Securities Code 6971

THE NEW VALUE FRONTIER

KYOCERA

Internet Disclosure Items for Notice of the 67th Ordinary General Meeting of Shareholders

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(April 1, 2020 to March 31, 2021)

KYOCERA Corporation

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

Please note that this is an English translation of the Japanese original of the Internet Disclosure Items for the Notice of the 67th Ordinary General Meeting of Shareholders of KYOCERA Corporation disclosed in Japan. The translation is prepared solely for the reference and convenience of foreign shareholders.
In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

[Business Report]

Current Conditions of Kyocera Corporation and its Consolidated Subsidiaries.

Four-Year Financial Summary

(Yen in millions except per share amount)

	Fiscal 2018		Fiscal 2019	Fiscal 2020	Fiscal 2021
	U.S. GAAP	IFRS	IFRS	IFRS	IFRS
Sales revenue	1,577,039	1,577,039	1,623,710	1,599,053	1,526,897
Profit before income taxes	131,866	129,992	140,610	148,826	117,559
Profit attributable to owners of the parent	81,789	79,137	103,210	107,721	90,214
Earnings per share attributable to owners of the parent - Basic (Yen)	222.43	215.22	284.94	297.36	248.91
Total assets	3,157,077	3,128,813	2,968,475	3,250,175	3,493,470
Equity attributable to owners of the parent	2,336,246	2,325,791	2,265,919	2,432,134	2,591,415
Equity per share attributable to owners of the parent (Yen)	6,353.54	6,325.11	6,263.71	6,710.59	7,149.91

Notes:

1. The consolidated financial statements are prepared in accordance with IFRS in lieu of U.S. GAAP from fiscal 2019. As a result of this adoption, accounts are presented based on IFRS. Accordingly, the financial summary for fiscal 2018 is also presented in accordance with IFRS.
2. Earnings per share attributable to owners of the parent - Basic is calculated using the average number of shares in issue excluding treasury stock during each respective fiscal year and Equity per share attributable to owners of the parent is calculated using the number of shares in issue excluding treasury stock at the end of each respective fiscal year.
3. Sales revenue for fiscal 2019 increased compared with fiscal 2018 due in part to contributions from merger and acquisition activities during fiscal 2018. Profit attributable to owners of the parent increased as compared with fiscal 2018, due to the effects of the increase in sales revenue, cost reduction efforts in each division, and a decrease in tax expenses, which more than offset structural reform expenses recorded in the solar energy business and organic materials business. Tax expenses for fiscal 2019 decreased compared with fiscal 2018 due mainly to elimination of the impact recorded one-time tax expenses resulting from revisions in U.S. tax code, as well as Kyocera recognized a deferred tax asset related to tax losses carried forward from the merger of Kyocera Display Corporation into Kyocera Corporation in fiscal 2019.
4. Sales revenue for fiscal 2020 was a slight decrease from fiscal 2019, due to a prolonged inventory adjustment and the slowdown of the global economy resulted from the spread of COVID-19 despite an increase in sales revenue reflecting a contribution from M&A activity. On the other hand, despite the impact of an increase in depreciation charge, profit attributable to owners of the parent increased from fiscal 2019 due mainly to the absence of a one-time charge recorded in fiscal 2019 resulting from structural reforms in the solar energy business and the organic materials business.
5. Sales revenue in the Components Business for fiscal 2021 increased slightly compared with fiscal 2020 due to the contribution of M&A activities and increased demand in the semiconductor and 5G-related markets, which more than offset the significant adverse impact of a slump in the automotive-related market during the three months ended June 30, 2020. On the other hand, sales revenue in the Equipment & Systems Business as a whole decreased. As a result, sales revenue decreased compared with fiscal 2020. Profit attributable to owners of the parent decreased as compared with fiscal 2020 due to the decrease in sales revenue and also an increase in depreciation charges as well as the recording of a one-time loss in the smart energy business.

Principal Business Sites (as of March 31, 2021)

Japan:

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

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

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

Overseas:

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

Employees (as of March 31, 2021)

i) Consolidated

Reporting Segment	Number of Employees	Change from the End of Fiscal 2020	
Industrial & Automotive Components Group	16,851	Decrease of	83
Semiconductor Components Group	8,745	Decrease of	151
Electronic Devices Group	20,355	Increase of	1,130
Communications Group	4,943	Increase of	241
Document Solutions Group	21,656	Increase of	1,932
Life & Environment Group	2,646	Decrease of	115
Others	1,573	Increase of	140
Headquarters	1,721	Decrease of	109
Total	78,490	Increase of	2,985

ii) Non-consolidated

Number of Employees		19,865
Change from the End of Fiscal 2020	Increase of	513
Average Age		41.1
Average Years of Service		17.5

(Note 1) The number of employees represents the total number of regular employees who work full-time.

(Note 2) On April 1, 2020, a domestic subsidiary, Kyocera Communication Systems Co., Ltd., which is included in "Communications Group," absorbed and merged with a domestic subsidiary Kyocera Solar Corporation, which was included in "Life & Environment Group." As a result, "Change from the End of Fiscal 2020" in the above tables are presented in the reporting segment after the merger.

Principal Sources of Borrowings (as of March 31, 2021)

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

System and Policy

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

Kyocera Group
Basic Policy for Corporate Governance and Internal Control

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

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

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

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

I. Corporate Governance

1. Basic Policy for Corporate Governance

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

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

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

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

2. System for Corporate Governance

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

(1) Organs of Corporate Governance

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

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

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

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

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

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

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

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

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

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

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

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

(2) Kyocera Philosophy Education

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

II. Internal Controls

1. Basic Policy for Internal Controls

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

2. System for Internal Controls

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(xiii) The Risk Management Department was integrated into the Global Compliance Division in April 2020, and risk management functions were transferred to the Global Compliance Division.

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

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

- Meetings of Audit & Supervisory Board were held 8 times in fiscal 2021. The audit was conducted premeditatedly based on Audit policy and plan resolved in July 2020. In addition, Audit & Supervisory Board Members talk regularly with Representative Directors about whole management. The independence of employees who support accomplishing Audit & Supervisory Board Members' duties is maintained according to basic policy. The annual plan of expenses of Audit & Supervisory Board Members is capitalized according to the audit plan based on the Regulations of the Audit & Supervisory Board.
- The Corporate Global Audit Division, charged with the internal audit, reported audit result 14 times to Audit & Supervisory Board Members in fiscal 2021. A report to Audit & Supervisory Board Members was carried out appropriately because information needed by Audit & Supervisory Board Members is offered according to a request of the report about business execution from Audit & Supervisory Board Members.
- Through the "Kyocera whistleblower system (to the Audit & Supervisory Board)," the personal information of the reporter is handled as a confidential matter and disadvantageous treatment to persons who made the report is not considered.
- The "Kyocera Disclosure Committee," held 4 times in fiscal 2021, disclosed information timely and appropriately and evaluation results are reported by the chairperson of this committee to Representative Directors. Information relating to the exercise of Director's office, for example minutes of meetings of the Board of Directors, minutes of meetings of the Kyocera Group Management committee and internally approved documents, are preserved appropriately in compliance with applicable laws and regulations and the internal rules.
- Meetings of the Board of Directors, held 12 times in fiscal 2021, comprise 15 Directors, including 3 Outside Directors. The board of Directors made decision regarding important matters at the Kyocera Group and oversaw business execution. In addition, business is more effectively and appropriately executed because of Executive Officer System.
- Meetings of the "Kyocera Group Management Committee," held 21 times in fiscal 2021, evaluated important matters at the Kyocera Group or received reports. In addition, the indirect department supported each affiliated company to work appropriately and effectively.
- Meetings of the "Kyocera Group Philosophy Committee" were held 2 times in fiscal 2021. This committee established the policy of Philosophy Education and work on Philosophy inculcation activity focused on the work floor in Japan and work on Philosophy education depending on each local situation and business condition overseas.
- The Global Compliance Division implements a report system in which serious matters concerning risk that occurred in the Kyocera Group are reported to Representative Directors. In addition, this division sought to collect and share information on compliance through liaison conferences with Kyocera Group companies and relevant departments. In December 2020, this division established the "Risk Compliance Month" to provide all employees with risk management and compliance education.
- In Kyocera Corporation and each Kyocera Group Company, the Employee Consultation Corners was established to deal properly with matters reported.
- The Corporate Global Audit Division practiced the Business Operation Audit, Compliance Audit and Internal Control Audit of the Kyocera Group. In addition, the division reported the audit results and issues of each Kyocera Group company and shared the audit policy for fiscal 2021 to improve the level of the internal control in the Kyocera Group and to strengthen the cooperation of the internal audit activities of each company.
- Meetings of the "Nomination and Remuneration Committee" were held 2 times in fiscal 2021. The Committee discussed and reported on the nomination of Directors and Executive Officers, and the remuneration of Directors, in response to inquiries from the Board of Directors.

[Consolidated Financial Statements]

Consolidated Statement of Changes in Equity (April 1, 2020 to March 31, 2021)

(Yen in millions)

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

Notes to Consolidated Financial Statements

1. Basis of Preparation of Consolidated Financial Statements

(1) Standards for preparation of consolidated financial statements

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

(2) Scope of consolidation

Number of consolidated subsidiaries: 294
Major consolidated subsidiaries: Kyocera Document Solutions Inc., AVX Corporation and Kyocera International, Inc.

(3) Scope of application of the equity method

Number of associates accounted for using the equity method: 13
Major associate accounted for using the equity method: Kagoshima Mega Solar Power Corporation

(4) Changes in scope of consolidation

Consolidated subsidiaries: Number of increase: 26
Number of decrease: 15

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

Associate accounted for using the equity method: Number of decrease: 1

(6) Summary of accounting policies

a. Business combination

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

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

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

b. Valuation standard and method of inventories

Inventories are measured at the lower of cost or net realizable value.

For finished goods and merchandise and work in process, cost is determined mainly using the average method. For raw materials and supplies, cost is determined mainly using the first-in, first-out method.

Net realizable value is the estimated selling price in the ordinary course of business less any estimated costs of completion and estimated applicable variable selling expenses.

c. Depreciation method for property, plant and equipment

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

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

d. Goodwill and intangible assets

(Goodwill)

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

(Intangible assets)
Intangible assets are measured by using the cost model and intangible assets with finite useful lives are stated at cost less accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives are stated at cost less accumulated impairment losses.
Expenditures in development activities are recognized as an expense in period in which it is incurred, unless all of the following requirements can be demonstrated.

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

Intangible assets with finite useful lives are amortized using the straight-line method over their useful lives.

The useful lives and amortization method for intangible assets with finite useful lives are reviewed at the end of each reporting period and any changes are applied prospectively as a change in accounting estimates.
Intangible assets with finite useful lives are tested for impairment when there is an indication that may be impaired.
Intangible assets with indefinite useful life and intangible assets that are not yet available for use are not amortized, and are tested for impairment annually (January 1) or at the time when there is an indication that may be impaired, or situation is changed.

e. Lease

(Lease as a Lessee)
At the commencement date, Kyocera recognizes a right-of-use asset and a lease liability. Kyocera measures the right-of-use asset in the amount of the initial measurement of the lease liability adjusting any lease payments made at or before the commencement date and other costs. After the commencement date, Kyocera measures the right-of -use asset applying a cost model, and less any accumulated depreciation and any accumulated impairment losses. The right-of-use asset is depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of right-of-use asset or the end of the lease term. At the commencement date, Kyocera measures the lease liability at the present value of the lease payments that are not paid at that date using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, lessee's incremental borrowing rate is used. After the commencement date, Kyocera measured the lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.
Kyocera elects not to recognize the right-of-use asset and the lease liability for the short-term leases that has a lease term of 12 months or less and leases for which the underlying asset is of low value. Lease payments associated with those leases are recognized as an expense on straight-line basis over the lease term.

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

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

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

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

f. Impairment of Non-Financial Assets

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

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

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

g. Valuation standard and methods of financial instruments

(Non-derivative financial assets)

(a) Initial recognition and measurement

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

At the time of initial recognition, financial assets are classified into financial assets measured at amortized cost or financial assets measured at fair value. This classification is made as follows depending on whether the financial asset is an equity instrument or debt instrument.

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

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

Financial assets that are debt instruments are subsequently measured at amortized cost if both of the following conditions are met.

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(b) Subsequent measurement

i. Financial assets measured at amortized cost

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

ii. Financial assets measured at fair value

For equity instruments where Kyocera has elected to classify as financial assets measured at fair value through other comprehensive income, the changes in fair value are recognized in other comprehensive income. Cumulative gains or losses are transferred to retained earnings following the derecognition. Dividends from such assets are recognized as “finance income” in profit or loss.

(c) Derecognition

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

(d) Impairment

Kyocera assesses the expected credit losses associated with its financial assets measured at amortized cost

and loss allowance is recognized at each reporting date.
Kyocera measures the loss allowance for financial instruments at an amount equal to the full lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, after considering all reasonable and supportable information that is available including forward-looking information. Otherwise, when credit risk has not increased significantly since initial recognition, Kyocera measures the loss allowance at an amount equal to 12-month expected credit losses.
However, with respect to trade receivables and lease receivables, notwithstanding the aforementioned, loss allowance is always measured at an amount equal to full lifetime expected credit losses. The amount of expected credit losses or reversal that is required to adjust the loss allowance is recognized in profit or loss.

(Non-derivative financial liabilities)

(a) Initial recognition and measurement
A financial liability is classified as a financial liability measured at amortized cost and it is initially recognized at fair value, less transaction costs that are directly attributable to issuing the financial liability.

(b) Subsequent measurement
These financial liabilities are measured at amortized cost using the effective interest method.

(c) Derecognition
Financial liabilities are derecognized only when they are extinguished, that is, when the obligation specified in a contract is discharged, cancelled or expired.

(Derivatives and hedge accounting)
Kyocera utilizes derivatives consisting of exchange contracts to reduce foreign currency risk. Derivatives are initially recognized at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period.
At inception of the hedging relationship, Kyocera documents the economic relationship between hedging instruments and hedged items, including Kyocera's risk management objective, strategy for undertaking the hedge, methods for assessing whether a hedging relationship meets the hedge effectiveness requirements and methods for measuring hedge effectiveness and hedge ineffectiveness. Kyocera judges that the hedge is effective if all of the following requirements are met:

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

This process includes linking all derivatives designated as cash flow hedge to specific assets and liabilities on the financial position or forecasted transactions.
Kyocera's associate utilizes interest rate swaps mainly with applying hedge accounting to convert a variable-rate debt into fixed rate for the purpose of fixing cash flows for funds procured at variable interest rates.
Kyocera discontinue hedge accounting prospectively only when the hedging relationship ceases to meet the qualifying criteria after taking into account any adjustment to the hedge ratio of hedging relationship.

Cash flow hedge is accounted for as follows:
At the inception of the hedge and on an ongoing basis, Kyocera evaluates whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the relevant hedged item during the underlying period.
Of changes in fair value of hedging instruments, the effective portion is recognized in other comprehensive income, while the ineffective portion is recognized in profit or loss. The amounts of hedging instruments recorded in other comprehensive income are reclassified to profit or loss when the hedged transactions affect profit or loss. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included directly in the initial cost or other carrying amount of the asset or liability.
When it is determined that a derivative is not effective or that it has ceased to be effective, Kyocera discontinues hedge accounting prospectively. When it is probable that the forecasted hedging transaction will not occur, the derivative gains or losses are reclassified into profit or loss immediately.

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

Current taxes are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.
Deferred taxes are recognized on temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for taxation purposes, unused net operating loss carryforward and unused tax credit carryforward. Deferred tax assets and liabilities are not recognized for temporary differences from initial recognition of assets and liabilities that do not arise from business combinations and that do not impact accounting profit or taxable income. Deferred tax liabilities are also not recognized for taxable temporary differences arising from the initial recognition of goodwill.
Deferred tax liabilities are not recognized for taxable temporary differences associated with investments in subsidiaries and associates when Kyocera is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for deductible temporary differences associated with investments in subsidiaries and associates when it is probable that the temporary difference will reverse in the foreseeable future and when there will be sufficient taxable profits against which the temporary differences can be utilized.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when they are reversed, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.
Deferred tax assets and liabilities are offset if Kyocera has a legally enforceable right to set off current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity.
Deferred tax liabilities are basically recognized for all taxable temporary differences, deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused net operating loss carryforward and unused tax credit carryforward can be utilized. Deferred tax assets are reassessed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realized.
Kyocera records the effect of unrecognized tax benefits based on the premise of being subject to income tax examination by tax authorities, when it is probable that tax benefits associated with tax positions will not be sustained. Actual results such as settlements with taxing authorities may differ from the recognition accounted.

i. Employee benefit

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

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

j. Accounting for provision

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

k. Basis of revenue recognition

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

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

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

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

(Sale of products)

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

For sale of solar power generating systems in the "Life & Environment Group" and printers and multifunctional products in the "Document Solutions Group" for which sales are made to end users together with installation services, the revenue recognition occurs at the completion of installation and customer acceptance because the performance obligation is judged to have been satisfied, as long as Kyocera have no further obligations under the contracts.

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

(Sales of services)

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

(Sales incentives)

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

(a) Distributor stock rotation program

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

(b) Distributor ship-from-stock and debit program

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

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

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

(Products warranty)
In the "Document Solutions Group," Kyocera provides a standard one-year manufacturer's warranty on its products. For sales directly to end users, Kyocera offers extended warranty plans that may be purchased and that are renewable in one-year incremental periods at the end of the warranty term. Service revenues are recognized over the term of the related service maintenance contracts.
In the case of revenue relating to hybrid transactions in which Kyocera provides multiple goods or services, for example, selling products and warranties, Kyocera identifies performance obligations in the contract and if it is necessary to allocate the consideration under the contract to separate performance obligations, Kyocera usually allocates the transaction price based on the estimated standalone sale price through the approach of adding a margin to the expected cost.

2. Notes to Revenue Recognition

(1) Revenue breakdown

Sales revenue of each reporting segment is as follows:

(Yen in millions)

Industrial & Automotive Components Group	359,044
Semiconductor Components Group	263,595
Electronic Devices Group	305,170
Communications Group	232,739
Document Solutions Group	316,226
Life & Environment Group	63,898
Other	18,169
Adjustment and eliminations	(31,944)
Total	1,526,897

(2) Underlying information for understanding revenue

The details are described in "(6) Summary of accounting policies" "k. Basis of revenue recognition" of "1. Basis of Preparation of Consolidated Financial Statements."

3. Significant Accounting Estimates and Judgments Involving Estimation

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

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

The significant estimates and judgments by the management which have a material impact on the amount in the consolidated financial statements are as follows:

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

(1) Fair value of intangible assets recognized by business combinations

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

In particular, estimates of the fair value of intangible assets identified in the allocation of the consideration for acquisition at the business combinations are measured based on assumptions such as estimated future cash flows, discount rate, attrition rate of existing customers, and market growth rates. These key assumptions determined based on management's best estimates and judgments. However, these may be affected by changes in uncertain economic conditions in the future, and it may have a significant impact on the consolidated financial position and operating results for the year ending March 31, 2022 and after, if Kyocera needs to review the assumptions.

Intangible assets and Goodwill recognized by Business combinations for the year ended March 31, 2021 is as follows:

(Yen in millions)

Intangible assets	38,497
Goodwill	43,637

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

The breakdown of the inventories as of March 31, 2021 is as follows:

(Yen in millions)

Finished goods and merchandise	145,040
Work in process	90,021
Raw materials and supplies	110,293

(3) Useful lives of property, plant and equipment and intangible assets
Property, plant and equipment are depreciated mainly using the straight-line method over their useful lives or estimated payback periods in accordance with the actual conditions of each business. Intangible assets subject to amortization are amortized using the straight-line method over the periods expected to provide future economic benefits.
In the future, changes in useful lives as a result of obsolescence due to technological innovation, changes in usage and revision of available period associated with change in a business environment may have significant impact on the consolidated financial position and operating results from the following year ending March 31, 2022.
The breakdown is described in "(1) The breakdown of property, plant and equipment" and "(3) The breakdown of goodwill and intangible assets" of "4. Notes to Consolidated Statement of Financial Position."

(4) Impairment of property, plant & equipment, goodwill and intangible assets
Kyocera reviews its property, plant and equipment and intangible assets with definite useful lives for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Goodwill and intangible assets with indefinite useful lives, rather than being amortized, are tested for impairment at least annually, and also following any events and changes in circumstances that might lead to impairment. The impairment loss is recognized when the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount.
The recoverable amount of an asset or cash generating unit is the higher of fair value less costs to sell, or value in use. In calculating the value in use, the estimated future cash flows based on the business plan approved by management are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset.
Therefore, since the value in use is calculated based on various assumptions, there is the risk of impairment loss if unforeseeable changes in the business environment resulted in a decrease in value in use.
The breakdown is described in "(1) The breakdown of property, plant and equipment" and "(3) The breakdown of goodwill and intangible assets" of "4. Notes to Consolidated Statement of Financial Position."

(5) Impairment of financial assets measured at amortized cost
Kyocera recognizes an allowance for credit losses for trade receivables and other financial assets measured at amortized cost by estimating expected credit losses in consideration of the possibility of collection and significant increases in credit risk. However actual losses may be greater or less than expected credit losses.
The breakdown is described in "(4) Allowances for doubtful accounts related to assets" of "4. Notes to Consolidated Statement of Financial Position."

(6) Fair value of financial instruments

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

The breakdown is described in “(2) Fair value of financial instruments” of “6. Notes to Financial Instruments.”

(7) Income taxes

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

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

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

The deferred tax assets and deferred tax liabilities as of March 31, 2021 is as follows:

(Yen in millions)

Deferred tax assets	36,624
Deferred tax liabilities	309,951

(8) Defined benefit plans

In the defined benefit plans, net defined benefit liability or asset is calculated by the present value of the defined benefit obligation less the fair value of plan assets.

The present value of the defined benefit obligations is calculated based on actuarial assumptions. These actuarial assumptions require estimates and judgments on variables, such as the discount rates, the rate of increase in compensation levels and other assumptions.

Kyocera determines the discount rate by referencing the yield curve of high quality corporate bonds. The rate of increase in compensation levels is determined mainly based on results and forecasts of operations, inflation and others.

Kyocera annually reviews the assumptions underlying its actuarial calculations, making adjustments based on current market conditions, if necessary.

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

The amounts recognized in the consolidated statement of financial position for defined benefit plans as of March 31, 2021 are as follows:

(Yen in millions)

Other non-current assets	32,932
Retirement benefit liabilities	23,624

(9) Provisions and contingencies

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

(Provisions)
The breakdown of the provision as of March 31, 2021 is as follows:

(Yen in millions)

Provision for product warranties	3,367
Provision for litigation losses	993
Provision for environmental losses	4,658
Provision for asset retirement obligations	4,115
Other provisions	1,702

(Contingencies)
The breakdown is described in "(6) Assets pledged as collateral" of "4. Notes to Consolidated Statement of Financial Position."

(10) Revenue recognition
As described in "(6) Summary of accounting policies" "k. Basis of revenue recognition" of "1. Basis of Preparation of Consolidated Financial Statements."

4. Notes to Consolidated Statement of Financial Position

(1) The breakdown of property, plant and equipment

(Yen in millions)

Land	52,682
Building	429,857
Machinery and fixtures	996,709
Construction in progress	45,885
Accumulated depreciation and accumulated impairment losses	(1,086,024)

(2) The breakdown of right-of-use asset

(Yen in millions)

Right-of-use asset	63,206
Accumulated depreciation and accumulated impairment losses	(24,567)

(3) The breakdown of goodwill and intangible assets

(Yen in millions)

Goodwill	307,010
Customer Relationships	98,129
Non-Patent technology	40,231
Software	51,099
Trademark Rights	21,192
Others	38,042
Accumulated depreciation and accumulated impairment losses	(147,876)

(4) Allowances for doubtful accounts related to assets

(Yen in millions)

Current assets	3,171
Non-current assets	1,774

(5) Other components of equity

(Yen in millions)

Financial assets measured at fair value through other comprehensive income	663,171
Net changes in fair value of cash flow hedge	(106)
Exchange differences on translating foreign operations	8,886

(6) Assets pledged as collateral

(Yen in millions)

Property, plant and equipment	1,565
Investments accounted for using the equity method	2,273

(Note 1) "Property, plant and equipment" is pledged as collateral for "Borrowing" and "Other current liabilities" in the total amount of 1,575 million yen.

(Note 2) “Investments accounted for using the equity method” is pledged as collateral for the loan for business fund of associate accounted for using the equity method in the total amount of 12,628 million yen.

5. Notes to Consolidated Statement of Changes in Equity

(1) Total number of shares issued

(Shares in thousands)

Class of shares	As of March 31, 2020	Increase	Decrease	As of March 31, 2021
Common stock	377,619	—	—	377,619

(2) Treasury stock

(Shares in thousands)

Class of shares	As of March 31, 2020	Increase	Decrease	As of March 31, 2021
Common stock	15,186	3	(11)	15,178

(3) Appropriation of surplus

a. Dividends paid

Resolution	Class of shares	Total amount of dividends (Yen in millions)	Dividends per share (Yen)	Record date	Effective date
The Ordinary General Meeting of Shareholders held on June 25, 2020	Common stock	28,995	80	March 31, 2020	June 26, 2020
The Board of Directors Meeting held on October 29, 2020	Common stock	21,746	60	September 30, 2020	December 4, 2020

b. Dividends for which the record date fall in the year ended March 31, 2021 with an effective date in the year ending March 31, 2022

Scheduled Resolution	Class of shares	Source of dividends	Total amount of dividends (Yen in millions)	Dividends per share (Yen)	Record date	Effective date
The Ordinary General Meeting of Shareholders to be held on June 25, 2021	Common stock	Retained earnings	28,995	80	March 31, 2021	June 28, 2021

6. Note to Financial Instruments

(1) Notes to financial instruments

Kyocera refrains from making any speculative transactions and always maintains a high level of capital liquidity to ensure the utmost stability in its fund management. Operating receivables such as notes receivable and accounts receivable are exposed to customer credit risk. Kyocera seeks to reduce this risk in accordance with its credit management policies. Kyocera is exposed to market risk, including interest rates and equity prices. In order to hedge against these risks, Kyocera uses derivative financial instruments. Kyocera does not hold or issue derivative financial instruments for trading purposes. Kyocera mainly enters into foreign currency forward contracts and interest rate swaps. Kyocera regularly assesses these market risks based on policies and procedures established to protect against the adverse effects of these risks and other potential exposures, primarily by reference to the market value of financial instruments. Kyocera has equity and debt instruments. Kyocera is currently a major shareholder of KDDI Corporation. As of March 31, 2021, the fair value of the shares of KDDI Corporation of which Kyocera owns was 1,137,651 million yen.

(2) Fair value of financial instruments

The carrying amounts, fair value and change of financial instruments as of March 31, 2021 are as follows:

(Yen in millions)

Financial instruments measured at amortized cost (a)	Carrying amount	Fair value	Change
Assets			
Short-term investments	79,807	79,784	(23)
Debt instruments	3,119	3,070	(49)
Other financial assets	60,070	60,070	—
Total	142,996	142,924	(72)
Liabilities			
Borrowings	97,908	97,870	(38)
Total	97,908	97,870	(38)

(Yen in millions)

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

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

a. Short-term borrowings are stated at their carrying amount since they are settled in the short term and their fair value is nearly equal to their carrying amount.
Long-term borrowings with variable interest rates are stated at their carrying amount because they reflect market interest rates in a short period of time and their fair values are deemed to be close to their carrying amount.
Long-term borrowings with fixed interest rates are stated at the present value of future cash flows discounted at the interest rate that would be applied to a similar contract were newly executed.

b. The valuation techniques to measure fair value of financial instruments and input information are as follows:
The fair value of Level 1 investments is quoted price in an active market with sufficient volume and frequency of transactions.
The fair value of Level 2 other financial assets and other financial liabilities are derivatives, and their fair values are

measured by discounting the value calculated using forward exchange rates current on the date of consolidated financial statements to the present value.

Equity securities classified Level 3 are mainly unlisted stocks, and their fair values are measured by discounted cash flows method and the comparable company valuation multiples technique. For financial instruments classified as Level 3, significant changes in fair value are not expected when unobservable inputs are changed to reasonably possible alternative assumptions.

Contingent consideration recognized in a business combination is calculated based on expected payment by taking into account future business performances. Contingent consideration is included in “Accrued expenses” in the quarterly consolidated statement of financial position.

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

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

7. Note to per Share Information

(1)	Equity per share attributable to owners of the parent (yen)	7,149.91
(2)	Basic earnings per share attributable to owners of the parent (yen)	248.91

(Note) Diluted earnings per share attributable to owners of the parent for the year ended March 31, 2021 is not stated, as there are no residual shares having possibilities of diluting stock value.

8. Note to Significant Subsequent Event

Not Applicable.

9. Other Notes

(1) Acquisition of shares

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

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

Consideration for the acquisition was 39,773 million yen in cash plus 4,131 million yen in fair value of existing shareholding at the date of acquisition, aggregating to 43,904 million yen. In addition to the consideration for acquisition, Kyocera Corporation repaid 6,867 million yen of Soraa Laser Diode, Inc.’s borrowings and other indebtedness.

(2) Impairment of long-lived assets

Kyocera recognized an impairment loss of 11,518 million yen for property, plant and equipment, goodwill, intangible assets and right-of-use assets in the Smart Energy business included in the Life & Environment Group for the year ended March 31, 2021. The carrying amounts of those assets were written down to their recoverable amount. Impairment losses are included in “Selling, general and administrative expenses” in the consolidated statement of profit or loss. The breakdown is as follows: property, plant and equipment of 7,522 million yen, goodwill of 3,470 million yen, intangible assets of 449 million yen and right-of-use assets of 77 million yen.

[Financial Statements]

Statement of Changes in Net Assets (April 1, 2020 to March 31, 2021)

(Yen in millions)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Common stock	Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserves	Reserve for special depreciation	Reserve for promoting open innovation	General reserve
Balance as of April 1, 2020	115,703	192,555	1,701	194,256	17,207	285	—	927,137
Changes in net assets								
Reversal of reserve for special depreciation						(209)		
Reserve for promoting open innovation							25	
Provision of general reserve								38,000
Dividends								
Net income								
Purchase of treasury stock								
Reissuance of treasury stock			17	17				
Net change in items other than shareholders' equity								
Total changes in net assets	—	—	17	17	—	(209)	25	38,000
Balance as of March 31, 2021	115,703	192,555	1,718	194,273	17,207	76	25	965,137

	Shareholders' equity				Valuation and translation adjustment		
	Retained earnings						
	Other retained earnings						
	Unappropriated retained earnings	Total retained earnings	Common stock in treasury, at cost	Total shareholders' equity	Net unrealized gains on other securities	Total valuation and translation adjustment	Total net assets
Balance as of April 1, 2020	90,361	1,034,990	(69,275)	1,275,674	740,112	740,112	2,015,786
Changes in net assets							
Reversal of reserve for special depreciation	209	—		—			—
Reserve for promoting open innovation	(25)	—		—			—
Provision of general reserve	(38,000)	—		—			—
Dividends	(50,741)	(50,741)		(50,741)			(50,741)
Net income	93,269	93,269		93,269			93,269
Purchase of treasury stock			(17)	(17)			(17)
Reissuance of treasury stock			49	66			66
Net change in items other than shareholders' equity					65,893	65,893	65,893
Total changes in net assets	4,713	42,529	32	42,578	65,893	65,893	108,471
Balance as of March 31, 2021	95,074	1,077,519	(69,243)	1,318,252	806,005	806,005	2,124,257

Notes to Financial Statements

1. Summary of Significant Accounting Policies

(1) Standards and methods of valuation of assets

a. Held-to-maturity securities
Amortized cost method (straight-line method)

b. Investments in subsidiaries and affiliates
Cost determined by the moving average method

c. Other securities
(i) 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)

(ii) Non-marketable:
Cost determined by the moving average method

d. Derivative financial instruments:
Mark-to-market method

e. 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 retail method. Cost of merchandise is determined by the first-in, first-out method or the last purchase method.

Raw materials and supplies
Raw materials and supplies, except those for telecommunications equipment, are valued at cost, with cost being determined by the last purchase method. Raw materials for telecommunications equipment are valued at cost, with cost being determined by the first-in, first-out method.

(2) Depreciation of non-current assets

a. Tangible fixed assets (except for leased assets)
Depreciation is computed at rates based on the estimated useful lives of assets using the straight-line 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

b. Intangible fixed assets (except for leased assets)
Amortization is computed using the straight-line method. Software for internal use is calculated based on the usable period of two years.

c. Leased assets
Straight-line method, using lease periods as the estimated useful lives of such assets.

(3) Accounting for allowances and accruals

a. 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.

b. Accrued bonuses for employees
In order to prepare for bonuses to employees, accrued bonuses are provided based on the amounts expected to be paid.

c. Accrued bonuses for directors
In order to prepare for bonuses to Directors, accrued bonuses are provided based on the amounts expected to be paid.

d. Warranty reserves
Warranty reserves are provided to prepare for the cost of after sales service for some products based on the amounts expected to be paid, which are determined taking into account actual payments made in the past, etc.

e. Accrued pension and severance costs
In order to prepare for provision of retirement benefits to employees, accrued pension and severance costs are recognized based on projected benefit obligations and plan assets as of the balance sheet date. Unrecognized prior year service cost is amortized over the estimated average remaining service period of employees using the straight-line method. Actuarial gains or losses are amortized over the estimated average remaining service period of employees using the straight-line method following the year in which they are incurred. The exceeding amounts are provided as prepaid pension and severance expenses which is included in "Other" of "Investments and other assets" since plan assets exceeded projected benefit obligations as of the balance sheet date.

(4) Other significant policies
Consumption taxes:
Consumption taxes withheld upon sale and consumption taxes paid for purchases of goods and services are not included in the amounts of the respective revenue and cost or expense items in the accompanying Statements of Profit or Loss.

2. Notes to Changes in Accounting Policy

Kyocera changed the depreciation method from the declining-balance method to the straight-line method from the year ended March 31, 2021.
Kyocera implemented capital expenditures in order to double its productivity at manufacturing facilities in Japan and overseas with the introduction of innovative technology to promote streamlining and automation of production processes. As a result, the operation of property, plant and equipment is expected to be more consistent than before and future utilization of those assets will be consistent as well. In addition, during the fiscal year under review, Kyocera established a management system, including the development of processes and systems to unify the policies of the entire Group.
Based on these considerations, Kyocera believes that the change to the straight-line method will be preferable as it better reflects the consumption of future economic benefits of those assets.
Therefore, it was to increase profit from operations and recurring profit by 25,379 million yen, and income before income taxes by 25,362 million yen for the year ended March 31, 2021.

3. Notes to Changes in Presentation Methods

Application of "Partial Amendments to Accounting Standard for the presentation accounting estimates:"
"Partial Amendments to Accounting Standard for the presentation accounting estimates" (Accounting Standards Board of Japan Statement No. 31, March 31, 2020) has been applied from the beginning of the year ended March 31, 2021, and listed "4. Notes to Significant Accounting Estimates."

4. Notes to Significant Accounting Estimates

(1) Impairment of fixed assets

a. Amount recorded in the financial statements for the year ended March 31,2021
In principle, fixed asset classifications are based on each business. In the fiscal year under review, Kyocera judged that there was an indication of impairment and judged whether or not it was necessary to recognize an impairment loss, because the profit and loss from operating activities in multiple businesses continued to be negative. As a result, Kyocera concluded that recognition of impairment loss was unnecessary.

b. Major assumptions used to calculate the amounts reported in the financial statements
For businesses that show signs of impairment, Kyocera determines whether or not impairment loss should be recognized by comparing the carrying amount of undiscounted future cash flows from such businesses with the carrying amount. Undiscounted future cash flows are estimated based on the expected future cash flows from the continued use and disposal of the grouping assets. The estimated periods of future cash flows are based on the remaining economic useful life of the principal assets. Undiscounted future cash flows are based on business plans approved by management. The growth rate applied to estimate future cash flow projections beyond the period covered by the business plan is calculated taking into account future uncertainties. Future cash flows resulting from disposal after the expiration of the remaining economic useful life are the net realizable value at the future date.

Accordingly, the recognition of impairment loss is based on the major assumptions such as future cash flows and growth rates.

c. Effect on financial statements for the following fiscal year
These assumptions determined by management's best estimates may be affected by uncertainties in future economic conditions and may have a material impact on the consolidated financial statements of the Group if the assumptions were revised.

(2) Impairment of stocks whose fair value is deemed extremely difficult to ascertain

a. Amount recorded in the financial statements for the year ended March 31,2021
Stocks whose fair value is deemed to be extremely difficult to ascertain are assessed for impairment by calculating their actual value. In the event of a significant decline in real value due to deterioration in the financial position of the issuing company, Kyocera records an impairment loss unless the probability of recovery is supported by sufficient evidence.
The amounts reported on the balance sheet as of March 31, 2021 are as follows.

(Yen in millions)

Long-term investments in debt and equity securities	36,283
Investments in equity securities of subsidiaries and affiliates	500,667
Investments in capital of subsidiaries and affiliates other than equity securities	103,124

The amount of loss on valuation of shares of subsidiaries and affiliates recorded in the statement of profit or loss for the fiscal year under review was 457 million yen.

b. Major assumptions used to calculate the amounts reported in the financial statements
The real value of shares whose fair value is deemed extremely difficult to ascertain is calculated by multiplying the net asset value per share calculated based on the net assets of the issuing company by the number of shares held. In addition, if the real value is 50% or more below book value, Kyocera obtains future business plans as necessary, and examines their reasonable feasibility and recoverability within five years. Accordingly, the assessment of the need for Impairment of stocks whose fair value is deemed extremely difficult to ascertain is made based on major assumptions such as future business plans.

c. Effect on financial statements for the following fiscal year
These assumptions determined by management's best estimates may be affected by uncertainties in future economic conditions and may have a material impact on the consolidated financial statements of the Group if the assumptions were revised.

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

5. Notes to Balance Sheets

(1) Assets pledged as collateral and secured liabilities

a. Assets pledged as collateral
Investments in subsidiaries and affiliates 2,125 million yen

b. Secured liabilities
Loan from financial institutions to Kagoshima Mega Solar Power Corporation 12,628 million yen
*All investor of Kagoshima Mega Solar Power Corporation pledge their investments as collateral for this loan.

(2) Accumulated depreciation of tangible fixed assets 668,257 million yen

(3) Guarantee obligations
Keep-well letters and guidance for management:

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

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

(Yen in millions)

Current receivables	87,355
Long-term receivables	24,491
Current payables	48,652
Long-term payables	25

6. Notes to Statements of Profit or Loss

Transactions with subsidiaries and affiliates

(Yen in millions)

Net sales	283,842
Purchases	65,064
Selling, general and administrative expenses	13,477
Non-operational transactions	45,307

7. Notes to Statement of Changes in Net Assets

Number and class of treasury stock as of March 31, 2021
Common stock 15,178,204 shares

8. Notes to Accounting for Income Taxes

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

(Yen in millions)

Depreciation and amortization	27,388
Loss on impairment of investments in subsidiaries and affiliates	12,035
Loss carried forward	9,822
Accrued bonuses	6,315
Other payables and accrued expenses	3,903
Write-down of inventories	3,857
Temporary and prepaid payment	2,942
Adjustment to book value of investments in subsidiaries	1,541
Deferred assets	1,464
Others	4,557
Subtotal deferred tax assets	73,824
Valuation allowances for the total of deductible temporary difference	(8,044)
Total deferred tax assets	65,780

Deferred tax liabilities

(Yen in millions)

Net unrealized gain on other securities	(345,431)
Prepaid pension and severance expenses	(4,236)
Gain on revaluation of land	(865)
Reserve for special depreciation	(33)
Others	(79)
Total deferred tax liabilities	(350,644)

Net unrealized gain on other securities	(284,864)

9. Notes to Fixed Assets Used Under Finance Leases
Leased equipment, such as manufacturing machineries or computers, is accounted as off balance sheet transaction.

10. Notes to per Share Information

(1) Net assets per share 5,860.98 yen
(2) Earnings per share 257.34 yen