, cash and cash equivalents were mainly denominated in foreign currencies, such as the U.S. dollar in oversea subsidiaries.

c. Assets, Liabilities and Equity

Kyocera's total assets at the end of fiscal 2021 increased by 243,295 million yen, or 7.5%, to 3,493,470 million yen, compared with 3,250,175 million yen at the end of fiscal 2020.

Cash and cash equivalents decreased by 32,893 million yen, or 7.8%, to 386,727 million yen, mainly due to capital expenditures, M&As and dividend payments that exceeded proceeds from acquisition of business profit and collection of trade receivables.

Short-term investments increased by 16,853 million yen, or 26.8%, to 79,852 million yen, mainly due to transfers from equity and debt instruments.

Both trade and other receivables and inventories slightly increased mainly due to the strong sales at the end of fiscal 2021. Trade and other receivables increased by 3,327 million yen, or 1.0%, to 339,621 million yen.

Inventories increased by 1,050 million yen, or 0.3%, to 345,354 million yen.

Equity and debt instruments increased by 67,819 million yen, or 5.7%, to 1,264,453 million yen, due to an increase in market value of shares held, including shares of KDDI Corporation, accompanying the rise in share prices at the end of fiscal 2021 compared to the end of fiscal 2020.

Property, plant and equipment at the end of fiscal 2021 increased by 55,838 million yen, or 14.6%, to 439,109 million yen compared to the end of fiscal 2020. Capital expenditure was 117,106 million yen and depreciation charge was 73,811 million yen in fiscal 2021.

Goodwill increased by 44,325 million yen, or 20.9%, to 256,532 million yen, mainly due to M&As in fiscal 2021.

Intangible assets increased by 32,762 million yen, or 27.6%, to 151,295 million yen, mainly due to M&As in fiscal 2021.

Other non-current assets increased by 30,111 million yen, or 178.5%, to 46,978 million yen compared to the end of fiscal 2020 mainly due to an increase in assets related to retirement benefits.

Kyocera's total liabilities at the end of fiscal 2021 increased by 81,427 million yen, or 10.2%, to 877,360 million yen, compared with 795,933 million yen at the end of fiscal 2020.

Trade and other payables increased by 9,845 million yen, or 5.7%, to 183,145 million yen, mainly due to an increase in purchases accompanying the recovery of orders.

Borrowing in non-current liabilities increased by 12,918 million yen, or 28.7%, to 57,888 million yen compared to the end of fiscal 2020 mainly due to borrowings from the financial institutions.

Deferred tax liabilities increased by 38,634 million yen, or 14.2%, to 309,951 million yen compared to the end of fiscal 2020 mainly due 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 the end of fiscal 2021 increased by 161,868 million yen, or 6.6%, to 2,616,110 million yen, compared with 2,454,242 million yen at the end of fiscal 2020.

Retained earnings at the end of fiscal 2021 increased by 63,587 million yen, or 3.8%, to 1,750,259 million yen, compared with 1,686,672 million yen at the end of fiscal 2020 mainly due to recording 90,214 million yen in profit attributable to owners of the parent and 50,741 million yen for dividend payment as well as recognizing such as gains and losses on the fair value of pension assets of 24,114 million yen.

Other components of equity increased by 96,456 million yen, or 16.8%, to 671,951 million yen, mainly due to the rise in share prices of shares held, including shares of KDDI Corporation.

Ratio of equity attributable to owners of the parent to total assets at the end of fiscal 2021 was 74.2%, decreased by 0.6 percentage points compared with 74.8% at the end of fiscal 2020.

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 2022	Between fiscal 2023 and 2024	Between fiscal 2025 and 2026	After fiscal 2027	Total
Short-term borrowings	30,135	—	—	—	30,135
Interest expenses for short-term borrowings*	4	—	—	—	4
Long-term borrowings (including due within one year)	9,885	52,848	4,640	400	67,773
Interest expenses for long-term borrowings* (including due within one year)	1,067	1,034	213	60	2,374
Lease liabilities	16,326	16,158	7,350	12,838	52,672
Commitment for the acquisition of property, plant and equipment	49,462	13,497	14,308	1,664	78,931
Total	106,879	83,537	26,511	14,962	231,889

(Note) Future interest expenses on borrowings with variable interest rates are calculated using the actual interest rate as of March 31, 2021.

In addition to contractual obligations shown in the above table, Kyocera forecasts to contribute 10,658 million yen to its defined benefit plans in fiscal 2022. Kyocera recorded liabilities of 730 million yen for gross uncertain tax positions at the end of fiscal 2021, 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. In disclosing accounting information, Kyocera recognizes the following items as significant accounting estimates. For detailed information, please refer to Note "4. Significant Accounting Estimates and Judgements Involving Estimation" under "V. Financial Information 1. Consolidated Financial Statements and Other Information (1) Consolidated Financial Statements."

Although the impact of Covid-19 on the economy still remains a concern, an accounting estimate made in Kyocera's consolidated financial statements are considered that global economy in fiscal 2022 is expected to recover as compared with fiscal 2021 as a result of the implementation of various infection prevention and economic stimulus measures adopted by countries around the world.

a. Fair Value of Intangible Assets Recognized by Business Combinations

Each identifiable asset acquired, liability and contingent liability assumed in a business combination is measured at fair value at its acquisition date. The excess of the consideration transferred, the amount of non-controlling interests in the acquiree and the fair value of the equity interest in the acquiree previously held by the acquirer over the fair value of identifiable net assets acquired at the acquisition date is recognized as goodwill.

In particular, estimates of the fair value of intangible assets, such as customer relationships and non-patent technology identified in the allocation of the consideration for acquisition at the business combinations are measured based on assumptions such as estimated future cash flows, discount rate, attrition rate of existing customers, and market growth rates.

These key assumptions determined based on management's best estimates and judgments. However, these may be affected by changes in uncertain economic conditions in the future, and it may have a significant impact on the consolidated financial position and operating results after the year ending March 31, 2022, if the review of the assumptions becomes necessary.

b. 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.

c. Useful Lives of Property, Plant and Equipment and Intangible Assets

Property, plant and equipment are depreciated mainly using the straight-line method over their useful lives or estimated payback periods in accordance with the actual conditions of each business.

Amortizable intangible assets are amortized using the straight-line method over their useful lives in which the asset's future economic benefits are expected to be consumed.

In the future, changes in useful lives as a result of obsolescence and changes in usage of facilities due to technological innovation and changes in the business environment may have significant impact on the consolidated financial position and operating results from the following year ending March 31, 2022.

d. 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.

As the value in use is calculated based on various assumptions, an impairment loss may be recognized in the event of an unpredictable change in the business environment that would reduce the value in use.

e. 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.

f. 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.

g. 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 121,042 million yen as of March 31, 2021. Kyocera considers the reasonableness of the recoverability of the deferred tax assets in the future, considering the comparison between the amounts of profit before income taxes and income taxes for the year ended March 31, 2021.

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, 2021, gross uncertain tax positions amounted to 730 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.

h. 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 present value of the defined benefit obligations is calculated based on actuarial assumptions. These actuarial assumptions require estimates and judgments on variables, 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 corporate bonds and others. The rate of increase in compensation levels is determined based mainly on results and forecasts of operations, inflation and others. 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 the related service costs and others will be increased.

i. 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.

j. 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” 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 of the products.

(a) Sale of Products

Kyocera mainly recognize revenue of products at the time of receipt of the products by the customer or shipping date because the customer obtains control over the products upon receipt or shipment, the performance obligation is judged to have been satisfied.

Sale 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.

(b) Sales of Services

In the “Document Solutions Group,” revenues from maintenance contracts in which the customer typically pays a variable amount based on usage and a stated fixed fee or a stated base fee plus a variable amount are recognized. Revenue from the maintenance contract is recognized over a certain period of time as the relevant performance obligation is satisfied since Kyocera judges the performance obligation of the maintenance contract as making the machine always available for the customers. For the maintenance contract in which the customer pays a stated fixed fee, revenue is recognized ratably over the contract period.

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.

(c) 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.

i. 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.

ii. 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.

(d) 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.

(e) 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.

(f) 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) Merger Agreement

On October 30, 2020, Kyocera Corporation entered into an agreement with Soraa Laser Diode, Inc., a sales and manufacturing company of gallium nitride (GaN) based laser products in the U.S., to make it a wholly owned subsidiary.

On January 8, 2021, Kyocera Corporation acquired all of the common stocks of Soraa Laser Diode, Inc. and made it consolidated subsidiary and changed its name to Kyocera SLD Laser, Inc.

For detailed information, please refer to Note “7. Business Combination” under “V. Financial Information 1. Consolidated Financial Statements and Other Information (1) Consolidated Financial Statements.”

5. Research and Development

Kyocera works toward new technology development and new product development in each department while making efforts to strengthen internal and external collaboration to capture business opportunities accompanying the spread of 5G, IoT, ADAS, energy management, and digital healthcare. Besides building a cross-Group R&D network by establishing the Minatomirai Research Center that develops software and systems and a new research building that consolidated material technology development departments, Kyocera is promoting the use of external resources, which includes actively working for open innovation.

Kyocera is also working to strengthen development through M&A activities. In fiscal 2021, Kyocera acquired Soraa Laser Diode, Inc., of the United States, a leading company in the commercialization of gallium nitride technology. Through a vertically integrated strategy that combines its devices with Kyocera's extensive range of systems and solutions technologies, Kyocera will promote the development of various systems and deploy this technology in a wide range of markets such as automotive, communications, and medical fields. Moreover, Kyocera will further accelerate development through a reorganization of its business structure implemented from fiscal 2022. Kyocera also plans to transcend the frameworks of existing organizations to more efficiently and effectively utilize its abundant in-house management resources that include components, equipment, and systems. 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 for development of nitride ceramics boasting exceptional heat conductivity and mechanical properties enabling the use in higher temperatures, in conjunction with external companies, as well as within the Kyocera Group.

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. To realize advanced image sensing technology, Kyocera is developing value-added products such as in-vehicle cameras.

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 developing heads up display systems for automotive-related markets.

In the industrial tools business, where Kyocera is striving to expand our business domains to the industrial machinery and construction markets, Kyocera is strengthening materials technologies for cutting tools used for metal processing in a broad range of markets, mainly automotive, energy infrastructure, and aircraft fields. Kyocera is strengthening the development of high-quality and high-precision cutting tools that contribute to increased productivity for users as well as developing new products in pneumatic and power tools 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 chemical business, 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.

In the organic packages business, Kyocera is working on the development of flip chip packages and module substrates that meet the needs of various markets. For information and telecommunications networks markets, as support for high-speed, large-capacity data transmission, Kyocera is developing narrow-pitch, thin, and highly precise products suitable for high-speed signals and wideband memory connections while for ADAS it is focusing efforts on developing compact and highly reliable products.

(3) Electronic Devices Group

Along with diffusion of 5G and IoT related products, it is necessary to make components smaller and more reliable for the shift to multi-bands as well as high functionality for communications terminals such as smartphones and base stations. 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 and high-performance crystal devices, fine-pitch and 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. By strengthening collaboration with AVX Corporation, which became a wholly owned subsidiary in the fiscal 2020, Kyocera will further improve the characteristics of these components in addition to developing high-value-added modules that combine these 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 its telecommunications equipment business, Kyocera is strengthening development such as for 5G capable devices and tablets that utilize unique functions such as waterproof, dustproof, and impact resistant functions, etc. for various industries that include the education and learning support industry and the construction industry in addition to consumer markets.

In the information system and telecommunication services business, Kyocera is responding to the increasing complexity and sophistication of customer needs by promoting DX such as developing platforms related to the collection, management and use of data taken from diverse terminals and networks and security-related software. Kyocera is also strengthening the development of services for the field of AI, which is increasingly being used in business particularly in corporations.

Furthermore, Kyocera is utilizing its components, devices, system technologies, and wireless communications technologies cultivated in the telecommunications equipment business as it works on the development of in-vehicle communication equipment and V2I roadside equipment, etc., for which demand is expected to increase along with the rise of ADAS and autonomous driving systems. In addition, Kyocera is making active efforts that encompass collaboration with external organizations to promote the solution business that includes building private local 5G network systems.

(5) Document Solutions Group

In this reporting segment, Kyocera is developing products that have exceptional environmental performance and economic efficiency, which are key features of Kyocera, in order to ensure differentiation from competitors. In office products such as printers, multifunctional products, etc., Kyocera is realizing a balance between low running costs and high environmental performance by developing long-lasting equipment and consumable components that minimize the disposal of waste. Moreover, Kyocera is working to develop high-quality toner and thus increasing added value. In the commercial inkjet business, Kyocera is working to provide new value to the market by developing 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. In addition, Kyocera is striving to develop new services by integrating these businesses with existing businesses.

(6) Life & Environment Group

In the smart energy business, Kyocera is making efforts to develop high-performance products and systems that efficiently use energy to respond to changing needs for electricity usage with the shift from selling electricity to self-consumption. In the development of products, Kyocera is working to improve performance and quality such as conversion efficiency of crystalline silicon solar modules. In addition, Kyocera is focusing on developing the power storage systems that realize high safety, long life, and low costs as well as downsizing and high-power generation performance in SOFC systems. Kyocera is also striving to develop energy management systems to efficiently utilize the electricity stored in these batteries. Furthermore, Kyocera is working on technological development for business expansion in demand response systems and VPP markets accompanying the liberalization of electric power while making efforts to expand its business domains toward building a total energy solution business.

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. To expand its regenerative medicine business, Kyocera is also actively promoting initiatives in new medical fields, such as concluding a technical alliance and license agreement for cell preparation with Regeneus Ltd, of Australia.

Research and Development expenses by reporting segment

(Yen in millions)

	For the year ended March 31,		Change (%)
	2020	2021	
Industrial & Automotive Components Group	14,367	12,424	(13.5)
Semiconductor Components Group	4,486	4,799	7.0
Electronic Devices Group	16,445	19,180	16.6
Total Components Business	35,298	36,403	3.1
Communications Group	6,550	7,185	9.7
Document Solutions Group	21,615	18,166	(16.0)
Life & Environment Group	9,049	8,112	(10.4)
Total Equipment & Systems Business	37,214	33,463	(10.1)
Others	6,729	5,591	(16.9)
Total Research and Development expenses	79,241	75,457	(4.8)
Ratio to sales revenue	5.0%	4.9%	-

III. Equipment and Facilities

1. Overview of Capital Expenditures

During fiscal 2021, Kyocera made capital expenditures to enhance production capacity, especially in Electronic Devices Group and Semiconductor Components Group in order to cope with the increased demand for 5G-related products. In addition, Kyocera promoted the introduction of automated production lines mainly at domestic production sites to further improve the productivity. As a result, capital expenditures for fiscal 2021 increased by 11,103 million yen, or 10.5%, to 117,106 million yen, compared with fiscal 2020. Required funds for fiscal 2021 were mainly financed from cash on hand.

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

(Yen in millions)

	For the year ended March 31,		Change (%)
	2020	2021	
Industrial & Automotive Components Group	22,969	14,676	(36.1)
Semiconductor Components Group	11,958	24,066	101.3
Electronic Devices Group	29,558	47,796	61.7
Total Components Business	64,485	86,538	34.2
Communications Group	6,224	5,159	(17.1)
Document Solutions Group	8,866	8,959	1.0
Life & Environment Group	5,684	7,774	36.8
Total Equipment & Systems Business	20,774	21,892	5.4
Others	3,198	2,023	(36.7)
Corporate	17,546	6,653	(62.1)
Total capital expenditures	106,003	117,106	10.5

(Notes) 1. The amount do not include consumption taxes.

2. On April 1, 2020, a domestic subsidiary, Kyocera Communication Systems Co., Ltd., which is included in “Communications Group,” absorbed and merged with a domestic subsidiary Kyocera Solar Corporation, which was included in “Life & Environment Group.” As a result, “For the year ended March 31, 2020” in the above tables are presented in the reporting segment after the merger.

2. Major Equipment and Facilities

Major equipment and facilities for year ended March 31, 2021 are as follows:

(1) Kyocera Corporation

As of March 31, 2021

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 ²)	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	1,137	1,048	96 (84,465)	4,830	7,111	454
Shiga Gamo Plant	Higashi-Ohmi, Shiga	Industrial & Automotive Components Group and Semiconductor Components Group	Manufacturing Equipment for Fine Ceramic Components, Ceramic Packages	1,250	3,985	364 (131,630)	1,485	7,084	976
Shiga Yohkaichi Plant	Higashi-Ohmi, Shiga	Industrial & Automotive Components Group and Electronic Devices Group	Manufacturing Equipment for Fine Ceramic Components, Industrial Tools, Electronic Components, Printing Devices	5,229	8,542	3,096 (308,985)	10,542	27,409	1,422
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	9,839	7,826	1,052 (198,196)	9,288	28,005	1,587
Kyoto Ayabe Plant	Ayabe, Kyoto	Semiconductor Components Group	Manufacturing Equipment for Organic Multilayer Substrates	4,782	2,667	1,588 (152,061)	161	9,198	580
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	11,753	17,535	1,525 (215,525)	2,706	33,519	3,050
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	22,689	23,439	2,918 (413,436)	5,145	54,191	3,583

(2) Domestic Subsidiaries

As of March 31, 2021

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 ²)	Others	Total	
Kyocera Realty Development Co., Ltd.	Shibuya, Tokyo	Other	Hotel and Building for rent	5,071	34	5,331 (40,628)	216	10,652	277
Kyocera Document Solutions Inc.	Chuo, Osaka	Document Solutions Group	Manufacturing Equipment for Supplies for Printers and Multifunctional Products	6,163	1,696	5,196 (332,995)	686	13,741	2,122

(3) Oversea Subsidiaries

As of March 31, 2021

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 ²)	Others	Total	
Kyocera Document Technology (Dongguan) Co., Ltd.	Dongguan Guangdong, China	Document Solutions Group	Manufacturing Equipment for Printers and Multifunctional Products	1,397	1,205	—	3,010	5,612	5,638
Kyocera Vietnam Co., Ltd.	Hung Yen Vietnam	Semiconductor Components Group	Manufacturing Equipment for Ceramic Packages	4,395	3,442	—	610	8,447	2,216
Kyocera Document Technology Vietnam Co., Ltd.	Hai Phong, Vietnam	Document Solutions Group	Manufacturing Equipment for Printers and Multifunctional Products	9,416	584	—	1,901	11,901	5,177
Kyocera International, Inc.	San Diego California, U.S.A.	Industrial & Automotive Components Group, Semiconductor Components Group	Manufacturing Equipment for Fine Ceramic Components, Ceramic Packages	5,592	3,506	1,122 (571,795)	1,424	11,644	1,089
AVX Corporation	Fountain Inn, South Carolina, U.S.A.	Electronic Devices Group	Manufacturing Equipment for Electronic Components	4,122	697	555 (538,837)	810	6,184	1,004
AVX Manufacturing (Malaysia) Sdn. Bhd.	Penang, Malaysia	Electronic Devices Group	Manufacturing Equipment for Electronic Components	3,968	4,010	64 (45,453)	5,385	13,427	1,068
AVX Czech Republic, S.R.O.	Lanskroun, Czech Republic	Electronic Devices Group	Manufacturing Equipment for Electronic Components	4,209	2,081	152 (135,618)	973	7,415	2,149
Kyocera Fineceramics Precision GmbH	Selb, Bavaria, Germany	Industrial & Automotive Components Group	Manufacturing Equipment for Fine Ceramic Components	1,157	2,963	256 (56,558)	869	5,245	251

(Notes) 1. The “Others” in carrying amount is an amount total of tools, furniture, construction in progress, and right-of-use assets. The amount do 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 2022, Kyocera expects total capital expenditures to be 170,000 million yen, increasing 52,894 million yen, or 45.2%, compared with fiscal 2021. 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
Core Components Business	Introduction equipment to increase production and productivity	Cash on hand
Electronic Components Business	Same as above	Same as above
Solutions Business	Same as above	Same as above

(Note) From April 1, 2021, Kyocera has changed the classification of its reporting segments. For detailed information, please refer to “3. Description of Business” under “ I . Overview of Kyocera.”

(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, 2021 (shares)	Number of shares issued as of the filing date (shares) (June 25, 2021)	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, 2021

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	1	126	34	556	790	40	41,037	42,584	—
Shares held (shares)	300	1,516,874	95,413	264,847	1,255,695	186	639,694	3,773,009	317,680
Ratio (%)	0.01	40.20	2.53	7.02	33.28	0.01	16.95	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 151,782 unit and 4 shares of treasury stock.

(6) Major Shareholders

As of March 31, 2021

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	61,520	16.97
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	26,071	7.19
The Bank of Kyoto, Ltd.	700, Yakushimae-cho, Karasumadori, Matsubara-Agaru, Shimogyo-ku, Kyoto	14,436	3.98
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	ONE LINCOLN STREET, BOSTON MA USA 02111 (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo)	12,538	3.46
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	6,526	1.80
Custody Bank of Japan, Ltd. (Stock Investment Trust Account)	8-12, Harumi 1-Chome, Chuo-ku, Tokyo	5,769	1.59
State Street Bank West Client - Treaty 505234 (Standing proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Department)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (SHINAGAWA INTERCITY Bldg.A 15-1, Konan 2-chome, Minato-ku, Tokyo)	5,101	1.41
Total	—	158,632	43.77

(Notes) 1. According to the report filed with EDINET system on June 15, 2020, Mitsubishi UFJ Financial Group, Inc. and its related partners held shares as of June 8, 2020, 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 owned by them from Kyocera's shareholders records as of March 31, 2021.

Name	Address	Number of shares held (thousands of shares)	Ownership percentage to the total number of shares issued (%)
MUFG Bank, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo	5,077	1.34
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	6,841	1.81
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	1-12-1, Yurakucho, Chiyoda-ku, Tokyo	7,286	1.93
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	2-5-2, Marunouchi, Chiyoda-ku, Tokyo	937	0.25
Total	—	20,140	5.33

2. According to the report filed with EDINET system on July 20, 2020, Nomura Securities Co., Ltd. and its related partners held shares as of July 15, 2020, 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 owned by them from Kyocera's shareholders records as of March 31, 2021.

Name	Address	Number of shares held (thousands of shares)	Ownership percentage to the total number of shares issued (%)
NOMURA International PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	520	0.14
Nomura Asset Management Co., Ltd.	2-2-1, Toyosu, Koto-ku, Tokyo	31,463	8.33
Total	—	31,984	8.47

(7) Information on Voting Rights

a. Shares Issued

As of March 31, 2021

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 15,178,200	—	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 362,122,700	3,621,227	Same as above
Shares less than one unit	Common stock 317,680	—	—
Number of shares issued	377,618,580	—	—
Total number of voting rights	—	3,621,227	—

(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, 2021

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	15,178,200	—	15,178,200	4.02
Total	—	15,178,200	—	15,178,200	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, 2021	2,734	17,338,713
Treasury stock acquired during the year ending March 31, 2022	362	2,493,450

(Note) Stocks less than a unit is not included in Treasury stock acquired during the year ending March 31, 2022, from June 11, 2021 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, 2021		For the year ending March 31, 2022	
	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/issuance/corporate separation	—	—	—	—
Other *1	10,884	66,852,930	—	—
Number of shares of treasury stock held *2	15,178,204	—	15,178,566	—

(Notes) 1. The breakdown for the year ended March 31, 2021 are disposal of treasury stock as restricted stock compensation* and sale of stocks less than one unit due to a demand for sale. Treasury stocks to be disposed of during the year ending March 31, 2022 do not include stocks resulting from the sale of stocks constituting less than one unit from June 11, 2021 to the submission date of this Annual Report.

* Disposal of Treasury Stock for Restricted Stock Compensation

Kyocera resolved at a meeting of its Board of Directors held on June 25, 2020, to dispose of treasury stocks as the restricted stock compensation to the Directors of Kyocera, excluding Outside Directors, and Executive Officers, and it disposed of treasury stocks on July 22, 2020. Its summary is as follows:

Class and number of shares to be disposed of	Common stock 10,798
Disposal price	6,148 yen per share
Total disposition amount	66,386,104 yen
Allottees and number thereof, and number of shares to be disposed of	10 Directors (excluding Outside Directors) 7,477 shares 19 Executive Officers 3,321 shares

Treasury stock decreased by 49 million yen as the result of this disposal.

2. Sales of treasury stock less than a unit are not included in treasury stock acquired during the year ending March 31, 2022, from June 11, 2021 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 consolidated dividend payout ratio of around 50% of profit attributable to owners of the parent. 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 2021, the amount of the year-end dividend is 80 yen per share, reflecting our performance for fiscal 2021 and complying with the above-mentioned basic policy. As a result, the annual dividend is 140 yen per share when aggregated with the interim dividend, which was in the amount of 60 yen per share, and the consolidated dividend payout ratio is 56.2%. This amount represents a decrease of 20 yen per share as compared with the amount of the annual dividend for fiscal 2020, which was 160 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 29, 2020	21,746 million yen	60 yen
The Ordinary General Meeting of Shareholders held on June 25, 2021	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 Article 362, paragraph (5) and paragraph (4), item (vi) of the Companies Act, and Article 100, paragraphs (1) and (3) of the Regulation for Enforcement of the Companies Act, which require the establishment of a system to ensure that the conduct of business by the Directors will be in compliance with all applicable laws and regulations and the Articles of Incorporation and to ensure the proper conduct of business by Kyocera Corporation (the “Company”) and 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 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 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 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 "Kyocera whistleblower system (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 the effective audit by the Audit & Supervisory Board Members

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

- a. Attendance at important meetings;
- b. Inspection of minutes of important meetings, important internally approved 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, in order for the Directors undertaking management of the Company to effectuate management policy and master plans in a fair manner.” 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 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 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 the conduct of business at the 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 nine 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.

(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

As consulting organization of the Board of Directors, Kyocera has established Nominating and Remuneration Committee, the majority of which consists of Outside Directors. The Board of Directors examine nomination of Directors and Managing Executive Officers and remuneration of Directors after consulting in advance the Nomination and Remuneration Committee 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) and Managing Executive Officers 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 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.

(◎: chairperson, ○: member, □: attendance other than member)

Position	Name	Board of Directors	Audit and Supervisory Board	Nominating and Remuneration Committee	Kyocera Group Management Committee	Kyocera Disclosure Committee	Kyocera Group Philosophy Committee
Representative Director and Chairman	Goro Yamaguchi	◎		○	◎		◎
Representative Director and President	Hideo Tanimoto	○			○		○
Director	Hiroshi Fure	○			○		○
Director	Norihiko Ina	○			○		○
Director	Koichi Kano	○			○		○
Director	Shoichi Aoki	○			○		○
Outside director (Independent Director)	Atsushi Aoyama	○		○			
Outside director (Independent Director)	Akiko Koyano	○		○			
Outside director (Independent Director)	Eiji Kakiuchi	○		○			
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	○*4

(Notes) 1. Managing Executive Officers who live in Japan are included.

2. Managing Executive Officers who live abroad are included.

3. Divisional managers of general affairs human resources division, legal and intellectual property division, corporate development division, management strategies division, internal audit division, information security division, accounting division, finance division, investor relations division and management control division are included. The chairperson is general manager of corporate management control group.

4. Executive Officers who live in Japan and general managers of domestic divisions 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 Consultation Corners" 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 Department" 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 "Global Compliance Division" was established in October 2018.
- (l) The "Nomination and Remuneration Committee," a majority of whose members are Outside Directors, was established in December 2018.
- (m) The "Risk Management Department" was integrated into the "Global Compliance Division" in April 2020 and risk management functions were transferred to the "Global Compliance Division".

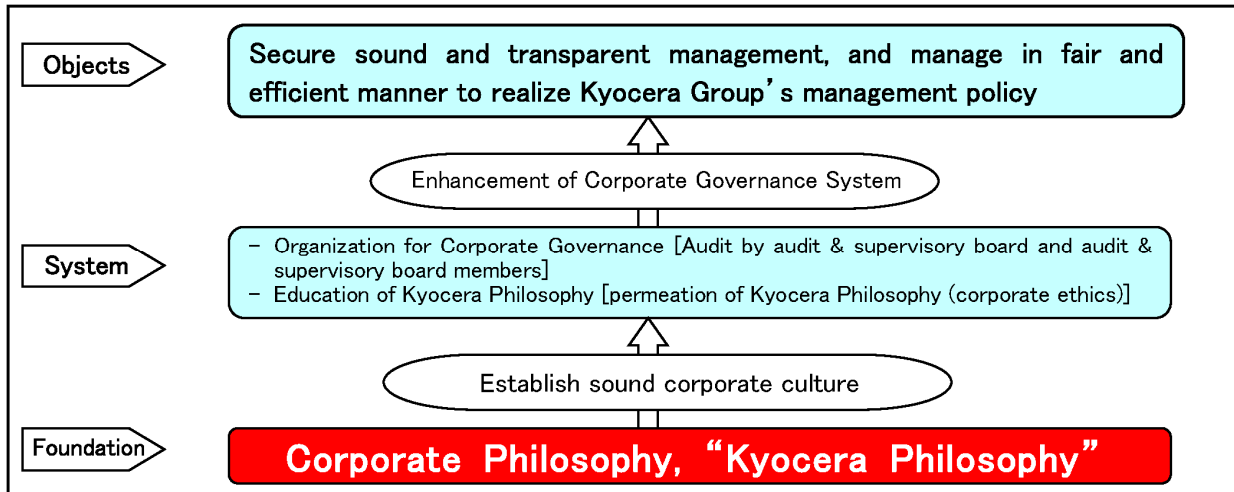
Kyocera supports and educates to each section for risk management with Kyocera risk assessment based on Kyocera philosophy in Global Compliance Division. Kyocera prepares the global reporting system for significant risk factor.

<Inappropriate Responses Related to Compliance>

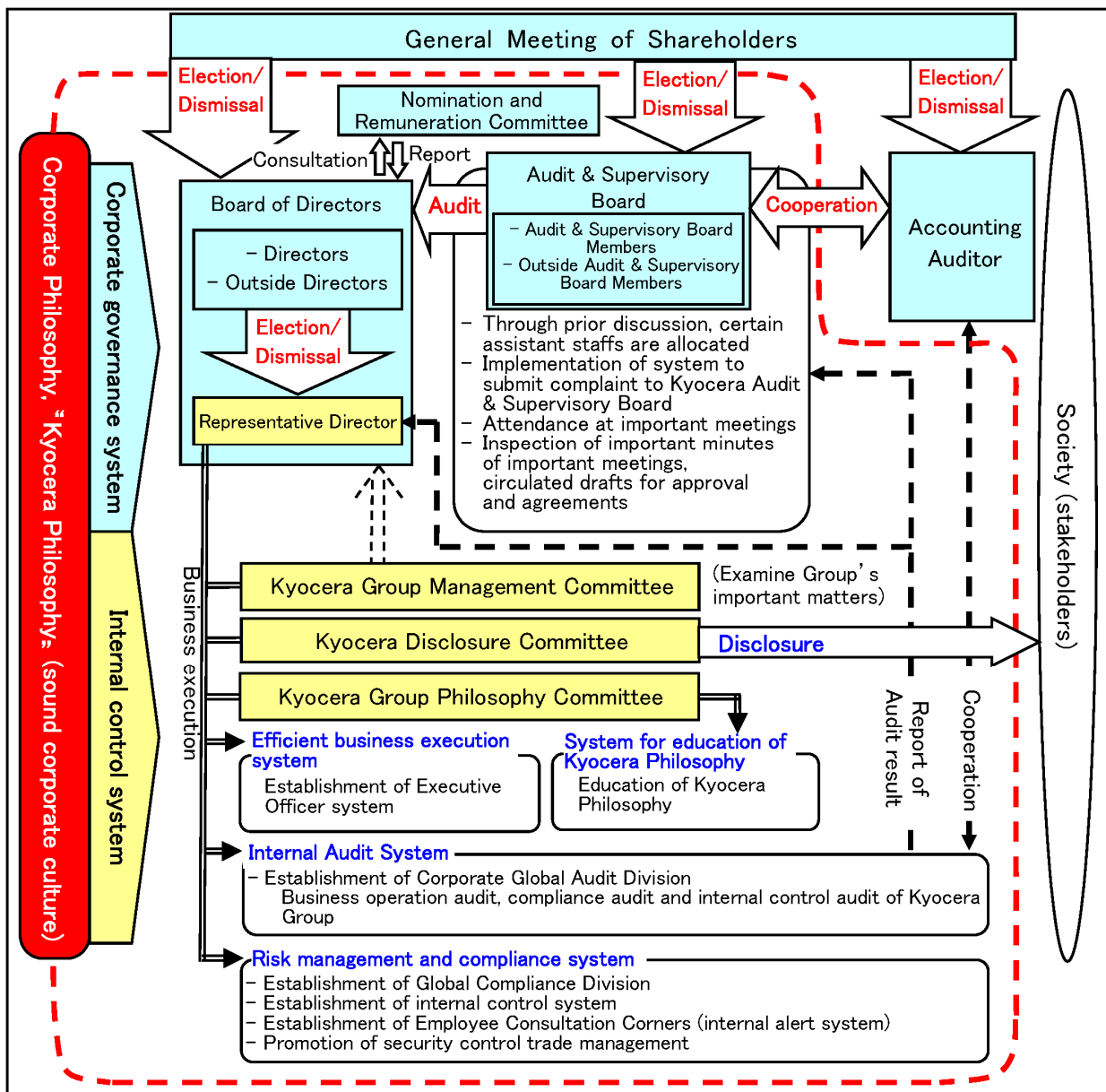
Certain chemical products were improperly identified by Kyocera as receiving certification from UL, a third-party safety science organization in the United States. Regarding flame retardancy and insulation properties of chemical products, Kyocera has learned of internal improprieties relating to its testing and certification program, which include the case that the samples submitted to UL for testing were different than the manufactured products sold to customers. We have brought this matter to UL, and, upon review, the certification of the five chemical products have been rescinded as of March 17, 2021. Kyocera received an investigation report from the committee on May 13, which is disclosed on our website (<https://global.kyocera.com/ir/news/pdf/210514E.pdf>) with corrective and preventive measures for the future. Kyocera is preparing reapplication for certification. We are also making efforts to regain trust by pursuing accountability, implementing measures to prevent something similar from occurring again in the future. In addition, the Special Investigation Committee pointed out that one of the reasons for the inadequate handling of UL certification in the chemical business was a lack of ethics and compliance awareness regarding quality assurance. Based on lessons learned from inappropriate responses to UL certification in the Chemical Business, we will develop internal rules related to quality of products and reexamine the compliance system, and conduct education to employees in order to promote understanding of the importance of compliance and practices.

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 12 people, Female one person

(The ratio of the female member in Directors and Audit & Supervisory Board Members 8%)

Position	Name	Date of Birth	Career Summary	Term of Office	Shareholdings *1
Representative Director and Chairman	Goro Yamaguchi	January 21, 1956	Mar. 1978 Joined Kyocera Corporation Jun. 2003 Executive Officer of Kyocera Corporation Jun. 2005 Senior Executive Officer of Kyocera Corporation Apr. 2009 Managing Executive Officer of Kyocera Corporation Jun. 2009 Director and Managing Executive Officer of Kyocera Corporation Apr. 2013 Representative Director and President, Executive Officer and President of Kyocera Corporation Mar. 2017 Representative Director and Chairman of the Kyoto Purple Sanga Co., Ltd. [Present] Apr. 2017 Representative Director and Chairman of Kyocera Corporation [Present] Representative Director and Chairman of Kyocera Communication Systems Co., Ltd. [Present] Representative Director and Chairman of Kyocera Document Solutions Inc. [Present] Representative Director and Chairman of Kyocera Realty Development Co., Ltd. [Present] Apr. 2019 Representative Director and Chairman of Kyocera Industrial Tools Corporation [Present] Jun. 2020 Representative Director and Chairman of Showa Optronics Co., Ltd. (currently Kyocera SOC Corporation) [Present]	*5	48,729
Representative Director and President Executive Officer and President	Hideo Tanimoto	March 18, 1960	Mar. 1982 Joined Kyocera Corporation Apr. 2015 Executive Officer of Kyocera Corporation Apr. 2016 Managing Executive Officer of Kyocera Corporation Jun. 2016 Director and Managing Executive Officer of Kyocera Corporation Apr. 2017 Representative Director and President, Executive Officer and President of Kyocera Corporation [Present] Chairman of the Board of Directors of Kyocera (China) Sales & Trading Corporation [Present] Chairman of the Board of Directors of Dongguan Shilong Kyocera Co., Ltd. [Present] Authorized Representative and Chairman of Kyocera Vietnam Co., Ltd. [Present] Jun. 2017 Representative Director and Chairman of Kyocera Korea Co., Ltd. [Present]	*5	15,335
Director Managing Executive Officer	Hiroshi Fure	February 24, 1960	Mar. 1984 Joined Kyocera Corporation Apr. 2011 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 Sep. 2016 General Manager of Corporate Organic Materials Semiconductor Components Group of Kyocera Corporation Apr. 2021 Director and Managing Executive Officer of Kyocera Corporation [Present] Executive General Manager of Core Components Business [Present]	*5	7,650

Position	Name	Date of Birth	Career Summary	Term of Office	Shareholdings *1
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. Jun. 2017 Director and Managing Executive Officer of Kyocera Corporation [Present] Apr. 2021 Executive General Manager of Solutions Business [Present]	*5	5,355
Director Managing Executive Officer	Koichi Kano	September 21, 1961	Mar. 1985 Joined Kyocera Corporation Apr. 2012 General Manager of Corporate Development Group of Kyocera Corporation 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] Apr. 2021 Deputy Executive General Manager of Electronic Components Business [Present] Chairman of the Board of Directors of Kyocera Connector Products (Dongguan) Co., Ltd. [Present] Representative Director of Kyocera Connector Products Korea Co., Ltd. [Present] Chairman of the Board of Directors of Kyocera International Electronics Co., Ltd. [Present]	*5	5,793
Director Managing Executive Officer	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 Dec. 2019 Chairman of the Board of Directors of Kyocera Management (Shanghai) Co., Ltd. [Present] Apr. 2021 Executive General Manager of Headquarters [Present]	*5	14,335
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	878
Director	Akiko Koyano	April 23, 1974	Dec. 2008 Registration as Attorney 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	153
Director	Eiji Kakiuchi	April 3, 1954	Apr. 1981 Joined Dainippon Screen Mfg. Co., Ltd. (currently SCREEN Holdings Co., Ltd.) Apr. 2005 Executive Officer of Dainippon Screen Mfg. Co., Ltd. Apr. 2006 Senior Executive Officer of Dainippon Screen Mfg. Co., Ltd. Apr. 2007 Managing Executive Officer of Dainippon Screen Mfg. Co., Ltd. Jun. 2011 Director of Dainippon Screen Mfg. Co., Ltd. Apr. 2014 Representative Director and President of Dainippon Screen Mfg. Co., Ltd. Apr. 2016 Chief Executive Officer of SCREEN Holdings Co., Ltd. Jun. 2019 Representative Director and Chairman of SCREEN Holdings Co., Ltd. [Present] Jun. 2021 Outside Director of Kyocera Corporation [Present]	*5	500

Position	Name	Date of Birth	Career Summary	Term of Office	Shareholdings *1
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	1,046
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	6,127
Audit & Supervisory Board Member	Hitoshi Sakata	January 22, 1953	Apr. 1985 Registration as Attorney 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	878
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	878
Total					107,657

- (Notes) 1. The shareholdings are the information as of March 31, 2021.
2. Messrs. Atsushi Aoyama, Ms. Akiko Koyano and Messrs. Eiji Kakiuchi 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, 2021 to the closing of the Ordinary General Meeting of Shareholders related to the year ending March 31, 2023.
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.
7. Kyocera elects a substitute Audit & Supervisory Board Member prescribed by Article 329, paragraph (3) of the Corporation Act to be ready to fill a vacant position should be the number of Audit & Supervisory Board Members fall below the number required by laws and regulations. The career summary of substitute Audit & Supervisory Board Member is as follows:

Name	Date of Birth	Career Summary	Share holdings
Minoru Kida	July 30, 1970	Oct. 1993 Joined Showa Ota & Co. (currently Ernst & Young ShinNihon LLC) Jan. 2004 Head of Kida CPA Office [Present] Dec. 2006 Representative Partner of Gravitas Audit Corporation [Present] Mar. 2019 Outside Director (Audit and Supervisory Committee Member) of OPTEX GROUP CO., LTD [Present]	—

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

There is no special interest between Mr. Atsushi Aoyama, an Outside Director, and Kyocera Corporation nor is there any special interest between Kyocera Corporation and Ritsumeikan University where Mr. Aoyama serves as a Professor of Graduate School.

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. Eiji Kakiuchi, an Outside Director, and Kyocera Corporation. Although Kyocera has a business relationship relating to the sale of ink jet printer heads, etc. with SCREEN Holdings Co., Ltd., where he serves as the Representative Director, the amounts of the applicable business transactions represent less than 0.3% of the consolidated net sales of either Kyocera or the SCREEN GROUP in any of the past three fiscal years and, therefore, Kyocera deems that this does not affect his independence.

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.

(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 a scholar, attorney-at-law, or top management of a corporate group 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. 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, which creates technological developments and innovation, and carries out research related to research and development and product development processes.

Kyocera Corporation expects that Ms. Akiko Koyano will be continuously capable of providing advice on and undertaking supervision of general corporate activities as an Outside Director of Kyocera Corporation, based on her abundant experience and exceptional 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. Eiji Kakiuchi 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 in corporate management as he serves as a top management of a corporate group that operates business globally.

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.

<Inappropriate Responses of Certain Chemical Products>

In January 2021, Kyocera identified that an inappropriate response related to certification by UL, for chemical products manufactured and sold by Kyocera had occurred, and disclosed the fact publicly. Each of the Outside Directors and Outside Audit & Supervisory Board Members was both unaware of this matter until they received a report from Kyocera. However, they regularly promoted awareness regarding the importance of compliance at Board of Directors meetings and so forth. Once this matter came to light, they have performed their duty by calling strongly for an understanding of the facts, identification of causes, and strengthening of governance and compliance systems, and by making recommendations to prevent recurrence in Kyocera Group.

(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 and an Outside Audit & Supervisory Board Member 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 following "Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members," which Kyocera established, in addition to the requirements concerning the Outside Directors prescribed by the Companies Act and the independence standards prescribed by the financial instruments exchanges. Kyocera judges that an Outside Director and an Outside Audit & Supervisory Board Member who is not fallen under any of the following items is independent of the company.

1. An executive of the Group (notes 1, 2).
2. A person who has been an executive (including a non-executive Director when judging the independence of an Outside Audit & Supervisory Board Member) of the Group in the past 10 years (note 3).
3. A major business partner of the Group (a business partner whose payments to the Group or payments received from the Group in the most recent fiscal year represent 2% or more of the consolidated net sales of either the Company or the business partner) or an executive thereof.
4. A person who is a consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property (10 million yen or more per year in the case of individuals, and 2% or more of the total income per year in the case of a body) from the Group, besides remuneration as a Director or an Audit & Supervisory Board Member.
5. A person who belongs to audit firms which are the Accounting Auditors of the Group.
6. A person who receives a large donation or subsidy (donation or subsidy of an amount equal to or more than 10 million yen or 2% of the total income of the person per year, whichever is greater) from the Group or an executive thereof.
7. A major shareholder (a shareholder who holds shares with 5% or more of total voting rights at the end of the most recent fiscal year) of the Company or an executive thereof.
8. An executive of the company which accept Directors or Audit & Supervisory Board Members (both full-time and part-time) from the Group, its parent companies or subsidiaries (except when the company, its parent companies or subsidiaries belong to the Group).
9. A person who has fallen under any of items 3. through 8. above in the past three years.
10. A spouse or relative within the second degree of kinship, of a person who falls under any of items 1. through 9. above (limited to the person in an important position (note 4)).
11. Any other person who is likely to have serious conflicts of interest with general shareholders.

(Notes) 1. An “executive” means an Executive Director, Operating Officer, Executive Officer or other person or employee similar thereto.

2. “The Group” means the Company or its subsidiaries.

3. When judging the independence of an Outside Director who was a non-executive Director or an Audit & Supervisory Board Member of the Group (in the case of an Outside Audit & Supervisory Board Member who was an Audit & Supervisory Board Member of the Group) at any time in the past 10 years, “the past 10 years” means the 10 years prior to his or her appointment to those positions.

4. An “important position” means a Director, Audit & Supervisory Board Member, Executive Officer, Operating Officer, other person similar thereto, or an employee who executes important operations, such as a general manager.

On the basis of this standards, 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. 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% (3 out of 3)
Full-time Audit & Supervisory Board Member	Shigeru Koyama	He has been served as president and director of one of Kyocera's overseas subsidiaries, and has extensive experience and deep insight regarding its overseas business activities.	100% (5 out of 5)
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.	87.5% (7 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)

(Notes) 1. The total number of meetings held varies due to the difference in the dates of appointment.

2. Mr. Osamu Nishieda retired upon the conclusion of the 66th Ordinary General Meeting of Shareholders held on June 25, 2020.

3. Mr. Shigeru Koyama are appointed as Full-time Audit & Supervisory Board Member by the resolution of the 66th Ordinary General Meeting of Shareholders held on June 25, 2020.

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"> ▪ Permeation status of Kyocera Philosophy ▪ Motivation of employees to work
Current initiatives for key management issues	<ul style="list-style-type: none"> ▪ Achievement status of management policy and key directive ▪ Progress status of management plan ▪ Status of grasping and responding to management issues ▪ Confirmation of the impact of the spread of COVID-19 and the status of countermeasures
Compliance with laws and Articles of Incorporation	<ul style="list-style-type: none"> ▪ Confirmation of the legality of management decision ▪ Compliance with fiduciary duty of director ▪ The appropriateness of disclosures under the Companies Act as well as the Financial Instrument and Exchange Act ▪ Compliance with and operation of laws
The effectiveness of internal control system	<ul style="list-style-type: none"> ▪ Status of the design and operation of company regulations ▪ Status of the design and operation of the framework for information management ▪ Operation status of consultation desks of inside and outside the company ▪ Status of organization of quality management systems, environmental conservation and others and operation them ▪ Status of improvement in response to indications from internal audits
Status of the design of risk management system	<ul style="list-style-type: none"> ▪ Status of risk management organization and risk management operation ▪ Status of risk assessment in each division ▪ Status of risk countermeasures
Grasping the status of the management in subsidiaries	<ul style="list-style-type: none"> ▪ System to grasp the status of the management in subsidiaries ▪ Status of the design and operation of the internal control system in subsidiaries
Timely disclosure of business results	<ul style="list-style-type: none"> ▪ Announcement of the financial results ▪ Timely and appropriate disclosure of corporate information

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
Exchange of opinion on audit plan and Key Audit Matters (KAM) with audit firms	All Audit & Supervisory Board Member
Holding regular meetings with audit firm to discuss about the audit results 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

It was difficult for the Audit & Supervisory Board to conduct on-site audits in Japan and overseas during the fiscal year due to the impact of the spread of COVID-19. Instead, the Audit & Supervisory Board interviewed with head of each division, and exchanged information with the Corporate Global Audit Division which was established as internal audit division, internal audit division of the associates, Corporate Auditors of the associates and others. In the event of an event that the impact of the spread of COVID-19 interferes with the execution of an audit, we continue to consider auditing by alternative means such as the use of IT.

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 72 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: seven years)

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

(d) Structure of Supporter Related to Audit

Certified public accountants: 6 people

Associate from the Japanese Institute of Certified Public Accountants: 6 people

Others: 13 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			
	2020		2021	
	Audit Fees	Not Audit Fees	Audit Fees	Not Audit Fees
Kyocera Corporation	245	—	218	22
Consolidated subsidiaries	233	9	192	6
Total	478	9	410	28

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

(Year ended March 31, 2020)

Consolidated subsidiaries of Kyocera Corporation paid consideration to PricewaterhouseCoopers Kyoto for the advisory service relating to financial report.

(Year ended March 31, 2021)

Kyocera Corporation and its consolidated subsidiaries 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			
	2020		2021	
	Audit Fees	Not Audit Fees	Audit Fees	Not Audit Fees
Kyocera Corporation	—	177	—	152
Consolidated subsidiaries	1,591	260	1,492	329
Total	1,591	437	1,492	481

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

(Year ended March 31, 2020)

Kyocera Group paid consideration to PricewaterhouseCoopers for the tax services.

(Year ended March 31, 2021)

Kyocera Group paid consideration to PricewaterhouseCoopers for the tax services.

(c) Details of Other Significant Audit 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 Article 399, paragraph (1) 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	Total amount of remuneration	Basic Remuneration		Performance-linked remuneration (Bonuses to Directors)		Non-monetary remuneration (Restricted Stock Compensation)	
		Total amount	Number of persons paid	Total amount	Number of persons paid	Total amount	Number of persons paid
Directors (excluding outside Directors)	328	166	12	116	12	46	10
Outside Directors	39	39	3	—	—	—	—
Auditors (excluding outside Auditors)	45	45	3	—	—	—	—
Outside Auditors	22	22	2	—	—	—	—
Total	434	272	20	116	12	46	10

- (Notes) 1. Aside from the remuneration in the above table, the aggregate amount of remuneration to Directors (excluding Outside Directors) was 366 million yen in remuneration for services as employees or Executive Officers for those Directors who serve as such.
2. Bonuses to Directors are paid to Directors as performance-linked remuneration. The performance indicator for bonuses to Directors is profit attributable to owners of the parent and this amounted to 90,214 million yen. This was selected as a performance indicator to clarify the link with dividends and to ensure conformance with the interests of shareholders. The amount of bonuses to Directors is calculated by multiplying a prescribed numerical value determined based on the performance indicator by a prescribed coefficient according to the position of the Director and a coefficient for individual assessments based on the degree of contribution to performance.
3. Restricted Stock Compensation is issued to Directors as non-monetary remuneration. Restricted Stock Compensation consists of the Company's common stock (restricted stock) and the delivery conditions and statuses are as listed in "c. The Contents of Policies of Calculating the Amount of Remuneration to the Directors and Procedures in Determining of Remuneration (b) Decision Policy Regarding the Details of Individual Remuneration for Directors (ii) Outline of the Details of the Decision Policy" and "2 Acquisition of Treasury Stock and Other Related Information (4) Current Status of the Disposition and Holding of Acquired Treasury Stock."
4. Regarding basic remuneration and restricted stock compensation for fiscal 2021, the Board of Directors consulted with the Nomination and Remuneration Committee in advance about the payment criteria and stock granting criteria for each position and obtained a report. Messrs. Goro Yamaguchi, Chairman and Representative Director and Hideo Tanimoto, President and Representative Director, who have been delegated authority by the Board of Directors, determine the amounts of individual compensation according to details of the report. This delegated authority consists of determining the payment amounts and the number of allotted shares, etc. This authority was delegated because the Chairman of the Board and Representative Director and the President and Representative Director are the most suitable persons for evaluating the roles and responsibilities of each Director while having an overall view of the business results of the entire Kyocera Group. Regarding director bonuses for fiscal 2021, following the 67th Ordinary General Meeting of Shareholders, details of individual remuneration were determined using in the same process.

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

(Yen in millions)

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	42	13	—	115
Hideo Tanimoto	Kyocera Corporation (Submit company) President and Representative Director	67	47	15	—	129
John Sarvis	Kyocera Corporation (Submit company) Director	6	6	—	—	106
	AVX Corporation Chairman of the Board and Representative Director and Executive Officer	60	4	—	30	

(Notes) 1. The positions of Goro Yamaguchi, Hideo Tanimoto and John Sarvis represent their positions as of March 31, 2021.

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 106 yen per 1.00 U.S. dollar, which is the average rate during the year ended March 31, 2021.

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

Regarding basic remuneration and bonuses for Directors, at the 55th Ordinary General Meeting of Shareholders held on June 25, 2009, it was resolved that the amount of basic remuneration payable to Directors shall be 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), and the aggregate amount of bonuses payable to Directors shall not exceed 0.2% of the consolidated net income* of the Company for the relevant fiscal year, provided that such amount of bonuses shall in no case exceed 300 million yen annually. The number of Directors stood at 12 at the end of this Ordinary General Meeting of Shareholders.

(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.

Regarding restricted stock compensation for Directors, at the 65th Ordinary General Meeting of Shareholders held on June 25, 2019, separate from basic remuneration and bonuses to Directors, it was resolved that their total compensation amounts shall be 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 as the reasonable amounts and that the number of shares shall be no more than 25,000 shares per year (Outside Directors are not eligible for share grants). The number of Directors stood at 13 (excluding Outside Directors) at the end of this Ordinary General Meeting of Shareholders.

The amount of basic remuneration for Audit & Supervisory Board Members was determined by a resolution adopted at the 55th General Meeting of Shareholders, which was held on June 25, 2009, and shall be no more than 100 million yen per year. The number of Audit & Supervisory Board Members stood at five at the conclusion of the Ordinary General Meeting of Shareholders.

(b) Decision Policy Regarding the Details of Individual Remuneration for Directors (hereafter referred to as “Decision Policy”)

i. Method for determining the Decision Policy

The Company resolved the Decision Policy at the Board of Directors meeting convened on February 26, 2021. At the time of the resolution of the Board of Directors meeting, consultation on the details of the resolution was conducted with the Nomination and Remuneration Committee in advance and a report was obtained.

ii. Outline of the Details of the Decision Policy

[Basic policy]

- The remuneration system for Directors is designed to be a mechanism that effectively encourages Directors to thoroughly demonstrate their abilities and fulfill their roles and responsibilities toward the healthy and sustainable growth of the Kyocera Group.
- The remuneration level of Directors shall be set at an appropriate level by referring to objective data from external specialist organizations while giving consideration to securing and maintaining excellent human resources necessary for realizing the management rationale.
- Regarding the remuneration system and remuneration level of Directors, high objectivity and transparency in the process for determining remuneration for Directors shall be assured by making decisions according to a resolution by the Board of Directors based on the deliberations with and reports from the Nomination and Remuneration Committee, which consists of a majority of Outside Directors.

[Remuneration Composition and Proportion]

<Representative Directors/Executive Directors>

- Compensation for Representative Directors and Executive Directors consists of “basic remuneration,” “bonuses to Directors,” and “restricted stock compensation.”
- Based on the belief that a system for the healthy and sustainable growth of the Kyocera Group is important, the proportion of basic remuneration and restricted stock compensation is determined placing emphasis on the level and stability of basic remuneration as well as giving consideration to the pursuit of shareholder interests. Moreover, the higher the position of the Director, the higher the proportion of the restricted stock compensation to basic remuneration.
- For bonuses to Directors, to ensure maximize incentives for growing business results, no limit shall be established for proportions of basic remuneration or restricted stock compensation.

<Outside Directors>

- The remuneration of Outside Directors with duties independent of business execution shall consist only of “basic remuneration.”

[Details of Each Type Remuneration]

<Basic Remuneration>

- This is monetary remuneration paid monthly according to the responsibilities of the Directors, and for individual payment levels of the payment amount will be determined according to each respective role upon taking into consideration the payment levels of other companies in the same industry.
- The annual amount shall be paid monthly in 12 equal portions.

<Bonuses to Directors>

- This is monetary remuneration paid according to the degree of contribution of each Director to business results in the relevant fiscal year. The performance indicator is “profit attributable to owners of the parent,” which represents the result of the Kyocera Group’s annual corporate activities. This is calculated by multiplying the numerical value determined based on this performance indicator by a prescribed coefficient according to the position of the Director and a coefficient for individual assessment according to the degree of contribution to performance.
- Provided once per year following the end of the business year.

<Restricted Stock Compensation>

- This is remuneration that provides the Company’s common stock (restricted stock) for the purpose of further sharing value with shareholders while granting incentives to continuously improve medium- to-long-term corporate value of the Company and shareholder value. Specifically, monetary compensation claims are paid to Directors, and Directors receiving this payment are paid entirely with assets contributed in-kind for the issue or disposal of the Company’s common stock (restricted stock). The amount to be paid to each Director shall be determined by position.
- Granted once a year in each business year.

[Process for Determining Remuneration]

- The Nomination and Remuneration Committee composed of a majority of Outside Directors shall be established as an advisory body to the Board of Directors. This committee receives inquiries from the Board of Directors and also upon referring to objective data such as benchmark results of executive compensation provided by external specialist organizations the committee validates the appropriateness of the Director remuneration system that encompasses the basic remuneration payment standard, the bonuses to Directors calculation standard, and restricted stock compensation grant standard, and the results shall be reported to the Board of Directors.
- The Chairman of the Board and Representative Director and the President and Representative Director shall be delegated with the authority to determine specific details for the amounts of individual remuneration for Directors based on a resolution of the Board of Directors. The details of their authority shall be as follows.

Basic remuneration	Determine the payment amount by position
Bonuses for Directors	Assess individuals and determine payment amount according to the degree of contribution to business results
Restricted stock compensation	Determine the amount of payment and the number of shares to be allotted by position

- To ensure that such authority is properly exercised by the Chairman of the Board and Representative Director and the President and Representative Director, the Board of Directors shall consult with and obtain a report from the Nomination and Remuneration Committee on the payment standards, calculation method and grant standards for each type of remuneration by position and the Chairman of the Board and Representative Director and the President and Representative Director who have been delegated authority as mentioned above shall make their determinations in accordance with the contents of the relevant report, and shall report the results of the determined payment amount and the number of shares to be allotted to the Nomination and Remuneration Committee.

iii. Reasons the Board of Directors determined that individual remuneration for Directors for the current fiscal year is in accordance with the Decision Policy

Regarding the details of individual remuneration for Directors for fiscal 2021, the Nomination and Remuneration Committee has made a report in advance after undertaking a multifaceted examination that includes consistency with details prescribed in the Decision Policy regarding the payment standard, calculation method and grant standard for each type of remuneration. The Board of Directors judged that this is in accordance with the Decision Policy because the Chairman of the Board and Representative Director and the President and Representative Director, who have been delegated authority by the Board of Directors, have determined remuneration is in accordance with the details of the aforementioned report.

(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	49	36,283
Other than unlisted stock	19	1,216,299

(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	5	6,605	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	741
Other than unlisted stock	5	7,830

(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, 2021	As of March 31, 2020	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	From the perspective of improving corporate value over the medium to long-term, Kyocera holds shares for corporate growth through earning profits by strengthening business relationships, maintaining and shareholdings as well as the social significance of the company. In addition, Kyocera continues to hold this shares as an important business partner for economic rationality and future business opportunities.	No
	1,137,651	1,068,956		
Daikin Industries, Ltd.	1,131,600	1,131,600	From the perspective of improving corporate value over the medium to long-term, Kyocera holds shares for corporate growth through earning profits by strengthening and maintaining cooperative and business relationships and shareholdings.	Yes
	25,257	14,903		
Japan Airlines Co., Ltd.	7,638,400	7,638,400	From the perspective of improving corporate value over the medium to long-term, Kyocera holds shares for corporate growth through earning profits by strengthening and maintaining business relationships and shareholdings.	No
	18,867	15,200		
The Bank of Kyoto, Ltd.	1,596,059	1,596,059	From the perspective of improving corporate value over the medium to long-term, Kyocera holds shares for corporate growth through earning profits by maintaining cooperative relationships, facilitation of financial transactions and shareholdings.	Yes
	10,869	5,490		
Murata Manufacturing Co., Ltd.	725,400	725,400	From the perspective of improving corporate value over the medium to long-term, Kyocera holds shares for corporate growth through earning profits by strengthening and maintaining cooperative and business relationships and shareholdings.	Yes
	6,414	3,969		
Nidec Corporation *2	381,700	190,850	From the perspective of improving corporate value over the medium to long-term, Kyocera holds shares for corporate growth through earning profits by strengthening and maintaining cooperative and business relationships and shareholdings.	Yes
	5,128	2,140		
SPCG Public Company Limited	63,500,000	63,500,000	From the perspective of improving corporate value over the medium to long-term, Kyocera holds shares for corporate growth through earning profits by strengthening and maintaining business relationships and shareholdings.	No
	4,284	2,960		
ROHM Co., Ltd.	260,000	260,000	From the perspective of improving corporate value over the medium to long-term, Kyocera holds shares for corporate growth through earning profits by strengthening and maintaining cooperative and business relationships and shareholdings.	Yes
	2,811	1,542		

Stock name	As of March 31, 2021	As of March 31, 2020	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)		
Daiwa Securities Group Inc.	2,151,366	2,151,366	From the perspective of improving corporate value over the medium to long-term, Kyocera holds shares for corporate growth through earning profits by maintaining cooperative relationships, facilitation of financial transactions and shareholdings.	Yes
	1,231	902		
Wacoal Holdings Corp.	478,500	478,500	From the perspective of improving corporate value over the medium to long-term, Kyocera holds shares for corporate growth through earning profits by strengthening and maintaining cooperative and business relationships and shareholdings.	Yes *1
	1,175	1,123		
Mitsubishi UFJ Financial Group, Inc.	1,576,060	1,576,060	From the perspective of improving corporate value over the medium to long-term, Kyocera holds shares for corporate growth through earning profits by maintaining cooperative relationships, facilitation of financial transactions and shareholdings.	Yes *1
	933	635		
Naito & Co., Ltd.	3,080,000	3,080,000	From the perspective of improving corporate value over the medium to long-term, Kyocera holds shares for corporate growth through earning profits by strengthening and maintaining business relationships and shareholdings.	No
	533	422		
NAKAYAMA FUKU CO., LTD..	920,277	918,639	From the perspective of improving corporate value over the medium to long-term, Kyocera holds shares for corporate growth through earning profits by strengthening and maintaining business relationships and shareholdings. <The reason for increase in number of shares held> In order to enhance transactions, shares were acquired through the client stock ownership plan.	No
	453	429		
TOKYO SEIMITSU CO., LTD.	55,000	55,000	From the perspective of improving corporate value over the medium to long-term, Kyocera holds shares for corporate growth through earning profits by strengthening and maintaining cooperative and business relationships and shareholdings.	Yes
	277	169		
Shinko Shoji Co., Ltd.	240,000	240,000	From the perspective of improving corporate value over the medium to long-term, Kyocera holds shares for corporate growth through earning profits by strengthening and maintaining cooperative and business relationships and shareholdings.	Yes
	192	214		
Sumitomo Mitsui Financial Group, Inc.	26,318	26,318	From the perspective of improving corporate value over the medium to long-term, Kyocera holds shares for corporate growth through earning profits by maintaining cooperative relationships, facilitation of financial transactions and shareholdings.	Yes *1
	105	69		
Kyushu Financial Group, Inc.	192,712	192,712	From the perspective of improving corporate value over the medium to long-term, Kyocera holds shares for corporate growth through earning profits by maintaining cooperative and business relationships, facilitation of financial transactions and shareholdings.	Yes *1
	92	80		

Stock name	As of March 31, 2021	As of March 31, 2020	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)		
YONDOSHI HOLDINGS INC.	12,534	11,915	From the perspective of improving corporate value over the medium to long-term, Kyocera holds shares for corporate growth through earning profits by strengthening and maintaining business relationships and shareholdings. <The reason for increase in number of shares held>	No
	24	23	In order to enhance transactions, shares were acquired through the client stock ownership plan.	
Mizuho Financial Group, Inc. *3	2,000	20,000	From the perspective of improving corporate value over the medium to long-term, Kyocera holds shares for corporate growth through earning profits by maintaining cooperative and business relationships, facilitation of financial transactions and shareholdings	Yes *1
	3	2		
BROTHER INDUSTRIES, LTD	—	1,000,000	From the perspective of improving corporate value over the medium to long-term, Kyocera held shares for corporate growth through earning profits by strengthening and maintaining business relationships and shareholdings. However, the shares were sold during the fiscal 2021 under review.	No
	—	1,654		
Mitsubishi Electric Corporation	—	980,430	From the perspective of improving corporate value over the medium to long-term, Kyocera held shares for corporate growth through earning profits by strengthening and maintaining cooperative and business relationships and shareholdings. However, the shares were sold during the fiscal 2021 under review.	Yes
	—	1,309		
TAIYO YUDEN CO., LTD.	—	350,000	From the perspective of improving corporate value over the medium to long-term, Kyocera held shares for corporate growth through earning profits by strengthening and maintaining cooperative and business relationships and shareholdings. However, the shares were sold during the fiscal 2021 under review.	No
	—	1,001		
TDK Corporation	—	100,000	From the perspective of improving corporate value over the medium to long-term, Kyocera held shares for corporate growth through earning profits by strengthening and maintaining cooperative and business relationships and shareholdings. However, the shares were sold during the fiscal 2021 under review.	No
	—	838		
AEON Financial Service Co., Ltd.	—	474,000	From the perspective of improving corporate value over the medium to long-term, Kyocera held shares for corporate growth through earning profits by strengthening and maintaining business relationships and shareholdings. However, the shares were sold during the fiscal 2021 under review.	No
	—	549		

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

2. On April 1, 2020, each common stock of Nidec Corporation has been split into two shares.

3. On October 1, 2020, each common stock of Mizuho Financial Group, Inc. has been combined 10 shares into one share.

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,	
		2020	2021
Assets			
Current assets			
Cash and cash equivalents	8	419,620	386,727
Short-term investments	10, 32	62,999	79,852
Trade and other receivables	9, 32	336,294	339,621
Other financial assets	10, 20, 32	11,035	17,504
Inventories	11	344,304	345,354
Other current assets	12	28,455	30,706
Total current assets		1,202,707	1,199,764
Non-current assets			
Equity and debt instruments	10, 32	1,196,634	1,264,453
Investments accounted for using the equity method	13, 36	17,422	16,975
Other financial assets	10, 20, 32	27,179	43,101
Property, plant and equipment	14, 16, 19	383,271	439,109
Right-of-use assets	16, 20	34,921	38,639
Goodwill	7, 15, 16	212,207	256,532
Intangible assets	7, 15, 16	118,533	151,295
Deferred tax assets	17	40,434	36,624
Other non-current assets	12, 21	16,867	46,978
Total non-current assets		2,047,468	2,293,706
Total assets		3,250,175	3,493,470

The accompanying notes are an integral part of these statements.

(Yen in millions)

	Note	As of March 31,	
		2020	2021
Liabilities and Equity			
Liabilities			
Current liabilities			
Borrowings	19, 32	35,025	40,020
Trade and other payables	18, 32	173,300	183,145
Lease liabilities	32	15,477	15,863
Other financial liabilities	32	1,544	7,669
Income tax payables		11,396	15,584
Accrued expenses	32	114,983	120,165
Provisions	22, 36	14,411	6,403
Other current liabilities	19, 23	31,373	34,004
Total current liabilities		397,509	422,853
Non-current liabilities			
Borrowings	19, 32	44,970	57,888
Lease liabilities	32	31,847	34,051
Retirement benefit liabilities	21	28,406	23,624
Deferred tax liabilities	17	271,317	309,951
Provisions	22, 36	8,760	8,432
Other non-current liabilities	23	13,124	20,561
Total non-current liabilities		398,424	454,507
Total liabilities		795,933	877,360
Equity			
Common stock	24	115,703	115,703
Capital surplus		123,539	122,745
Retained earnings		1,686,672	1,750,259
Other components of equity	24	575,495	671,951
Treasury stock	24	(69,275)	(69,243)
Total equity attributable to owners of the parent		2,432,134	2,591,415
Non-controlling interests	33	22,108	24,695
Total equity		2,454,242	2,616,110
Total liabilities and equity		3,250,175	3,493,470

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,	
		2020	2021
Sales revenue	6, 26	1,599,053	1,526,897
Cost of sales	11, 21, 27	1,157,879	1,119,950
Gross profit		441,174	406,947
Selling, general and administrative expenses	7, 16, 21 27, 28	340,981	336,303
Operating profit		100,193	70,644
Finance income	10, 29	48,154	45,650
Finance expenses	29	1,553	2,194
Foreign exchange gains (losses)	32	(481)	375
Share of net profit (loss) of investments accounted for using the equity method	13	124	261
Other, net		2,389	2,823
Profit before income taxes	6	148,826	117,559
Income taxes	17	36,980	24,209
Profit for the year		111,846	93,350

Profit attributable to:			
Owners of the parent		107,721	90,214
Non-controlling interests		4,125	3,136
Profit for the year		111,846	93,350

Per share information:			
Earnings per share attributable to owners of the parent	30		
Basic and diluted (Yen)		297.36	248.91

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,	
		2020	2021
Profit for the year		111,846	93,350
Other comprehensive income, net of taxation			
Items that will not be reclassified to profit or loss:			
Financial assets measured at fair value through other comprehensive income	24	177,776	66,730
Re-measurement of defined benefit plans	21, 24	(675)	21,146
Total items that will not be reclassified to profit or loss		177,101	87,876
Items that may be reclassified subsequently to profit or loss:			
Net changes in fair value of cash flow hedge	24	(154)	144
Exchange differences on translating foreign operations	24	(24,222)	33,331
Share of other comprehensive income of investments accounted for using the equity method	13, 24	25	108
Total items that may be reclassified subsequently to profit or loss:		(24,351)	33,583
Total other comprehensive income		152,750	121,459
Comprehensive income for the year		264,596	214,809

Comprehensive income attributable to:			
Owners of the parent		262,750	210,784
Non-controlling interests		1,846	4,025
Comprehensive income for the year		264,596	214,809

The accompanying notes are an integral part of these statements.

d. Consolidated Statement of Changes in Equity

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		
Balance as of April 1, 2019		115,703	165,225	1,638,709	418,643	(72,361)	2,265,919	96,341	2,362,260
Profit for the year				107,721			107,721	4,125	111,846
Other comprehensive income					155,029		155,029	(2,279)	152,750
Total comprehensive income for the year		–	–	107,721	155,029	–	262,750	1,846	264,596
Cash dividends	25			(57,935)			(57,935)	(4,111)	(62,046)
Purchase of treasury stock						(26)	(26)		(26)
Reissuance of treasury stock	24		1,700			3,112	4,812		4,812
Transactions with non-controlling interests and other	33		(43,386)		0		(43,386)	(71,968)	(115,354)
Transfer to retained earnings	24			(1,823)	1,823		–		–
Balance as of March 31, 2020		115,703	123,539	1,686,672	575,495	(69,275)	2,432,134	22,108	2,454,242

For the year ended March 31, 2021

(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		
Balance as of April 1, 2020		115,703	123,539	1,686,672	575,495	(69,275)	2,432,134	22,108	2,454,242
Profit for the year				90,214			90,214	3,136	93,350
Other comprehensive income					120,570		120,570	889	121,459
Total comprehensive income for the year		–	–	90,214	120,570	–	210,784	4,025	214,809
Cash dividends	25			(50,741)			(50,741)	(1,757)	(52,498)
Purchase of treasury stock						(17)	(17)		(17)
Reissuance of treasury stock	24		17			49	66		66
Transactions with non-controlling interests and other	33		(811)				(811)	319	(492)
Transfer to retained earnings	24			24,114	(24,114)		–		–
Balance as of March 31, 2021		115,703	122,745	1,750,259	671,951	(69,243)	2,591,415	24,695	2,616,110

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	
		2020	2021
Cash flows from operating activities:			
Profit for the year		111,846	93,350
Depreciation and amortization		92,748	109,058
Finance expenses (income)	29	(46,601)	(43,456)
Share of net profit of investments accounted for using the equity method	13	(124)	(261)
Impairment loss	16	297	11,666
(Gains) losses from sales or disposal of property, plant and equipment		(6,938)	149
Income taxes	17	36,980	24,209
(Increase) decrease in trade and other receivables		7,170	(6,968)
(Increase) decrease in inventories		4,772	10,156
(Increase) decrease in other assets		8,811	8,593
Increase (decrease) in trade and other payables		(6,869)	(11,753)
Increase (decrease) in accrued expenses		(8,573)	(2,748)
Increase (decrease) in provisions	22	3,409	(9,258)
Increase (decrease) in other liabilities		(9,690)	3,765
Other, net		(3,702)	(1,845)
Subtotal		183,536	184,657
Interests and dividends received		48,978	49,314
Interests paid		(1,430)	(1,944)
Income taxes refund (paid)		(16,454)	(11,206)
Net cash provided by operating activities		214,630	220,821
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment		(107,135)	(122,838)
Payments for purchases of intangible assets		(13,599)	(9,288)
Proceeds from sales of property, plant and equipment		11,537	952
Acquisitions of business, net of cash acquired	7, 31	(83,522)	(59,877)
Acquisition of time deposits and certificate of deposits		(194,493)	(114,616)
Withdrawal of time deposits and certificate of deposits		218,218	105,719
Payments for purchases of securities		(3,920)	(13,960)
Proceeds from sales and maturities of securities		35,339	31,478
Other, net		(7,976)	(1,362)
Net cash used in investing activities		(145,551)	(183,792)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	31	28,947	(4,406)
Proceeds from long-term borrowings	31	45,059	7,273
Repayments of long-term borrowings	31	(41,055)	(9,489)
Repayments of lease liabilities	20, 31	(17,610)	(20,992)
Dividends paid		(62,017)	(52,351)
Reissuance of treasury stock	24	4,745	1
Purchase of non-controlling interests	33	(115,984)	(1,036)
Other, net		789	32
Net cash used in financing activities		(157,126)	(80,968)
Effect of exchange rate changes on cash and cash equivalents		(5,147)	11,046
Increase (decrease) in cash and cash equivalents		(93,194)	(32,893)
Cash and cash equivalents at the beginning of the year		512,814	419,620
Cash and cash equivalents at the end of the year	8	419,620	386,727

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, 2021 consist of Kyocera Corporation and its consolidated subsidiaries and shares of associates of Kyocera.

Kyocera globally operates various kinds of businesses, which include productions and distributions of materials and 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 International Financial Reporting Standards (hereinafter, "IFRS") issued by International Accounting Standards Board pursuant to the provision of Article 93 of Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements under Japanese Law, as Kyocera meets the criteria of a "specified company complying with designated international accounting standards" defined under Article 1-2.

(2) Basis of Measurement

These consolidated financial statements have been prepared on 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

Kyocera has adopted the amendment on IFRS 16, "Covid-19-Related Rent Concessions," which became effective in the current fiscal year. This adoption had no material impact on Kyocera's consolidated financial statements.

(5) Change in Presentation

Statement of Consolidated Cash Flows

"Purchase of treasury stock" which was separately presented in cash flows from financing activities for the year ended March 31, 2020 has been included in "other, net" for the year ended March 31, 2021 due to a decrease in its quantitative significance.

In order to reflect this change, (26) million yen, which was previously presented as "purchase of treasury stock" in cash flows from financing activities for the year ended March 31, 2020 was reclassified as "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 consolidated from the date on which Kyocera first obtains control until the date on which 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 on consolidation.

Any changes in Kyocera's ownership interest that do not result in a loss of control of subsidiaries are accounted for as equity transactions. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly 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.

The excess of the consideration transferred, the amount of non-controlling interests in the acquiree and the fair value of the equity interest in the acquiree previously held by the acquirer over the fair value of identifiable net assets acquired at the acquisition date is recognized as goodwill. If the total is less than the fair value of the identifiable net assets, the difference is recognized in profit or loss. 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 or liabilities arising from the contingent consideration arrangement.

Kyocera recognizes non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

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

c. Foreign Operations

A 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 outside of Japan. Assets and liabilities of foreign operations are translated into Japanese yen using exchange rates prevailing at the end of reporting period, while income, expenses and cash flows are translated into Japanese yen using the average exchange rates for the period. Exchange differences arising from translating the foreign operations' financial statements are recognized in other comprehensive income. These cumulative differences are reclassified to profit or loss when Kyocera loses control or significant influence over the foreign operations by its 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 cost or net realizable value.

For finished goods and merchandise and work in process, cost is determined mainly using the weighted 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 cost less accumulated depreciation and accumulated impairment losses. The cost includes expenses directly attributable to the acquisition of the assets, and the costs of dismantling, removing and restoring. Property, plant and equipment are depreciated mainly using the 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 any changes are applied prospectively as a change in 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 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 and intangible assets with finite useful lives are stated at cost less accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives are stated at cost less accumulated impairment losses.

Expenditures in development activities are recognized as an expense in period in which it is incurred, unless all of the following requirements can be demonstrated.

- (a) Technical feasibility of completing the intangible asset so that it will be available for use or sale
- (b) Intention to complete the intangible asset and use or sell it
- (c) Ability to use or sell the intangible asset
- (d) How the intangible asset will generate probable future economic benefits
- (e) Availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- (f) 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 major components of intangible assets are customer relationships, non-patent technology, software and trademark rights and their useful lives are as follows:

Customer relationships	3 to 20 years
Non-patent technology	3 to 25 years
Software	2 to 15 years
Trademark rights	2 to 21 years
Others	2 to 50 years

The useful lives and amortization method for intangible assets with finite useful lives are reviewed at the end of each reporting period and any changes are applied prospectively as a change in accounting estimates.

Intangible assets with finite useful lives are tested for impairment when there is an indication that may be impaired. Intangible assets with indefinite useful life and intangible assets that are not yet available for use are not amortized, and are tested for impairment annually (January 1) or at the time when there is an indication that may be impaired, or situation is changed.

(8) Lease

a. Lease as a Lessee

At the commencement date, Kyocera recognizes a right-of-use asset and a lease liability. Kyocera measures the right-of-use asset in the amount of the initial measurement of the lease liability adjusting any lease payments made at or before the commencement date and other costs. 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 on a straight-line basis 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 be 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.

b. Lease as a Lessor

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

(a) Finance Leases

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

(b) Operating Leases

Kyocera recognizes lease payments from operating leases as profit on a straight-line basis over the lease term.

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

(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 based on business plan approved by the management 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. Financial Instruments

Financial assets and financial liabilities are recognized when Kyocera becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured at fair value at the time of initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets and issuance of financial liabilities other than financial assets and liabilities measured at fair value through profit or loss are added to the fair value of the financial assets or deducted from the fair value of financial liabilities at the time of initial recognition. Transaction costs that are directly attributable to the acquisition or issuance of the financial assets or liabilities measured at fair value through profit or loss are recognized in profit or loss.

b. Non-Derivative Financial Assets

Non-derivative financial assets are classified as financial assets measured at amortized cost, debt financial assets measured at fair value through other comprehensive income, equity financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss. The classification depends on the nature and purpose of the financial assets and is determined upon initial recognition.

Financial assets, such as stocks and bonds, purchased and sold in a regular way are recognized and derecognized on a contract date. Purchases and sales made in regular way refer to acquiring or disposing financial assets under a contract that requires the delivery of assets within a timeframe established by regulation or convention in the marketplace. All other financial assets are initially recognized on the trade date.

(a) Financial Assets Measured at Amortized Cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- 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.

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost using the effective interest method, less any impairment. Interest income based on the effective interest rate is recognized in profit or loss.

(b) Debt Securities Measured at Fair Value Through Other Comprehensive Income

Financial assets are classified as debt securities at fair value through other comprehensive income if both of the following conditions are met:

- the financial assets are held within a business model for which the objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, debt securities at fair value through other comprehensive income are measured at fair value, and gains or losses arising from changes in fair value are recognized in other comprehensive income. Any cumulative amounts recognized in other comprehensive income are reclassified to profit or loss upon derecognition. Foreign exchange gains and losses arising on debt securities at fair value through other comprehensive income and interest income calculated using the effective interest method relating to debt securities at fair value through other comprehensive income are recognized in profit or loss.

(c) Equity Securities at Fair Value Through Other Comprehensive Income

At initial recognition, Kyocera has made an irrevocable election for equity securities that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income and classifies such investments as equity securities at fair value through other comprehensive income. Subsequent to initial recognition, equity securities at fair value through other comprehensive income are measured at fair value, and gains or losses arising from changes in fair value are recognized in other comprehensive income. When these securities are derecognized, cumulative gains and losses recognized in other comprehensive income are directly transferred to retained earnings. Dividends received on equity securities at fair value through other comprehensive income are recognized in profit or loss.

(d) Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss, if they are classified as neither financial assets at amortized cost, debt financial assets at fair value through other comprehensive income, nor equity financial assets at fair value through other comprehensive income.

Neither financial assets are designated as measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value and gains or losses arising from changes in fair value, dividend income and interest income are recognized in profit or loss.

(e) Derecognition

Financial assets are derecognized when, and only when the contractual rights to receive the cash flows from the financial assets expired or have been transferred and has transferred substantially all the risks and rewards of ownership.

(f) Impairment

Kyocera assesses the expected credit losses associated with its financial assets measured at amortized cost, debt securities measured at fair value through other comprehensive income and loss allowance is recognized at each reporting date.

Kyocera measures the loss allowance for financial instruments at an amount equal to the full lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, after considering all reasonable and supportable information that is available including forward-looking information. Otherwise, when credit risk has not increased significantly since initial recognition, Kyocera measures the loss allowance at an amount equal to 12-month expected credit losses.

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

c. Non-Derivative Financial Liabilities

Non-derivative financial liabilities are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost at initial recognition.

Non-derivative financial liabilities are classified as financial liabilities at fair value through profit or loss when the entire hybrid contract, including more than one embedded derivative, is designated as a financial liability at fair value through profit or loss. Subsequent to initial recognition, liabilities at fair value through profit or loss are measured at fair value and gains or losses arising from changes in fair value and interest costs are recognized in profit or loss.

Any changes in fair value of these financial liabilities that are attributable to a change in own credit risk of the liabilities are included in other components of equity.

Financial liabilities measured at amortized cost are measured using the effective interest method, subsequent to initial recognition.

Kyocera derecognizes financial liabilities when Kyocera's obligations are met, or debt is discharged or cancelled or expires.

d. Derivatives and Hedge Accounting

(a) Derivatives

Kyocera utilizes derivatives consisting of exchange contracts to reduce foreign currency risk. Derivatives are initially recognized at fair value on the date a derivative contract is entered into, and they are subsequently re-measured to their fair value at the end of each reporting period.

Changes in the fair value of derivatives are recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. Derivative financial assets not designated as hedging instruments are classified as financial assets at fair value through profit or loss, and derivative financial liabilities not designated as hedging instruments are classified as financial liabilities at fair value through profit or loss.

(b) Hedge Accounting

Kyocera designates certain derivative transactions as hedging instruments and accounts for them as cash flow hedges.

At inception of the hedging relationship, Kyocera documents the economic relationship between hedging instruments and hedged items, including risk management objectives, 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. A hedge is determined to be effective when all of the following criteria 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 hedges 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 variable-rate debt into fixed rate for the purpose of fixing cash flows for funds procured at variable interest rates.

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 hedge is not effective or that it has ceased to be effective, Kyocera discontinues hedge accounting prospectively. When hedge accounting is discontinued, any related income included in accumulated other comprehensive income remains in equity and is reclassified to profit or loss when the forecasted transaction is ultimately recognized in profit or loss. When a forecasted transaction is no longer expected to occur, any related income included in accumulated other comprehensive income is reclassified immediately to profit or loss.

(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 reporting period.

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, unused net operating loss carryforward and unused tax credit carryforward. Deferred tax assets and liabilities 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 at the tax rates that are expected to apply to the period when they are reversed, based on 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. Deferred tax liabilities are basically 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, unused net operating loss carryforward and unused tax credit carryforward can be utilized. Deferred tax assets are reassessed 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 primarily adopts 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 outflow 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 including transaction costs is deducted from equity. No gain or loss will be recognized on the purchase, sale, issue or cancellation of treasury stock. The difference between the carrying amount and the consideration on sale is recognized as capital surplus.

(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” and excluding lease arrangement recognized in accordance with IFRS 16 “Leases” (hereinafter, “IFRS 16”) 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’s main revenue sources are sales in markets such as 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.

a. Sale of Products

Kyocera mainly recognize revenue of products at the time of receipt of the products by the customer or shipping date because the customer obtains control over the products upon receipt or shipment, the performance obligation is judged to have been satisfied.

Sale 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.

b. Sales of Services

In the “Document Solutions Group,” revenues from maintenance contracts in which the customer typically pays a variable amount based on usage and a stated fixed fee or a stated base fee plus a variable amount are recognized. Revenue from the maintenance contract is recognized over a certain period of time as the relevant performance obligation is satisfied since Kyocera judges the performance obligation of the maintenance contract as making the machine always available for the customers. For the maintenance contract in which the customer pays a stated fixed fee, revenue is recognized ratably over the contract period.

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.

c. 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 any applicable sales incentives.

(a) Distributor Stock Rotation Program

Stock rotation is a program whereby on a semiannual basis, distributors are allowed to return, for credit, qualified inventory equal to a certain percentage of the previous six months net sales, for credit. 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 estimates 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.

d. 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.

e. 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.

f. 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.

4. Significant Accounting Estimates and Judgments Involving Estimations

In preparing the consolidated financial statements under IFRS, 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 and estimates that affect the amounts recognized in Kyocera's consolidated financial statements are as follows:

For the year ending March 31, 2022, although the impact of COVID-19 on the economy still remains a concern, Kyocera estimates on the assumption that the global economy is expected to recover as compared with year ended March 31, 2021 as a result of the implementation of various infection prevention and economic stimulus measures adopted by countries around the world.

- Estimates of fair value of assets acquired and the liabilities assumed in a business combination
(Note "3. Significant Accounting Policies (2) Business Combination" and "7. Business Combination")
- Evaluation of inventories
(Note "3. Significant Accounting Policies (5) Inventories" and "11. Inventories")
- Estimates for residual value and useful life of property, plant and equipment and intangible assets
(Note "3. Significant Accounting Policies (6) Property, Plant and Equipment," "3. Significant Accounting Policies (7) Goodwill and Intangible Assets," "14. Property, Plant and Equipment," and "15. Goodwill and Intangible Assets")
- Estimates for impairment of property, plant and equipment, goodwill and intangible assets
(Note "3. Significant Accounting Policies (9) Impairment of Non-Financial Assets," and "16. Impairment of Non-Financial Assets")
- Fair value measurement of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income
(Note "3. Significant Accounting Policies (10) Financial Instruments," "10. Short-Term Investments, Equity, Debt Instruments and Other Financial Assets" and "32. Financial Instruments")
- Estimates for impairment of financial assets measured at amortize cost
(Note "3. Significant Accounting Policies (10) Financial Instruments" and "32. Financial Instruments")
- Estimates on recoverability of deferred tax assets and uncertainty on tax position
(Note "3. Significant Accounting Policies (11) Income Taxes" and "17. Income Taxes")
- Estimates on defined benefit liability
(Note "3. Significant Accounting Policies (13) Employee Benefits" and "21. Employee Benefits")
- Judgments and estimates for recognition and measurement on provisions and recognition of liabilities and expenses related to contingencies
(Note "3. Significant Accounting Policies (14) Provisions," "22. Provisions" and "36. Contingency")
- Judgments and estimates for revenue recognition and measurement
(Note "3. Significant Accounting Policies (16) Revenue Recognition" and "26. Sales Revenue")

5. New Standards and Interpretations not yet Adopted

There is no new standards, amendments or interpretations that have been issued on or before the approval date of the accompanying consolidated financial statements will have a significant impact.

6. Segment Information

(1) Overview of Reporting Segment

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 segments are reclassified taking similarity of target market and economic characteristics into consideration and aggregate operating segments.

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 Packages and Boards
Electronic Devices Group	Capacitors, Crystal Devices, SAW Devices, Connectors, Power Semiconductor Devices, Sensing and Control Devices, 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

(2) Information on Reporting Segment

The accounting policies of the reporting segments are the same as those described in the Note "3. Significant Accounting Policies."

Intersegment sales and transfers are made with reference to prevailing market prices. Business profit (loss) for each reporting segment represents sales revenue, less related costs and operating expenses, excluding corporate gains, share of net profit (loss) of investments accounted for using the equity method and income taxes.

For the year ended March 31, 2020

(Yen in millions)

	Reporting Segment						Others * 1	Total	Adjustment * 2	Consolidated
	Industrial & Automotive Components Group	Semi- conductor Components Group	Electronic Devices Group	Communi- cations Group * 5	Document Solutions Group	Life & Environ- ment Group * 5				
Sales revenue										
External customers	340,157	247,161	320,150	250,963	359,478	67,207	13,937	1,599,053	—	1,599,053
Intersegment sales and transfers	936	67	3,963	19,855	437	6,540	2,800	34,598	(34,598)	—
Total	341,093	247,228	324,113	270,818	359,915	73,747	16,737	1,633,651	(34,598)	1,599,053
Business profit (loss)	15,813	30,511	31,744	11,259	34,489	(10,965)	(4,484)	108,367	—	108,367
Corporate gains and others * 3	—	—	—	—	—	—	—	—	—	40,335
Share of net profit (loss) of investments accounted for using the equity method	—	—	—	—	—	—	—	—	—	124
Profit before income taxes	—	—	—	—	—	—	—	—	—	148,826
Other items										
Depreciation and amortization charge	24,128	9,818	23,622	8,419	14,640	4,690	3,528	88,845	3,903	92,748
Impairment loss	—	—	42	—	—	174	81	297	—	297
Capital expenditures (for property, plant and equipment)	22,969	11,958	29,558	6,224	8,866	5,684	3,198	88,457	17,546	106,003
Assets * 4	463,585	201,972	456,540	168,150	358,459	96,911	45,951	1,791,568	1,458,607	3,250,175

(Notes) 1. The “Others” is an operating segment that is not included in the reporting segment.

2. Adjustment represents as follows:

- (1) The adjustment of intersegment sales and transfers are elimination of intersegment transactions.
- (2) The adjustment of depreciation and amortization charge represents the depreciation and amortization charge for corporate, which do not belong to each segment.
- (3) The adjustment of capital expenditures (for property, plant and equipment) includes capital expenditures for corporate, which do not belong to each segment.
- (4) The adjustment of assets consist primarily of cash and cash equivalents, equity and debt instruments, and various other investments and assets that are not specific each segment, as well as elimination of intersegment transactions.

3. Corporate gains and others include income and expenses which do not belong to any segments and mainly consists of finance income and expenses.

4. Assets represent the individual assets for specific segment.

5. On April 1, 2020, a domestic subsidiary, Kyocera Communication Systems Co., Ltd., which is included in “Communications Group,” absorbed and merged with a domestic subsidiary Kyocera Solar Corporation, which was included in “Life & Environment Group.” As a result, “For the year ended March 31, 2020” in the above tables are presented in the reporting segment after the merger.

For the year ended March 31, 2021

(Yen in millions)

	Reporting Segment						Others * 1	Total	Adjustment * 2	Consolidated
	Industrial & Automotive Components Group	Semi- conductor Components Group	Electronic Devices Group	Communi- cations Group	Document Solutions Group	Life & Environ- ment Group				
Sales revenue										
External customers	358,243	263,550	302,185	212,657	315,785	59,526	14,951	1,526,897	—	1,526,897
Intersegment sales and transfers	801	45	2,985	20,082	441	4,372	3,218	31,944	(31,944)	—
Total	359,044	263,595	305,170	232,739	316,226	63,898	18,169	1,558,841	(31,944)	1,526,897
Business profit (loss)	18,142	28,260	25,268	14,597	28,759	(23,952)	(3,102)	87,972	—	87,972
Corporate gains and others* 3	—	—	—	—	—	—	—	—	—	29,326
Share of net profit (loss) of investments accounted for using the equity method	—	—	—	—	—	—	—	—	—	261
Profit before income taxes	—	—	—	—	—	—	—	—	—	117,559
Other items										
Depreciation and amortization charge	29,234	13,382	26,690	8,493	17,156	4,721	4,235	103,911	5,147	109,058
Impairment loss	47	—	—	—	101	11,518	—	11,666	—	11,666
Capital expenditures (for property, plant and equipment)	14,676	24,066	47,796	5,159	8,959	7,774	2,023	110,453	6,653	117,106
Assets * 4	492,459	231,458	488,815	164,541	416,388	86,255	114,926	1,994,842	1,498,628	3,493,470

(Notes) 1. The “Others” is an operating segment that is not included in the reporting segment.

2. Adjustment represents as follows:

- (1) The adjustment of intersegment sales and transfers are elimination of intersegment transactions.
- (2) The adjustment of depreciation and amortization charge represents the depreciation and amortization charge for corporate, which do not belong to each segment.
- (3) The adjustment of capital expenditures (for property, plant and equipment) includes capital expenditures for corporate, which do not belong to each segment.
- (4) The adjustment of assets consist primarily of cash and cash equivalents, equity and debt instruments, and various other investments and assets that are not specific each segment, as well as elimination of intersegment transactions.

3. Corporate gains and others include income and expenses which do not belong to any segments and mainly consists of finance income and expenses.

4. Assets represent the individual assets for specific segment.

(3) Information by Geographic Segments

The breakdown of sales revenue for external customers and non-current assets are as follows:

Sales revenue for external customers (Yen in millions)

	For the year ended March 31,	
	2020	2021
Japan	598,113	550,161
Asia	358,946	390,659
Europe	306,326	282,422
United States of America	276,002	256,056
Others	59,666	47,599
Total	1,599,053	1,526,897

(Note) The sales revenue from external customers is classified by destination.

Non-current assets (Yen in millions)

	As of March 31,	
	2020	2021
Japan	321,198	358,292
Asia	73,362	95,586
Europe	128,966	149,721
United States of America	212,167	269,902
Others	13,239	12,074
Total	748,932	885,575

(Note) Non-current assets are the total of “Property, plant and equipment,” “Right-of-use assets,” “Goodwill” and “Intangible assets,” and it is based on physical locations.

Of the countries included in “Asia,” “Europe” and “Others,” there are no individually material countries in which the ratio of sales to external customers and the balance of non-current assets to the consolidated total is significant.

(4) Information on Major Customers

This information has been omitted because no external customers account for more than 10% of sales revenue.

7. Business Combination

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 which conducts enterprise content management business, in order to expand the document solutions business in Europe, and made it consolidated subsidiary.

The purchase price was 14,466 million yen, which consisted of 12,090 million yen in cash and 2,376 million yen of the fair value of the future performance-linked payment (hereinafter, “contingent consideration”) at the acquisition date. Regarding the levels of the fair value hierarchy of contingent consideration, please refer to Note “32.

Financial Instruments.”

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. Non-controlling interests were measured as non-controlling interest’s proportionate share of the acquirer’s net identifiable assets. 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, 2021.

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

	Fair value
Assets:	
Cash and cash equivalents	797
Trade and other receivables	1,107
Inventories	50
Others	187
Total current assets	2,141
Property, plant and equipment	125
Right-of-use assets	1,107
Intangible assets	7,011
Others	57
Total non-current assets	8,300
Total	10,441
Liabilities:	
Borrowings	837
Trade and other payables	173
Lease liabilities	289
Others	1,570
Total current liabilities	2,869
Lease liabilities	818
Deferred tax liabilities	2,100
Total non-current liabilities	2,918
Total	5,787
Non-controlling interests	289
Total identified equity attributable to owners of the parent	4,365
Purchase price	14,466
Goodwill *	10,101

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

Intangible assets recognized as a result of the acquisition are summarized as follows:

(Yen in millions)

	Fair value
Intangible assets subject to amortization:	
Customer relationships	5,400
Non-patent technology	990
Trademarks	612
Others	9
Total	7,011

Acquisition-related costs of 587 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 "Document Solutions 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 June 1, 2020, Kyocera Corporation acquired 93.53% of the common stocks of Showa Optronics Co., Ltd., a Japanese based manufacturer of optical components, from NEC Corporation for 8,473 million yen in cash in order to expand the optical components business, and made it consolidated subsidiary.

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. Non-controlling interests were measured as non-controlling interests' proportionate share of the acquirer's net identifiable assets. 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, 2021.

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

	Fair value
Assets:	
Cash and cash equivalents	2,365
Trade and other receivables	1,264
Inventories	1,673
Other current assets	28
Total current assets	5,330
Property, plant and equipment	2,022
Intangible assets	3,724
Others	388
Total non-current assets	6,134
Total	11,464
Liabilities:	
Borrowings	3,000
Trade and other payables	1,405
Accrued expenses	528
Others	1,559
Total current liabilities	6,492
Retirement benefit liabilities	727
Deferred tax liabilities	703
Others	322
Total non-current liabilities	1,752
Total	8,244
Non-controlling interests	208
Total identified equity attributable to owners of the parent	3,012
Purchase price	8,473
Goodwill*	5,461

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

Intangible assets recognized as a result of the acquisition are summarized as follows:

(Yen in millions)

	Fair value
Intangible assets subject to amortization :	
Customer relationships	2,950
Non-patent technology	740
Others	34
Total	3,724

Acquisition-related costs of 64 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 year 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 September 15, 2020, Kyocera Corporation additionally acquired all the outstanding shares of common stock of Showa Optronics Co., Ltd., a consolidated subsidiary, held by non-controlling interest in cash. As a result, Kyocera Corporation made Showa Optronics Co., Ltd., a wholly owned subsidiary.

Since this transaction is consider as equity transaction, the difference between the consideration paid of 587 million yen and decreased non-controlling interest of 213 million yen, which is 374 million yen, is accounted for as a decrease in additional paid in capital.

On October 1, 2020, Showa Optronics Co., Ltd., changed its name to Kyocera SOC Corporation.

On January 8, 2021, Kyocera Corporation acquired Soraa Laser Diode, Inc., a sales and manufacturing company of gallium nitride (GaN) based laser products in the U.S., and made it wholly owned subsidiary and changed its name to Kyocera SLD Laser, Inc. Kyocera Corporation intends to expand its business through this acquisition by creating new products and cultivating new markets pursuing synergies between the technological capabilities of Soraa Laser Diode, Inc. and the production technologies and R&D capabilities cultivated in Kyocera's existing businesses.

For the purpose of the acquisition, Kyocera had established a wholly owned subsidiary ("acquisition subsidiary") in Delaware, U.S. that then merged with Soraa Laser Diode, Inc. The surviving company following the merger was Soraa Laser Diode, Inc. Cash was issued for Soraa Laser Diode, Inc.'s shares as consideration for the merger, and the shares of the acquisition subsidiary owned by Kyocera Corporation was converted into outstanding shares in the surviving company, making the surviving company a wholly owned subsidiary.

Consideration for the acquisition was 39,773 million yen in cash plus 4,131 million yen in fair value of existing shareholding at the date of acquisition, aggregating to 43,904 million yen.

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 expected synergies and the trained workforce.

As of March 31, 2021, the allocation of the purchase price is shown in the following table. However, the allocation of purchase price is provisionally calculated based on information available at this time, and the amounts are subject to change following an additional information relating to facts and circumstances that existed at the date of acquisition. Fair value estimates are based on a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as expected useful lives, can materially impact Kyocera's financial position, operating results and cash flows.

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

	Provisional fair value
Assets:	
Cash and cash equivalents	2,031
Trade and other receivables	524
Inventories	347
Other current assets	41
Total current assets	2,943
Other financial assets	122
Property, plant and equipment	3,220
Right-of-use assets	2,473
Intangible assets	24,296
Other non-current assets	161
Total non-current assets	30,272
Total	33,215
Liabilities:	
Borrowings	2,801
Trade and other payables	2,868
Lease liabilities	229
Accrued expenses	1,992
Others	167
Total current liabilities	8,057
Lease liabilities	2,232
Deferred tax liabilities	5,741
Other non-current liabilities	5
Total non-current liabilities	7,978
Total	16,035
Total identified assets and liabilities at fair value (net amount)	17,180
Purchase price (cash and existing shareholding)	43,904
Goodwill *	26,724

(Note) The amount of goodwill is not expected to be deductible for tax purposes.

Intangible assets are subject to amortization recognized as a result of the acquisition is non-patent technology of 24,296 million yen. The estimated useful lives are 25 years for non-patent technology.

Goodwill and intangible assets recognized by business combinations are measured based on assumptions such as business plan approved by management, cash flows attributable to intangible assets calculated from business plans and discount rate. The discount rate is based on the weighted average cost of capital of the business.

In addition to the consideration for acquisition, Kyocera Corporation repaid 6,867 million yen of Soraa Laser Diode, Inc.'s borrowings and other indebtedness.

Acquisition-related costs of 773 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 "Others."

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.

Kyocera has performed other business combination during the year ended March 31, 2021. 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,	
	2020	2021
Cash on hand and demand deposits	222,870	285,077
Time deposits (Within 3 months to original maturity)	196,750	101,650
Total	419,620	386,727

9. Trade and Other Receivables

The components of trade and other receivables are as follows:

(Yen in millions)

	As of March 31,	
	2020	2021
Trade notes receivable	19,005	21,006
Trade accounts receivable	271,970	281,328
Contract assets	11,395	4,636
Others	37,127	35,786
Allowance for credit losses	(3,203)	(3,135)
Total	336,294	339,621

Trade notes receivable and trade accounts receivable are classified as financial asset measured at amortized cost. The details are described in Note “32. Financial Instruments” for financial asset measured at amortized cost.

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,	
	2020	2021
Derivative assets	1,670	535
Stocks	1,162,553	1,258,043
Bonds	53,845	31,689
Time deposits (Over three months to original maturity)	40,167	51,238
Lease receivable	30,537	53,233
Others	10,867	11,982
Allowance for credit losses	(1,792)	(1,810)
Total	1,297,847	1,404,910

(Yen in millions)

	As of March 31,	
	2020	2021
Current assets	74,034	97,356
Non-current assets	1,223,813	1,307,554
Total	1,297,847	1,404,910

(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 (Over three 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,	
	2020	2021
KDDI Corporation	1,068,956	1,137,651

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 in "Finance income" in the consolidated statements of profit or loss. The amount of dividend is as follows:

(Yen in millions)

	For the year ended March 31,	
	2020	2021
Dividends from KDDI Corporation	36,861	40,212

(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,			
2020		2021	
Fair value	Accumulated gains or losses	Fair value	Accumulated gains or losses
1,009	(1,635)	13,246	4,553

(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 (1,145) million yen for the year ended March 31, 2020, and 3,185 million yen for the year ended March 31, 2021.

11. Inventories

The components of inventories are as follows:

(Yen in millions)

	As of March 31,	
	2020	2021
Finished goods and merchandise	151,133	145,040
Work in process	86,535	90,021
Raw materials and supplies	106,636	110,293
Total	344,304	345,354

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 5,985 million yen for the year ended March 31, 2020 and 5,166 million yen for the year ended March 31, 2021, respectively.

12. Other Assets

The components of other assets are as follows:

Other current assets

(Yen in millions)

	As of March 31,	
	2020	2021
Prepaid expenses	13,121	13,664
Advance payments	6,458	5,387
Other	8,876	11,655
Total	28,455	30,706

Other non-current assets

(Yen in millions)

	As of March 31,	
	2020	2021
Retirement benefit assets	9,093	32,932
Other	7,774	14,046
Total	16,867	46,978

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,	
	2020	2021
Carrying amounts of investments	17,422	16,975

(Yen in millions)

	For the year ended March 31,	
	2020	2021
Net profit	124	261
Other comprehensive income	25	108
Comprehensive income	149	369

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, 2019 (Before adopting IFRS 16)	50,633	111,482	150,693	29,047	341,855
Impact of adopting IFRS 16	–	–	(3,578)	–	(3,578)
As of April 1, 2019 (After adopting IFRS 16)	50,633	111,482	147,115	29,047	338,277
Purchase	239	24,099	35,065	46,600	106,003
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	(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
Purchase	1,175	18,251	42,098	55,582	117,106
Business combinations	689	1,022	3,973	187	5,871
Depreciation	–	(13,393)	(60,418)	–	(73,811)
Impairment loss	–	(206)	(6,634)	(728)	(7,568)
Sales or disposal	(6)	(194)	(814)	(89)	(1,103)
Reclassification	–	8,462	36,056	(44,518)	–
Exchange differences	509	2,632	3,464	1,521	8,126
Others	(437)	(281)	890	7,045	7,217
As of March 31, 2021	52,277	148,355	192,592	45,885	439,109

Acquisition costs

(Yen in millions)

	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
As of April 1, 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
As of March 31, 2021	52,682	429,857	996,709	45,885	1,525,133

Accumulated depreciation and accumulated impairment losses

(Yen in millions)

	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
As of April 1, 2019	528	267,743	765,533	–	1,033,804
As of March 31, 2020	405	265,568	762,182	–	1,028,155
As of March 31, 2021	405	281,502	804,117	0	1,086,024

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	Non-patent technology	Software	Trademark rights	Other	Total
As of April 1, 2019	149,499	31,227	6,014	9,752	14,430	18,578	80,001
Purchase	—	—	33	8,531	1	3,406	11,971
Business combinations	66,593	39,503	2,065	171	1,177	1,994	44,910
Amortization	—	(6,096)	(942)	(4,947)	(1,517)	(2,799)	(16,301)
Impairment loss	—	—	—	—	—	—	—
Sales or disposal	—	(1)	(5)	(32)	—	(519)	(557)
Exchange differences	(3,606)	(1,092)	(135)	(153)	(485)	(314)	(2,179)
Other	(279)	62	64	(5)	4	563	688
As of March 31, 2020	212,207	63,603	7,094	13,317	13,610	20,909	118,533
Purchase	—	—	2	7,670	0	1,453	9,125
Business combinations	43,637	10,379	26,026	49	612	1,431	38,497
Amortization	—	(7,436)	(1,572)	(6,623)	(1,630)	(2,854)	(20,115)
Impairment loss	(3,470)	—	—	(218)	—	(231)	(449)
Sales or disposal	—	(0)	—	(36)	—	(12)	(48)
Exchange differences	4,761	2,709	2,041	264	794	330	6,138
Other	(603)	(331)	(61)	175	(72)	(97)	(386)
As of March 31, 2021	256,532	68,924	33,530	14,598	13,314	20,929	151,295

Acquisition costs

(Yen in millions)

	Goodwill	Intangible assets					
		Customer relationships	Non-patent technology	Software	Trademark rights	Other	Total
As of April 1, 2019	196,506	56,294	10,031	37,935	19,305	35,223	158,788
As of March 31, 2020	259,210	94,508	11,984	43,868	19,856	39,076	209,292
As of March 31, 2021	307,010	98,129	40,231	51,099	21,192	38,042	248,693

Accumulated amortization and accumulated impairment losses

(Yen in millions)

	Goodwill	Intangible assets					
		Customer relationships	Non-patent technology	Software	Trademark rights	Other	Total
As of April 1, 2019	47,007	25,067	4,017	28,183	4,875	16,645	78,787
As of March 31, 2020	47,003	30,905	4,890	30,551	6,246	18,167	90,759
As of March 31, 2021	50,478	29,205	6,701	36,501	7,878	17,113	97,398

16. Impairment of Non-Financial Assets

(1) Impairment Losses

For the purpose of measuring an impairment loss, Kyocera groups an assets based on the smallest identifiable group of assets that generates cash inflows that are largely independent of other cash flows, and the business is the main cash-generating unit.

The breakdown of impairment loss by each class of assets is as follows:

(Yen in millions)

	For the year ended March 31,	
	2020	2021
Property, plant and equipment	297	7,568
Right-of-use assets	—	179
Goodwill	—	3,470
Intangible assets	—	449
Total	297	11,666

Kyocera recognized an impairment loss of 11,518 million yen due to the deterioration of profitability in the Smart Energy business included in the Life & Environment Group during the year ended March 31, 2021. The carrying amounts of assets were written down to their recoverable amount.

The recoverable amount is measured at value in use. The value in use is calculated by discounting future cash flows based on the five-year business plan approved by the management to present value using the pre-tax discount rate (13.5%). The pre-tax discount rate is based on the weighted average cost of capital of the Smart Energy business. The growth rate applied to the estimation of future cash flow beyond the period covered by the business plan is assumed to be zero in consideration of future uncertainties. Impairment losses were included in “selling, general and administrative expenses” on the consolidated statements of profit or loss.

(2) Impairment of Goodwill

Goodwill acquired as a part of business combinations is allocated to cash-generating units or cash-generating unit groups that are expected to benefit from the synergies of the combination. Amounts of goodwill allocated to cash-generating units or cash-generating unit groups are as follows:

(Yen in millions)

	As of March 31,	
	2020	2021
Fine Ceramic Components	10,642	11,535
Industrial Tool	83,148	84,551
Optical Components	900	6,361
Electronics Components	20,173	20,173
AVX	38,181	39,200
KCCS	7,546	7,582
Document Solutions	40,457	51,626
Others	11,160	35,504
Total	212,207	256,532

(Note) Individually immaterial goodwill that are allocated to cash-generating units or cash-generating unit groups are included in “Others.”

“Others” for the year ended March 31, 2021 includes 26,724 million yen of goodwill acquired in a business combination and has not been allocated to cash-generating unit or cash-generating unit groups at the end of reporting period because the initial accounting for business combination has not been completed. Please refer to Note “7. Business Combination” for the details.

Goodwill and intangible assets that have an indefinite useful lives are tested annually for impairment (January 1 every year), or more frequently if events or changes in circumstances indicate that an impairment may occur. 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 five 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 10.1% to 15.9% for the year ended March 31, 2020 and 11.5% to 15.0% for the year ended March 31, 2021 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.

Intangible assets are grouped on the basis of the smallest group of assets that generates cash inflows that are largely independent.

As a result of the impairment test carried in the year ended March 31, 2021, the recoverable amount of the Fine Ceramic Components business and Optical Components business have exceeded the carrying amount by 7,809 million yen, or 6.5%, and 1,450 million yen, or 6.9%, respectively. The carrying amount of the Fine Ceramic Components business and Optical Components business are 119,843 million yen and 20,917 million yen.

However, there is a risk of impairment in the event of a change in the key assumptions underlying the value in use. The projection includes assumptions the recovery of demand following the global economic recovery from the COVID-19 pandemic and the launch of new products and others. In setting these assumptions, Kyocera considers past experience, external sources of information, knowledge of competitor activity, and industry trends.

The management determined that for cash-generating units or cash-generating unit groups to which the goodwill and intangible assets with indefinite useful lives are allocated, the recoverable amount is unlikely to fall below the carrying amount, even if key assumptions used in the impairment test change to a reasonably foreseeable extent.

17. Income Taxes

(1) Deferred Tax Assets and Deferred Tax Liabilities

The main components of and the movement of deferred tax assets and deferred tax liabilities are as follows:

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
Net operating loss carryforward and tax credit carryforward	22,482	5,904	—	326	28,712
Temporary differences associated with investments in subsidiaries and associates	—	—	400	—	400
Other	12,323	(5,810)	(1,049)	4,080	9,544
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.

For the year ended March 31, 2021

(Yen in millions)

	As of April 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	Other*	As of March 31, 2021
Deferred tax assets					
Enterprise tax	707	255	—	45	1,007
Inventories	13,615	(1,249)	—	518	12,884
Allowance for credit losses	1,707	47	—	119	1,873
Accrued expenses	11,745	(440)	(14)	(493)	10,798
Net defined benefit liabilities and accrued payroll	17,336	(116)	(1,690)	876	16,406
Depreciation and amortization	33,653	446	—	668	34,767
Securities	2,583	(633)	(1,558)	(1)	391
Net operating loss carryforward and tax credit carryforward	28,712	(6,432)	—	2,152	24,432
Temporary differences associated with investments in subsidiaries and associates	400	7,584	(400)	—	7,584
Other	9,544	1,148	(18)	226	10,900
Total	120,002	610	(3,680)	4,110	121,042
Deferred tax liabilities					
Depreciation and amortization	21,303	(1,471)	—	11,854	31,686
Securities	320,872	(2,416)	27,300	(8)	345,748
Net defined benefit assets	2,369	(326)	6,473	310	8,826
Other	6,341	1,063	373	332	8,109
Total	350,885	(3,150)	34,146	12,488	394,369

(Note) Other consists mainly of business combinations and foreign currency translation adjustments.

Net operating loss carryforward and tax credit carryforward 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,	
	2020	2021
Net operating loss carryforward and tax credit carryforward	43,811	94,715
Future deductible temporary differences	26,857	29,896
Total	70,668	124,611

Expiration of net operating loss carryforward and tax credit carryforward unaccompanied by recognition of deferred tax assets is as follows:

(Yen in millions)

	As of March 31,	
	2020	2021
1st year	554	701
2nd year	648	400
3rd year	343	341
4th year	310	366
5th year and thereafter	15,288	25,702
No expiry date	26,668	67,205
Total	43,811	94,715

The total amount of future deductible temporary differences associated with investments in subsidiaries and associates for which no deferred tax assets are recognized are 76,701 million yen as of March 31, 2020 and 49,990 million yen as of March 31, 2021.

The total amount of future taxable temporary differences associated with investments in subsidiaries and associates for which no deferred tax liabilities are recognized are 409,827 million yen as of March 31, 2020 and 420,218 million yen as of March 31, 2021. 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,	
	2020	2021
Current tax expenses	23,692	27,969
Deferred tax expenses		
Temporary differences originated and reversed	13,239	(3,767)
Changes of effective tax rate	49	7
Total	36,980	24,209

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,	
	2020	2021
Statutory effective tax rate	30.0	30.0
Difference on tax rates of foreign subsidiaries	(3.6)	(3.1)
Change in unrecognized deferred tax assets	0.1	0.6
Tax credit for research and development	(0.8)	(1.9)
Impairment of goodwill	-	0.9
Temporary differences associated with investments in subsidiaries and associates	-	(5.8)
Others	(0.9)	(0.1)
Effective tax rate of income tax expense	24.8	20.6

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, 2020 and 2021. Foreign subsidiaries are subject to income taxes at their locations.

18. Trade and Other Payables

The components of trade and other payables are as follows:

(Yen in millions)

	As of March 31,	
	2020	2021
Trade notes payable	23,011	23,911
Accounts payable	107,896	115,872
Other notes and accounts payable	42,393	43,362
Total	173,300	183,145

19. Borrowings

(1) Components of Borrowings

The components of borrowings are as follows:

(Yen in millions)

	As of March 31,		Average interest rate*	Maturity
	2020	2021		
Short-term borrowings	30,208	30,135	0.03%	—
Current portion of long-term borrowings	4,817	9,885	4.27%	—
Long-term borrowings	44,970	57,888	1.48%	year 2022 to year 2041
Total	79,995	97,908	—	—
Current liabilities	35,025	40,020	—	—
Non-current liabilities	44,970	57,888	—	—
Total	79,995	97,908	—	—

(Note) Average interest rate is the weighted average interest rate of borrowings as of March 31, 2021.

(2) Assets Pledged as Collateral

The assets pledged as collateral for liabilities are as follows:

(Yen in millions)

	As of March 31,	
	2020	2021
Property, plant and equipment, net	1,433	1,565

The liabilities related to these assets pledged as collateral are as follows:

(Yen in millions)

	As of March 31,	
	2020	2021
Short-term borrowings	—	95
Current portion of long-term borrowings	27	2
Other current liabilities	1,038	1,456
Long-term borrowings	221	22
Total	1,286	1,575

20. Leases

(1) Lease as Lessee

Kyocera, as lessee, leases land, buildings and equipment. Some lease contracts contain an extension or termination 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.

Profit or loss relating to leases consist of the following:

(Yen in millions)

	For the year ended March 31,	
	2020	2021
Depreciation charge of right-of-use assets		
Land and buildings	11,691	12,802
Machinery and others	2,343	2,330
Total	14,034	15,132
Interest expense on lease liabilities	618	597
Expense relating to short-term leases	489	645
Expense relating to leases of low-value assets	605	734
Expense relating to variable lease payments*	645	739
Total expenses relating to leases	16,391	17,847
Income from sub-leasing right-of-use assets	(525)	(110)
Total	15,866	17,737

(Note) Expense relating to variable lease payment not included in the measurement of lease liabilities

The components of the carrying amounts of right-of-use assets are as follows:

(Yen in millions)

	As of March 31,	
	2020	2021
Right-of-use assets		
Land and buildings	30,333	33,706
Machinery and others	4,588	4,933
Total	34,921	38,639

The total additions to right-of-use assets are 23,087 million yen for the year ended March 31, 2020, and 17,952 million yen for the year ended March 31, 2021.

The total cash out flow for leases is 19,349 million yen for the year ended March 31, 2020, and 23,110 million yen for the year ended March 31, 2021.

The details of maturity of lease liabilities are described in Note “32. Financial Instruments (4) Liquidity Risk Management.”

(2) Lease as Lessor

Kyocera, as lessor, mainly leases multifunctional products.

Maturity analysis of undiscounted lease payments receivable are as follows:

(Yen in millions)

	Lease payments receivable	
	As of March 31,	
	2020	2021
Within 1 year	9,126	16,786
Between 1 and 2 years	6,463	13,395
Between 2 and 3 years	4,614	9,722
Between 3 and 4 years	3,155	6,206
Between 4 and 5 years	2,093	3,453
After 5 years	6,793	6,516
Total	32,244	56,078
Unearned finance income	(1,764)	(3,726)
Unguaranteed residual value	57	881
Net investment in the lease	30,537	53,233

21. 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 plan 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,	
	2020	2021
Present value of defined benefit obligations	216,723	218,073
Fair value of plan assets	224,090	243,449
Fund status	(7,367)	(25,376)
Net defined benefit liability (asset)	(7,367)	(25,376)
Amounts in the consolidated statements of financial position:		
Retirement benefit liabilities	1,726	2,553
Other non-current assets	(9,093)	(27,929)
Net defined benefit liability (asset) recognized in the consolidated statements of financial position	(7,367)	(25,376)

Foreign

(Yen in millions)

	As of March 31,	
	2020	2021
Present value of defined benefit obligations	54,631	61,160
Fair value of plan assets	35,613	48,587
Fund status	19,018	12,573
Effect of asset ceiling	3,772	–
Net defined benefit liability (asset)	22,790	12,573
Amounts in the consolidated statements of financial position:		
Retirement benefit liabilities	22,790	17,576
Other non-current assets	–	(5,003)
Net defined benefit liability (asset) recognized in the consolidated statements of financial position	22,790	12,573

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,	
	2020	2021
Service cost	12,130	12,129
Net interest cost	(38)	(43)
Total	12,092	12,086

Foreign

(Yen in millions)

	For the year ended March 31,	
	2020	2021
Service cost	823	722
Net interest cost	314	383
Prior service cost	(415)	–
Total	722	1,105

(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,	
	2020	2021
Present value of defined benefit obligations at the beginning of the year	218,820	216,723
Service cost	12,130	12,129
Interest cost	1,113	1,140
Remeasurements		
Actuarial gains (losses) arising from changes in demographic assumptions	(954)	459
Actuarial gains (losses) arising from changes in financial assumptions	(1,990)	(3,066)
Experience adjustments	(222)	26
Benefits paid	(12,174)	(10,832)
Acquisitions of business	—	1,494
Present value of defined benefit obligations at the end of the year	216,723	218,073

The weighted-average duration of the defined benefit obligation as of March 31, 2020 and March 31, 2021 are both 14 years.

Foreign

(Yen in millions)

	For the year ended March 31,	
	2020	2021
Present value of defined benefit obligations at the beginning of the year	56,022	54,631
Service cost	823	722
Interest cost	1,511	1,350
Re-measurements		
Actuarial gains (losses) arising from changes in demographic assumptions	(602)	(47)
Actuarial gains (losses) arising from changes in financial assumptions	1,832	2,497
Experience adjustments	(331)	95
Prior service cost and liquidation gain or loss	(415)	—
Benefits paid	(3,276)	(2,561)
Acquisitions of business	1,356	—
Exchange differences on translating foreign operations	(2,246)	3,725
Other	(43)	748
Present value of defined benefit obligations at the end of the year	54,631	61,160

The weighted-average duration of the defined benefit obligation as of March 31, 2020 and March 31, 2021 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,	
	2020	2021
Fair value of plan assets at the beginning of the year	225,501	224,090
Interest income	1,151	1,183
Re-measurements		
Return on plan assets	(781)	17,827
Employer contribution	10,357	10,332
Benefits paid	(12,138)	(10,705)
Acquisitions of business	—	722
Fair value of plan assets at the end of the year	224,090	243,449

Kyocera Corporation and its major domestic subsidiaries expect to contribute to the plan approximately 9,947 million yen for the year ending March 31, 2022.

Foreign

(Yen in millions)

	For the year ended March 31,	
	2020	2021
Fair value of plan assets at the beginning of the year	39,775	35,613
Interest income	1,197	967
Re-measurements		
Return on plan assets	(2,019)	7,607
Employer contribution	823	2,862
Benefits paid	(2,279)	(1,545)
Exchange differences on translating foreign operations	(1,796)	3,124
Other	(88)	(41)
Fair value of plan assets at the end of the year	35,613	48,587

KII and AVX expect to contribute to the plan approximately 711 million yen for the year ending March 31, 2022.

(4) The Components of Plan Assets

The components of plan assets are as follows:

Domestic

(Yen in millions)

	As of March 31, 2020			As of March 31, 2021		
	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	—	101,309	101,309	—	102,825	102,825
Equity financial instruments						
Pooled funds*1	—	39,880	39,880	—	39,299	39,299
Debt financial instruments						
Corporate bonds	7,912	—	7,912	4,408	—	4,408
Pooled funds*2	—	6,923	6,923	—	7,763	7,763
Other types of investments						
Real estate funds*3	—	28,606	28,606	—	29,999	29,999
Large scale solar power generation business funds	—	11,293	11,293	—	14,041	14,041
Other	—	11,257	11,257	—	12,517	12,517
Cash and cash equivalents	16,910	—	16,910	32,597	—	32,597
Total	24,822	199,268	224,090	37,005	206,444	243,449

(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 40% investment in long-term operation assets such as real estate funds, approximately 30% 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.

Foreign

(Yen in millions)

	As of March 31, 2020			As of March 31, 2021		
	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	3,326	—	3,326	6,551	—	6,551
Pooled funds*1	6,395	—	6,395	10,421	—	10,421
Debt instruments						
Government bonds and Government agency bonds	1,000	1,525	2,525	811	2,102	2,913
Corporate bonds	3,674	1,324	4,998	4,133	2,045	6,178
Pooled separate accounts*2	—	17,861	17,861	—	21,916	21,916
Other	—	419	419	—	455	455
Cash and cash equivalents	89	—	89	153	—	153
Total	14,484	21,129	35,613	22,069	26,518	48,587

(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,	
	2020	2021
Discount rate	0.27 to 0.53	0.27 to 0.61

Foreign

(%)

	As of March 31,	
	2020	2021
Discount rate	1.50 to 3.15	1.10 to 3.20
Rate of increase in compensation levels	2.50 to 3.25	2.50 to 3.25

(6) Sensitivity Analysis

The effect in the present value of defined benefit obligations due to changes in discount rates by 0.5% for the benefit plan at Kyocera Corporation and its major domestic subsidiaries which accounts for a significant portion of Kyocera's defined benefit plan. This 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 change.

(Yen in millions)

	As of March 31,	
	2020	2021
0.5% increase in discount rate	(11,558)	(11,056)
0.5% decrease in discount rate	12,870	12,288

22. 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	Provision for environmental loss	Asset retirement obligations	Other provisions	Total
As of April 1, 2020	3,587	10,661	4,204	3,282	1,437	23,171
Increase during the year	539	543	691	116	401	2,290
Decrease during the year (intended use)	(416)	(9,257)	(245)	(10)	(67)	(9,995)
Decrease during the year (reversal)	(465)	(700)	(126)	(58)	(204)	(1,553)
Others *	122	(254)	134	785	135	922
As of March 31, 2021	3,367	993	4,658	4,115	1,702	14,835

(Note) Others consists mainly of business combinations and translation difference.

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, 2022.

Provision for loss on litigation

The details regarding the provision for loss on litigation is described in Note “36. Contingency (2) Patent Lawsuits.” During the year ended March 31, 2021, Kyocera has reversed 6,890 million yen on provision for loss on litigation against the U.S. Antitrust Law, which was recognized in the year ended March 31, 2020.

Provision for environmental loss

The details regarding the provision for environmental loss is described in Note “36. Contingency (3) Environmental Matters.”

Asset retirement obligations

In preparation for the obligation to restore leased offices and buildings used by Kyocera to their original state, asset retirement obligations include the amount that is expected to be paid in the future based on the past results of restoration to the original state. These expenses are expected to be paid after the expected period of use of the office, but will be affected by future business plans.

23. Other Liabilities

The main components of other liabilities are as follows:

Other current liabilities (Yen in millions)

	As of March 31,	
	2020	2021
Contract liability	20,891	23,334
Other	10,482	10,670
Total	31,373	34,004

Other non-current liabilities (Yen in millions)

	As of March 31,	
	2020	2021
Long-term payable *1	4,978	4,703
Other *2	8,146	15,858
Total	13,124	20,561

(Notes) 1. 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 4,096 million yen as of March 31, 2020, and 3,534 million yen as of March 31, 2021, respectively.

2. Kyocera reclassified the provision for loss on litigation against the U.S. Antitrust Law of 6,890 million yen recognized in the year ended March 31, 2020 into other non-current liabilities as the class action case has settled and the District Court has approved this settlement in the year ended March 31, 2021.

24. 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,	
	2020	2021
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, 2019	15,864,921	72,361
Increase (decrease) during the year *1, 2	(678,567)	(3,086)
Balance as of March 31, 2020	15,186,354	69,275
Increase (decrease) during the year *3	(8,150)	(32)
Balance as of March 31, 2021	15,178,204	69,243

(Note) 1. 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) 2. 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

(Note) 3. Kyocera resolved at a meeting of its Board of Directors held on June 25, 2020, to dispose of treasury stocks as the restricted stock compensation to the Eligible Officers, and it allotted the restricted stock compensation and disposed of treasury stocks on July 22, 2020. Its summary is as follows:

Class and number of shares to be disposed of	Common stock 10,798
Disposal price	6,148 yen per share
Total amount to be paid	66 million yen
Carry amount of treasury stock to be disposed of	49 million yen
Allottees and number thereof, and number of shares to be disposed of	10 Directors (excluding Outside Directors) 7,477 shares 19 Executive Officers 3,321 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	Share of other comprehensive income (loss) of investments accounted for using the equity method	
As of April 1, 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
As of March 31, 2020	599,595	—	(106)	(23,701)	(293)	575,495
Arising during the period:						
Pre-tax amount	95,495	29,358	204	33,712	112	158,881
Income tax (expense) benefit	(28,765)	(8,212)	(39)	(322)	(33)	(37,371)
Net-of-tax amount	66,730	21,146	165	33,390	79	121,510
Reclassification to profit or loss:						
Pre-tax amount	—	—	(26)	(84)	41	(69)
Income tax (expense) benefit	—	—	5	25	(12)	18
Net-of-tax amount	—	—	(21)	(59)	29	(51)
Other comprehensive income (loss), net of tax	66,730	21,146	144	33,331	108	121,459
Transfer to retained earning	(3,185)	(20,929)	—	—	—	(24,114)
Other comprehensive income (loss) attributable to non-controlling interest, net-of-taxation	31	(217)	—	(703)	—	(889)
As of March 31, 2021	663,171	—	38	8,927	(185)	671,951

25. Dividends

(1) Dividends Paid

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.

For the year ended March 31, 2021

	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
The resolution of the Board of Directors Meeting held on October 29, 2020	Common stock	21,746	60	September 30, 2020	December 4, 2020	Retained earnings

(2) Dividends for which the Record Date Fall in the Year Ended March 31, 2020 and 2021 with an Effective Date in the Subsequent Period

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

For the year ended March 31, 2021

	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, 2021	Common stock	28,995	80	March 31, 2021	June 28, 2021	Retained earnings

26. Sales Revenue

(1) Breakdown of Revenue

Breakdown of revenue category is the same as the reporting segment. The details regarding to businesses, main products and services included in each reporting segment are described in Note “6. Segment information.”

Revenue recognized from contracts with customers and revenue recognized from other sources are as follows:

For the year ended March 31, 2020

(Yen in millions)

	Reporting Segment						Other	Total
	Industrial & Automotive Components Group	Semiconductor Components Group	Electronic Devices Group	Communications Group	Document Solutions Group	Life & Environment Group		
Sales revenue								
Revenue recognized from contracts with customers	340,157	247,161	320,150	250,497	347,745	67,207	13,937	1,586,854
Revenue recognized from other sources	—	—	—	466	11,733	—	—	12,199
Total	340,157	247,161	320,150	250,963	359,478	67,207	13,937	1,599,053

(Note) Revenue recognized from other sources includes revenues from leases in accordance with IFRS 16.

For the year ended March 31, 2021

(Yen in millions)

	Reporting Segment						Other	Total
	Industrial & Automotive Components Group	Semiconductor Components Group	Electronic Devices Group	Communications Group	Document Solutions Group	Life & Environment Group		
Sales revenue								
Revenue recognized from contracts with customers	358,210	263,550	302,185	212,158	300,628	59,523	14,951	1,511,205
Revenue recognized from other sources	33	—	—	499	15,157	3	—	15,692
Total	358,243	263,550	302,185	212,657	315,785	59,526	14,951	1,526,897

(Note) Revenue recognized from other sources includes revenues from leases in accordance with IFRS 16.

(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,	
	2020	2021
Receivables from contracts with customers	285,975	297,407
Contract assets	11,395	4,636
Contract liabilities	27,050	30,136

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 with respect to contracts for photovoltaic system related products in the communications segment. Contract assets are reclassified to trade receivables when the right to consideration becomes unconditional.

For contracts in which the period between the delivery of products to customers and the receipt of consideration is expected to be one year or less, Kyocera does not make an adjustment for significant financing components, as a practical expedient.

The components of contract liabilities are as follows:

(Yen in millions)

	As of March 31,	
	2020	2021
Advance received	19,750	21,811
Refund liabilities	7,300	8,325
Total	27,050	30,136

The balance of advance received as of April 1, 2019 was recognized as revenue for the year ended March 31, 2020. The balance of advance received as of March 31, 2020 was recognized as revenue for the year ended March 31, 2021. 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.

27. 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,	
	2020	2021
Raw materials	420,158	393,030
Subcontract expenses	115,045	120,046
Direct expenses for sale	37,650	34,541
Labor cost	444,147	426,890
Depreciation and amortization	92,748	109,058
General expenses	389,112	372,688
Total	1,498,860	1,456,253

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.

Impairment loss of 11,518 million yen in the smart energy business are included in general expenses for the year ended March 31, 2021. The details regarding impairment loss are described in Note “16. Impairment of Non-Financial Assets.”

28. Research and Development Expenses

The amount of research and development expenses for the year ended March 31, 2020 and 2021 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,	
	2020	2021
Research and Development expenses	79,241	75,457

29. Finance Income and Expenses

(1) Finance Income

The components of finance income are as follows:

(Yen in millions)

	For the year ended March 31,	
	2020	2021
Interest income		
Financial assets measured at amortized cost	8,291	3,626
Dividend income		
Financial assets measured at fair value through other comprehensive income	39,637	42,010
Other	226	14
Total	48,154	45,650

(2) Finance Expenses

The components of finance expenses are as follows:

(Yen in millions)

	For the year ended March 31,	
	2020	2021
Interest expenses		
Financial liabilities measured at amortized cost	867	1,466
Lease liabilities	618	597
Other	68	131
Total	1,553	2,194

30. Earnings Per Share

Earnings per share attributable to owners of the parent are as follows:

	For the year ended March 31,	
	2020	2021
Profit attributable to owners of the parent (Yen in millions)	107,721	90,214
Weighted average number of ordinary shares (Thousands of shares)	362,263	362,439
Earnings per share attributable to owners of the parent -Basic (Yen)	297.36	248.91

(Note) Earnings per share attributable to owners of the parent - Diluted is not stated, as there is no potential share.

31. 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,	
	2020	2021
Accounts payable for purchase of property, plant and equipment	21,807	23,501
Accounts payable for purchase of intangible assets	672	509
Acquisition of right-of-use assets from lease transaction	23,087	17,952

Acquisitions of businesses

(Yen in millions)

	For the year ended March 31,	
	2020	2021
Acquired assets at fair value	150,877	103,911
Assumed liabilities at fair value	(65,955)	(31,563)
Cash acquired	(1,111)	(5,458)
Others	(289)	(7,013)
Total	83,522	59,877

The changes in liabilities arising from financing activities

(Yen in millions)

	Short-term borrowings	Long-term borrowings	Lease liabilities	Total
As of April 1, 2019 (Before adopting IFRS 16)	113	9,747	3,173	13,033
Impact of adopting IFRS 16	—	—	33,095	33,095
As of April 1, 2019 (After adopting IFRS 16)	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
Changes from financing cash flows	(4,406)	(2,216)	(20,992)	(27,614)
Changes from lease contracts	—	—	18,351	18,351
Changes arising from obtaining or losing control of subsidiaries or other businesses	4,283	70	3,924	8,277
Exchange differences on translating foreign operations	54	1,561	1,712	3,327
Others	(4)	18,571	(405)	18,162
As of March 31, 2021	30,135	67,773	49,914	147,822

32. 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,	
	2020	2021
Profit ratio of equity attributable to owners of the parent (ROE)	4.6	3.6

(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:

(Yen in millions)

	For the year ended March 31,	
	2020	2021
Opening balance	3,985	4,995
Increase	1,921	948
Decrease (intended use)	(82)	(133)
Decrease (reversal)	(615)	(1,032)
Exchange differences on translating foreign operations	(214)	167
Closing balance	4,995	4,945

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, 2020 and 2021.

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,	
	2020	2021
Not past due	265,089	279,269
Due within 3 months	22,394	19,462
Due over 3 months to 1 year	1,939	2,051
Due over 1 year	1,553	1,552
Total	290,975	302,334

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, 2020 and 2021 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, 2021, 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, 2020 and 2021 are as follows:

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	—	—

As of March 31, 2021

(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	97,908	100,286	41,091	58,735	460
Trade and other payables	183,145	183,145	183,145	—	—
Lease liabilities	49,914	52,672	16,326	23,508	12,838
Total	330,967	336,103	240,562	82,243	13,298
Derivative liabilities:					
Other financial liabilities	7,669	7,669	7,669	—	—

(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, 2020 and 2021 are as follows:

(Yen in millions)

	For the year ended March 31,	
	2020	2021
U.S. dollar	(759)	(917)
Euro	(1,057)	(886)

(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, 2020 and 2021 are 106,896 million yen and 113,765 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 profit or loss. Kyocera does not adopt hedge accounting for such derivatives.

The aggregate contractual amounts of derivative financial instruments as of March 31, 2020 and 2021 are as follows:

The aggregate contractual amounts (Yen in millions)

	As of March 31,	
	2020	2021
Derivatives designated as hedging instruments:		
Foreign currency forward contracts	5,594	6,135
Derivatives not designated as hedging instruments:		
Foreign currency forward contracts	201,622	237,007
Total	207,216	243,142

The fair value and presentation (Yen in millions)

	As of March 31,	
	2020	2021
Derivative assets		
Derivatives designated as hedging instruments:		
Foreign currency forward contracts Other financial assets	26	69
Derivatives not designated as hedging instruments:		
Foreign currency forward contracts Other financial assets	1,644	466
Total	1,670	535
Derivative liabilities		
Derivatives designated as hedging instruments:		
Foreign currency forward contracts Other financial liabilities	213	54
Derivatives not designated as hedging instruments:		
Foreign currency forward contracts Other financial liabilities	1,331	7,615
Total	1,544	7,669

Changes in the fair value of derivative financial instruments not designated as hedging instruments for the year ended March 31, 2020 and 2021 are as follows. Realized gain and losses on derivatives designated as hedging instruments are not disclosed since it is immaterial.

Type of derivatives (Yen in millions)

	For the year ended March 31,	
	2020	2021
Foreign currency forward contracts	(756)	(7,462)

(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.

a. Financial Instruments Measured at Amortized Cost

Carrying amount and fair value of financial instruments measured at amortized cost are as follows:

(Yen in millions)

	As of March 31,			
	2020		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets:				
Short-term investments	62,323	62,164	79,807	79,784
Long-term instruments in debt securities	31,689	31,214	3,119	3,070
Other financial assets	36,544	36,544	60,070	60,070
Total	130,556	129,922	142,996	142,924
Liabilities:				
Borrowings	79,995	79,995	97,908	97,870
Total	79,995	79,995	97,908	97,870

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.

Short-term borrowings are stated at their carrying amount since they are settled in the short term and their fair value is nearly equal to their carrying amount.

Long-term borrowings with variable interest rates are stated at their carrying amount because they reflect market interest rates in a short period of time and their fair values are deemed to be close to their carrying amount.

Long-term borrowings with fixed interest rates are stated at the present value of future cash flows discounted at the interest rate that would be applied to a similar contract were newly executed.

b. Financial Instruments measured at Fair Value

The levels of the fair value hierarchy of financial instruments measured at fair value are as follows:

(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

(Yen in millions)

	As of March 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Short-term investments	–	–	45	45
Equity and debt instruments				
Financial assets measured at fair value through other comprehensive income	1,217,184	–	40,859	1,258,043
Financial assets measured at fair value through profit or loss	–	–	3,291	3,291
Other financial assets	–	535	–	535
Total	1,217,184	535	44,195	1,261,914
Liabilities				
Other financial liabilities	–	7,669	–	7,669
Contingent consideration	–	–	2,581	2,581
Total	–	7,669	2,581	10,250

Transfers between levels are recognized on the day when the event or change in circumstances that caused the transfer occurred. Kyocera did not recognize any transfers between levels for the year ended March 31, 2020 and 2021.

c. Measurement Method of Fair Value of Financial Assets and Financial Liabilities

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 valuation technique such as discounted cash flows method. Contingent consideration recognized in a business combination is calculated based on expected payment by taking into account future business performances. Contingent consideration is included in “Accrued expenses” in the consolidated statement of financial position.

There were no significant changes in financial instruments classified Level 3 for the year ended March 31, 2020 and 2021.

d. Evaluation Process

The fair value of unlisted stocks classified as level 3 is evaluated and the results of the evaluation are examined by external evaluation experts or appropriate persons in charge of evaluation in accordance with the evaluation policy and procedures approved by the management of Corporate Management Control Group. The evaluation results are reviewed and approved by person in charge of management of Corporate Management Control Group.

e. Quantitative Information related to Assets Classified as Level 3

Information related to evaluation technique and significant unobservable inputs of assets measured at fair value on a recurring basis classified as level 3 is as follows:

As of March 31, 2020

Classification	Valuation Technique	Unobservable Inputs	Range
Financial assets measured at fair value through other comprehensive income	Discounted cash flow method	Discount rate	1.8% to 4.3%

As of March 31, 2021

Classification	Valuation Technique	Unobservable Inputs	Range
Financial assets measured at fair value through other comprehensive income	Discounted cash flow method	Discount rate	2.6% to 4.3%

The decline (increase) in the discount rate will increase (decrease) the fair value. 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.

33. Major Subsidiaries

(1) Organizational Structure

Major subsidiaries of Kyocera as of March 31, 2021 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	76.64
Kyocera Document Solutions Inc.	Japan	Document Solutions	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
Kyocera (Tianjin) Solar Energy Co., Ltd.	China	Life & Environment	90.00
Kyocera Korea Co., Ltd.	Korea	Semiconductor Components Electronic Devices	100.00
Kyocera Asia Pacific Pte. Ltd.	Singapore	Industrial & Automotive Components Semiconductor Components Electronic Devices	100.00
Kyocera (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 Europe GmbH	Germany	Industrial & Automotive Components Semiconductor Components Electronic Devices	100.00

(2) Change in the Parent's Ownership Interest in a Subsidiary

The effect of capital surplus on changes in the parent's ownership interests in subsidiaries is as follows:

(Yen in millions)

	For the year ended March 31,	
	2020	2021
The effect of transaction with non-controlling interests	(43,386)	(811)

The significant changes in the parent's ownership interests in subsidiaries for the year ended March 31, 2020 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.

34. 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, 2020 and 2021.

(2) Remuneration of Major Executives

Remuneration of major executives are as follows:

(Yen in millions)

	For the year ended March 31,	
	2020	2021
Basic remuneration	258	272
Performance-linked remuneration	135	116
Restricted Stock Compensation	49	46
Total	442	434

(Note) In addition to the total amount of compensation shown in the above table, compensation of 452 million yen for the year ended March 31, 2020 and 366 million yen for the year ended March 31, 2021 is paid to Directors (excluding Outside Directors) as compensation and others for those employees who serve concurrently as employees and Directors.

35. Commitments

Acquisition of Property, Plant and Equipment

Contractual commitments for the acquisition of property, plant and equipment at March 31, 2020 was 50,132 million yen and 78,931 million yen at March 31, 2021, respectively.

36. 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 12,628 million yen at March 31, 2021.

The investment was accounted for using the equity method, and its book value was 2,064 million yen at March 31, 2020 and 2,273 million yen at March 31, 2021, 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 3,938 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 2,321 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 2,321 million yen (22.1 million dollars) to an escrow account. Additionally, during the year ended March 31, 2020, AVX Corporation made a payment of 592 million yen (5.6 million dollars), representing pre-judgement interest, to an escrow account. In October 13, 2020, AVX Corporation paid the settlement amount of 2,913 million yen (27.7 million dollars).

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 financial position, operating results 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.

37. Subsequent Events

Not Applicable.

38. Approval of Consolidated Financial Statements

The consolidated financial statements have been approved by Hideo Tanimoto, President and Representative Director, and Shoichi Aoki, Director and Managing Executive Officer, on June 25, 2021.

2 Others

a. Quarterly Information for the Year Ended March 31, 2021

(Yen in millions, unless otherwise stated)

	For the three months ended June 30, 2020	For the six months ended September 30, 2020	For the nine months ended December 31, 2020	For the year ended March 31, 2021
Sales revenue	317,094	696,037	1,100,534	1,526,897
Profit before income taxes	30,411	48,249	87,216	117,559
Profit attributable to owners of the parent for the period (year)	22,380	34,360	63,931	90,214
Earnings per share attributable to owners of the parent (Yen)	61.75	94.80	176.39	248.91

	For the three months ended June 30, 2020	For the three months ended September 30, 2020	For the three months ended December 31, 2020	For the three months ended March 31, 2021
Earnings per share attributable to owners of the parent (Yen)	61.75	33.05	81.59	72.52

b. Litigation

For the details of litigation, please refer to Note “36. 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 (https://www.kyocera.co.jp) 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, 2020 to the filing date of this Annual Report.

(1) Annual Report, documents attached, and Confirmation Letter	Business Term (66th)	From April 1, 2019 To March 31, 2020	Filed on June 25, 2020
(2) Internal Control Report and documents attached	Business Term (66th)	From April 1, 2019 To March 31, 2020	Filed on June 25, 2020
(3) Quarterly Report and Confirmation Letter	(67th First Quarter)	From April 1, 2020 To June 30, 2020	Filed on August 7, 2020
	(67th Second Quarter)	From July 1, 2020 To September 30, 2020	Filed on November 12, 2020
	(67th Third Quarter)	From October 1, 2020 To December 31, 2020	Filed on February 10, 2021
(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 29, 2020
(5) Securities Registration Statement (Allotment of shares to others) and documents attached			Filed on June 25, 2020
(6) Amendment Report of Securities Registration Statement	Amendment for Securities Registration Statement and documents attached filed on June 25, 2020		Filed on June 29, 2020

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, 2021

To the Board of Directors of
Kyocera Corporation (Kyocera Kabushiki Kaisha):

PricewaterhouseCoopers Kyoto
Kyoto Office

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, 2021 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 in accordance with International Financial Reporting Standards pursuant to the provisions of Article 93 of Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements under Japanese Law, present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of March 31, 2021 and the consolidated results and its consolidated cash flows 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 the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions of the Code of Professional Ethics in our country, and fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board 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 includes implementing and maintaining internal control 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.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operation of the financial reporting process.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Goodwill and Intangible Assets Arising from the Acquisition of Soraa Laser Diode, Inc. (Consolidated Financial Statements Note 7 “Business Combination”)	
Key Audit Matter Description	How Our Audit Addressed the Key Audit Matter
<p>On January 8, 2021, Kyocera Corporation acquired Soraa Laser Diode, Inc., a manufacturer and distributor of GaN laser products in the U.S. at a price of 43,904 million yen, and made it a wholly-owned subsidiary. As a result of the recognition and measurement of identifiable assets acquired and liabilities assumed by using acquisition method, the Company recorded intangible assets (non-patent technology) of 24,296 million yen and goodwill of 26,724 million yen in the consolidated financial statements as of the acquisition date.</p> <p>The Company records the excess of the purchase consideration over the net of identifiable assets acquired and liabilities assumed as goodwill. The identified intangible assets are valued based on the future cash flows generated by the intangible assets. Information used in valuations is provided by the division in charge and approved by the management.</p> <p>In estimating the fair value of goodwill and intangible assets, management’s approved business plan, cash flows attributable to the intangible assets, and the discount rate are used as significant assumptions. Changes in these assumptions could change the recorded amount of goodwill and intangible assets. Given the uncertainty involved in estimating intangible assets and goodwill which requires management’s judgement, and the financial materiality of goodwill and intangible assets recorded, we determined that the audit of measurement of goodwill and intangible assets related to the acquisition of Soraa Laser Diode, Inc. as a key audit matter.</p>	<p>We have performed the following principal auditing procedures with respect to the measurement of goodwill and intangible assets associated with the application of business combination accounting by management:</p> <ul style="list-style-type: none"> ▪ We evaluated the identification of assets and liabilities assumed for completeness by reviewing the results of management’s analysis. ▪ We assessed the design and operating effectiveness of relevant internal controls over the measurement of goodwill and intangible assets, including the determination of significant assumptions and the reliability of data used in the estimates. ▪ We assessed whether the method applied to measure the fair value of the intangible assets was appropriate. ▪ We understood the business purpose of the transaction by examining contracts and minutes of meetings, and made inquiries of management. ▪ We verified the consistency of the cash flow forecasts used in the valuation to the approved business plan. ▪ We assessed the business plan and the discount rate for reasonableness through inquiries of management as well as comparing the business plan to industry and market forecast information from external market research. ▪ We assessed the reasonableness of the discount rate used by assessing the underlying weighted-average cost of capital analysis, including recalculating the after-tax cost of debt, testing the underlying information for the cost of capital, and verifying the validity of comparable companies used in the calculations. ▪ We utilized internal valuation specialists to assess the reasonableness of management’s process for identifying intangible assets, valuation techniques, and assumptions.

Impairment assessment of property, plant and equipment, goodwill and intangible assets
(Consolidated Financial Statements Note 3 “Significant Accounting Policies (9) Impairment of Non-Financial Assets,” Note 16 “Impairment of Non-Financial Assets”)

Key Audit Matter Description	How Our Audit Addressed the Key Audit Matter
<p>Kyocera Corporation recorded property, plant and equipment of 439,109 million yen, right-of-use assets of 38,639 million yen, goodwill of 256,532 million yen and intangible assets of 151,295 million yen as of March 31, 2021. The Company identifies cash-generating units based on independent cash flows from its businesses. Goodwill and indefinite-useful life intangible assets are also tested for impairment annually (on January 1 of each year) and more frequently if events occur or circumstances change that would indicate possible impairment. As a result of the impairment test, the Smart Energy business recorded an impairment loss of 11,518 million yen. In addition, in the Fine Ceramic Components business (carrying amount: 119,843 million yen) and the Optical Components business (carrying amount: 20,917 million yen), the recoverable amount exceeded the carrying amount by 7,809 million yen, or 6.5%, and 1,450 million yen, or 6.9%, respectively.</p> <p>When testing for impairment, the Company determines the recoverable amount based on the value in use. Value in use is calculated by discounting the estimated future cash flows based on the one to five-year business plan approved by management. The value in use from cash flows arising beyond the projection period is determined based on the long-term growth rate and the discount rate of terminal year cash flows. The growth rate assumed to estimate future cash flows beyond the period covered by the business plan is 0%, considering future uncertainty.</p> <p>In estimating value in use used in impairment testing, management-approved business plans and discount rates are used as significant assumptions. If these significant assumptions change, the amount of impairment losses recorded may change in the Smart Energy business, and the Fine Ceramic Components business and Optical Components business may be required to record impairment losses. Given the uncertainty involved in estimating value in use which requires management’s judgement, the amount of impairment losses recorded, and the significance of the carrying amount of non-financial assets attributable to each business, we determined that the audit of management’s impairment analysis of property, plant and equipment, goodwill, and intangible assets of the Smart Energy business, Fine Ceramic Components business, and Optical Components business as a key audit matter.</p>	<p>We have conducted the following principal auditing procedures regarding the impairment assessments of Smart Energy business, Fine Ceramic Components business, and Optical Components business conducted by the management:</p> <ul style="list-style-type: none"> ▪ We assessed the design and operating effectiveness of relevant internal controls over the measurement of goodwill and intangible assets, including the determination of significant assumptions and the reliability of data used in the estimates. ▪ We assessed whether the method applied to measure the value in use was appropriate. ▪ We verified the consistency of the cash flow forecasts used in the valuation to the approved business plan. ▪ We assessed the reasonableness of the business plan through inquiries with management, comparisons to industry forecast information from external market research, and comparisons with comparable companies. We also analyzed deviations from actual results for prior years’ business plans. ▪ We assessed the reasonableness of the discount rate used by assessing the underlying weighted-average cost of capital analysis, including recalculating the after-tax cost of debt, testing the underlying information for the cost of capital, and verifying the validity of comparable companies used in the calculations. ▪ We performed sensitivity analysis on the business plan and the discount rates used in the analyses. ▪ We utilized internal valuation specialists to assess the reasonableness of management’s process for identifying intangible assets, valuation techniques, and assumptions for the measurement of impairment loss in Smart Energy business.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are 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 as a whole are free from material misstatement due to fraud or error. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these consolidated financial statements. As part of an audit in accordance with the auditing standards generally accepted in our country, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risk of material misstatement due to fraud or error, design and perform audit procedures in responsive to material misstatement risks. The audit procedures selected and applied depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- obtain, when performing risk assessment procedures, an understanding of internal control 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.
- evaluate the appropriateness of accounting policies adopted by management and the application thereof, as well as the reasonableness of accounting estimates and the validity of related disclosure made by management.
- conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or circumstances that may cast significant doubt on the Company's ability to continue as a going concern assumption. If material uncertainties regarding the going concern assumption are identified, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures 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 up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with International Financial Reporting Standard, as well as the presentation, structure and content of the consolidated financial statements, including the related disclosures, and whether the consolidated financial statements properly present the underlying transactions and accounting events.
- obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the directions, supervision and implementation of the audit of the consolidated financial statements. We are solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified in the process of the audit and other matters required by the audit standards.

We also report to Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding 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.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be reported in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such reporting.

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, 2021.

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, 2021 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 and its consolidated subsidiaries in accordance with the provisions of the Code of Professional Ethics in our country, and fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board 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 for overseeing 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 Audit & Supervisory Board members and the Audit & Supervisory Board regarding 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 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 of Japan.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.