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**FORM 6-K**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D. C. 20549

**Report of Foreign Private Issuer  
Pursuant to Rule 13a-16 or 15d-16 under  
the Securities Exchange Act of 1934**

**For the month of February 2015**

**Commission File Number: 1-07952**

**KYOCERA CORPORATION**

**6 Takeda Tobadono-cho, Fushimi-ku,  
Kyoto 612-8501, Japan**

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Registration S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Registration S-T Rule 101(b)(7):

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

**KYOCERA CORPORATION**

/S/ SHOICHI AOKI

Shoichi Aoki

Director,

Managing Executive Officer and

General Manager of

Corporate Financial and Accounting Group

Date: February 12, 2015

Information furnished on this form:

**EXHIBITS**

**Exhibit  
Number**

1. [English translation of consolidated financial statements included in the Quarterly Report \(“shihanki-houkokusho”\) for the three months and nine months ended December 31, 2014 submitted to the Director of the Kanto Local Finance Bureau of the Ministry of Finance pursuant to the Financial Instruments and Exchange Law of Japan](#)

**CONSOLIDATED BALANCE SHEETS (Unaudited)**

|  | <u>March 31, 2014</u> | <u>December 31, 2014</u> |
|--|-----------------------|--------------------------|
|  | (Yen in millions)     |                          |
| <b>Current assets:</b>   |                       |                          |
| Cash and cash equivalents  | ¥ 335,174             | ¥ 318,924                |
| Short-term investments in debt and equity securities (Notes 4 and 5) | 115,900               | 136,777                  |
| Other short-term investments (Note 4)                                | 160,331               | 128,847                  |
| Trade receivables  |                       |                          |
| Notes  | 22,054                | 22,371                   |
| Accounts   | 257,850               | 282,994                  |
| Less allowances for doubtful accounts and sales returns              | (5,062)               | (5,778)                  |
|  | <u>274,842</u>        | <u>299,587</u>           |
| Inventories (Note 6)   | 335,802               | 392,308                  |
| Deferred income taxes  | 41,499                | 41,029                   |
| Other current assets (Notes 5, 7 and 8)                              | 103,887               | 115,911                  |
| <b>Total current assets</b>  | <u>1,367,435</u>      | <u>1,433,383</u>         |
| <b>Investments and advances:</b>                                     |                       |                          |
| Long-term investments in debt and equity securities (Notes 4 and 5)  | 738,212               | 997,472                  |
| Other long-term investments (Notes 4, 5, 7 and 10)                   | 14,847                | 16,543                   |
| <b>Total investments and advances</b>                                | <u>753,059</u>        | <u>1,014,015</u>         |
| <b>Property, plant and equipment:</b>                                |                       |                          |
| Land   | 63,268                | 63,609                   |
| Buildings  | 344,167               | 357,869                  |
| Machinery and equipment  | 826,881               | 857,543                  |
| Construction in progress   | 11,821                | 12,126                   |
| Less accumulated depreciation  | (975,580)             | (1,016,429)              |
| <b>Total property, plant and equipment</b>                           | <u>270,557</u>        | <u>274,718</u>           |
| Goodwill (Note 3)  | 116,632               | 124,630                  |
| Intangible assets  | 59,326                | 60,961                   |
| Other assets (Note 7)  | 69,695                | 64,246                   |
| <b>Total assets</b>  | <u>¥ 2,636,704</u>    | <u>¥ 2,971,953</u>       |

The accompanying notes are an integral part of these statements.

**CONSOLIDATED BALANCE SHEETS (Unaudited)—(Continued)**

|  | <u>March 31, 2014</u> | <u>December 31, 2014</u> |
|--|-----------------------|--------------------------|
|  | (Yen in millions)     |                          |
| <b>Current liabilities:</b>                        |                       |                          |
| Short-term borrowings                              | ¥ 4,064               | ¥ 5,302                  |
| Current portion of long-term debt (Note 5)         | 12,360                | 10,511                   |
| Trade notes and accounts payable                   | 122,424               | 122,731                  |
| Other notes and accounts payable                   | 48,224                | 54,999                   |
| Accrued payroll and bonus                          | 56,068                | 48,181                   |
| Accrued income taxes                               | 23,353                | 13,873                   |
| Other accrued liabilities (Note 10)                | 31,347                | 55,699                   |
| Other current liabilities (Notes 5 and 8)          | 29,611                | 44,392                   |
| Total current liabilities                          | <u>327,451</u>        | <u>355,688</u>           |
| <b>Non-current liabilities:</b>                    |                       |                          |
| Long-term debt (Note 5)                            | 19,466                | 19,774                   |
| Accrued pension and severance liabilities (Note 9) | 36,812                | 29,763                   |
| Deferred income taxes                              | 235,954               | 311,092                  |
| Other non-current liabilities (Note 10)            | 29,795                | 18,639                   |
| Total non-current liabilities                      | <u>322,027</u>        | <u>379,268</u>           |
| Total liabilities                                  | 649,478               | 734,956                  |
| <b>Commitments and contingencies (Note 10)</b>     |                       |                          |
| <b>Kyocera Corporation shareholders' equity:</b>   |                       |                          |
| Common stock                                       | 115,703               | 115,703                  |
| Additional paid-in capital                         | 162,666               | 162,695                  |
| Retained earnings                                  | 1,415,784             | 1,460,406                |
| Accumulated other comprehensive income (Note 12)   | 250,963               | 446,133                  |
| Common stock in treasury, at cost                  | (35,033)              | (35,053)                 |
| Total Kyocera Corporation shareholders' equity     | <u>1,910,083</u>      | <u>2,149,884</u>         |
| Noncontrolling interests                           | 77,143                | 87,113                   |
| Total equity (Note 11)                             | <u>1,987,226</u>      | <u>2,236,997</u>         |
| Total liabilities and equity                       | <u>¥ 2,636,704</u>    | <u>¥ 2,971,953</u>       |

The accompanying notes are an integral part of these statements.

**CONSOLIDATED STATEMENTS OF INCOME (Unaudited)**

|   | <u>Nine months ended December 31,</u>                                     |             |
|---|---|-------------|
|   | <u>2013</u>   | <u>2014</u> |
|   | (Yen in millions and<br>shares in thousands,<br>except per share amounts) |             |
| Net sales (Note 8)  | ¥ 1,071,388   | ¥ 1,101,692 |
| Cost of sales (Notes 8 and 9)                                   | 793,309   | 809,547     |
| Gross profit  | 278,079   | 292,145     |
| Selling, general and administrative expenses (Notes 9 and 13)   | 188,383   | 201,923     |
| Profit from operations  | 89,696  | 90,222      |
| Other income (expenses):  |   |             |
| Interest and dividend income                                    | 16,937  | 21,653      |
| Interest expense  | (1,432)   | (1,303)     |
| Foreign currency transaction gains, net (Note 8)                | 3,351   | 2,607       |
| Other, net (Note 8)   | 1,792   | 1,488       |
| Total other income (expenses)                                   | 20,648  | 24,445      |
| Income before income taxes                                      | 110,344   | 114,667     |
| Income taxes  | 36,756  | 35,542      |
| Net income  | 73,588  | 79,125      |
| Net income attributable to noncontrolling interests             | (4,224)   | (5,154)     |
| Net income attributable to shareholders of Kyocera Corporation  | ¥ 69,364  | ¥ 73,971    |
| Per share information* (Note 15):                               |   |             |
| Net income attributable to shareholders of Kyocera Corporation: |   |             |
| Basic   | ¥ 189.07  | ¥ 201.63    |
| Diluted   | 189.07  | 201.63      |
| Average number of shares of common stock outstanding:           |   |             |
| Basic   | 366,873   | 366,865     |
| Diluted   | 366,873   | 366,865     |

\* Stock Split

As Kyocera Corporation undertook a stock split at the ratio of two-for-one of all common stock on October 1, 2013, "Per share information" during the nine months ended December 31, 2013 is calculated under the assumption that the stock split had been undertaken at the beginning of the year ended March 31, 2014 in accordance with accounting principles generally accepted in the United States of America related to earnings per share.

The accompanying notes are an integral part of these statements.

|   | <b>Three months ended December 31,</b> |             |
|---|--|-------------|
|   | <b>2013</b>                            | <b>2014</b> |
| (Yen in millions and shares in thousands, except per share amounts) |  |             |
| Net sales (Note 8)  | ¥ 371,725                              | ¥ 387,363   |
| Cost of sales (Notes 8 and 9)                                       | 274,393                                | 284,261     |
| Gross profit  | 97,332                                 | 103,102     |
| Selling, general and administrative expenses (Notes 9 and 13)       | 65,839                                 | 67,631      |
| Profit from operations  | 31,493                                 | 35,471      |
| Other income (expenses):  |  |             |
| Interest and dividend income  | 8,245                                  | 10,549      |
| Interest expense  | (410)                                  | (423)       |
| Foreign currency transaction gains, net (Note 8)                    | 1,583                                  | 684         |
| Other, net (Note 8)   | 380                                    | 268         |
| Total other income (expenses)                                       | 9,798                                  | 11,078      |
| Income before income taxes  | 41,291                                 | 46,549      |
| Income taxes  | 13,475                                 | 14,487      |
| Net income  | 27,816                                 | 32,062      |
| Net income attributable to noncontrolling interests                 | (1,382)                                | (1,740)     |
| Net income attributable to shareholders of Kyocera Corporation      | ¥ 26,434                               | ¥ 30,322    |
| Per share information (Note 15):                                    |  |             |
| Net income attributable to shareholders of Kyocera Corporation:     |  |             |
| Basic   | ¥ 72.05                                | ¥ 82.65     |
| Diluted   | 72.05                                  | 82.65       |
| Average number of shares of common stock outstanding:               |  |             |
| Basic   | 366,868                                | 366,863     |
| Diluted   | 366,868                                | 366,863     |

The accompanying notes are an integral part of these statements.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)**

|  | <u>Nine months ended December 31,</u>  |                  |
|--|--|------------------|
|  | <u>2013</u>                            | <u>2014</u>      |
|  | (Yen in millions)                      |                  |
| Net income   | ¥ 73,588                               | ¥ 79,125         |
| Other comprehensive income—net of taxes  |  |                  |
| Net unrealized gains on securities (Notes 4, 11 and 12)                        | 198,671                                | 132,563          |
| Net unrealized losses on derivative financial instruments (Notes 8, 11 and 12) | (305)                                  | (281)            |
| Pension adjustments (Notes 9, 11 and 12)                                       | (1,587)                                | (1,114)          |
| Foreign currency translation adjustments (Notes 11 and 12)                     | 56,990                                 | 74,075           |
| Total other comprehensive income   | <u>253,769</u>                         | <u>205,243</u>   |
| Comprehensive income   | 327,357                                | 284,368          |
| Comprehensive income attributable to noncontrolling interests                  | <u>(11,116)</u>                        | <u>(15,125)</u>  |
| Comprehensive income attributable to shareholders of Kyocera Corporation       | <u>¥ 316,241</u>                       | <u>¥ 269,243</u> |
|  |  |                  |
|  | <u>Three months ended December 31,</u> |                  |
|  | <u>2013</u>                            | <u>2014</u>      |
|  | (Yen in millions)                      |                  |
| Net income   | ¥ 27,816                               | ¥ 32,062         |
| Other comprehensive income—net of taxes  |  |                  |
| Net unrealized gains on securities (Notes 4 and 12)                            | 106,521                                | 82,032           |
| Net unrealized losses on derivative financial instruments (Notes 8 and 12)     | (149)                                  | (117)            |
| Pension adjustments (Notes 9 and 12)   | (1,076)                                | (759)            |
| Foreign currency translation adjustments (Note 12)                             | 35,036                                 | 50,473           |
| Total other comprehensive income   | <u>140,332</u>                         | <u>131,629</u>   |
| Comprehensive income   | 168,148                                | 163,691          |
| Comprehensive income attributable to noncontrolling interests                  | <u>(5,491)</u>                         | <u>(8,678)</u>   |
| Comprehensive income attributable to shareholders of Kyocera Corporation       | <u>¥ 162,657</u>                       | <u>¥ 155,013</u> |

The accompanying notes are an integral part of these statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

|   | <u>Nine months ended December 31,</u> |                  |
|---|---------------------------------------|------------------|
|   | <u>2013</u>                           | <u>2014</u>      |
|   | (Yen in millions)                     |                  |
| <b>Cash flows from operating activities:</b>                                      |                                       |                  |
| Net income  | ¥ 73,588                              | ¥ 79,125         |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                       |                  |
| Depreciation and amortization   | 54,800                                | 52,914           |
| Provision for doubtful accounts and loss on bad debts                             | 193                                   | 280              |
| Write-down of inventories   | 5,357                                 | 8,649            |
| Deferred income taxes   | 3,374                                 | (1,347)          |
| Foreign currency adjustments  | (2,319)                               | (3,616)          |
| Change in assets and liabilities:   |                                       |                  |
| Decrease in receivables   | 44,966                                | 8,493            |
| Increase in inventories   | (33,566)                              | (42,316)         |
| (Increase) decrease in other current assets                                       | 5,139                                 | (1,762)          |
| Decrease in notes and accounts payable  | (30,095)                              | (24,329)         |
| Decrease in accrued income taxes  | (6,425)                               | (10,195)         |
| Increase (decrease) in other current liabilities                                  | (13,425)                              | 10,114           |
| Decrease in other non-current liabilities   | (2,751)                               | (2,088)          |
| Other, net  | (2,215)                               | (3,527)          |
| Net cash provided by operating activities   | <u>96,621</u>                         | <u>70,395</u>    |
| <b>Cash flows from investing activities:</b>                                      |                                       |                  |
| Payments for purchases of available-for-sale securities                           | (37,763)                              | (24,504)         |
| Payments for purchases of held-to-maturity securities                             | (94,881)                              | (172,789)        |
| Proceeds from sales and maturities of available-for-sale securities               | 24,300                                | 23,710           |
| Proceeds from maturities of held-to-maturity securities                           | 43,727                                | 106,523          |
| Acquisitions of businesses, net of cash acquired (Note 3)                         | (16,004)                              | (1,906)          |
| Investment in affiliates  | (540)                                 | (650)            |
| Payments for purchases of property, plant and equipment                           | (38,405)                              | (43,768)         |
| Payments for purchases of intangible assets                                       | (4,575)                               | (5,226)          |
| Acquisition of time deposits and certificate of deposits                          | (171,737)                             | (145,627)        |
| Withdrawal of time deposits and certificate of deposits                           | 217,798                               | 188,185          |
| Other, net  | 1,377                                 | 2,982            |
| Net cash used in investing activities   | <u>(76,703)</u>                       | <u>(73,070)</u>  |
| <b>Cash flows from financing activities:</b>                                      |                                       |                  |
| Increase (decrease) in short-term debt, net                                       | (197)                                 | 678              |
| Proceeds from issuance of long-term debt  | 8,073                                 | 8,025            |
| Payments of long-term debt  | (10,141)                              | (10,990)         |
| Dividends paid  | (27,932)                              | (30,888)         |
| Purchases of noncontrolling interests   | (874)                                 | (3,668)          |
| Other, net  | (202)                                 | 64               |
| Net cash used in financing activities   | <u>(31,273)</u>                       | <u>(36,779)</u>  |
| Effect of exchange rate changes on cash and cash equivalents                      | 18,358                                | 23,204           |
| Net increase (decrease) in cash and cash equivalents                              | 7,003                                 | (16,250)         |
| Cash and cash equivalents at beginning of period                                  | 305,454                               | 335,174          |
| Cash and cash equivalents at end of period  | <u>¥ 312,457</u>                      | <u>¥ 318,924</u> |

The accompanying notes are an integral part of these statements.

**NOTES TO THE UNAUDITED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

***1. ACCOUNTING PRINCIPLES, PROCEDURES AND FINANCIAL STATEMENTS' PRESENTATION***

In December 1975, Kyocera Corporation filed a registration statement, Form S-1 and a registration form for American Depositary Receipt (ADR) with the United States Securities and Exchange Commission (SEC) in accordance with the Securities Exchange Act of 1933 and made a registration of its common stock and ADR there. In February 1980, Kyocera Corporation again filed Form S-1 and a registration form for ADR with the SEC in accordance with the mentioned act, and in May 1980, listed its ADR on the New York Stock Exchange.

Kyocera Corporation has filed Form 20-F as an annual report with the SEC, which includes the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America, under section 13 of the Securities Exchange Act of 1934. Kyocera Corporation has also prepared quarterly consolidated financial statements in accordance with accounting principles generally accepted in the United States of America for interim financial statements. Accounting principles generally accepted in the United States of America consist of the Financial Accounting Standards Board (FASB)'s Accounting Standards Codification (ASC) and the SEC's regulations for filing and reporting.

The following paragraphs identify the significant differences for Kyocera Corporation and its consolidated subsidiaries (Kyocera) between accounting principles generally accepted in the United States of America and accounting principles generally accepted in Japan.

**(1) Revenue recognition**

Kyocera adopts ASC 605, "Revenue Recognition." Kyocera recognizes revenue when the risks and rewards of ownership have been transferred to the customer and revenue can be reliably measured.

**(2) Business combinations**

Kyocera adopts ASC 805, "Business Combinations." Kyocera adopts the acquisition method and measures identifiable assets, liabilities and noncontrolling interests at fair value. Kyocera recognizes transaction and restructuring costs as expenses, and recognizes any tax adjustment made after the measurement period as income tax expenses. Kyocera records in-process research and development at fair value on acquisition date as a part of fair value of acquired business. In addition, Kyocera recognizes an asset acquired or a liability assumed in a business combination that arises from a contingency at fair value, at the acquisition date, if the acquisition date fair value of that asset or liability can be determined during the measurement period.

**(3) Goodwill and other intangible assets**

Kyocera adopts ASC 350, "Intangibles—Goodwill and Other." Goodwill and intangible assets with indefinite useful lives, rather than being amortized, are tested for impairment at least annually, and also following any events and changes in circumstances that might lead to impairment.

**(4) Lease accounting**

Kyocera adopts ASC 840, "Leases." Kyocera classifies a lease as an operating or a capital lease, and records all capital leases as an asset and an obligation.

(5) Benefit plans

Kyocera adopts ASC 715, "Compensation—Retirement Benefits." Actuarial gain or loss is recognized by amortizing a portion in excess of 10% of the greater of the projected benefit obligations or the market-related value of plan assets by the straight-line method over the average remaining service period of employees.

(6) Unused compensated absence

Kyocera adopts ASC 710, "Compensation—General." Kyocera records accrued liabilities for compensated absences that employees have earned but have not yet used.

(7) Income taxes

Kyocera adopts ASC 740, "Income Taxes." Kyocera records assets and liabilities for unrecognized tax benefits based on the premise of being subject to income tax examination by tax authorities, when it is more likely than not that tax benefits associated with tax positions will not be sustained. Kyocera records the effect of a change in tax law or rates as a component of income tax provision, including the changes in the deferred tax assets and liabilities related to accumulated other comprehensive income (loss).

(8) Stock issuance costs

Stock issuance costs, net of taxes are deducted from additional paid-in capital.

## **2. SUMMARY OF ACCOUNTING POLICIES**

### **(1) Basis of consolidation and accounting for investments in affiliated companies**

The quarterly consolidated financial statements include the accounts of Kyocera Corporation, its subsidiaries in which Kyocera has a controlling financial interest and variable interest entities for which Kyocera is the primary beneficiary under ASC 810, "Consolidation." All significant inter-company transactions and accounts are eliminated. Investments in 20% to 50% owned companies and an investment in a variable interest entity, for which Kyocera is not the primary beneficiary but has a significant influence to, are accounted for by the equity method, whereby Kyocera includes in net income its equity in the earnings or losses from these companies. These variable interest entities do not have material impacts on Kyocera's consolidated result of operations, financial condition and cash flows.

### **(2) Revenue recognition**

Kyocera generates revenue principally through the sale of industrial components and telecommunications and information equipment. Kyocera's operations consist of the following seven reporting segments: 1) Fine Ceramic Parts Group, 2) Semiconductor Parts Group, 3) Applied Ceramic Products Group, 4) Electronic Device Group, 5) Telecommunications Equipment Group, 6) Information Equipment Group and 7) Others.

Kyocera recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred and title and risk of loss have been transferred to the customer or services have been rendered, the sales price is fixed or determinable and collectability is reasonably assured in accordance with ASC 605, "Revenue Recognition." Sales to customers in each of the above segments are based on the specific terms and conditions contained in basic contracts with customers and firm customer orders which detail the price, quantity and timing of the transfer of ownership (such as risk of loss and title) of the products.

For most customer orders, the transfer of ownership and revenue recognition occurs at the time of shipment of the products to the customer. For the remainder of customer orders, the transfer of ownership and revenue recognition occurs at the time of receipt of the products by the customer, with the exception of sales of solar power generating systems in the Applied Ceramic Products Group and information equipment in the Information Equipment Group for which sales are made to end users together with installation services. The transfer of ownership and revenue recognition in these cases occur at the completion of installation and customer acceptance, as Kyocera has no further obligations under the contracts and all revenue recognition criteria under ASC 605, "Revenue Recognition" are met. When Kyocera provides a combination of products and services, the arrangement is evaluated under ASC 605-25, "Multiple-Element Arrangements."

In addition, in the Information Equipment Group, Kyocera may enter into sales contracts and lease agreements ranging from one to seven years directly with end users. Sales contracts and lease agreements may include installation services and have customer acceptance clauses. For sales and sales-type lease agreements, revenue is recognized at the completion of installation and customer acceptance which usually occurs on the same business day as delivery. For sales-type leases, unearned income (which represents interest) is amortized over the lease term using the effective interest method in accordance with ASC 840, "Leases."

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

#### *Sales Incentives*

In the Electronic Device Group, sales to independent electronic component distributors may be subject to various sale programs for which a provision for incentive programs is recorded as a reduction of revenue at the time of sale, as further described below in accordance with ASC 605-50, "Customer Payments and Incentives" and ASC 605-15, "Products."

*(a) Distributor Stock Rotation Program*

Stock rotation is a program whereby distributors are allowed to return for credit, qualified inventory, semi-annually, equal to a certain percentage of the previous six months net sales. In accordance with ASC 605-15, "Products" an estimated sales allowance for stock rotation is recorded at the time of sale based on a percentage of distributor sales using historical trends, current pricing and volume information, other market specific information and input from sales, marketing and other key management personnel. These procedures require the exercise of significant judgments. Kyocera believes that these procedures enable Kyocera to make reliable estimates of future returns under the stock rotation program. Kyocera's actual results have historically approximated its estimates. When the products are returned and verified, the distributor is given credit against their accounts receivables.

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

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

*Sales Rebates*

In the case of sales to distributors in the Applied Ceramic Products Group and Information Equipment Group, Kyocera provides cash rebates when predetermined sales targets are achieved during a certain period. Provisions for sales rebates are recorded as a reduction of revenue at the time of revenue recognition based on the best estimate of forecasted sales to each distributor in accordance with ASC 605-50, "Customer Payments and Incentives."

*Sales Returns*

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

*Products Warranty*

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

In the Information Equipment Group, Kyocera provides a standard one year manufacturer's warranty on its products. For sales directly to end users, Kyocera offers extended warranty plans that may be purchased and that are renewable in one year incremental periods at the end of the warranty term. Service revenues are recognized over the term of the related service maintenance contracts in accordance with ASC 605-20, "Services."

### (3) Cash and cash equivalents

Kyocera considers cash, bank deposits and all highly liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents accounted for under ASC 305, "Cash and Cash Equivalents."

### (4) Translation of foreign currencies

Assets and liabilities of consolidated foreign subsidiaries and affiliates accounted for by the equity method are translated into Japanese yen at the exchange rates in effect on the respective balance sheet dates. Operating accounts are translated at the average exchange rates for the respective periods accounted for under ASC 830, "Foreign Currency Matters." Translation adjustments result from the process of translating foreign currency denominated financial statements into Japanese yen. These translation adjustments, which are not included in the determination of net income, are included in other comprehensive income.

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

### (5) Allowance for doubtful accounts

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

### (6) Inventories

Inventories are accounted for under ASC 330, "Inventory." Inventories are stated at the lower of cost or market. For finished goods and work in process, cost is mainly determined by the average method. For raw materials and supplies, cost is mainly determined by the first-in, first-out method. Kyocera recognizes estimated write-down of inventories for excess, slow-moving and obsolete inventories.

### (7) Securities

Debt and equity securities are accounted for under ASC 320, "Investments—Debt and Equity Securities." Securities classified as available-for-sale securities are recorded at fair value, with unrealized gains and losses excluded from income and reported in other comprehensive income, net of taxes. Securities classified as held-to-maturity securities are recorded at amortized cost. Non-marketable equity securities are accounted for by the cost method in accordance with ASC 325, "Investments—Other."

Kyocera evaluates whether the declines in fair value of securities are other-than-temporary. Other-than-temporary declines in fair value are recorded as a realized loss with a new cost basis. This evaluation is based mainly on the duration and the extent to which the fair value is less than cost, and the anticipated recoverability in fair value.

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

(8) Property, plant and equipment and depreciation

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

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

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

(9) Goodwill and other intangible assets

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

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

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

(10) Impairment of long-lived assets

Impairment of long-lived assets which include intangible assets with definite useful lives is accounted for under ASC 360, "Property, Plant, and Equipment." Kyocera reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

Long-lived assets are considered to be impaired when the expected undiscounted cash flows from the asset group is less than its carrying value. A loss on impairment is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived assets.

#### (11) Derivative financial instruments

Derivatives are accounted for under ASC 815, "Derivatives and Hedging." All derivatives are recorded as either assets or liabilities on the balance sheet and measured at fair value. Changes in the fair value of derivatives are charged to income. However cash flow hedges may qualify for hedge accounting, if the hedging relationship is expected to be highly effective in achieving offsetting cash flows of hedging instruments and hedged items. Under hedge accounting, changes in the fair value of the effective portion of these cash flow hedge derivatives are deferred in accumulated other comprehensive income and charged to income when the underlying transaction being hedged occurs.

Kyocera designates certain foreign currency forward contracts and interest rate swaps as cash flow hedges. However, changes in fair value of most of the foreign currency forward contracts are recorded in income without applying hedge accounting as it is expected that such changes will be offset by corresponding gains or losses of the underlying hedged assets and liabilities.

Kyocera formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as cash flow hedges to specific assets and liabilities on the balance sheet or forecasted transactions. Kyocera also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items. When it is determined that a derivative is not a highly effective hedge or that it has ceased to be a highly effective hedge, Kyocera discontinues hedge accounting prospectively. When a cash flow hedge is discontinued, the net derivative gains or losses remain in accumulated other comprehensive income, unless it is probable that the forecasted transaction will not occur at which point the derivative gains or losses are reclassified into income immediately.

#### (12) Commitments and contingencies

Commitments and contingencies are accounted for under ASC 450, "Contingencies." Liabilities for loss contingencies are recorded when analysis indicates that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. When a range of loss can be estimated, we accrue the most likely amount. In the event that no amount in the range of probable loss is considered most likely, the minimum loss in the range is accrued. Amounts recorded are reviewed periodically and adjusted to reflect additional legal and technical information that becomes available. Legal costs are accrued as incurred.

#### (13) Stock-based compensation

Costs resulting from share-based payment transactions are accounted for under ASC 718, "Compensation—Stock Compensation," Kyocera recognizes such costs in the quarterly consolidated financial statements based on the grant date fair value over the measurement method.

#### (14) Net income attributable to shareholders of Kyocera Corporation

Earnings per share is accounted for under ASC 260, "Earnings Per Share." Basic earnings per share attributable to shareholders of Kyocera Corporation is computed based on the average number of shares of common stock outstanding during each period, and diluted earnings per share attributable to shareholders of Kyocera Corporation is computed based on the diluted average number of shares of stock outstanding during each period.

#### (15) Research and development expenses and advertising expenses

Research and development expenses are accounted for under ASC 730, "Research and Development," and charged to expense as incurred. Advertising expenses are accounted for under ASC 720-35, "Other Expenses—Advertising Costs," and charged to expense as incurred.

(16) Use of estimates

The preparation of the quarterly consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the quarterly consolidated financial statements and accompanying notes. However, actual results could differ from those estimates and assumptions.

(17) Recently adopted accounting standards

On April 1, 2014, Kyocera adopted Accounting Standards Update (ASU) No. 2013-04, "Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date." This accounting standard requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the following: (a) The amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors (b) Any additional amount the reporting entity expects to pay on behalf of its co-obligors. The accounting standard also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The adoption of this accounting standard did not have a material impact on Kyocera's consolidated results of operations, financial condition and cash flows.

On April 1, 2014, Kyocera adopted ASU No. 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity." This accounting standard resolves the diversity in practice about whether ASC 810-10, "Consolidation—Overall," or ASC 830-30, "Foreign Currency Matters—Translation of Financial Statements," applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. In addition, this accounting standard resolves the diversity in practice for the treatment of business combinations achieved in stages involving a foreign entity. The adoption of this accounting standard did not have a material impact on Kyocera's consolidated results of operations, financial condition and cash flows.

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

(18) Recently issued accounting standards

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

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

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

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

In June 2014, the FASB issued ASU No. 2014-10, “Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation.” This accounting standard removes the definition of a development stage entity from the Master Glossary of the Accounting Standards Codification, thereby removing the financial reporting distinction between development stage entities and other reporting entities from U.S. GAAP. This accounting standard also eliminates an exception provided to development stage entities in ASC 810, “Consolidation,” for determining whether an entity is a variable interest entity on the basis of the amount of investment equity that is at risk. This accounting standard will be effective retrospectively for annual reporting periods beginning after December 15, 2015, and interim periods therein. The adoption of this accounting standard is not expected to have a material impact on Kyocera’s consolidated results of operations, financial condition and cash flows.

In August 2014, the FASB issued ASU No. 2014-15, “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern.” This accounting standard requires an entity’s management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued. If conditions or events raise substantial doubt about an entity’s ability to continue as a going concern, the entity is required to disclose additional information. This accounting standard will be effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. As this accounting standard is a provision for disclosure, the adoption of this accounting standard is not expected to have a material impact on Kyocera’s consolidated results of operations, financial condition and cash flows.

In November 2014, the FASB issued ASU No. 2014-16, “Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity.” This accounting standard eliminates the use of different methods in practice and thereby reduces existing diversity under U.S. GAAP in evaluating whether the nature of the host contract within a hybrid financial instrument issued in the form of a share is more akin to debt or to equity. For hybrid financial instruments issued in the form of a share, an entity is required to determine the nature of the host contract by considering all stated and implied substantive terms and features of the hybrid financial instrument, weighing each term and feature on the basis of relevant facts and circumstances. This accounting standard will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The adoption of this accounting standard is not expected to have a material impact on Kyocera’s consolidated results of operations, financial condition and cash flows.

In January 2015, the FASB issued ASU No. 2015-01, “Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items”. This accounting standard eliminates from U.S. GAAP the concept of extraordinary items. This accounting standard will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. As this accounting standard is a provision for disclosure, the adoption of this accounting standard is not expected to have a material impact on Kyocera’s consolidated results of operations, financial condition and cash flows.

#### (19) Reclassifications

Certain reclassifications and format changes have been made to the consolidated balance sheets at March 31, 2014, and the consolidated statements of cash flows for the nine months ended December 31, 2013 to conform to the current presentation.

### **3. BUSINESS COMBINATION**

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

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

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

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

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

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

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

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

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

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

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

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

The pro forma results are not presented as the revenue and earnings were not material.

Intangible assets that Kyocera recorded due to this acquisition are summarized as follows:

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

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

#### 4. DEBT SECURITIES, EQUITY SECURITIES AND OTHER INVESTMENTS

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

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

|                                     | March 31, 2014 |                      |                        |                         | December 31, 2014 |                      |                        |                         |
|-------------------------------------|----------------|----------------------|------------------------|-------------------------|-------------------|----------------------|------------------------|-------------------------|
|                                     | Cost*2         | Aggregate Fair Value | Gross Unrealized Gains | Gross Unrealized Losses | Cost*2            | Aggregate Fair Value | Gross Unrealized Gains | Gross Unrealized Losses |
| (Yen in millions)                   |                |                      |                        |                         |                   |                      |                        |                         |
| Available-for-sale securities:      |                |                      |                        |                         |                   |                      |                        |                         |
| Marketable equity securities*1      | ¥273,595       | ¥735,606             | ¥462,012               | ¥ 1                     | ¥273,368          | ¥ 942,359            | ¥668,994               | ¥ 3                     |
| Investment trusts                   | 10,017         | 10,025               | 8                      | —                       | 13,517            | 13,540               | 23                     | —                       |
| Total equity securities             | 283,612        | 745,631              | 462,020                | 1                       | 286,885           | 955,899              | 669,017                | 3                       |
| Total available-for-sale securities | 283,612        | 745,631              | 462,020                | 1                       | 286,885           | 955,899              | 669,017                | 3                       |
| Held-to-maturity securities:        |                |                      |                        |                         |                   |                      |                        |                         |
| Corporate bonds                     | 108,475        | 108,551              | 87                     | 11                      | 178,343           | 178,201              | 102                    | 244                     |
| Government bonds and public bonds   | 6              | 6                    | —                      | —                       | 7                 | 7                    | —                      | —                       |
| Total held-to-maturity securities   | 108,481        | 108,557              | 87                     | 11                      | 178,350           | 178,208              | 102                    | 244                     |
| Total                               | ¥392,093       | ¥854,188             | ¥462,107               | ¥ 12                    | ¥465,235          | ¥1,134,107           | ¥669,119               | ¥ 247                   |

\*1 Marketable equity securities mainly consist of the shares of KDDI Corporation, which is a telecommunications carrier in Japan. At December 31, 2014, Kyocera Corporation's equity interest in KDDI Corporation was 12.76%. Cost, aggregate fair value and gross unrealized gain of the shares of KDDI Corporation held by Kyocera are as follows:

|                            | March 31, 2014 |                      |                       |                       | December 31, 2014 |                      |                       |                       |
|----------------------------|----------------|----------------------|-----------------------|-----------------------|-------------------|----------------------|-----------------------|-----------------------|
|                            | Cost           | Aggregate Fair Value | Gross Unrealized Gain | Gross Unrealized Loss | Cost              | Aggregate Fair Value | Gross Unrealized Gain | Gross Unrealized Loss |
| (Yen in millions)          |                |                      |                       |                       |                   |                      |                       |                       |
| Shares of KDDI Corporation | ¥249,036       | ¥684,464             | ¥435,428              | ¥ —                   | ¥249,036          | ¥ 874,707            | ¥625,671              | ¥ —                   |

\*2 Cost represents amortized cost for held-to-maturity securities and acquisition cost for available-for-sale securities. The cost basis of the individual securities is written down to fair value as a new cost basis when other-than-temporary impairment is recognized.

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

|   | <u>March 31, 2014</u>          |                              |                 | <u>December 31, 2014</u>       |                              |                   |
|---|--------------------------------|------------------------------|-----------------|--------------------------------|------------------------------|-------------------|
|   | <u>Available-<br/>for-Sale</u> | <u>Held-to-<br/>Maturity</u> | <u>Total</u>    | <u>Available-<br/>for-Sale</u> | <u>Held-to-<br/>Maturity</u> | <u>Total</u>      |
|   | (Yen in millions)              |                              |                 |                                |                              |                   |
| Short-term investment in debt and equity securities | ¥ 10,000                       | ¥105,900                     | ¥115,900        | ¥ 12,500                       | ¥124,277                     | ¥ 136,777         |
| Long-term investment in debt and equity securities  | 735,631                        | 2,581                        | 738,212         | 943,399                        | 54,073                       | 997,472           |
| Total   | <u>¥745,631</u>                | <u>¥108,481</u>              | <u>¥854,112</u> | <u>¥955,899</u>                | <u>¥178,350</u>              | <u>¥1,134,249</u> |

(2) Other investments

Kyocera holds time deposits and certificates of deposits which are due over three months to original maturity, non-marketable equity securities, long-term loans and investments in affiliates and an unconsolidated subsidiary. Carrying amounts of these investments at March 31, 2014 and December 31, 2014, included in other short-term investments and in other long-term investments, are summarized as follows:

|  | <u>March 31, 2014</u> | <u>December 31, 2014</u> |
|--|-----------------------|--------------------------|
|  | (Yen in millions)     |                          |
| Time deposits and certificates of deposits (due over 3 months) | ¥ 160,376             | ¥ 128,842                |
| Non-marketable equity securities                               | 11,616                | 12,311                   |
| Long-term loans  | 26                    | 69                       |
| Investments in affiliates and an unconsolidated subsidiary     | 3,160                 | 4,168                    |
| Total  | <u>¥ 175,178</u>      | <u>¥ 145,390</u>         |

## 5. FAIR VALUE

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of inputs that may be used to measure fair value are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2: Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

### (1) Assets and liabilities measured at fair value on a recurring basis

|                                    | March 31, 2014    |         |         |          | December 31, 2014 |         |         |          |
|------------------------------------|-------------------|---------|---------|----------|-------------------|---------|---------|----------|
|                                    | Level 1           | Level 2 | Level 3 | Total    | Level 1           | Level 2 | Level 3 | Total    |
|                                    | (Yen in millions) |         |         |          |                   |         |         |          |
| <b>Current Assets:</b>             |                   |         |         |          |                   |         |         |          |
| Investment trusts                  | ¥ —               | ¥10,000 | ¥ —     | ¥ 10,000 | ¥ —               | ¥12,500 | ¥ —     | ¥ 12,500 |
| Total equity securities            | —                 | 10,000  | —       | 10,000   | —                 | 12,500  | —       | 12,500   |
| Foreign currency forward contracts | —                 | 412     | —       | 412      | —                 | 502     | —       | 502      |
| Total derivatives                  | —                 | 412     | —       | 412      | —                 | 502     | —       | 502      |
| Total current assets               | —                 | 10,412  | —       | 10,412   | —                 | 13,002  | —       | 13,002   |
| <b>Non-Current Assets:</b>         |                   |         |         |          |                   |         |         |          |
| Marketable equity securities       | 735,606           | —       | —       | 735,606  | 942,359           | —       | —       | 942,359  |
| Investment trusts                  | 25                | —       | —       | 25       | 30                | 1,010   | —       | 1,040    |
| Total equity securities            | 735,631           | —       | —       | 735,631  | 942,389           | 1,010   | —       | 943,399  |
| Total non-current assets           | 735,631           | —       | —       | 735,631  | 942,389           | 1,010   | —       | 943,399  |
| Total assets                       | ¥735,631          | ¥10,412 | ¥ —     | ¥746,043 | ¥942,389          | ¥14,012 | ¥ —     | ¥956,401 |
| <b>Current Liabilities:</b>        |                   |         |         |          |                   |         |         |          |
| Foreign currency forward contracts | ¥ —               | ¥ 2,391 | ¥ —     | ¥ 2,391  | ¥ —               | ¥10,148 | ¥ —     | ¥ 10,148 |
| Interest rate swaps                | —                 | 13      | —       | 13       | —                 | —       | —       | —        |
| Total derivatives                  | —                 | 2,404   | —       | 2,404    | —                 | 10,148  | —       | 10,148   |
| Total current liabilities          | ¥ —               | ¥ 2,404 | ¥ —     | ¥ 2,404  | ¥ —               | ¥10,148 | ¥ —     | ¥ 10,148 |

The fair value of Level 1 investments is quoted price in an active market with sufficient volume and frequency of transactions.

The fair value of Level 2 investments is other than quoted price included within Level 1 that is observable for the asset or liability, either directly or indirectly through corroboration with observable market data. Kyocera did not recognize any transfers between Levels 1 and 2 for the nine months ended December 31, 2013 and 2014.

The fair value of Level 2 derivatives is estimated based on quotes from financial institutions. With respect to the detail information of derivatives, please refer to the Note 8 to the Quarterly Consolidated Financial Statements.

(2) Fair value of financial instruments

The fair values of financial instruments and the methods and assumptions used to estimate the fair value are as follows:

|  | March 31, 2014  |                 | December 31, 2014 |                   |
|--|-----------------|-----------------|-------------------|-------------------|
|  | Carrying Amount | Fair Value      | Carrying Amount   | Fair Value        |
| (Yen in millions)  |                 |                 |                   |                   |
| <b>Assets (a):</b>   |                 |                 |                   |                   |
| Short-term investments in debt and equity securities   | ¥115,900        | ¥115,974        | ¥ 136,777         | ¥ 136,843         |
| Long-term investments in debt and equity securities  | 738,212         | 738,214         | 997,472           | 997,264           |
| Other long-term investments (excluding investments in affiliates and an unconsolidated subsidiary) | 11,687          | 11,687          | 12,375            | 12,375            |
| <b>Total</b>   | <b>¥865,799</b> | <b>¥865,875</b> | <b>¥1,146,624</b> | <b>¥1,146,482</b> |
| <b>Liabilities (b):</b>  |                 |                 |                   |                   |
| Long-term debt (including due within one year)   | ¥ 31,826        | ¥ 31,834        | ¥ 30,285          | ¥ 30,285          |
| <b>Total</b>   | <b>¥ 31,826</b> | <b>¥ 31,834</b> | <b>¥ 30,285</b>   | <b>¥ 30,285</b>   |

- (a) For investments with active markets, fair value is based on quoted market prices. For non-marketable equity securities, it is not practicable to estimate the fair value because of the lack of the market price and difficulty in estimating fair value without incurring excessive cost. In addition, Kyocera did not identify any events or changes in circumstances that may have had a significant adverse effect on these investments. The aggregated carrying amounts of these investments included in the above table at March 31, 2014 and December 31, 2014 were ¥11,563 million and ¥12,298 million, respectively. Fair value of held-to-maturity investments in debt securities is mainly classified as Level 1 and Level 2.
- (b) The fair value is estimated by discounting cash flows, using current interest rates for instruments with similar terms and remaining maturities, and classified as Level 2.

Carrying amounts of cash and cash equivalents, other short-term investments, trade notes receivables, trade accounts receivables, short-term borrowings, trade notes and accounts payable, and other notes and accounts payable approximate fair values because of the short maturity of these instruments.

## 6. INVENTORIES

Inventories at March 31, 2014 and December 31, 2014 are as follows:

|                            | <u>March 31, 2014</u> | <u>December 31, 2014</u> |
|----------------------------|-----------------------|--------------------------|
|                            | (Yen in millions)     |                          |
| Finished goods             | ¥ 164,892             | ¥ 188,343                |
| Work in process            | 60,075                | 66,300                   |
| Raw materials and supplies | 110,835               | 137,665                  |
| Total                      | <u>¥ 335,802</u>      | <u>¥ 392,308</u>         |

## 7. ALLOWANCE FOR DOUBTFUL ACCOUNTS

(1) Allowance for doubtful accounts that are deducted from the related receivables

Allowance for doubtful accounts that are deducted from the related receivables at March 31, 2014 and December 31, 2014 are as follows:

|                             | <u>March 31, 2014</u> | <u>December 31, 2014</u> |
|-----------------------------|-----------------------|--------------------------|
|                             | (Yen in millions)     |                          |
| Other current assets        | ¥ 378                 | ¥ 357                    |
| Other long-term investments | —                     | 23                       |
| Other assets                | 2,139                 | 2,146                    |

(2) Allowance for doubtful accounts related to lease receivables

Lease receivables represent capital leases which consist of sales-type leases. Most of the lease receivables are recognized at TA Triumph-Adler GmbH, a consolidated German subsidiary of Kyocera Document Solutions Inc. These receivables typically have terms ranging from one year to seven years.

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

TA Triumph-Adler GmbH estimates allowance for doubtful accounts related to lease receivables at the portfolio level.

|  | <u>Nine months ended December 31,</u> |              |
|--|---------------------------------------|--------------|
|  | <u>2013</u>                           | <u>2014</u>  |
|  | (Yen in millions)                     |              |
| Balance at beginning of period               | ¥ 238                                 | ¥ 283        |
| Charged to costs or expenses, or charge-offs | 8                                     | 28           |
| Foreign currency translation                 | 48                                    | 12           |
| Balance at end of period                     | <u>¥ 294</u>                          | <u>¥ 323</u> |

The amounts of lease receivables less allowances for doubtful accounts at March 31, 2014 and December 31, 2014 were ¥35,552 million and ¥34,974 million, respectively, which are included in other current assets and other assets in the consolidated balance sheets.

## **8. DERIVATIVES AND HEDGING**

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

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

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

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

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

### **Cash Flow Hedges:**

Kyocera uses certain foreign currency forward contracts with terms normally lasting for less than four months designated as cash flow hedges to protect against foreign currency exchange rate risks inherent in its forecasted transactions related to purchase commitments and sales. Kyocera also uses interest rate swaps mainly to convert a portion of its variable rate debt to fixed rate debt.

### **Other Derivatives:**

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

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

|   | <u>March 31, 2014</u> | <u>December 31, 2014</u> |
|---|-----------------------|--------------------------|
|   | (Yen in millions)     |                          |
| <b>Derivatives designated as hedging instruments:</b>     |                       |                          |
| Foreign currency forward contracts                        | ¥ 14,277              | ¥ 14,159                 |
| Interest rate swaps                                       | 89                    | —                        |
| Total   | <u>14,366</u>         | <u>14,159</u>            |
| <b>Derivatives not designated as hedging instruments:</b> |                       |                          |
| Foreign currency forward contracts                        | 162,171               | 170,571                  |
| Total derivatives   | <u>¥ 176,537</u>      | <u>¥ 184,730</u>         |

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

|   | <u>Location</u>           | <u>March 31, 2014</u> | <u>December 31, 2014</u> |
|---|---------------------------|-----------------------|--------------------------|
|   |                           | (Yen in millions)     |                          |
| <b>Derivative assets:</b>                                 |                           |                       |                          |
| <b>Derivatives designated as hedging instruments:</b>     |                           |                       |                          |
| Foreign currency forward contracts                        | Other current assets      | ¥ 56                  | ¥ 192                    |
| <b>Derivatives not designated as hedging instruments:</b> |                           |                       |                          |
| Foreign currency forward contracts                        | Other current assets      | 356                   | 310                      |
| Total derivative assets                                   |                           | <u>¥ 412</u>          | <u>¥ 502</u>             |
| <b>Derivative liabilities:</b>                            |                           |                       |                          |
| <b>Derivatives designated as hedging instruments:</b>     |                           |                       |                          |
| Foreign currency forward contracts                        | Other current liabilities | ¥ 34                  | ¥ 354                    |
| Interest rate swaps                                       | Other current liabilities | 13                    | —                        |
| Total   |                           | <u>47</u>             | <u>354</u>               |
| <b>Derivatives not designated as hedging instruments:</b> |                           |                       |                          |
| Foreign currency forward contracts                        | Other current liabilities | 2,357                 | 9,794                    |
| Total derivative liabilities                              |                           | <u>¥ 2,404</u>        | <u>¥ 10,148</u>          |

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

Derivatives designated as cash flow hedge:

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

| <u>Type of derivatives</u>         | <u>Nine months ended December 31,</u> |                |
|------------------------------------|---------------------------------------|----------------|
|                                    | <u>2013</u>                           | <u>2014</u>    |
|                                    | (Yen in millions)                     |                |
| Foreign currency forward contracts | ¥ (72)                                | ¥ (110)        |
| Interest rate swaps                | (206)                                 | (129)          |
| Total                              | <u>¥ (278)</u>                        | <u>¥ (239)</u> |

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

| <u>Type of derivatives</u>         | <u>Location</u> | <u>Nine months ended December 31,</u> |                |
|------------------------------------|-----------------|---------------------------------------|----------------|
|                                    |                 | <u>2013</u>                           | <u>2014</u>    |
|                                    |                 | (Yen in millions)                     |                |
| Foreign currency forward contracts | Net sales       | ¥ 28                                  | ¥ 371          |
| Foreign currency forward contracts | Cost of sales   | (250)                                 | (492)          |
| Interest rate swaps                | Other, net      | —                                     | (42)           |
| Total                              |                 | <u>¥ (222)</u>                        | <u>¥ (163)</u> |

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

| <u>Type of derivatives</u>         | <u>Location</u>                         | <u>Nine months ended December 31,</u> |             |
|------------------------------------|---|---------------------------------------|-------------|
|                                    |   | <u>2013</u>                           | <u>2014</u> |
|                                    |   | (Yen in millions)                     |             |
| Foreign currency forward contracts | Foreign currency transaction gains, net | ¥ (4)                                 | ¥ 10        |

Derivatives not designated as hedging instruments:

Gains (losses) recognized in income

| <u>Type of derivatives</u>         | <u>Location</u>                         | <u>Nine months ended December 31,</u> |             |
|------------------------------------|---|---------------------------------------|-------------|
|                                    |   | <u>2013</u>                           | <u>2014</u> |
|                                    |   | (Yen in millions)                     |             |
| Foreign currency forward contracts | Foreign currency transaction gains, net | ¥ (779)                               | ¥ (7,483)   |

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

Derivatives designated as cash flow hedge:

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

| <u>Type of derivatives</u>         | <u>Three months ended December 31,</u> |             |
|------------------------------------|--|-------------|
|                                    | <u>2013</u>                            | <u>2014</u> |
|                                    | (Yen in millions)                      |             |
| Foreign currency forward contracts | ¥ (120)                                | ¥ (41)      |
| Interest rate swaps                | 16                                     | (60)        |
| Total                              | ¥ (104)                                | ¥ (101)     |

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

| <u>Type of derivatives</u>         | <u>Location</u> | <u>Three months ended December 31,</u> |             |
|------------------------------------|-----------------|--|-------------|
|                                    |                 | <u>2013</u>                            | <u>2014</u> |
|                                    |                 | (Yen in millions)                      |             |
| Foreign currency forward contracts | Net sales       | ¥ (16)                                 | ¥ 273       |
| Foreign currency forward contracts | Cost of sales   | (105)                                  | (397)       |
| Interest rate swaps                | Other, net      | —                                      | (14)        |
| Total                              |                 | ¥ (121)                                | ¥ (138)     |

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

| <u>Type of derivatives</u>         | <u>Location</u>                         | <u>Three months ended December 31,</u> |             |
|------------------------------------|---|--|-------------|
|                                    |   | <u>2013</u>                            | <u>2014</u> |
|                                    |   | (Yen in millions)                      |             |
| Foreign currency forward contracts | Foreign currency transaction gains, net | ¥ (3)                                  | ¥ 9         |

Derivatives not designated as hedging instruments:

Gains (losses) recognized in income

| <u>Type of derivatives</u>         | <u>Location</u>                         | <u>Three months ended December 31,</u> |             |
|------------------------------------|---|--|-------------|
|                                    |   | <u>2013</u>                            | <u>2014</u> |
|                                    |   | (Yen in millions)                      |             |
| Foreign currency forward contracts | Foreign currency transaction gains, net | ¥ (8,882)                              | ¥ (5,311)   |

## 9. BENEFIT PLANS

Domestic:

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

Net periodic pension costs at Kyocera Corporation and its major domestic subsidiaries for the nine months ended December 31, 2013 and 2014 include the following components and were recorded in cost of sales, and selling general and administrative expenses in the consolidated statements of income.

|                                    | Nine months ended December 31, |                |
|------------------------------------|--------------------------------|----------------|
|                                    | 2013                           | 2014           |
|                                    | (Yen in millions)              |                |
| Service cost                       | ¥ 8,549                        | ¥ 8,741        |
| Interest cost                      | 1,276                          | 1,353          |
| Expected return on plan assets     | (2,497)                        | (2,707)        |
| Amortization of prior service cost | (3,256)                        | (3,263)        |
| Recognized actuarial loss          | 1,414                          | 1,216          |
| Net periodic pension costs         | <u>¥ 5,486</u>                 | <u>¥ 5,340</u> |

Net periodic pension costs at Kyocera Corporation and its major domestic subsidiaries for the three months ended December 31, 2013 and 2014 include the following components and were recorded in cost of sales, and selling general and administrative expenses in the consolidated statements of income.

|                                    | Three months ended December 31, |                |
|------------------------------------|---------------------------------|----------------|
|                                    | 2013                            | 2014           |
|                                    | (Yen in millions)               |                |
| Service cost                       | ¥ 2,893                         | ¥ 2,920        |
| Interest cost                      | 433                             | 451            |
| Expected return on plan assets     | (837)                           | (904)          |
| Amortization of prior service cost | (1,085)                         | (1,099)        |
| Recognized actuarial loss          | 471                             | 406            |
| Net periodic pension costs         | <u>¥ 1,875</u>                  | <u>¥ 1,774</u> |

Foreign:

Kyocera's foreign consolidated subsidiaries, such as Kyocera International, Inc. and its consolidated subsidiaries, AVX Corporation and its consolidated subsidiaries, and TA Triumph-Adler GmbH, maintain non-contributory defined benefit pension plans in the U.S., Germany and other countries.

Net periodic pension costs at these foreign subsidiaries for the nine months ended December 31, 2013 and 2014 include the following components and were recorded in cost of sales, and selling general and administrative expenses in the consolidated statements of income.

|                                    | <b>Nine months ended December 31,</b> |              |
|------------------------------------|---------------------------------------|--------------|
|                                    | <b>2013</b>                           | <b>2014</b>  |
|                                    | (Yen in millions)                     |              |
| Service cost                       | ¥ 373                                 | ¥ 420        |
| Interest cost                      | 1,416                                 | 1,543        |
| Expected return on plan assets     | (1,227)                               | (1,498)      |
| Amortization of prior service cost | 8                                     | 8            |
| Recognized actuarial loss          | 764                                   | 475          |
| Net periodic pension costs         | <u>¥ 1,334</u>                        | <u>¥ 948</u> |

Net periodic pension costs at these foreign subsidiaries for the three months ended December 31, 2013 and 2014 include the following components and were recorded in cost of sales, and selling general and administrative expenses in the consolidated statements of income.

|                                    | <b>Three months ended December 31,</b> |              |
|------------------------------------|--|--------------|
|                                    | <b>2013</b>                            | <b>2014</b>  |
|                                    | (Yen in millions)                      |              |
| Service cost                       | ¥ 126                                  | ¥ 150        |
| Interest cost                      | 484                                    | 537          |
| Expected return on plan assets     | (416)                                  | (528)        |
| Amortization of prior service cost | 2                                      | 3            |
| Recognized actuarial loss          | 261                                    | 168          |
| Net periodic pension costs         | <u>¥ 457</u>                           | <u>¥ 330</u> |

## 10. COMMITMENTS AND CONTINGENCIES

As of December 31, 2014, Kyocera had contractual obligations for the acquisition or construction of property, plant and equipment aggregating ¥7,811 million principally due within one year.

Kyocera is a lessee under long-term operating leases primarily for office space and equipment. The future minimum lease commitments under non-cancelable leases as of December 31, 2014 are as follows:

|                                      | <u>December 31, 2014</u><br>(Yen in millions) |
|--------------------------------------|---|
| Due within 1 year                    | ¥ 6,076                                       |
| Due after 1 year but within 2 years  | 4,214   |
| Due after 2 years but within 3 years | 2,973   |
| Due after 3 years but within 4 years | 2,065   |
| Due after 4 years but within 5 years | 1,684   |
| Thereafter                           | 2,342   |
| Total                                | <u>¥ 19,354</u>                               |

Kyocera has entered into purchase agreements for a certain portion of an anticipated quantity of materials used in its operations. Under those agreements, during the nine months ended December 31, 2014 and during the three months ended December 31, 2014, Kyocera purchased ¥16,294 million and ¥13,237 million, respectively and is obligated to purchase ¥226,973 million in total by the end of December 2020.

Kyocera guarantees the debt of employees, an investee and an unconsolidated subsidiary. As of December 31, 2014, the total amount of these guarantees was ¥505 million. The financial guarantees are made in the form of commitments and letters of awareness issued to financial institutions and generally obligate Kyocera to make payments in the event of default by the borrowers.

Kyocera's investment in Kagoshima Mega Solar Power Corporation, which was ¥1,597 million at December 31, 2014 accounted for by the equity method, is pledged as collateral for loans of ¥21,517 million from financial institutions of Kagoshima Mega Solar Power Corporation.

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

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

On October 10, 2012, the EPA, the United States, and the Commonwealth of Massachusetts and AVX announced that they had reached a settlement with respect to the EPA's ongoing clean-up of the New Bedford Harbor in the Commonwealth of Massachusetts (the harbor). Under the terms of the settlement, AVX was obligated to pay ¥39,521 million (\$366.25 million), plus interest computed from August 1, 2012, in three installments over a two-year period for use by the EPA and the Commonwealth to complete the clean-up of the harbor, and recorded a liability for the full amount of the obligation.

On October 18, 2013, AVX paid the initial settlement installment of ¥13,335 million (\$133.35 million), plus accrued interest of ¥395 million (\$3.95 million). On March 26, 2014, AVX prepaid the second settlement installment of ¥11,414 million (\$110.82 million), plus accrued interest of ¥85 million (\$0.82 million) on the remaining settlement amount through that date. In accordance with the terms of the settlement, AVX is obligated to pay the remaining settlement balance of ¥14,772 million (\$122.08 million), plus interest on September 21, 2015. AVX has the option to prepay any portion of the remaining settlement balance at any time prior to the due date. As of December 31, 2014, AVX and Kyocera have recorded the third payment in accordance with the settlement as other accrued liabilities in the consolidated balance sheets.

In addition to the above matter, Kyocera is involved in various environmental matters and Kyocera currently has a 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. Also, uncertainties about the status of laws, regulations, regulatory actions, technology and information related to individual sites make it difficult to develop an estimate of the reasonably possible aggregate environmental remediation exposure. Accordingly, these costs could differ from our current estimates.

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

## ***11. EQUITY***

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

Based on the resolution at the Ordinary General Shareholders' Meeting held on June 26, 2014, Kyocera Corporation declared year-end cash dividends totaling ¥14,675 million, ¥40 per share of common stock effective June 27, 2014 to shareholders of record on March 31, 2014.

Based on the resolution for the payment of interim dividends at the meeting of the Board of Directors held on October 30, 2014, Kyocera Corporation declared cash dividends totaling ¥14,674 million, ¥40 per share of common stock effective December 5, 2014 to shareholders of record on September 30, 2014.

Changes in Kyocera Corporation shareholders' equity, noncontrolling interests and total equity for the nine months ended December 31, 2013 and 2014 are as follows:

|  | <b>Nine months ended December 31, 2013</b>                  |   |                    |
|--|---|---|--------------------|
|  | <b>Kyocera<br/>Corporation<br/>Shareholders'<br/>Equity</b> | <b>Noncontrolling<br/>Interests<br/>(Yen in millions)</b> | <b>Equity</b>      |
| Balance at beginning of period                               | ¥ 1,646,157   | ¥ 68,785  | ¥ 1,714,942        |
| Comprehensive income   |   |   |                    |
| Net income   | 69,364  | 4,224   | 73,588             |
| Other comprehensive income—net of taxes                      |   |   |                    |
| Net unrealized gains on securities                           | 198,635   | 36  | 198,671            |
| Net unrealized losses on derivative financial instruments    | (278)   | (27)  | (305)              |
| Pension adjustments  | (1,514)   | (73)  | (1,587)            |
| Foreign currency translation adjustments                     | 50,034  | 6,956   | 56,990             |
| Total other comprehensive income                             | 246,877   | 6,892   | 253,769            |
| Total comprehensive income                                   | 316,241   | 11,116  | 327,357            |
| Cash dividends paid to Kyocera Corporation's shareholders    | (25,681)  | —   | (25,681)           |
| Cash dividends paid to noncontrolling interests              | —   | (2,176)   | (2,176)            |
| Equity transactions with noncontrolling interests and others | (55)  | (261)   | (316)              |
| Balance at end of period                                     | <u>¥ 1,936,662</u>  | <u>¥ 77,464</u>   | <u>¥ 2,014,126</u> |
|  |   |   |                    |
|  | <b>Nine months ended December 31, 2014</b>                  |   |                    |
|  | <b>Kyocera<br/>Corporation<br/>Shareholders'<br/>Equity</b> | <b>Noncontrolling<br/>Interests<br/>(Yen in millions)</b> | <b>Equity</b>      |
| Balance at beginning of period                               | ¥ 1,910,083   | ¥ 77,143  | ¥ 1,987,226        |
| Comprehensive income   |   |   |                    |
| Net income   | 73,971  | 5,154   | 79,125             |
| Other comprehensive income—net of taxes                      |   |   |                    |
| Net unrealized gains on securities                           | 132,473   | 90  | 132,563            |
| Net unrealized losses on derivative financial instruments    | (239)   | (42)  | (281)              |
| Pension adjustments  | (1,031)   | (83)  | (1,114)            |
| Foreign currency translation adjustments                     | 64,069  | 10,006  | 74,075             |
| Total other comprehensive income                             | 195,272   | 9,971   | 205,243            |
| Total comprehensive income                                   | 269,243   | 15,125  | 284,368            |
| Cash dividends paid to Kyocera Corporation's shareholders    | (29,349)  | —   | (29,349)           |
| Cash dividends paid to noncontrolling interests              | —   | (2,259)   | (2,259)            |
| Equity transactions with noncontrolling interests and others | (93)  | (2,896)   | (2,989)            |
| Balance at end of period                                     | <u>¥ 2,149,884</u>  | <u>¥ 87,113</u>   | <u>¥ 2,236,997</u> |

## 12. ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in accumulated other comprehensive income for the nine months ended December 31, 2013 and 2014 are as follows:

|  | Nine months ended December 31, 2013         |  |   |   |  |
|--|---|--|---|---|--|
|  | Net<br>Unrealized<br>Gains on<br>Securities | Net<br>Unrealized<br>Losses<br>on Derivative<br>Financial<br>Instruments | Pension<br>Adjustments<br>(Yen in millions) | Foreign<br>Currency<br>Translation<br>Adjustments | Total<br>Accumulated<br>Other<br>Comprehensive<br>Income |
| Balance at beginning of period                                   | ¥ 135,248                                   | ¥ (68)   | ¥ (23,415)                                  | ¥ (61,627)  | ¥ 50,138   |
| Other comprehensive income (loss), net                           |   |  |   |   |  |
| Other comprehensive income (loss) before reclassifications       | 199,034                                     | (504)  | (868)                                       | 50,034  | 247,696  |
| Amounts reclassified from accumulated other comprehensive income | (399)                                       | 226  | (646)                                       | —   | (819)  |
| Other comprehensive income (loss), net                           | 198,635                                     | (278)  | (1,514)                                     | 50,034  | 246,877  |
| Equity transactions with noncontrolling interests                | —   | 0  | (6)   | (33)  | (39)   |
| Balance at end of period   | ¥ 333,883                                   | ¥ (346)  | ¥ (24,935)                                  | ¥ (11,626)  | ¥ 296,976  |
|  | Nine months ended December 31, 2014         |  |   |   |  |
|  | Net<br>Unrealized<br>Gains on<br>Securities | Net<br>Unrealized<br>Losses<br>on Derivative<br>Financial<br>Instruments | Pension<br>Adjustments<br>(Yen in millions) | Foreign<br>Currency<br>Translation<br>Adjustments | Total<br>Accumulated<br>Other<br>Comprehensive<br>Income |
| Balance at beginning of period                                   | ¥ 293,783                                   | ¥ (260)  | ¥ (21,101)                                  | ¥ (21,459)  | ¥ 250,963  |
| Other comprehensive income (loss), net                           |   |  |   |   |  |
| Other comprehensive income (loss) before reclassifications       | 132,756                                     | (392)  | (85)  | 64,076  | 196,355  |
| Amounts reclassified from accumulated other comprehensive income | (283)                                       | 153  | (946)                                       | (7)   | (1,083)  |
| Other comprehensive income (loss), net                           | 132,473                                     | (239)  | (1,031)                                     | 64,069  | 195,272  |
| Equity transactions with noncontrolling interests                | —   | 0  | (64)  | (38)  | (102)  |
| Balance at end of period   | ¥ 426,256                                   | ¥ (499)  | ¥ (22,196)                                  | ¥ 42,572  | ¥ 446,133  |

The amounts reclassified out of accumulated other comprehensive income and the affected line items in the consolidated statements of income for the nine months ended December 31, 2013 and 2014 are as follows:

| Details about accumulated other comprehensive income components           | Affected line items  | Nine months ended December 31, 2013<br>(Yen in millions) |
|---|--|--|
| <b>Net unrealized gains (losses) on securities:</b>                       |  |  |
| Sales of securities   | Other, net   | ¥ (625)  |
|   | Income before income taxes                                     | (625)  |
|   | Income taxes   | 225  |
|   | Net income   | (400)  |
|   | Net income attributable to noncontrolling interests            | 1  |
|   | Net income attributable to shareholders of Kyocera Corporation | (399)  |
| <b>Net unrealized gains (losses) on derivative financial instruments:</b> |  |  |
| Foreign currency forward contracts  | Net sales  | (49)   |
|   | Cost of sales  | 428  |
|   | Foreign currency transaction gains, net                        | 7  |
|   | Income before income taxes                                     | 386  |
|   | Income taxes   | (74)   |
|   | Net income   | 312  |
|   | Net income attributable to noncontrolling interests            | (86)   |
|   | Net income attributable to shareholders of Kyocera Corporation | 226  |
| <b>Pension adjustments:</b>   |  |  |
| Amortization of prior service cost and recognized actuarial loss          | *1   | (1,070)  |
|   | Income before income taxes                                     | (1,070)  |
|   | Income taxes   | 462  |
|   | Net income   | (608)  |
|   | Net income attributable to noncontrolling interests            | (38)   |
|   | Net income attributable to shareholders of Kyocera Corporation | (646)  |
| <b>Total reclassifications for the period</b>                             |  | <b>¥ (819)</b>   |

| Details about accumulated other comprehensive income components    | Affected line items   | Nine months ended<br>December 31, 2014<br>(Yen in millions) |
|--|---|---|
| Net unrealized gains (losses) on securities:                       |   |   |
| Sales of securities  | Other, net  | ¥ (295)   |
|  | Income before income taxes  | (295)   |
|  | Income taxes  | 12  |
|  | Net income  | (283)   |
|  | Net income attributable to noncontrolling interests               | —   |
|  | Net income attributable to shareholders of<br>Kyocera Corporation | (283)   |
| Net unrealized gains (losses) on derivative financial instruments: |   |   |
| Foreign currency forward contracts and interest rate swaps         | Net sales   | (625)   |
|  | Cost of sales   | 824   |
|  | Foreign currency transaction gains, net                           | (18)  |
|  | Other, net  | 66  |
|  | Income before income taxes  | 247   |
|  | Income taxes  | (52)  |
|  | Net income  | 195   |
|  | Net income attributable to noncontrolling interests               | (42)  |
|  | Net income attributable to shareholders of<br>Kyocera Corporation | 153   |
| Pension adjustments:   |   |   |
| Amortization of prior service cost and recognized actuarial loss   | *1  | (1,564)   |
|  | Income before income taxes  | (1,564)   |
|  | Income taxes  | 671   |
|  | Net income  | (893)   |
|  | Net income attributable to noncontrolling interests               | (53)  |
|  | Net income attributable to shareholders of<br>Kyocera Corporation | (946)   |
| Foreign currency translation adjustments:                          |   |   |
| Sale of an investment in an affiliate                              | Other, net  | (7)   |
|  | Income before income taxes  | (7)   |
|  | Income taxes  | —   |
|  | Net income  | (7)   |
|  | Net income attributable to noncontrolling interests               | —   |
|  | Net income attributable to shareholders of<br>Kyocera Corporation | (7)   |
| Total reclassifications for the period                             |   | ¥ (1,083)   |

\*1 As for the affected line items in the consolidated statements of income by reclassification of pension adjustments, please refer to the Note 9 to the Quarterly Consolidated Financial Statements.

\*2 Amounts in parentheses indicate gains in the consolidated statements of income.

The amounts reclassified out of accumulated other comprehensive income and the affected line items in the consolidated statements of income for the three months ended December 31, 2013 and 2014 are as follows:

| Details about accumulated other<br>comprehensive income components    | Affected line items   | Three months ended<br>December 31, 2013<br>(Yen in millions) |
|---|---|--|
| Net unrealized gains (losses) on securities:                          |   |  |
| Sales of securities   | Other, net  | ¥ (407)  |
|   | Income before income taxes  | (407)  |
|   | Income taxes  | 147  |
|   | Net income  | (260)  |
|   | Net income attributable to noncontrolling interests               | 0  |
|   | Net income attributable to shareholders of<br>Kyocera Corporation | (260)  |
| Net unrealized gains (losses) on derivative financial<br>instruments: |   |  |
| Foreign currency forward contracts                                    | Net sales   | 24   |
|   | Cost of sales   | 177  |
|   | Foreign currency transaction gains, net                           | 6  |
|   | Income before income taxes  | 207  |
|   | Income taxes  | (36)   |
|   | Net income  | 171  |
|   | Net income attributable to noncontrolling interests               | (47)   |
|   | Net income attributable to shareholders of<br>Kyocera Corporation | 124  |
| Pension adjustments:  |   |  |
| Amortization of prior service cost and<br>recognized actuarial loss   | *1  | (351)  |
|   | Income before income taxes  | (351)  |
|   | Income taxes  | 150  |
|   | Net income  | (201)  |
|   | Net income attributable to noncontrolling interests               | (12)   |
|   | Net income attributable to shareholders of<br>Kyocera Corporation | (213)  |
| Total reclassifications for the period                                |   | ¥ (349)  |

| Details about accumulated other<br>comprehensive income components    | Affected line items   | Three months ended<br>December 31, 2014<br>(Yen in millions) |
|---|---|--|
| Net unrealized gains (losses) on securities:                          |   |  |
| Sales of securities   | Other, net  | ¥ (295)  |
|   | Income before income taxes  | (295)  |
|   | Income taxes  | 12   |
|   | Net income  | (283)  |
|   | Net income attributable to noncontrolling interests               | —  |
|   | Net income attributable to shareholders of<br>Kyocera Corporation | (283)  |
| Net unrealized gains (losses) on derivative financial<br>instruments: |   |  |
| Foreign currency forward contracts and<br>interest rate swaps         | Net sales   | (461)  |
|   | Cost of sales   | 670  |
|   | Foreign currency transaction gains, net                           | (17)   |
|   | Other, net  | 22   |
|   | Income before income taxes  | 214  |
|   | Income taxes  | (42)   |
|   | Net income  | 172  |
|   | Net income attributable to noncontrolling interests               | (43)   |
|   | Net income attributable to shareholders of<br>Kyocera Corporation | 129  |
| Pension adjustments:  |   |  |
| Amortization of prior service cost and<br>recognized actuarial loss   | *1  | (522)  |
|   | Income before income taxes  | (522)  |
|   | Income taxes  | 215  |
|   | Net income  | (307)  |
|   | Net income attributable to noncontrolling interests               | (19)   |
|   | Net income attributable to shareholders of<br>Kyocera Corporation | (326)  |
| Foreign currency translation adjustments:                             |   |  |
| Sale of an investment in an affiliate                                 | Other, net  | (7)  |
|   | Income before income taxes  | (7)  |
|   | Income taxes  | —  |
|   | Net income  | (7)  |
|   | Net income attributable to noncontrolling interests               | —  |
|   | Net income attributable to shareholders of<br>Kyocera Corporation | (7)  |
| Total reclassifications for the period                                |   | ¥ (487)  |

\*1 As for the affected line items in the consolidated statements of income by reclassification of pension adjustments, please refer to the Note 9 to the Quarterly Consolidated Financial Statements.

\*2 Amounts in parentheses indicate gains in the consolidated statements of income.

Tax effect allocated to each components of other comprehensive income (loss) for the nine months ended December 31, 2013 and 2014 are as follows:

|   | <u>Before-tax<br/>amount</u> | <u>Tax (expense)<br/>or benefit</u><br>(Yen in millions) | <u>Net-of-tax<br/>amount</u> |
|---|------------------------------|--|------------------------------|
| <b>For the nine months ended December 31, 2013:</b>       |                              |  |                              |
| Net unrealized gains on securities                        | ¥309,943                     | ¥ (111,272)  | ¥198,671                     |
| Net unrealized losses on derivative financial instruments | (432)                        | 127  | (305)                        |
| Pension adjustments                                       | (2,049)                      | 462  | (1,587)                      |
| Foreign currency translation adjustments                  | 56,990                       | —  | 56,990                       |
| Other comprehensive income (loss)                         | <u>¥364,452</u>              | <u>¥ (110,683)</u>                                       | <u>¥253,769</u>              |
| <b>For the nine months ended December 31, 2014:</b>       |                              |  |                              |
| Net unrealized gains on securities                        | ¥207,205                     | ¥ (74,642)   | ¥132,563                     |
| Net unrealized losses on derivative financial instruments | (384)                        | 103  | (281)                        |
| Pension adjustments                                       | (1,473)                      | 359  | (1,114)                      |
| Foreign currency translation adjustments                  | 74,075                       | —  | 74,075                       |
| Other comprehensive income (loss)                         | <u>¥279,423</u>              | <u>¥ (74,180)</u>  | <u>¥205,243</u>              |

Tax effect allocated to each components of other comprehensive income (loss) for the three months ended December 31, 2013 and 2014 are as follows:

|   | <u>Before-tax<br/>amount</u> | <u>Tax (expense)<br/>or benefit</u><br>(Yen in millions) | <u>Net-of-tax<br/>amount</u> |
|---|------------------------------|--|------------------------------|
| <b>For the three months ended December 31, 2013:</b>      |                              |  |                              |
| Net unrealized gains on securities                        | ¥166,377                     | ¥ (59,856)   | ¥106,521                     |
| Net unrealized losses on derivative financial instruments | (169)                        | 20   | (149)                        |
| Pension adjustments                                       | (1,226)                      | 150  | (1,076)                      |
| Foreign currency translation adjustments                  | 35,036                       | —  | 35,036                       |
| Other comprehensive income (loss)                         | <u>¥200,018</u>              | <u>¥ (59,686)</u>  | <u>¥140,332</u>              |
| <b>For the three months ended December 31, 2014:</b>      |                              |  |                              |
| Net unrealized gains on securities                        | ¥128,256                     | ¥ (46,224)   | ¥ 82,032                     |
| Net unrealized losses on derivative financial instruments | (164)                        | 47   | (117)                        |
| Pension adjustments                                       | (736)                        | (23)   | (759)                        |
| Foreign currency translation adjustments                  | 50,473                       | —  | 50,473                       |
| Other comprehensive income (loss)                         | <u>¥177,829</u>              | <u>¥ (46,200)</u>  | <u>¥131,629</u>              |

### 13. SUPPLEMENTAL EXPENSE INFORMATION

Supplemental expense information for the nine months ended December 31, 2013 and 2014 is as follows:

|   | Nine months ended December 31, |          |
|---|--------------------------------|----------|
|   | 2013                           | 2014     |
|   | (Yen in millions)              |          |
| Research and development expenses   | ¥ 36,374                       | ¥ 40,418 |
| Advertising expenses  | 4,942                          | 4,606    |
| Shipping and handling cost included in selling, general and administrative expenses | 17,674                         | 17,706   |

Supplemental expense information for the three months ended December 31, 2013 and 2014 is as follows:

|   | Three months ended December 31, |          |
|---|---------------------------------|----------|
|   | 2013                            | 2014     |
|   | (Yen in millions)               |          |
| Research and development expenses   | ¥ 12,194                        | ¥ 13,938 |
| Advertising expenses  | 2,053                           | 1,910    |
| Shipping and handling cost included in selling, general and administrative expenses | 6,161                           | 5,853    |

## **14. SEGMENT REPORTING**

Kyocera manufactures and sells a highly diversified range of products, including components involving fine ceramic technologies and applied ceramic products, telecommunications and information equipment etc.

Kyocera categorizes its operations into seven reporting segments: (1) Fine Ceramic Parts Group, (2) Semiconductor Parts Group, (3) Applied Ceramic Products Group, (4) Electronic Device Group, (5) Telecommunications Equipment Group, (6) Information Equipment Group, and (7) Others.

Main products or businesses of each reporting segment are as follows:

- (1) Fine Ceramic Parts Group
  - Components for Semiconductor Processing Equipment and Flat Panel Display Manufacturing Equipment
  - Information and Telecommunication Components
  - General Industrial Machinery Components
  - Sapphire Substrates
  - Automotive Components
- (2) Semiconductor Parts Group
  - Ceramic Packages and Substrates
  - Organic Multilayer Packages and Substrates
- (3) Applied Ceramic Products Group
  - Solar Power Generating Systems
  - Cutting Tools, Micro Drills
  - Medical and Dental Implants
  - Jewelry and Applied Ceramic Related Products
- (4) Electronic Device Group
  - Capacitors
  - SAW Devices
  - Crystal Components
  - Connectors
  - Liquid Crystal Displays
  - Printing Devices
- (5) Telecommunications Equipment Group
  - Mobile Phones
  - PHS-Related Products such as PHS Handsets and PHS Base Stations
- (6) Information Equipment Group
  - Monochrome and Color Printers and Multifunctional Products
  - Wide Format Systems
  - Document Solutions
  - Application Software
  - Supplies
- (7) Others
  - Information Systems and Telecommunication Services, Engineering Business, Management Consulting Business
  - Materials for Semiconductor, Chemical Materials
  - Realty Development Business

Inter-segment sales, operating revenue and transfers are made with reference to prevailing market prices. Transactions between reportable segments are immaterial and not shown separately.

Operating profit for each reporting segment represents net sales, less related costs and operating expenses, excluding corporate gains (losses) and equity in earnings of affiliates and an unconsolidated subsidiary, income taxes and net income attributable to noncontrolling interests.

Information by reporting segments for the nine months ended December 31, 2013 and 2014 is summarized as follows:

*Reporting Segments*

|   | <b>Nine months ended December 31,</b> |                    |
|---|---------------------------------------|--------------------|
|   | <b>2013</b>                           | <b>2014</b>        |
| <b>(Yen in millions)</b>  |                                       |                    |
| <b>Net sales:</b>   |                                       |                    |
| Fine Ceramic Parts Group  | ¥ 58,929                              | ¥ 66,128           |
| Semiconductor Parts Group   | 139,522                               | 159,561            |
| Applied Ceramic Products Group  | 195,854                               | 189,333            |
| Electronic Device Group   | 216,295                               | 213,050            |
| Telecommunications Equipment Group  | 147,778                               | 146,346            |
| Information Equipment Group   | 221,550                               | 241,744            |
| Others  | 123,177                               | 123,176            |
| Adjustments and eliminations  | (31,717)                              | (37,646)           |
| Net sales   | <u>¥1,071,388</u>                     | <u>¥ 1,101,692</u> |
| <b>Income before income taxes:</b>  |                                       |                    |
| Fine Ceramic Parts Group  | ¥ 8,484                               | ¥ 11,167           |
| Semiconductor Parts Group   | 24,956                                | 24,617             |
| Applied Ceramic Products Group  | 22,816                                | 9,570              |
| Electronic Device Group   | 21,240                                | 28,281             |
| Telecommunications Equipment Group  | 1,870                                 | (3,223)            |
| Information Equipment Group   | 17,112                                | 25,432             |
| Others  | 3,479                                 | 4,095              |
| Total operating profit  | <u>99,957</u>                         | <u>99,939</u>      |
| Corporate gains and Equity in earnings of affiliates and an unconsolidated subsidiary | 10,861                                | 15,233             |
| Adjustments and eliminations  | (474)                                 | (505)              |
| Income before income taxes  | <u>¥ 110,344</u>                      | <u>¥ 114,667</u>   |
| <b>Depreciation and amortization:</b>   |                                       |                    |
| Fine Ceramic Parts Group  | ¥ 3,616                               | ¥ 3,547            |
| Semiconductor Parts Group   | 11,125                                | 11,441             |
| Applied Ceramic Products Group  | 9,863                                 | 9,141              |
| Electronic Device Group   | 12,425                                | 11,411             |
| Telecommunications Equipment Group  | 3,871                                 | 3,385              |
| Information Equipment Group   | 7,951                                 | 8,098              |
| Others  | 4,291                                 | 4,306              |
| Corporate   | 1,658                                 | 1,585              |
| Total   | <u>¥ 54,800</u>                       | <u>¥ 52,914</u>    |
| <b>Capital expenditures:</b>  |                                       |                    |
| Fine Ceramic Parts Group  | ¥ 2,291                               | ¥ 4,871            |
| Semiconductor Parts Group   | 9,496                                 | 8,596              |
| Applied Ceramic Products Group  | 6,992                                 | 5,015              |
| Electronic Device Group   | 9,607                                 | 10,172             |
| Telecommunications Equipment Group  | 2,563                                 | 2,012              |
| Information Equipment Group   | 3,680                                 | 6,680              |
| Others  | 2,787                                 | 2,121              |
| Corporate   | 2,442                                 | 2,349              |
| Total   | <u>¥ 39,858</u>                       | <u>¥ 41,816</u>    |

Information by reporting segments for the three months ended December 31, 2013 and 2014 is summarized as follows:

*Reporting Segments*

|   | <b>Three months ended December 31,</b> |                  |
|---|--|------------------|
|   | <b>2013</b>                            | <b>2014</b>      |
| (Yen in millions)   |  |                  |
| <b>Net sales:</b>   |  |                  |
| Fine Ceramic Parts Group  | ¥ 20,742                               | ¥ 22,904         |
| Semiconductor Parts Group   | 52,459                                 | 57,388           |
| Applied Ceramic Products Group  | 68,339                                 | 64,619           |
| Electronic Device Group   | 68,844                                 | 74,207           |
| Telecommunications Equipment Group  | 51,221                                 | 54,791           |
| Information Equipment Group   | 77,025                                 | 84,096           |
| Others  | 43,464                                 | 39,719           |
| Adjustments and eliminations  | (10,369)                               | (10,361)         |
| Net sales   | <u>¥ 371,725</u>                       | <u>¥ 387,363</u> |
| <b>Income before income taxes:</b>  |  |                  |
| Fine Ceramic Parts Group  | ¥ 2,722                                | ¥ 4,158          |
| Semiconductor Parts Group   | 8,915                                  | 9,962            |
| Applied Ceramic Products Group  | 7,982                                  | 3,794            |
| Electronic Device Group   | 6,578                                  | 11,597           |
| Telecommunications Equipment Group  | 1,604                                  | (1,965)          |
| Information Equipment Group   | 6,663                                  | 8,225            |
| Others  | 1,478                                  | 1,601            |
| Total operating profit  | <u>35,942</u>                          | <u>37,372</u>    |
| Corporate gains and Equity in earnings of affiliates and an unconsolidated subsidiary | 5,491                                  | 9,124            |
| Adjustments and eliminations  | (142)                                  | 53               |
| Income before income taxes  | <u>¥ 41,291</u>                        | <u>¥ 46,549</u>  |
| <b>Depreciation and amortization:</b>   |  |                  |
| Fine Ceramic Parts Group  | ¥ 1,296                                | ¥ 1,307          |
| Semiconductor Parts Group   | 4,407                                  | 4,049            |
| Applied Ceramic Products Group  | 3,490                                  | 3,249            |
| Electronic Device Group   | 4,383                                  | 4,345            |
| Telecommunications Equipment Group  | 1,270                                  | 1,108            |
| Information Equipment Group   | 2,946                                  | 3,087            |
| Others  | 1,597                                  | 1,447            |
| Corporate   | 560                                    | 556              |
| Total   | <u>¥ 19,949</u>                        | <u>¥ 19,148</u>  |
| <b>Capital expenditures:</b>  |  |                  |
| Fine Ceramic Parts Group  | ¥ 1,076                                | ¥ 853            |
| Semiconductor Parts Group   | 1,932                                  | 1,720            |
| Applied Ceramic Products Group  | 2,467                                  | 2,053            |
| Electronic Device Group   | 2,880                                  | 3,132            |
| Telecommunications Equipment Group  | 665                                    | 662              |
| Information Equipment Group   | 822                                    | 1,789            |
| Others  | 599                                    | 683              |
| Corporate   | 810                                    | 454              |
| Total   | <u>¥ 11,251</u>                        | <u>¥ 11,346</u>  |

*Geographic segments (Net sales by region)*

|                          | <b>Nine months ended December 31,</b> |                    |
|--------------------------|---------------------------------------|--------------------|
|                          | <b>2013</b>                           | <b>2014</b>        |
| (Yen in millions)        |                                       |                    |
| <b>Net sales:</b>        |                                       |                    |
| Japan                    | ¥ 469,199                             | ¥ 447,300          |
| Asia                     | 208,472                               | 224,090            |
| Europe                   | 177,477                               | 195,994            |
| United States of America | 167,916                               | 182,466            |
| Others                   | 48,324                                | 51,842             |
| Net sales                | <u>¥ 1,071,388</u>                    | <u>¥ 1,101,692</u> |

|                          | <b>Three months ended December 31,</b> |                  |
|--------------------------|--|------------------|
|                          | <b>2013</b>                            | <b>2014</b>      |
| (Yen in millions)        |  |                  |
| <b>Net sales:</b>        |  |                  |
| Japan                    | ¥ 169,769                              | ¥ 151,896        |
| Asia                     | 69,271                                 | 81,802           |
| Europe                   | 63,358                                 | 66,923           |
| United States of America | 54,046                                 | 67,410           |
| Others                   | 15,281                                 | 19,332           |
| Net sales                | <u>¥ 371,725</u>                       | <u>¥ 387,363</u> |

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

Geographic Segments (Net sales and Income before income taxes by Geographic area)

|   | Nine months ended December 31, |                    |
|---|--------------------------------|--------------------|
|   | 2013                           | 2014               |
|   | (Yen in millions)              |                    |
| <b>Net sales:</b>   |                                |                    |
| Japan   | ¥ 490,760                      | ¥ 473,397          |
| Intra-group sales and transfer between geographic areas                               | 357,027                        | 382,357            |
|   | <u>847,787</u>                 | <u>855,754</u>     |
| Asia  | 176,383                        | 178,664            |
| Intra-group sales and transfer between geographic areas                               | 213,692                        | 238,613            |
|   | <u>390,075</u>                 | <u>417,277</u>     |
| Europe  | 183,244                        | 201,950            |
| Intra-group sales and transfer between geographic areas                               | 36,468                         | 27,646             |
|   | <u>219,712</u>                 | <u>229,596</u>     |
| United States of America  | 200,346                        | 223,467            |
| Intra-group sales and transfer between geographic areas                               | 31,655                         | 25,308             |
|   | <u>232,001</u>                 | <u>248,775</u>     |
| Others  | 20,655                         | 24,214             |
| Intra-group sales and transfer between geographic areas                               | 11,845                         | 12,217             |
|   | <u>32,500</u>                  | <u>36,431</u>      |
| Adjustments and eliminations  | (650,687)                      | (686,141)          |
| Net sales   | <u>¥ 1,071,388</u>             | <u>¥ 1,101,692</u> |
| <b>Income before income taxes:</b>  |                                |                    |
| Japan   | ¥ 64,114                       | ¥ 61,632           |
| Asia  | 18,086                         | 19,066             |
| Europe  | 6,263                          | 7,297              |
| United States of America  | 12,766                         | 14,793             |
| Others  | 459                            | 744                |
|   | <u>101,688</u>                 | <u>103,532</u>     |
| Corporate gains and Equity in earnings of affiliates and an unconsolidated subsidiary | 10,861                         | 15,233             |
| Adjustments and eliminations  | (2,205)                        | (4,098)            |
| Income before income taxes  | <u>¥ 110,344</u>               | <u>¥ 114,667</u>   |

|   | <b>Three months ended December 31,</b> |                  |
|---|--|------------------|
|   | <b>2013</b>                            | <b>2014</b>      |
|   | <b>(Yen in millions)</b>               |                  |
| <b>Net sales:</b>   |  |                  |
| Japan   | ¥ 177,614                              | ¥ 162,420        |
| Intra-group sales and transfer between geographic areas                               | 120,065                                | 132,464          |
|   | <u>297,679</u>                         | <u>294,884</u>   |
| Asia  | 56,813                                 | 63,355           |
| Intra-group sales and transfer between geographic areas                               | 69,724                                 | 80,437           |
|   | <u>126,537</u>                         | <u>143,792</u>   |
| Europe  | 64,866                                 | 68,599           |
| Intra-group sales and transfer between geographic areas                               | 12,369                                 | 9,066            |
|   | <u>77,235</u>                          | <u>77,665</u>    |
| United States of America  | 65,667                                 | 83,789           |
| Intra-group sales and transfer between geographic areas                               | 10,722                                 | 8,276            |
|   | <u>76,389</u>                          | <u>92,065</u>    |
| Others  | 6,765                                  | 9,200            |
| Intra-group sales and transfer between geographic areas                               | 3,807                                  | 4,206            |
|   | <u>10,572</u>                          | <u>13,406</u>    |
| Adjustments and eliminations  | (216,687)                              | (234,449)        |
| Net sales   | <u>¥ 371,725</u>                       | <u>¥ 387,363</u> |
| <b>Income before income taxes:</b>  |  |                  |
| Japan   | ¥ 26,037                               | ¥ 22,741         |
| Asia  | 6,728                                  | 6,822            |
| Europe  | 2,346                                  | 2,626            |
| United States of America  | 3,597                                  | 4,997            |
| Others  | 242                                    | 369              |
|   | <u>38,950</u>                          | <u>37,555</u>    |
| Corporate gains and Equity in earnings of affiliates and an unconsolidated subsidiary | 5,491                                  | 9,124            |
| Adjustments and eliminations  | (3,150)                                | (130)            |
| Income before income taxes  | <u>¥ 41,291</u>                        | <u>¥ 46,549</u>  |

## 15. PER SHARE INFORMATION

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

|  | <b>Nine months ended December 31,</b> |             |
|--|---------------------------------------|-------------|
|  | <b>2013</b>                           | <b>2014</b> |
| <b>(Yen in millions and shares in thousands, except per share amounts)</b> |                                       |             |
| Net income attributable to shareholders of Kyocera Corporation             | ¥ 69,364                              | ¥ 73,971    |
| Basic earnings per share:  |                                       |             |
| Net income attributable to shareholders of Kyocera Corporation             | ¥ 189.07                              | ¥ 201.63    |
| Diluted earnings per share:  |                                       |             |
| Net income attributable to shareholders of Kyocera Corporation             | ¥ 189.07                              | ¥ 201.63    |
| Basic weighted average number of shares outstanding                        | 366,873                               | 366,865     |
| Diluted weighted average number of shares outstanding                      | 366,873                               | 366,865     |

Based on a resolution to undertake a stock split at the meeting of the Board of Directors held on August 28, 2013, Kyocera Corporation undertook a stock split at the ratio of two-for-one of all common stock on October 1, 2013. "Per share information" during the nine months ended December 31, 2013 are calculated under the assumption that the stock split undertaken by Kyocera Corporation on October 1, 2013 had been undertaken at the beginning of the year ended March 31, 2014.

|  | <b>Three months ended December 31,</b> |             |
|--|--|-------------|
|  | <b>2013</b>                            | <b>2014</b> |
| <b>(Yen in millions and shares in thousands, except per share amounts)</b> |  |             |
| Net income attributable to shareholders of Kyocera Corporation             | ¥ 26,434                               | ¥ 30,322    |
| Basic earnings per share:  |  |             |
| Net income attributable to shareholders of Kyocera Corporation             | ¥ 72.05                                | ¥ 82.65     |
| Diluted earnings per share:  |  |             |
| Net income attributable to shareholders of Kyocera Corporation             | ¥ 72.05                                | ¥ 82.65     |
| Basic weighted average number of shares outstanding                        | 366,868                                | 366,863     |
| Diluted weighted average number of shares outstanding                      | 366,868                                | 366,863     |

## Reference Information (Unaudited)

### 1. Production (Sales price)

|                                    | Nine months ended December 31, |                   |                   |                   | Increase<br>(Decrease)<br>% |
|------------------------------------|--------------------------------|-------------------|-------------------|-------------------|-----------------------------|
|                                    | 2013                           |                   | 2014              |                   |                             |
|                                    | Amount                         | % to<br>the total | Amount            | % to<br>the total |                             |
|                                    | (Yen in millions)              |                   |                   |                   |                             |
| Fine Ceramic Parts Group           | ¥ 60,151                       | 5.4               | ¥ 69,496          | 6.1               | 15.5                        |
| Semiconductor Parts Group          | 139,172                        | 12.5              | 168,978           | 14.7              | 21.4                        |
| Applied Ceramic Products Group     | 220,210                        | 19.8              | 192,825           | 16.8              | (12.4)                      |
| Electronic Device Group            | 219,801                        | 19.7              | 225,050           | 19.6              | 2.4                         |
| Total Components Business          | 639,334                        | 57.4              | 656,349           | 57.2              | 2.7                         |
| Telecommunications Equipment Group | 156,228                        | 14.0              | 146,459           | 12.7              | (6.3)                       |
| Information Equipment Group        | 225,543                        | 20.3              | 247,942           | 21.6              | 9.9                         |
| Total Equipment Business           | 381,771                        | 34.3              | 394,401           | 34.3              | 3.3                         |
| Others                             | 92,016                         | 8.3               | 97,663            | 8.5               | 6.1                         |
| Production                         | <u>¥1,113,121</u>              | <u>100.0</u>      | <u>¥1,148,413</u> | <u>100.0</u>      | <u>3.2</u>                  |

### 2. Orders

|                                    | Nine months ended December 31, |                   |                   |                   | Increase<br>(Decrease)<br>% |
|------------------------------------|--------------------------------|-------------------|-------------------|-------------------|-----------------------------|
|                                    | 2013                           |                   | 2014              |                   |                             |
|                                    | Amount                         | % to<br>the total | Amount            | % to<br>the total |                             |
|                                    | (Yen in millions)              |                   |                   |                   |                             |
| Fine Ceramic Parts Group           | ¥ 59,662                       | 5.5               | ¥ 66,565          | 5.7               | 11.6                        |
| Semiconductor Parts Group          | 139,535                        | 12.8              | 163,115           | 13.9              | 16.9                        |
| Applied Ceramic Products Group     | 204,728                        | 18.8              | 223,695           | 19.1              | 9.3                         |
| Electronic Device Group            | 218,336                        | 20.0              | 216,503           | 18.5              | (0.8)                       |
| Total Components Business          | 622,261                        | 57.1              | 669,878           | 57.2              | 7.7                         |
| Telecommunications Equipment Group | 155,467                        | 14.2              | 161,347           | 13.8              | 3.8                         |
| Information Equipment Group        | 222,020                        | 20.4              | 241,652           | 20.6              | 8.8                         |
| Total Equipment Business           | 377,487                        | 34.6              | 402,999           | 34.4              | 6.8                         |
| Others                             | 125,212                        | 11.5              | 136,231           | 11.7              | 8.8                         |
| Adjustments and eliminations       | (35,001)                       | (3.2)             | (38,394)          | (3.3)             | —                           |
| Orders                             | <u>¥1,089,959</u>              | <u>100.0</u>      | <u>¥1,170,714</u> | <u>100.0</u>      | <u>7.4</u>                  |