

THE NEW VALUE FRONTIER



Internet Disclosure Items for the Notice of the 59th Ordinary General Meeting of Shareholders

- **Notes to Consolidated Financial Statements**
(April 1, 2012 to March 31, 2013)
- **Notes to Financial Statements**
(April 1, 2012 to March 31, 2013)

KYOCERA Corporation

Of the accompanying documents for the Notice of the 59th Ordinary General Meeting of Shareholders, the “Notes to Consolidated Financial Statements” and the “Notes to Financial Statements” are available to shareholders on the Company’s website (http://global.kyocera.com/ir/s_info.html) pursuant to the provisions of laws and regulations as well as the Articles of Incorporation of the Company.

The “Notes to Consolidated Financial Statements” and the “Notes to Financial Statements” are parts of the Consolidated Financial Statements and the Financial Statements that were audited by Audit & Supervisory Board Members and the Accounting Auditor in preparing the Audit Reports.

Please note that this is an English translation of the Japanese original of the Internet Disclosure Items for the Notice of the 59th Ordinary General Meeting of Shareholders of Kyocera Corporation distributed to shareholders in Japan. The translation is prepared solely for the reference and convenience of foreign shareholders. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

Notes to Consolidated Financial Statements

1. Basis of Preparation of Consolidated Financial Statements

(1) Scope of Consolidation

Number of Consolidated Subsidiaries: 217

Major Consolidated Subsidiaries: Kyocera Document Solutions Inc., AVX Corporation and Kyocera International, Inc.

A Non-Consolidated Subsidiary: Kyoto Purple Sanga Co., Ltd.

This subsidiary is excluded from the scope of consolidation because its total assets, net sales, net income attributable to shareholders of Kyocera Corporation and retained earnings, etc. are immaterial, as such, they do not hinder a rational judgment of financial position and results of operations of Kyocera when excluded from the scope of consolidation.

(2) Scope of Application of the Equity Method

Number of Non-Consolidated Subsidiaries and Affiliates Accounted for by the Equity Method: 11

Major Affiliate Accounted for by the Equity Method: Kagoshima Mega Solar Power Corporation

(3) Changes in Scope of Consolidation

Number of Increase: 11, Motex Inc., AVX Tantalum Asia Corporation and others

Number of Decrease: 17, Kyocera Chemical (Thailand) Ltd. and others

(4) Changes in Scope of Application of the Equity Method

Number of Increase: 2, Kagoshima Mega Solar Power Corporation and another

Number of Decrease: 2

(5) Summary of Significant Accounting Policies

(i) Standards of Preparation of Consolidated Financial Statements

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America pursuant to the provisions of paragraph 1 of Article 120-2 of the Ordinance on Accounting of Companies of Japan. Certain disclosure and footnotes required under principles generally accepted in the United States are omitted pursuant to the provisions of the second sentence of the same paragraph.

(ii) Valuation of Inventories

Kyocera has adopted the Financial Accounting Standards Board (FASB)'s Accounting Standards Codification (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, and by other methods including the first-in, first-out method. For raw materials and supplies, cost is mainly determined by the first-in, first-out method, and by other methods including the average method. Kyocera recognizes estimated write-down of inventories for excess, slow-moving and obsolete inventories.

(iii) Valuation of Securities

Kyocera has adopted ASC 320, "Debt and Equity Securities." Available-for-sale securities are recorded at fair value, with unrealized gains and losses excluded from income and recorded in "accumulated other comprehensive income," net of tax. Held-to-maturity securities are recorded at amortized cost. Non-marketable equity securities are recorded using the cost method based on ASC325, "Investments – Other."

(iv) Depreciation Method for Property, Plant and Equipment

Kyocera has adopted ASC 360, "Property, Plant and Equipment." Depreciation is accounted mainly by the declining balance method on estimated useful lives.

(v) Goodwill and Other Intangible Assets

Kyocera has adopted ASC 350, "Intangibles—Goodwill and Other." Goodwill and intangible assets with indefinite useful lives are, rather than being amortized on a straight line basis, reviewed for impairment 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 pursuant to ASC 360, "Property, Plant and Equipment" reviewed for impairment following any events and changes in circumstances that might lead to impairment.

(vi) Accounting for Allowances and Accruals

Allowances for Doubtful Accounts:

Kyocera maintains allowances for doubtful accounts related to trade notes receivable, trade accounts receivable and finance receivables for estimated losses resulting from customers' inability to make timely payments. 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 directly writes off these receivables to expenses in the period incurred.

Allowances for Sales Returns:

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

Accrued Pension and Severance Liabilities:

Kyocera has adopted ASC 715, "Compensation – Retirement Benefits." Kyocera recognizes the overfunded or underfunded status of its defined benefit postretirement plans as an asset or liability, as the case may be, in the consolidated balance sheet and recognizes changes in funded status during the year as changes in comprehensive income for such year. Prior service cost is amortized by the straight-line method over the average remaining service period of employees. 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) Recently Adopted Accounting Standards

On April 1, 2012, Kyocera adopted the FASB's Accounting Standards Update (ASU) No. 2011-05, "Presentation of Comprehensive Income" and ASU No. 2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05." ASU No. 2011-05 requires entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. It eliminates the current option to present the components of other comprehensive income as part of the statement of equity. ASU No. 2011-05 also requires reclassification adjustments and the effect of those adjustments on net income and other comprehensive income to be disclosed on the face of financial statements, however, the effective date of this requirement is deferred indefinitely by ASU No. 2011-12. As these accounting standards are a provision for presentation, the adoption of these accounting standards did not have an impact on Kyocera's consolidated results of operations and financial condition.

On April 1, 2012, Kyocera adopted the FASB's ASU No. 2011-08, "Testing Goodwill for Impairment." This accounting standard permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. An entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. As this accounting standard does not actually change how the impairment would be calculated, the adoption of this accounting standard did not have an impact on Kyocera's consolidated results of operations and financial condition.

2. Notes to Consolidated Balance Sheets

	(Yen in millions)
(1) Allowances for Doubtful Accounts Related to Assets	
Other Current Assets	¥ 387
Other Long-term Investments	¥ 1
Other Assets	¥ 1,980
(2) Accumulated Other Comprehensive Income	
Net Unrealized Gains on Securities	¥135,248
Net Unrealized Losses on Derivative Financial Instruments	¥ (68)
Pension Adjustments	¥(23,415)
Foreign Currency Translation Adjustments	¥(61,627)
(3) Assets Pledged as Collateral	
Property, Plant and Equipment	¥ 3,869
* Property, plant and equipment is pledged against "Current Portion of Long-term Debts" and "Long-term Debts" in a total amount of ¥ 2,385 million.	
(4) Guarantee Obligations	
Guarantees for Debts	¥ 581

3. Notes to Consolidated Statement of Equity

(1) Total Number of Shares Issued

Class of Shares	(Shares in thousands)			
	March 31, 2012	Increase	Decrease	March 31, 2013
Common Stock	191,309	—	—	191,309

(2) Distribution of Surplus

(i) Dividends Paid

Resolution	Class of Shares	Aggregate Amount	Per Share Amount	Record Date	Effective Date
The Ordinary General Meeting of Shareholders held on June 27, 2012	Common Stock	¥11,007 million	¥60	March 31, 2012	June 28, 2012
The Board of Directors Meeting held on October 31, 2012	Common Stock	¥11,006 million	¥60	September 30, 2012	December 5, 2012

(ii) Dividends for which the Record Date Falls in the Year Ended March 31, 2013 with an Effective Date in the Year Ended March 31, 2014

Resolution	Class of Shares	Source of Dividend	Aggregate Amount	Per Share Amount	Record Date	Effective Date
The Ordinary General Meeting of Shareholders to be held on June 26, 2013	Common Stock	Retained Earnings	¥11,006 million	¥60	March 31, 2013	June 27, 2013

4. Notes to Financial Instruments

(1) Notes to Financial Instruments

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

Kyocera has marketable equity securities, debt securities and non-marketable equity securities. Kyocera is currently a major shareholder of KDDI Corporation. As of March 31, 2013, the fair value of the shares of KDDI Corporation of which Kyocera owns was ¥443,252 million.

(2) Fair Value of Financial Instruments

The fair values of financial instruments as of March 31, 2013 and methods and assumption used to estimate such fair values were as follows:

	(Yen in millions)		
	Carrying Amount	Fair Value	Difference
Assets (a):			
Short-term Investments in Debt and Equity Securities	43,893	43,910	17
Long-term Investments in Debt and Equity Securities	506,490	506,551	61
Other Long-term Investments (excluding Investment in and Advances to Affiliates and Unconsolidated Subsidiaries)	9,516	9,516	—
Total	559,899	559,977	78
Liabilities (b):			
Long-term Debt (including due within One Year)	30,672	30,691	19
Total	30,672	30,691	19
Derivatives (c) (Note):			
Derivatives Designated as Hedging Instruments	(109)	(109)	—
Derivatives Not Designated as Hedging Instruments	(8,190)	(8,190)	—
Total	(8,299)	(8,299)	—

Note: Assets and liabilities of derivative transactions are recorded in net amount. Liabilities are presented by ().

- (a) For investments with active markets, fair value is estimated based on quoted market prices. For non-marketable equity securities, it is not practicable to estimate fair value of non-marketable equity securities because of the lack of 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 aggregate carrying amount of the investments included in the above table as of March 31, 2013 was ¥9,428 million.
- (b) Fair value is estimated by discounting cash flows, using current interest rates for instruments with similar terms and remaining maturities at the end of the fiscal year.
- (c) Fair value is estimated based on quotes from financial institutions at the end of the fiscal year.

Cash and cash equivalents, other short-term investments, trade notes receivable, trade accounts receivable, short-term borrowings, and trade notes and accounts payable, and other notes and accounts payable approximate fair value because of the short maturity of these instruments.

5. Notes to per Share Information

(1) Kyocera Corporation Shareholders' Equity per Share:		¥8,973.83
(2) Earnings per Share Attributable to Shareholders of Kyocera Corporation:	Basic	¥ 362.36
	Diluted	¥ 362.36

6. Other Note

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 has generally been construed to authorize joint and several liability, the EPA 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 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.

In 1991, in connection with a consent decree, AVX paid ¥8,878 million (\$66 million), plus interest, toward the environmental conditions at, and remediation of, New Bedford Harbor in the Commonwealth of Massachusetts (the harbor) in settlement with the United States and the Commonwealth of Massachusetts, subject to reopener provisions, including a reopener if certain remediation costs for the site exceed ¥12,267 million (\$130.5 million).

On April 18, 2012, the EPA issued to AVX a Unilateral Administrative Order (UAO) directing AVX to perform the Remedial Design, the Remedial Action and Operation and Maintenance as set forth in the UAO, for the harbor clean-up, pursuant to the reopener provisions. The effective date set forth in the UAO was June 18, 2012 (and subsequently extended to July 1, 2013), pursuant to which AVX had to inform the EPA if it intends to comply with the UAO.

On October 10, 2012, the EPA, the United States, and the Commonwealth of Massachusetts and AVX announced that they had reached a financial settlement with respect to the EPA's ongoing clean-up of the harbor. That agreement is contained in a Supplemental Consent Decree that modifies certain provisions of the 1992 Consent Decree, including elimination of the governments' right to invoke the clean-up reopener provisions in the future. In accordance with the settlement, AVX will pay ¥34,428 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 the EPA will withdraw the UAO. The settlement requires approval by the United States District Court before becoming final. The timing of any such approval is uncertain.

AVX recorded a charge of ¥21,300 million (\$266.25 million) with respect to this matter for the year ended March 31, 2013 in addition to the ¥7,900 million (\$100 million) charge recorded in the year ended March 31, 2012. Kyocera included this charge in selling, general and administrative expenses in the consolidated statements of income for the year ended March 31, 2013.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

(1) Standards and Methods of Valuation of Assets

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

(2) Depreciation of Non-current Assets

Tangible Fixed Assets (except for Leased Assets):	Depreciation is computed at rates based on the estimated useful lives of assets using the declining-balance method. The principal estimated useful lives are as follows: Buildings and structures: 2 years – 33 years Machinery and equipment, and Tools, furniture and fixtures: 2 years – 10 years
Intangible Fixed Assets (except for Leased Assets):	Amortization is computed using the straight-line method based on, in the case of some patents, the depreciation period set by Kyocera Corporation, and, in the case of software for its own use, the useful life thereof in Kyocera Corporation (two years).
Leased Assets:	Straight-line method, using lease periods as the estimated useful lives of such assets.
Long-term Prepaid Expenses:	Amortization is computed using the straight-line method based on the estimated useful lives of assets.

(3) Accounting for Allowances and Accruals

Allowances for Doubtful Accounts:	In anticipation of uncollectible accounts receivable, Kyocera Corporation provides allowances for doubtful accounts, for general accounts receivable, based on the past actual ratio of losses on bad debts; and, for certain specific doubtful accounts receivable, based on estimates of uncollectible amounts pursuant to analysis of individual receivables.
Accrued Bonuses for Employees:	In order to prepare for bonuses to employees, accrued bonuses are provided based on the amounts expected to be paid, which are determined based on actual payments made in the previous fiscal year.
Accrued Bonuses for Directors:	In order to prepare for bonuses to Directors, accrued bonuses are provided based on the amounts expected to be paid.
Warranty Reserves:	Warranty reserves are provided to prepare for the cost of after sales service for telecommunications equipment and applied ceramic products based upon the amounts expected to be paid, which are determined taking into account actual payments made in the past, etc.
Allowances for Sales Returns:	Allowances for sales returns are provided to prepare for losses from write-off of products as a result of product returns based on the past actual return ratio of unaccepted products multiplied by the amount of the uninspected products at the end of the fiscal year.
Accrued Pension and Severance Costs:	In order to prepare for provision of retirement benefits to employees, accrued pension and severance costs are recognized based on projected benefit obligations and plan assets as of the balance sheet date. Unrecognized prior year service cost is amortized over the estimated average remaining service period of employees using the straight-line method. Actuarial gains or losses are amortized over the estimated average remaining service period of employees using the straight-line method following the year in which they are incurred. The exceeding amounts are provided as prepaid pension and severance expenses since plan assets exceeded projected benefit obligations as of the balance sheet date.

(4) Other Significant Policies

Consumption Taxes:	Consumption taxes withheld upon sale and consumption taxes paid for purchases of goods and services are not included in the amounts of the respective revenue and cost or expense items in the accompanying statements of income.
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2. Notes to Balance Sheets

(1) Accumulated Depreciation of Tangible Fixed Assets and Accumulated Impairment Losses: ¥447,123 million

(2) Guarantees

Principal Debtor	Amount Guaranteed	Subject of Guarantee
Kyoto Broadcasting System Company Limited	¥114 million	Loan from financial institutions
Total	¥114 million	
Keep-well letters and guidance for management:		
Keep-well Letter Requested Party	Amount Covered	Subject of Keep-well Letter
Kyocera Realty Development Co., Ltd.	¥ 609 million	Guidance for repayment of loans from financial institutions
Kyoto Purple Sanga Co., Ltd.	¥ 400 million	Guidance for repayment of loans from financial institutions
Total	¥1,009 million	

(3) Receivables from Affiliates and Payables to Affiliates (except Amounts Separately Presented)

Current Receivables	¥126,180 million
Long-term Receivables	¥ 233 million
Current Payables	¥ 25,247 million
Long-term Payables	¥ 98 million

3. Notes to Statements of Income

Transactions with Affiliates:

Operational Transactions:

Net Sales	¥308,239 million
Purchases	¥ 99,026 million
Selling, General and Administrative Expenses	¥ 4,677 million

Non Operational Transactions	¥ 21,663 million
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4. Notes to Statement of Changes in Net Assets

Number and Class of Treasury Shares:

	(Shares in thousands)			
	March 31, 2012	Increase	Decrease	March 31, 2013
Common Stock	<u>7,865</u>	<u>4</u>	<u>0</u>	<u>7,869</u>
Total	<u>7,865</u>	<u>4</u>	<u>0</u>	<u>7,869</u>

Increase:

Shareholders' Requests for Purchase of Shares Not Constituting One Unit:	4 thousand shares
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Decrease:

Shareholders' Requests for Sale of Shares Not Constituting One Unit:	0 thousand shares
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5. Notes to Accounting for Effects of Income Taxes

(Yen in millions)

(1) Current:

Deferred Tax Assets:	
Write-down of Inventories	¥ 5,536
Accrued Bonuses	5,043
Other Payables and Accrued Expenses	2,346
Business Tax Payable	1,057
Others	1,482
Total Deferred Tax Assets	15,464
Deferred Tax Liabilities:	
Reserve for Special Depreciation	(160)
Tax-qualified Negative Goodwill	(28)
Total Deferred Tax Liabilities	(188)
Deferred Tax Assets, Net	¥ 15,276

(2) Non-current:

Deferred Tax Assets:	
Depreciation and Amortization	¥ 18,921
Losses on Impairment of Investment in Securities	7,157
Adjustment to Book Value of Investments in Subsidiaries	5,412
Warranty Reserves	1,050
Others	1,620
Sub-total of Deferred Tax Assets	34,160
Valuation Allowances	(11,012)
Total Deferred Tax Assets	23,148
Deferred Tax Liabilities:	
Reserve for Special Depreciation	(364)
Tax-qualified Negative Goodwill	(33)
Prepaid Pension and Severance Expenses	(415)
Net Unrealized Gain on Other Securities	(152,143)
Total Deferred Tax Liabilities	(152,955)
Deferred Tax Liabilities, Net	¥(129,807)

6. Notes to Fixed Assets Used under Finance Leases

Some fixed assets used under finance leases, consisting principally of manufacturing equipment and computers, are off balance sheet.

7. Notes Concerning Related Party Transactions

Relationship	Name of Entity	Percentage of Voting Rights Held	Relationship with the Entity	Substance of Transactions	(Yen in millions)		
					Amount of Transactions	Item	Outstanding Transaction Amounts as of March 31, 2013
Subsidiary	Kyocera Display Corporation	100%	Extension of Loan Interlocking Officers	Collection of Loan	¥1,000	Short-term Loans to Subsidiaries	¥ 1,000
						Long-term Loans to Subsidiaries	¥16,418

8. Notes to per Share Information

1. Net Assets per Share: ¥7,329.59
2. Earnings per Share: ¥ 286.34

9. Material Subsequent Events

On April 1, 2013, Kyocera Corporation split off its liquid crystal display (LCD) related business mainly for the industrial machinery, and transferred this business to Kyocera Display Corporation (KYD), a wholly owned consolidated subsidiary and a specialized manufacture of LCDs and related products.

(1) Overview of Transaction

- (i) Scope of Business Transferred
Manufacturing, research and development and sales of LCD related products and touch panels
- (ii) Date of Business Combinations
April 1, 2013
- (iii) Legal Method of Business Combinations
Absorption-type Company Split, by which Kyocera Corporation was split, and KYD, a wholly-owned consolidated subsidiary of Kyocera Corporation, became the succeeding company.
- (iv) Name of the Company after Business Combinations
Kyocera Display Corporation
- (v) Objective of Corporate Split

This corporate split is intended to concentrate the Kyocera Group's resources for the LCD related business within KYD in order to promote integrated development, manufacturing and sales functions, and thereby strengthen development capabilities and improve productivity, as well as to further enhance related management fundamentals.

(2) Content of Accounting Treatment

It was treated as a transaction under common control in accordance with the "Accounting Standard for Business Combination" (Accounting Standard Board of Japan Statement (ASBJ) No.21, December 26, 2008) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures"(ASBJ Guidance No.10, December 26, 2008).

(3) Information Related to Additional Acquisition of Subsidiary Shares

(i) Assets and Liabilities Succeeded by the Succeeding Company (KYD), and Acquisition Cost of Subsidiary Shares Acquired by Kyocera Corporation:

Current Assets	¥7,639 million
Fixed Assets	¥1,731 million
Current Liabilities	¥2,283 million
Acquisition Cost of Subsidiary Shares	¥7,087 million

(ii) Allocation of Shares

As the corporate split was made between Kyocera Corporation and its wholly-owned consolidated subsidiary, Kyocera Corporation and KYD have agreed that one share of KYD was issued and allocated to Kyocera Corporation.