KYOCERA CORP
Form 20-F
June 30, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 20-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2010

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report
Commission file number: 1-7952

Kyocera Kabushiki Kaisha

(Exact name of Registrant as specified in its charter)

Kyocera Corporation

(Translation of Registrant s name into English)

	6, Takeda, Tobadono-cho, Fushimi-ku,
Japan	**Kyoto 612-8501, Japan**
(Jurisdiction of incorporation or organization)	**(Address of principal executive offices)**

Shoichi Aoki, +81-75-604-3556, kyocera-ir@kyocera.jp, +81-75-604-3557,

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

(Name, Telephone, E-mail and/Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock (Shares)*	**New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

As of March 31, 2010, 183,520,939 shares of common stock were outstanding, comprised of 180,621,137 Shares and 2,899,802 American Depositary Shares (equivalent to 2,899,802 Shares).

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP x International Financial Reporting Standards as issued by the International Accounting Standards Board ¨ Other ¨

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ¨ Item 18 ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

* Not for trading, but only in connection with the registration of the American Depositary Shares, each representing one share of Common Stock.

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Cautionary Statement Regarding Forward-Looking Statements

This annual report on Form 20-F contains forward-looking statements within the meaning of Section 21E of the U.S. Securities and Exchange Act of 1934. To the extent that statements in this annual report on Form 20-F do not relate strictly to historical or current facts, they may constitute forward-looking statements. These forward-looking statements are based upon our current assumptions and beliefs in the light of the information currently available to us, but involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause our actual actions or results to differ materially from those discussed in or implied by the forward-looking statements. We undertake no obligation to publicly update any forward-looking statements after the date of this annual report on Form 20-F, but investors are advised to consult any further disclosures by us in our subsequent filings pursuant to the U.S. Securities Exchange Act of 1934.

Important risks, uncertainties and other factors that may cause our actual results to differ materially from our expectations are generally set forth in Item 3.D. Risk Factors of this annual report on Form 20-F and include, without limitation:

- general conditions in the Japanese or global economy;
- unexpected changes in economic, political and legal conditions in countries where we operate;
- various export risks which may affect the significant percentage of our revenues derived from overseas sales;
- the effect of foreign exchange fluctuations on our results of operations;
- our ability to launch innovative products and otherwise meet the advancing technical requirements of our customers;
- intense competitive pressures to which our products are subject;
- manufacturing delays or defects resulting from outsourcing or internal manufacturing processes;
- our research and development not producing desired results;
- companies or assets acquired by us not produce the returns or benefits, or bring in business opportunities;
- industry demand for skilled employees;
- insufficient protection of our intellectual property;
- expenses associated with licenses we require to continue to manufacture and sell products;
- environmental liability and compliance obligations by tightening of environmental laws and regulations;

- our market or supply chains being affected by terrorism, plague, wars or similar events;
- earthquakes and other natural disasters affecting our headquarters and major facilities;
- credit risk on trade receivables;
- impairment losses on investments in equity securities;
- impairment losses on long-lived assets, goodwill and intangible assets;
- unrealized deferred tax assets and additional liabilities for unrecognized tax benefits;
- changes in accounting principles;

and other risks discussed under Item 3.D. Risk Factors and elsewhere in this annual report on Form 20-F.

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Presentation of Certain Information

As used in this annual report on Form 20-F, references to Kyocera, we, our and us are to Kyocera Corporation and, except as the context otherwise requires, its consolidated subsidiaries.

Also, as used in this annual report on Form 20-F:

U.S. dollar or $ means the lawful currency of the United States of America, yen or ¥ means the lawful currency of Japan and Euro means the lawful currency of the European Union.

U.S. GAAP means accounting principles generally accepted in the United States of America, and Japanese GAAP means accounting principles generally accepted in Japan.

ADS means an America Depositary Share, each representing one share of Kyocera s common stock, and ADR means an American Depositary Receipt evidencing ADSs.

fiscal 2010 refers to Kyocera s fiscal year ended March 31, 2010, and other fiscal years are referred to in a corresponding manner.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

A. Selected Financial Data

The selected consolidated financial data set forth below for each of the five fiscal years ended March 31 have been derived from Kyocera s consolidated financial statements that are prepared in accordance with accounting principles generally accepted in the United States of America.

You should read the U.S. GAAP selected consolidated financial data set forth below together with Item 5. Operating and Financial Review and Prospects and Kyocera s consolidated financial statements included in this annual report on Form 20-F.

	2006	2007	2008	2009	2010
	(Yen in millions and shares in thousands, except per share amounts)				
For the years ended March 31:					
Net sales	¥ 1,173,544	¥ 1,283,897	¥ 1,290,436	¥ 1,128,586	¥ 1,073,805
Profit from operations	99,695	135,102	152,420	43,419	63,860
Income from continuing operations attributable to shareholders of Kyocera Corporation	66,088	101,329	107,244	29,506	40,095
Net income attributable to shareholders of Kyocera Corporation	69,696	106,504	107,244	29,506	40,095
Earnings per share:					
Income from continuing operations attributable to shareholders of Kyocera Corporation:					
Basic	¥ 352.44	¥ 538.52	¥ 566.58	¥ 157.27	¥ 218.47
Diluted	352.21	537.35	565.80	157.23	218.47
Net income attributable to shareholders of Kyocera Corporation:					
Basic	371.68	566.03	566.58	157.27	218.47
Diluted	371.43	564.79	565.80	157.23	218.47
Weighted average number of shares outstanding:					
Basic	187,514	188,160	189,283	187,618	183,525
Diluted	187,640	188,573	189,544	187,661	183,525
Cash dividends declared per share:					
Per share of common stock	¥ 100	¥ 110	¥ 120	¥ 120	¥ 120
Per share of common stock*	$ 0.84	$ 0.91	$ 1.10	$ 1.26	$ 1.32
At March 31:					
Total assets	¥ 1,931,522	¥ 2,130,464	¥ 1,976,746	¥ 1,773,802	¥ 1,848,717
Long-term debt	33,360	7,283	8,298	28,538	29,067
Common stock	115,703	115,703	115,703	115,703	115,703
Kyocera Corporation shareholders equity	1,289,077	1,514,560	1,451,165	1,323,663	1,345,235
Total equity	1,354,019	1,581,483	1,516,167	1,383,088	1,407,262
Depreciation	¥ 62,942	¥ 70,155	¥ 75,630	¥ 83,753	¥ 60,602
Capital expenditures	¥ 88,860	¥ 69,896	¥ 85,101	¥ 63,055	¥ 37,869

* Translated into the U.S. dollars based on the exchange rates at each payment date.

Note: On April 1, 2009, Kyocera adopted the Financial Accounting Standards Board s Accounting Standards Codification 810, Consolidation (former SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an Amendment of Accounting Research Bulletin No. 51), and certain reclassification of previously reported amounts have been made to the consolidated financial statements.

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The following table shows the exchange rates for Japanese yen per $1.00 based upon the noon buying rate in New York City for cash transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York:

For the years ended March 31,	High	Low	Average	Period-end
2006	120.93	104.41	113.15	117.48
2007	121.81	110.07	116.92	117.56
2008	124.09	96.88	114.31	99.85
2009	110.48	87.80	100.62	99.15
2010	100.71	86.12	92.93	93.40
For most recent six months				
December 2009	93.08	86.62	89.95	93.08
January 2010	93.31	89.41	91.10	90.38
February 2010	91.94	88.84	90.14	88.84
March 2010	93.40	88.43	90.72	93.40
April 2010	94.51	92.03	93.45	94.24
May 2010	94.68	89.89	91.97	90.81

The noon buying rate for Japanese yen on June 25, 2010 was $1.00 = 89.35

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

You should carefully read the risks described below before making an investment decision.

Risk Related to Kyocera s Business

(1) The continuing recession in the Japanese and global economy may significantly reduce demand for Kyocera s products

During fiscal 2010, the global economy showed signs of recovery due to the effects of economic policy and fiscal measures in various countries, which included packages to stimulate personal consumption. Despite signs of expansion in corporate production activities along with a recovery in exports, particularly to Asia, and moderate improvement in personal consumption, the Japanese economy did not show full-scale recovery due to continued stagnation in capital investment and the employment environment. Kyocera assumes that the uncertain economic condition may be prolonged and has concerns regarding the impact of a further recession in the Japanese and global economy. If the further recession in the global economy has further negative impacts on corporate investment or consumer spending in the markets for semiconductors, mobile phone handsets and personal computer related equipment in the electronics industry, and on solar energy products, on which Kyocera is substantially dependent for its growth, there can be no assurance that Kyocera s business, consolidated results of operations and financial position will not continue to be affected.

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(2) A substantial portion of Kyocera s business activity is conducted outside Japan, exposing Kyocera to the risks of international operations

A substantial amount of Kyocera s investment has been targeted towards expanding manufacturing and sales channels located outside Japan, such as in the United States, Europe and Asia, which includes the developing and emerging markets in China. Kyocera faces a variety of potential risks in international activities. Kyocera may encounter unexpected legal or regulatory changes due to unfavorable political or economic factors such as control on trade, restriction on investment, restriction on repatriation and transfer pricing issue. As the developing and emerging markets of Asia, which includes China, becomes considerably important, Kyocera may become even more susceptible to these risks.

(3) Since a significant percentage of Kyocera s revenues has been derived from foreign sales in recent years, various export risks may disproportionately affect its revenues

Kyocera s sales to customers located outside Japan accounted for approximately 60% of its total revenues in fiscal 2010. Kyocera believes that overseas sales will continue to account for a significant percentage of its revenues. Therefore, the following export risks may disproportionately affect Kyocera s revenues:

- a strong yen may make Kyocera s products less attractive to foreign purchasers;
- political and economic instability or significant economic downturns may inhibit export of Kyocera s products;
- Kyocera may experience difficulties in the timeliness of collection of accounts receivable due from foreign customers and be forced to write off those receivables;
- tariffs and other barriers may make Kyocera s products less cost competitive;
- shipping and handling costs of Kyocera s products may increase;
- Kyocera may have difficulty in staffing and managing its international operations; and
- the laws of certain foreign countries may not adequately protect Kyocera s trade secrets and intellectual property.

(4) Currency exchange rate fluctuations could adversely affect Kyocera s financial results

Kyocera conducts business in countries outside of Japan, which exposes it to fluctuations in foreign currency exchange rates. Kyocera may enter into short-term forward exchange transaction to hedge this risk according to its outlook on future exchange rates; nevertheless, fluctuations in foreign currency exchange rates could have an adverse effect on its business. Fluctuations in foreign currency exchange rates may affect Kyocera s consolidated results of operations, financial position and the value of its foreign assets, which in turn may adversely affect reported earnings and the comparability of period-to-period results of operations. Changes in currency exchange rates may affect the relative prices at which Kyocera and foreign competitors sell products in the same market. In addition, changes in the value of the relevant currencies may affect the cost of imported items required in its operations.

(5) Kyocera sells a diverse variety of products, and in each of its businesses Kyocera is subject to intense competitive pressures, including in terms of price, technological change, product development, quality and speed of delivery, and these pressures are likely to increase in the near term

Kyocera sells a wide variety of products and therefore faces a broad range of competitors from large international companies to relatively small, rapidly growing and highly specialized companies. Kyocera has a variety of businesses in different industries while many of its competitors specialize in one or more of these business areas. As a result, Kyocera may not fund or invest in certain of its businesses to the same degree as its competitors, or these competitors may have greater financial, technical, and marketing resources available to them than the portion of its business against which they compete. While some of the factors that drive competition vary by product area, price and speed of delivery are factors in all areas of Kyocera s business. Price pressure has been intense, and thus Kyocera predicts that its selling prices will continue to be lower over fiscal 2010 depending partly on the demand and competition situation. In production businesses in which Kyocera develops, produces and distributes specialized parts for its customers products, its competitive position depends significantly on being involved early in the process of creating a new product that fits its customers needs for each business. To maintain these competitive advantages, it is critical to maintaining close ties with customers so that Kyocera can ensure that it is able to meet required specifications and be the first supplier to create and deliver the product. Kyocera s gross margins may be reduced if the business environment changes in a way that Kyocera cannot maintain these important relationships with customers or its market share or if it is forced in the future to further reduce prices in response to the actions of its competitors.

(6) Small manufacturing delays or defects resulting from outsourcing or internal manufacturing processes can adversely affect Kyocera s production yields and operating results

Kyocera ordinarily outsources the fabrication of certain components and sub-assemblies of its products, often to sole source suppliers or a limited number of suppliers. Several suppliers have manufacturing processes which are very complex and require a long lead-time. Kyocera may be affected by occasional delays in obtaining components and sub-assemblies. Kyocera s revenues derived from sales of these products will also be materially and adversely affected if Kyocera is unable to obtain high quality, reliable and timely supply of these components and sub-assemblies. In addition, any reduction in the precision of these components will cause delays and interruptions in Kyocera s production cycle.

Within Kyocera s manufacturing facilities, minute impurities, difficulties in the production process or other factors can cause a substantial percentage of its products to be rejected or be non-functional. These factors can result in lower than expected production yields, which delay product shipments and may materially and adversely affect Kyocera s operating results. Because the majority of Kyocera s costs of manufacture are relatively fixed, production yield and capacity utilization rate are critical to Kyocera s consolidated results of operations and financial position.

(7) Future initiatives and in-process research and development may not produce the desired results

Kyocera intends to expand its product lines to satisfy customer demand in its target markets. Kyocera may result in lower revenues based on the products or technologies developed. There can be no assurance that the products derived from Kyocera s in-process research and development activities will achieve desired results and market acceptance.

(8) Companies or assets acquired by Kyocera may require more cost than expected for integration, and may not produce returns or benefits, or bring in business opportunities, which Kyocera expects

In the course of developing its business, from time to time Kyocera considers opportunities to acquire, and undertakes the acquisition of companies or assets through mergers and acquisitions. There can be no assurance that Kyocera will be able to integrate the operations, products and personnel of the acquired companies with its own in an efficient manner. Nor can there be any assurance that Kyocera will be able to achieve operational and financial returns or benefits, or bring in new business opportunities, which it expects from the acquisition. An acquired company may not be able to manufacture products or offer services in the amounts or at the efficiency levels that Kyocera plans, and the demand for such products or services may not be at the levels that Kyocera anticipates. Failure to succeed in acquisitions could have a material adverse effect on Kyocera s business.

(9) Industry demand for skilled employees, particularly engineering and technical personnel, exceeds the number of personnel available and we may not be able to attract and retain key personnel

Kyocera s future success depends, in part, on its ability to attract and retain certain key personnel, including engineering, operational and management personnel. Kyocera anticipates that it will need to hire additional skilled personnel in all areas of its business. The competition for attracting and retaining these employees is intense. Because of recent intense competition for these skilled employees, Kyocera may be unable to retain its existing personnel or attract additional qualified employees in the future.

Risk Related to Legal Restrictions and Litigations

(10) Insufficient protection of Kyocera s trade secrets and patents could have a significant adverse impact on its competitive position

Kyocera s success and competitive position depend on protecting its trade secrets and other intellectual property. Kyocera s strategy is to rely both on trade secrets and patents to protect its manufacturing and sales processes and products, but reliance on trade secrets is only an effective business practice insofar as trade secrets remain undisclosed and a proprietary product or process is not reverse engineered or independently developed. Kyocera takes certain measures to protect its trade secrets, including executing nondisclosure agreements with certain of its employees, joint venture partners, customers and suppliers. If parties breach these agreements or the measures Kyocera takes are not properly implemented, Kyocera may not have an adequate remedy. Disclosure of its trade secrets or reverse engineering of its proprietary products, processes or devices could materially and affect Kyocera s business, consolidated results of operations and financial position.

Kyocera is actively pursuing patents on some of its recent inventions, but these patents may not be issued. Even if these patents are issued, they may be challenged, invalidated or circumvented. In addition, the laws of certain other countries may not protect Kyocera s intellectual property to the same extent as Japanese laws.

(11) Kyocera may require licenses to continue to manufacture and sell certain of its products, the expense of which may adversely affect its results of operations

From time to time Kyocera has received, and may receive in the future, notice of claims of infringement of other parties proprietary rights and licensing offers to commercialize third party patent rights. Although Kyocera is not currently involved in any litigations relating to its intellectual property except in the ordinary course of its business, Kyocera cannot assure that:

- infringement claims (or claims for indemnification resulting from infringement claims) will not be asserted against Kyocera,

- future assertions against Kyocera will not result in an injunction against the sale of infringing or allegedly infringing products or otherwise significantly impair its business and results of operations; or

- Kyocera will not be required to obtain licenses, the expense of which may adversely affect its results of operations.

(12) Changes in our environmental liability and compliance obligations may adversely impact our operations

Kyocera is subject to various environmental laws and regulations in Japan and the other countries, which are related to greenhouse gas mitigation, air emissions, wastewater discharges, the handling, disposal and remediation of hazardous substances, wastes and certain chemicals used or generated in our manufacturing process, employee health and safety, labeling or other notifications with respect to the content or other aspects of our processes, products or packaging, restrictions on the use of certain materials in or on design aspects of our products or product packaging, and responsibility for disposal of products or product packaging. As well as our current operations, these laws and regulations can be applied to our past operations and may be applicable to the past operations of businesses acquired from other companies even if such operations occurred before our acquisitions. In addition, these laws and regulations which are applied to Kyocera can be more stringent or the scope of the laws and regulations can be broadened in the future due to factors including global climate change. With respect to greenhouse gas mitigation in particular, international emissions trading regime may be created based on the result in onwards of the intergovernmental dialogue on global climate change. Kyocera establishes reserves for specifically identified potential environmental liabilities when such liabilities are probable and can be reasonably estimated. In case we fail to comply with such laws and regulations, we could be required by the relevant governmental organizations to pay penalty costs or remediation compensation. Furthermore, we may make voluntary payments to compensate for environmental problems if we deem such compensation to be necessary. The cost obligations noted above may adversely affect Kyocera s results of operations and financial position.

Risk Related to Disasters or Unpredictable Events

(13) Kyocera s markets or supply chains may be adversely affected by terrorism, plague, wars or similar events

Kyocera, as a global company, has been expanding its business worldwide. At the same time, we will be exposed to risks of our getting involved in terrorism, plague, war and other similar events. In the case that those events occur, Kyocera s operating activities would be suspended. Furthermore, there would be delay, disorder or suspension in Kyocera s R&D, manufacturing, sales and services. If such delay or disruption occurs and continues for a long period of time, Kyocera s business, consolidated results of operations and financial position may be affected.

(14) Kyocera s headquarters and major facilities are subject to devastating effects of earthquakes and other natural disasters

Kyocera s headquarters and major facilities including plants, sales offices and R&D centre are located not only in Japan but also all over the world. It might be inevitable that Kyocera would suffer from natural disasters such as earthquakes, typhoons, floods and so on. For instance, if a strong earthquake occurs, Kyocera s R&D or manufacturing facilities could be devastated. In this case, Kyocera s operating activities would be suspended and manufacturing and shipment would be delayed. Due to this, Kyocera would lose its sales and profits.

Furthermore, Kyocera may incur a great amount of expenses, such as medical care expenses for injured employees and damage expenses for the damaged machines or facilities. As a consequence, Kyocera s consolidated results of operations and financial position may be affected.

Risks Related to Financial and Accounting

(15) Kyocera may be exposed to credit risk on trade receivables due to its customers worsening financial condition

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

(16) Kyocera may have to incur impairment losses on its investments in debt and equity securities

Kyocera holds investments in equity securities of companies not affiliated with itself, which Kyocera generally holds on a long-term basis for business relationship purposes. A substantial portion of these investments consists of shares of common stock of public companies in Japan, such as financial institutions and other companies including KDDI Corporation, a Japanese telecommunication service provider. Kyocera Corporation s equity interest in KDDI Corporation was 12.76%. If there are certain declines in the fair value, i.e., the market price, of the shares of those companies that Kyocera holds over a period of time, and it determines that such declines are other-than-temporary, Kyocera will need to record an impairment loss. For some of the equity securities Kyocera owns, including the shares of KDDI Corporation, Kyocera intends to keep its ownership at the current level in light of the importance of its business relationships with the issuers of these equity securities. For other equity securities in its portfolio, although, with periodical check, Kyocera may dispose of some securities which lack merit for Kyocera, market conditions may not permit it to do so at the time, speed or price it may wish.

(17) Kyocera may have to incur impairment losses on long-lived assets, goodwill and intangible assets.

Kyocera has many long-lived assets, goodwill and intangible assets. Long-lived assets and intangible assets with definite useful lives are tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Goodwill and intangible assets with indefinite useful lives, rather than being amortized, are tested for impairment at least annually, and also following any events and changes in circumstances that might lead to impairment.

In case the above assets are considered to be impaired, a loss on impairment is recognized based on the amount by which the carrying value exceeds the fair value of them. Such losses on impairment may materially affect Kyocera s consolidated results of operations and financial position.

(18) Deferred tax assets may not be realized or additional liabilities for unrecognized tax benefits may be required.

Kyocera records valuation allowances against deferred tax assets on the estimation of future taxable income and feasible tax planning strategies to adjust their carrying amounts when it believes that it is more likely than not that the assets will not be realized. If future taxable income 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 unrecognized tax benefits based on the premise of being subject to income tax examination by tax authorities, when it is more likely than not that tax benefits associated with tax positions will not be sustained. Actual results such as settlements with tax authorities may differ from Kyocera s recognition.

(19) Changes in accounting standards may adversely impact our results of operations and financial positions.

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

Other Risks

(20) As a holder of ADSs, you will have fewer rights than a shareholder has and you will have to act through the depositary to exercise those rights

The rights of shareholders under Japanese law to take various actions, including voting their shares, receiving dividends and distributions, bringing derivative actions, examining a company s accounting books and records and exercising appraisal rights, are available only to holders of record. Because the depositary, through its custodian agents, is the record holder of the Shares underlying the ADSs, only the depositary can exercise those rights in connection with the deposited Shares. The depositary will make efforts to vote the Shares underlying your ADSs as instructed by you and will pay to you the dividends and distributions collected from us. However, in your capacity as an ADS holder, you will not be able to bring a derivative action, examine our accounting books and records or exercise appraisal rights through the depositary.

(21) Rights of shareholders under Japanese law may be more limited than under the law of other jurisdictions

Our Articles of Incorporation, Regulations of the Board of Directors, Regulations of the Board of Corporate Auditors and the Corporation Act of Japan govern our corporate affairs. Legal principles relating to such matters

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as the validity of corporate procedures, directors and officers fiduciary duties and shareholders rights may be different from those that would apply if we were a U.S. company. Shareholders rights under Japanese law may not be as extensive as shareholders rights under the laws of the United States. You may have more difficulty in asserting your rights as a shareholder than you would as a shareholder of a U.S. corporation. In addition, Japanese courts may not be willing to enforce liabilities against us in actions brought in Japan which are based upon the securities laws of the United States or any U.S. state.

(22) Because of daily price range limitations under Japanese stock exchange rules, you may not be able to sell your shares of our Common Stock at a particular price on any particular trading day, or at all

Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, these exchanges set daily upward and downward price fluctuation limits for each stock, based on the previous day s closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell his or her shares at such price on a particular trading day, or at all.

(23) Our shareholders of record on a record date may not receive the dividend they anticipate

The customary dividend payout practice of publicly listed companies in Japan may significantly differ from the practice widely followed in foreign markets. Our dividend payout practice is no exception. The declaration and payment of annual dividends requires the approval of shareholders of our common stock at the annual general meeting of shareholders held in June of each year. Our board of directors decides and submits a proposal for an annual dividend declaration a few weeks before the annual general meeting. If the shareholders approval is given, the annual dividend payment is made to shareholders of record as of the record date for such payment, which is March 31, whether or not the shareholders are still holding shares after such record date. The declaration and payment of interim dividends is decided by our board of directors and does not require the approval of shareholders. The interim dividend payment is made to shareholders of record as of the record date for such payment, which is September 30, whether or not the shareholders are still holding shares after such record date. Shareholders of record as of the applicable record date may sell shares in the market after the record date with the anticipation of receiving a certain dividend payment. However, the date of declaration of interim dividends is decided by our board, and the declaration of annual dividends is approved by our shareholders only in June, based upon a proposal submitted by our board. As such, we may have announced a dividend forecast before the applicable record date; but, in making a decision on the dividend declaration, neither our shareholders nor our board of directors are legally bound by such forecast. Therefore, our shareholders of record on the record dates for interim or annual dividends may not receive the dividend they anticipate.

(24) Foreign exchange fluctuations may affect the dollar value of our ADSs and dividends payable to holders of our ADSs

Market prices for our ADSs may fall if the value of the yen declines against the U.S. dollar. In addition, the U.S. dollar amount of cash dividends and other cash payments made to holders of our ADSs would be reduced if the value of the yen declines against the U.S. dollar.

Item 4. Information on Kyocera Corporation and its Consolidated Subsidiaries

A. History and Development of Kyocera Corporation and its Consolidated Subsidiaries

Kyocera Corporation is a joint stock corporation that was incorporated under the laws of Japan in 1959 with the name Kyoto Ceramic Kabushiki Kaisha. Its name was changed to Kyocera Kabushiki Kaisha (or Kyocera Corporation) in 1982. Our corporate headquarters is at 6 Takeda Tobadono-cho, Fushimi-ku, Kyoto 612-8501, Japan. Our telephone number is +81-75-604-3500.

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Our business originally consisted of the manufacture of ceramic parts for electronic equipment. In the 1960s, we expanded our business and technology horizontally into the design and production of fine ceramic parts, ceramic integrated circuit (IC) packages and electronic components. In the 1970s, we began to produce applied ceramic products, including cutting tools, ceramic parts for medical and dental uses, jewelry and solar energy products.

In the 1980s, we diversified into new strategic fields. In 1982, we merged with Cybernet Electronics Corporation, a telecommunications equipment manufacturer in which we had made an equity investment three years earlier. We also played a leading role in the establishment of DDI Corporation (currently KDDI Corporation), which has become one of Japan s leading providers of telecommunications services. In 1989, we gained a presence in the electronic connector market through our acquisition of Elco International Corporation (currently Kyocera Elco Corporation).

In the 1990s, we strengthened our position as a globally integrated electronic components manufacturer through our acquisition of AVX Corporation, a maker of capacitors and other passive electronic components, in January 1990. In the middle of the 1990s, Kyocera developed two main business categories, the Components Business, in which Kyocera provides parts and devices such as fine ceramics parts, semiconductor parts, applied ceramic products and electronic components and devices to mainly electronic equipment manufacturers in information and communications fields, and the Equipment Business, in which Kyocera manufactures and sells telecommunications equipment and information equipment, such as mobile phone handsets, PHS-related products, copier machines, multifunctional peripherals and ECOSYS printers to distributors or directly to customers.

Since 2000, we have further enhanced our position as a market leader in telecommunications and information equipment. In February 2000, we acquired the code division multiple access (CDMA) mobile phone handset business from QUALCOMM Inc. and established our U.S. subsidiary, Kyocera Wireless Corp., which was merged into Kyocera Communications, Inc. in April 2010. In April 2000, we invested in Kyocera Mita Corporation, a manufacturer of copier machines and other document solutions equipment, and made it a wholly-owned subsidiary. In April 2002, we transferred Kyocera Corporation s printer business to Kyocera Mita Corporation to further enhance our information equipment business by pursuing group synergies.

With the aim of becoming a more global enterprise and enhancing our profitability, we have been expanding our production in China located in Shanghai and Dongguan since the middle of the 1990s. Kyocera also established a sales company, Kyocera (Tianjin) Sales & Trading Corporation, in March 2003 to cultivate the Chinese market through enhancing our marketing ability for both our products manufactured in China as well as our products imported into China. In addition, we established a subsidiary, Kyocera (Tianjin) Solar Energy Co., Ltd., to assemble solar modules, production of which commenced in November 2003, and to respond to market needs swiftly.

In August 2003, we made Kinseki, Limited (currently Kyocera Kinseki Corporation), a major producer of artificial crystal related products, a wholly-owned subsidiary through a share exchange to strengthen our Electronic Device Group. In April 2004, Kyocera integrated the marketing division of Kyocera Kinseki Corporation was merged into the marketing division of the electronic components of Kyocera Corporation and the manufacturing division of crystal related components of Kyocera Corporation was transferred to Kyocera Kinseki Corporation through corporate splits.

To meet with strong demand for solar energy products in Europe, Kyocera established Kyocera Solar Europe S.R.O. for the assembling of solar modules in the Czech Republic in April 2005.

In April 2008, Kyocera acquired the mobile phone related business of SANYO Electric Co., Ltd. to strengthen and improve the profitability of the Telecommunications Equipment Group.

For further enhancement of sales channel of the Information Equipment Group, Kyocera Mita Corporation made TA Triumph-Adler AG, a leading specialist in the information technology business and a distributor of printers and multifunctional peripherals in Germany, a subsidiary through the voluntary public takeover offer in January 2009.

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For a discussion of recent and current capital expenditures, please see Item 5. Operating and Financial Review and Prospects of this annual report on Form 20-F. We have had no recent significant divestitures nor any significant divestitures currently being made.

B. Business Overview

Overview

Kyocera is engaged in numerous high-tech fields, from fine ceramic components to electronics devices, equipment, services and networks. Our manufacturing and distribution operations are conducted worldwide. As of March 31, 2010, we have 173 subsidiaries and 4 affiliates outside Japan and 29 subsidiaries and 6 affiliates in Japan. Our customers include individuals, corporations, governments and governmental agencies. For information on our sales by category of activity and information on our sales by geographic area and product segment, please see Item 5.A. Operating Results of this annual report on Form 20-F.

Operations

Kyocera categorizes its operations into seven reporting segments: (1) Fine Ceramic Parts Group,

(2) Semiconductor Parts Group, (3) Applied Ceramic Products Group, (4) Electronic Device Group,

(5) Telecommunications Equipment Group, (6) Information Equipment Group, and (7) Others.

Our principal products and services offered in each reporting segment are shown below.

(1) Fine Ceramic Parts Group

Information & Telecommunication Components,

Sapphire Substrates,

Components for Semiconductor Processing Equipment,

Components for LCD Manufacturing Equipment,

Automotive Components,

General Industrial Ceramic Components

(2) Semiconductor Parts Group

Ceramic Packages for Crystal and SAW Devices,

CCD/CMOS Sensor Ceramic Packages,

LSI Ceramic Packages,

Wireless Communication Device Packages,

Optical Communication Device Packages and Components,

Organic Multilayer Packages and Substrates

(3) Applied Ceramic Products Group

Residential and Industrial Solar Power Generating Systems,

Solar Cells and Modules,

Cutting Tools, Micro Drills,

Medical and Dental Implants,

Jewelry and Fine Ceramic Application Products

(4) Electronic Device Group

Ceramic Capacitors, Tantalum Capacitors,

SAW Devices, RF Modules, EMI Filters,

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Timing Devices such as TCXOs, Crystal Units, Clock Oscillators and Ceramic Resonators,

Connectors,

Thermal Printheads,

Inkjet Printheads,

Amorphous Silicon Photoreceptor Drums,

Liquid Crystal Displays (LCDs)

(5) Telecommunications Equipment Group

CDMA Mobile Phone Handsets,

Personal Handy Phone System (PHS) Related Products such as PHS Mobile Phone Handsets and PHS Base Stations,

Wireless Broadband Systems such as WiMAX Associated Products

(6) Information Equipment Group

Color and Black & White Office Equipment such as ECOSYS Printers and Multifunctional Peripherals,

Wide Format Multifunctional Systems,

Printer and Multifunction Peripherals Supplies,

Business Solution Services such as Managed Print Service

(7) Others

Telecommunications Engineering Business,

Integration Business on Information Systems and Network Infrastructures,

Data Center Business,

Management Consulting Business,

Chemical Materials for Electronic Components, Electrical Insulators, Molded Products,

Real Estate Business

(1) Fine Ceramic Parts Group

Products in this reporting segment are widely used in the computing, telecommunications, automotive and various other industrial sectors. These products are made from a variety of ceramic materials, such as silicon carbide, silicon nitrides and zirconia as well as alumina, utilizing their characteristics of heat resistance, corrosion resistance and wear resistance.

Products Kyocera develops, manufactures and sells in this reporting segment include substrates, which are thin ceramic bases used by manufacturers for hybrid IC foundations. Kyocera also develops, manufactures and sells substrates for thermal printheads, thin film ceramic/alumina tape substrates for chip resistors, substrate for HDD thin film magnetic heads, sapphire substrates for LCD projectors and

LEDs, components for semiconductor processing equipment, components for LCD manufacturing equipment, engine components for the automobile industry, mechanical seals for pumps, friction tight discs and thread guides for yarn texturing machines in the textile industry, rings for fishing rods, nozzles and parts for papermaking machinery.

(2) Semiconductor Parts Group

Kyocera develops, manufactures and sells inorganic (ceramic) and organic packages and substrates in this reporting segment.

Ceramic packages have the characteristic of being extremely air tight, and can be small and thin, while also having exceptional heat resistance and heat dissipation. In addition, they have good high frequency properties

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and facilitate the embedding of passive components. Kyocera supplies various ceramic packages and components capitalized on material s characteristics. Major products in this reporting segment are ceramic packages for crystal and SAW devices, CCD/CMOS sensor ceramic packages, LSI ceramic packages such as ball grid array packages and optical communication device packages and ceramic parts for fiber-optic communications connectors. Ceramic packages for crystal and SAW devices are used for SAW filters and temperature compensated crystal oscillators (TCXOs), which are mostly inserted into mobile phone handsets. CCD/CMOS sensor ceramic packages are mainly used in camera-equipped mobile phone handsets and digital still cameras. Ball grid array packages are used in MPUs and other logic ICs, which are mainly inserted into high-end servers.

In the organic package business, Kyocera supplies organic flip-chip packages for high-end application specific integrated circuits (ASICs) and system in a package (SiP) substrates used in mobile phone handsets.

(3) Applied Ceramic Products Group

This reporting segment consists of four product lines: 1) Solar Energy Products, 2) Cutting Tools, 3) Medical and Dental Implants, 4) Jewelry and Applied Ceramic Related Products.

1) Solar Energy Products

Kyocera develops, manufactures and sells solar cells and modules, applied solar cell products and residential and industrial solar power generating systems. We concentrate the manufacturing of the solar cells in Japan, and assemble modules in global quadripartite production system. The solar module production is conducted in Japan, China, the Czech Republic and Mexico.

In order to meet vigorous demand for solar energy related products, we established a new solar cell plant in Yasu, Shiga prefecture in Japan in March 2010 and expect to expand production volume of solar cells by 50% in fiscal 2011 compared with fiscal 2010. We also plan to start production of solar modules in San-Diego, United States and expect to expand our solar modules production capacity in China in fiscal 2011.

2) Cutting Tools

Kyocera also develops, manufactures and sells cutting tools made from composite materials based on ceramics and metal. Cutting tools are used for metal processing in industrial production, particularly in the automotive industry.

3) Medical and Dental Implants

In our operate Medical and Dental Implants business, we produce a wide range of products such as medical and dental implants, artificial knee joint replacement systems, and various materials helping heal hip fractures by combinations of material, processing technologies of ceramics and titanium alloys.

4) Jewelry and Applied Ceramic Related Products

In addition, Kyocera develops, manufactures and sells recrystallized jewelry comprises mainly synthetic emeralds, alexandrines and rubies. These stones are manufactured using a single crystal growth technology developed by us, and are chemically and physically equivalent to natural stones. Kyocera also develops, produces and sells applied ceramic related products such as kitchen accessories utilizing ceramic characteristics of wear resistance and corrosion resistance against acidity and alkalinity.

(4) Electronic Device Group

Kyocera develops, manufactures and sells high quality and cost competitive electronic components and devices for the information and communication market. This field creates demand for miniaturization, low voltage, high

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frequency and low energy consumption, and we develop, manufacture and sell high-value-added products such as miniature ceramic capacitors with high capacitance, tantalum capacitors, RF modules, miniature timing devices like TCXOs and connectors for digital consumer equipment such as mobile phone handsets and PCs. We also deliver thin-film products utilizing our thin-film device technologies such as thermal printheads, amorphous silicon photoreceptor drums and LCDs for office automation equipment and industrial equipment.

We are strengthening our manufacturing and sales in China to enhance price competitiveness and to cultivate new markets. We produce ceramic capacitors in China and aim to expand sales in China through the sales subsidiaries in China.

We also develop businesses by pursuing synergies with subsidiaries. AVX Corporation, which develops, manufactures and sells ceramic capacitors, tantalum capacitors and other passive components for information and communication equipment, has a global manufacturing and sales network. AVX Corporation sells products of Kyocera s Electronic Device Group and pursues synergies with the development and manufacturing in our ceramic capacitor business.

(5) Telecommunications Equipment Group

This reporting segment includes CDMA mobile phone handsets business and telecommunication system equipment business such as PHS mobile phone handsets and base stations. Mobile phone handsets are produced and distributed mainly for KDDI Corporation in Japan, as well as for SPRINT NEXTEL CORPORATION and other U.S. telecommunication service providers in the overseas market. We also develop, manufacture and sell base stations, terminals and handsets for WILLCOM, Inc., which provides PHS services and UQ Communications Inc., which provides WiMAX wireless broadband system.

In the mobile phone handsets business, with the objective of further strengthening the CDMA mobile phone handset business, Kyocera acquired the mobile phone business of SANYO in April 2008 and streamlined operations, through reorganization of the sales and development systems.

In the telecommunication system equipment business, we focus on development and sales of handsets and base stations capable of higher speed data transmission. In addition to PHS business, we are expanding sales of products for WiMAX, which commenced services from 2009 in Japan. We also develop equipment compatible with Long Term Evolution (LTE) service, a next generation communication protocol.

(6) Information Equipment Group

The major products in this reporting segment comprise page printers, copying machines and multifunctional peripherals. Our page printers are marketed under the name of ECOSYS with a focus on the concepts of long life cycle, ecology and economy, which use our in-house amorphous silicon photoreceptor drums.

Kyocera Mita Corporation develops, manufactures and sells the products in this reporting segment. Kyocera Mita manufactures hardwares of page printers, copying machines and multifunctional peripherals in China in order to strengthen our price competitiveness. Development and production bases of consumables are centralized in Japan to pursue optimization and efficiency of production and development systems.

For sales, Kyocera Mita continues to increase the coverage of dealers through proactive mergers and acquisitions overseas.

(7) Others

This reporting segment includes revenues from telecommunication network systems. This segment also develops, manufactures and sells electronic component materials, electric insulators and synthetic resin molded products.

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Kyocera Communication Systems Co., Ltd. operates a total telecommunications engineering business, from system development to design, construction and maintenance services. In addition, Kyocera Communication Systems Co., Ltd. provides data center services for mobile phone content distribution services and IT solutions business for business users by developing new products featuring network services as well as system integration business. Kyocera Communication Systems Co., Ltd. also operates management consulting business based on operating of Amoeba Management System, which is Kyocera s unique management method.

Kyocera Chemical Corporation develops new products by pursuing synergies with fine chemical technologies and our components technologies such as those employed by the Electronic Device Group.

Sales and Distribution

Kyocera products are marketed worldwide by our sales personnel, as well as by sales companies within our group, and by independent distributors. We have regional sales and design application personnel in strategic locations to provide technical and sales support for customers and distributors. We believe that this combination of distribution channels leads to a high level of market penetration and efficient coverage of services for our customers.

Most of the sales in the Fine Ceramic Parts Group, the Semiconductor Parts Group and the Electronic Device Group are made directly to component and equipment manufacturers who incorporate them into their own products.

In the Applied Ceramic Products Group, solar energy products for residential use and public/industrial use are sold primarily to users via sales subsidiaries, distributors and their franchise chain. Cutting tools are sold to users such as automobile parts manufactures through wholesale dealers and distributors. Jewelry and applied ceramic related products are sold mainly through direct retail shops, as well as through distributors. Dental implants, artificial bones and joint prostheses are sold mainly to dental clinics and hospitals through distributors.

In the Telecommunications Equipment Group, we primarily sell products directly to communications carriers in Japanese and overseas markets. Our key sales destinations are KDDI Corporation, SPRINT NEXTEL Corporation, WILLCOM, Inc. and UQ COMMUNICATIONS Inc.

The Information Equipment Group markets products such as ECOSYS printers, copier machines and multifunctional peripherals mainly through distributors and wholesalers both in Japan and abroad.

In the Others reporting segment, services from the telecommunications engineering business and the data center business of Kyocera Communication Systems Co., Ltd., as well as from our management consulting business are provided directly to customers and users. Electronic materials and components from Kyocera Chemical Corporation are sold directly to secondary manufacturers who incorporate them into their own products.

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

Sources and Availability of Raw Materials and Supplies

We purchase a variety of raw materials and other materials for our businesses.

The principal raw materials include alumina, zirconia, silicon nitride, silicon particles, nickel powder and epoxy resins. These raw materials are used mainly in the manufacturing of products for the Components Business. They are also the main materials supplied for use in key components such as chip sets and LCDs in the Equipment Business.

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Our basic policy is to procure raw materials and other materials from several companies, though we may use a single supplier if (1) the final customer selects the material supplier; or (2) the number of suppliers who can deliver high-quality raw materials or other materials to ensure the high quality of final products is limited.

The purchase price of these raw materials and other materials fluctuates depending on the supply-demand situation, as well as the rising cost of certain raw materials and fuel, among others. We work hard to lessen the effect of these fluctuations and to absorb rising costs by making steady internal improvements, including cost reductions. We have also concluded long-term agreements with suppliers for certain raw materials aimed at ensuring stable supply to meet plans to increase production, and a fair purchase price.

In fiscal 2010, we procured a sufficient level of raw materials and other materials to carry out our production plans, and we do not have any concern about shortage of raw materials and supplies during fiscal 2011.

Patents and Licenses

Our success and competitive position depend on a number of significant patents, licenses and trade secrets relating to our manufacturing and sales processes and products. All of Kyocera s intellectual properties are considered to be important. However, Kyocera believes that neither its expiration nor termination of any specific intellectual properties would affect significant impact on Kyocera s entire operation. The following table sets forth information, as of March 31, 2010, with respect to our significant patents and license agreements.

(a) License permitted to produce products

Counterparty	Country	Contents	Period
Qualcomm Incorporated	United States	License under patents regarding mobile phone	From August 31, 1996 to patent expiration

(b) License cross agreements

Counterparty	Country	Contents	Period
Canon Incorporated	Japan	License under patents regarding electric photo printer	From April 1, 2002 to patent expiration

Competitive Position

(1) Fine Ceramic Parts Group

Since our founding, Kyocera has worked continuously to develop fine ceramic materials and to cultivate new markets. At present, we provide fine ceramic products to a wide array of industries, notably the information and communication market, the industrial machinery market and the automotive market.

Although competitors in this reporting segment are mainly Japanese manufacturers and differ in each market, Kyocera has established as a market leader through a competitive advantage in materials technology, accumulated since our founding, and in outstanding production technology and capability, which enables us to meet customer requirements, particularly in terms of product dimension, size and amount. We also boast an internal integrated system from fundamental research to next-generation product development through our R&D divisions, and this differentiates us from the competitors.

(2) Semiconductor Parts Group

In this reporting segment, our goal is to further strengthen our competitive position in both the ceramic and organic package businesses in the global market. To achieve this, we strive to provide high-value-added products

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and to develop new applications such as wireless and optical communications in the telecommunications market, and in the digital consumer equipment, automotive and medical industries, etc.

In the ceramic package business, Kyocera is already one of the global leaders in packages for crystal and SAW devices and CCD/CMOS sensor packages. We also aim to be a market leader in other ceramic package areas and to increase customer satisfaction by our developing and manufacturing expertise.

In the organic package field, Kyocera SLC Technologies Corporation (KST) produces flip-chip packages for servers, routers and game consoles. KST also produces system in package substrates for mobile phone handsets. In the flip-chip packages market, fine design and high reliability are required, and we aim to become the leading company in this technology on a global basis. In this market, we have several competitors which are Japanese and Asian manufactures. Based on engineering technology for fine pitch and small-and-thin, we plan to expand our market share.

(3) Applied Ceramic Products Group

In the solar energy business, where the market is expanding rapidly supported by enhanced environmental awareness on a global basis, many companies have entered into the market and the competition is becoming intense. Kyocera is expanding its production capacity in each site to meet increasing demand of solar energy products on a global basis. Also, we manufacture products in-house through silicon casting to cell and module processes, and can afford to reduce costs and enhance efficiency in every process. Kyocera has established a competitive advantage in higher conversion efficiency of multi-crystalline solar cells and long-term product reliability, which is accumulated by our experience and know how based on over 30 years of solar energy products sales.

We are also one of the largest suppliers of cutting tools in Japan, with the major application being for the automotive industry. Although we have many global competitors, we will work to expand sales of new products in order to further increase our share in the Japanese and Asian markets.

(4) Electronic Device Group

Kyocera develops, manufactures and sells various capacitors, timing devices, connectors and thin-film products. One of our competitive advantages is that we can supply a wide variety of components compared with our competitors. Though we have many competitors in ceramic capacitor business, not only in Japan but also Asia, and the market is particularly competitive in terms of price, quality and delivery.

Kyocera Kinseki Corporation and AVX Corporation, our subsidiaries, are a one of major suppliers in the global timing devices market and the tantalum capacitors market, respectively. We are also one of major suppliers in thin-film products, such as thermal printheads and amorphous silicon photoreceptor drums, which are mainly used in information equipment, notably printers, copying machines and multifunctional peripherals. Amorphous silicon photoreceptor drums have outstanding resistance to wear compared with organic photoconductor (OPC) drums. Incorporating our amorphous silicon photoreceptor drums into information equipment helps realize longer lasting products compared to competition.

(5) Telecommunications Equipment Group

In the Japanese market, our main competitors for mobile phone handsets are Japanese manufacturers. In the mobile phone handset market outside Japan, Kyocera competes with European, U.S. and Asian manufacturers. Kyocera acquired the mobile phone handset business of SANYO in April 2008. We aim to further strengthen development, manufacturing and sale of CDMA handsets worldwide. In terms of telecommunication system equipment business such as PHS related products, our main competitors are Japanese manufacturers, however we are a market leader in PHS handsets and base stations businesses.

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(6) Information Equipment Group

We have many competitors in Japan and abroad in the information equipment business, which includes printers, copying machines and multifunctional peripherals. Although the scale of sales in this reporting segment is relatively small compared with our competitors, and our global market share is not high, our major strength is our ability to differentiate our products from those of the competitors.

Our products are based on our unique ECOSYS concept that provides long life cycle and thus environmental friendliness, while also having the benefit of low running costs for users, by utilizing our highly durable amorphous silicon photoreceptor drum with exceptional abrasion resistance. Our ECOSYS concept is used in the majority of our printers, copying machines and multifunctional peripherals, in both black & white and color, and from low-speed to high-speed models. These products are recognized as green products for the office, particularly in Europe, where environmental awareness is particularly high. We also have been increasing the coverage of our dealers through proactive mergers and acquisitions overseas.

Government Regulation

There are various governmental regulations specifically applicable to industries in which Kyocera operates, including regulations relating to business and investment approvals, export regulations, tariffs, intellectual property, consumer and business taxation, exchange controls, and material procurement in public works. We do not believe that such governmental regulations currently have significant effects on Kyocera s business.

Kyocera is also subject to various regulations concerning the environment of the countries where we operate. These regulations cover air emissions, wastewater discharges, the handling, disposal and remediation of hazardous substances, wastes and certain chemicals used or generated in our manufacturing process, employee health and safety, labeling or other notifications with respect to the content or other aspects of our processes, products or packaging, restrictions on the use of certain materials in or on design aspects of our products or product packaging, and responsibility for disposal of products or product packaging. They also include several regulations for chemical substance in products, such as the European Union Directive on the Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS Directive), the European Union Directive on Waste Electrical and Electronic Equipment (WEEE Directive), the European Union s Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), and similar regulations required in other countries and areas including China. Based on our periodic reviews of the operating policies and practices at all of our facilities, we believe that our operations are currently in substantial compliance, in all material respects, with all applicable environmental laws and regulations and that the cost of continuing compliance will not have a material effect on our financial condition or results of operations.

In addition, AVX Corporation, a subsidiary in the United States, is subject to federal, state and local laws and regulations concerning the environment in the United States and to the environmental laws and regulations of the other countries in which it operates. Specifically, AVX Corporation is subject to oversight by the United States Environmental Protection Agency (EPA), and is currently engaged in ongoing negotiations with the EPA, state governmental agencies and other private parties with respect to various clean-up and remediation activities. AVX Corporation is not involved in any pending or threatened proceedings that would require curtailment of its operations, and based on its periodic reviews of the operating policies and practices at its facilities, believes that its operations are currently in substantial compliance, in all material respects, with all applicable environmental laws and regulations and that the cost of continuing compliance will not have a material effect on its financial condition or results of operations.

C. Organizational Structure

We had 212 subsidiaries and affiliates as of March 31, 2010. Our management structure is based on a business segment structure. Therefore, the management of each segment is conducted uniformly regardless of whether our operations are conducted by the parent company or by one of our subsidiaries.

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The following table sets forth information, as of March 31, 2010, with respect to our significant subsidiaries.

Name	**Country of Incorporation**	**Percentage held by Kyocera**	**Main Business**
(1) Fine Ceramic Parts Group			
Kyocera Industrial Ceramics Corp.	United States	100.00%	Manufacture and sale of fine ceramic-related products and thin-film devices
(2) Semiconductor Parts Group			
Kyocera SLC Technologies Corporation	Japan	100.00%	Development, manufacture and sale of organic multilayer printed circuit boards
Shanghai Kyocera Electronics Co., Ltd.	China	100.00%	Manufacture and sale of fine ceramic-related products and electronic devices
Kyocera America, Inc.	United States	100.00%	Manufacture and sale of fine ceramic-related products
(3) Applied Ceramic Products Group			
Kyocera Solar Corporation	Japan	100.00%	Sale of solar energy products
Kyocera (Tianjin) Solar Energy Co., Ltd.	China	90.00%	Manufacture of solar energy products
Kyocera Solar, Inc.	United States	100.00%	Manufacture and sale of solar energy products
Kyocera Solar Europe S.R.O.	Czech	100.00%	Manufacture of solar energy products
Kyocera Precision Tools Korea Co., Ltd.	Korea	90.00%	Manufacture and sale of cutting tools
Kyocera Tycom Corp.	United States	100.00%	Manufacture and sale of cutting tools
Japan Medical Materials Corporation	Japan	77.00%	Development, manufacture and sale of medical materials and equipment
(4) Electronic Device Group			
Kyocera Elco Corporation	Japan	100.00%	Development, manufacture and sale of electronic devices
Kyocera Kinseki Corporation	Japan	100.00%	Development, manufacture of electronic devices
Dongguan Shilong Kyocera Optics Co., Ltd.	China	90.00%	Manufacture of cutting tools and thin-film devices
AVX Corporation	United States	71.62%	Development, manufacture and sale of electronic devices

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Name	Country of Incorporation	Percentage held by Kyocera	Main Business
(5) Telecommunications Equipment Group			
Kyocera Telecom Equipment (Malaysia) Sdn. Bhd.	Malaysia	100.00%	Manufacture of telecommunications equipment
Kyocera Communications, Inc.	United States	100.00%	Sale of telecommunications equipment
(6) Information Equipment Group			
Kyocera Mita Corporation	Japan	100.00%	Development and manufacture of information equipment
Kyocera Mita Japan Corporation	Japan	100.00%	Sale of information equipment mainly in Japan
Kyocera Mita Office Equipment (Dongguan) Co., Ltd.	China	92.76%	Manufacture of information equipment
Kyocera Mita America, Inc.	United States	100.00%	Sale of information equipment mainly in North America
Kyocera Mita Europe B.V.	Netherlands	100.00%	Sale of information equipment mainly in Europe
Kyocera Mita Deutschland GmbH	Germany	100.00%	Sale of information equipment mainly in Europe
TA Triumph-Adler AG	Germany	95.43%	Sale of information equipment mainly in Europe
(7) Others			
Kyocera Communication Systems Co., Ltd.	Japan	76.30%	Provision of IT services and engineering services
Kyocera Chemical Corporation	Japan	100.00%	Development, manufacture and sale of chemical materials for electronic components
Kyocera Realty Development Co., Ltd.	Japan	100.00%	Real estate services
(8) Regional Holding or Sales Companies			
Kyocera (Tianjin) Sales & Trading Corporation	China	90.00%	Sale of fine ceramic-related products, cutting tools and information equipment mainly in China
Kyocera Korea Co., Ltd.	Korea	100.00%	Sale of fine ceramic-related products and solar energy products mainly in Korea
Kyocera Asia Pacific Pte. Ltd.	Singapore	100.00%	Sale of fine ceramic-related products and electronic devices mainly in Asia
Kyocera International, Inc.	United States	100.00%	Holding company and headquarters in North America

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Name	Country of Incorporation	Percentage held by Kyocera	Main Business
Kyocera Fineceramics GmbH	Germany	100.00%	Sale of fine ceramic-related products, solar energy products and thin-film devices mainly in Europe

In addition to the above consolidated subsidiaries, Kyocera had 168 other consolidated subsidiaries as of March 31, 2010. Kyocera also had interests in two subsidiaries accounted for by the equity method and 10 affiliates accounted for by the equity method as of March 31, 2010.

AVX Corporation, in our Electronic Device Group, is one of our most significant subsidiaries. Most of the electronic devices we produce for overseas sales are distributed through AVX Corporation by utilizing AVX Corporation s wide range of marketing channels. In addition, we market passive components produced by AVX Corporation in the Japanese market. We also utilize AVX Corporation s manufacturing process for ceramic capacitors to improve productivity and to enhance our competitiveness. In addition, AVX Corporation introduced our materials technologies into its ceramic capacitor production. We have been seeking better ways to cooperate in expanding our electronic device businesses. Currently, four of our directors are members of AVX Corporation s board of directors and AVX Corporation s chief executive officer is one of our directors. Within the Electronic Device Group, we have a close relationship with AVX Corporation in marketing, manufacturing, and research and development, and we are seeking and pursuing synergies to be a leading passive component manufacturer. AVX Corporation posted net income of $142,858 thousand in fiscal 2010 and its performance contributed significantly to Kyocera s results of operations and financial condition. See Item 5.A. Operating Results of this annual report on Form 20-F.

D. Property, Plants and Equipment

As of March 31, 2010, we had property, plants and equipment with a net book value of ¥240,099 million. During the five years ended March 31, 2010, we invested a total of ¥344,781 million for additions to property, plants and equipment. Our property, plants and equipment are subject to some material encumbrances or environmental issues. See Item 5.A. Operating Results of this annual report on Form 20-F.

The following table sets forth information, as of March 31, 2010, with respect to our manufacturing facilities with floor space of more than 250,000 square feet.

Name of Plant	Location	Status	Floor Space (in thousands of square feet)	Lease Expires	Principal Products Manufactured
Japan					
Hokkaido Kitami Plant	Kitami, Hokkaido	Owned	295		Telecommunications equipment, Semiconductor parts, Fine ceramic parts
Yamagata Higashine Plant	Higashine, Yamagata	Owned	379		Electronic components
Nagano Okaya Plant	Okaya, Nagano	Owned	387		Fine ceramic parts, Electronic components, Cutting tools
Kawaguchi Plant	Kawaguchi, Saitama	Owned	389		Chemical materials for electronic components

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Name of Plant	Location	Status	Floor Space (in thousands of square feet)	Lease Expires	Principal Products Manufactured
Tamaki Plant	Watarai, Mie	Owned	288		Information equipment
Shiga Gamo Plant	Higashi-Ohmi, Shiga	Owned	690		Fine ceramic parts, Semiconductor parts
Shiga Yokaichi Plant	Higashi-Ohmi, Shiga	Owned	1,474		Fine ceramic parts, Electronic components, Solar cells, Cutting tools
Kyoto Ayabe Plant	Ayabe, Kyoto	Owned	288		Organic multilayer printed circuit boards
Hirakata Plant	Hirakata, Osaka	Owned	604		Information equipment
Kagoshima Sendai Plant	Satsuma-Sendai, Kagoshima	Owned	1,930		Fine ceramic parts, Semiconductor parts, Electronic components, Cutting tools
Kagoshima Kokubu Plant	Kirishima, Kagoshima	Owned	2,466		Fine ceramic parts, Semiconductor parts, Electronic components
Kagoshima Hayato Plant	Kirishima, Kagoshima	Owned	278		Electronic components
United States					
Balboa Plant	San Diego, California	Owned	300		Semiconductor parts
Myrtle Beach Plant	Myrtle Beach, South Carolina	Owned	569		Electronic components
Fountain Inn Plant	Fountain Inn, South Carolina	Owned	300		Electronic components
El Salvador					
San Salvador Plant	San Salvador	Owned	420		Electronic components
France					
Saint-Apollinaire Plant	Saint-Apollinaire	Leased	322	2016	Electronic components
Czech Republic					
Lanskroun Plant	Lanskroun	Owned	490		Electronic components
Uherske Hradiste Plant	Uherske Hradiste	Owned	276		Electronic components
China					
Tianjin Plant	Tianjin	Owned	520		Electronic components
Shilong Plant	Dongguan, Guangdong	Owned	2,331		Information equipment
Shilong Plant	Dongguan, Guangdong	Owned	795		Cutting tools, Electronic components
Shanghai Pudong Plant	Shanghai	Owned	1,132		Semiconductor parts, Electronic components

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Name of Plant	Location	Status	Floor Space (in thousands of square feet)	Lease Expires	Principal Products Manufactured
Thailand					
Thailand Plant	Thailand	Owned	264		Electronic components
Philippines					
Philippines Plant	Philippines	Owned	332		Electronic components
Malaysia					
Malaysia Plant	Malaysia	Owned	315		Telecommunications equipment
Malaysia Plant	Malaysia	Leased	300	2012	Electronic components

Item 4A. Unresolved Staff Comments

We are a large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934. There are no written comments which have been provided by the staff of the Securities and Exchange Commission regarding our periodic reports under that Act not less than 180 days before the end of the fiscal year ended March 31, 2010 and which remain unresolved as of the date of the filing of this annual report on Form 20-F with the Commission.

Item 5. Operating and Financial Review and Prospects

A. Operating Results

You should read the discussion of our financial condition and results of operations together with our consolidated financial statements and information included in this annual report on Form 20-F. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under Item 3.D. Risk Factor and elsewhere in this annual report on Form 20-F.

Overview

Kyocera develops, produces and distributes various kinds of products for the information and communications market and environment and energy market worldwide. Kyocera Corporation was established in 1959 as a manufacturer of ceramic parts for electronic equipment and has been expanding and diversifying its business mainly through active mergers and acquisitions, as well as applying its fine ceramic technologies to the areas of semiconductor parts, electronic devices, telecommunication, metal processing, medical and dental implants and solar energy fields. Kyocera develops, produces and distributes a variety of parts and devices for electronic equipment such as printers and multifunctional peripherals as well as consumer electronic equipment such as mobile phone handsets. Kyocera earns revenue and income and generates cash through sales of these products.

Kyocera s operations are categorized into seven reporting segments: (1) Fine Ceramic Parts Group,

(2) Semiconductor Parts Group, (3) Applied Ceramic Products Group, (4) Electronic Device Group,

(5) Telecommunications Equipment Group, (6) Information Equipment Group, and (7) Others. Kyocera groups the Fine Ceramic Parts Group, the Semiconductor Parts Group, the Applied Ceramic Products Group and the Electronic Device Group into one main business referred to as the Components Business and groups the Telecommunications Equipment Group and the Information Equipment Group into another main business referred to as the Equipment Business.

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In fiscal 2010, the U.S. and European economy showed signs of recovery due to the effects of economic policy and fiscal measures in various countries, which included packages to stimulate personal consumption. In addition, the Chinese economy expanded strongly mainly supported by growth in capital investment and personal consumption. Despite signs of expansion in corporate production activities along with a recovery in exports, particularly to Asia, and moderate improvement in personal consumption, the Japanese economy did not show full-scale recovery due to continued stagnation in capital investment and the employment environment.

In the digital consumer equipment market, which is a principal market for Kyocera, production activities showed signs of recovery, notably for mobile phone handsets and personal computers, due to the end of inventory adjustments. The solar energy market expanded firmly, especially demand increased rapidly in Japan due to support of governmental subsidy systems.

Despite the deterioration of our business environment until the second quarter of fiscal 2010, profitability of the Components Business and the Equipment Business improved significantly from the third quarter. Consolidated net sales for fiscal 2010, however, amounted to ¥1,073,805 million, a decrease of 4.9% compared with fiscal 2009, mainly due to the impact of appreciation of the yen against the Euro and the U.S. dollar.

In fiscal 2010, Kyocera continued working hard to improve profitability and strengthen the foundations of each business from fiscal 2009 by promoting cost-cutting measures including manufacturing cost reductions, and by improving productivity throughout the Kyocera Group. As a result, profit from operations for fiscal 2010 increased by 47.1% to ¥63,860 million, and income before income taxes increased by 8.6% to ¥60,798 million, despite a decline in sales and the recording of an impairment loss on an investment in and a bad debt loss on receivables from WILLCOM, Inc., which were discussed in more detail below. Net income attributable to shareholders of Kyocera Corporation for fiscal 2010 amounted to ¥40,095 million, an increase of 35.9% compared with fiscal 2009.

Average exchange rates for fiscal 2010 were ¥93 to the U.S. dollar and ¥131 to the Euro, marking appreciation by ¥8, or 7.9%, and ¥12, or 8.4%, respectively, compared with those for fiscal 2009. Affected by the yen s appreciation, net sales and income before income taxes after translation into the yen for fiscal 2010 were down by approximately ¥49.0 billion and ¥13.5 billion, respectively, compared with fiscal 2009.

The Corporate Reorganization Procedure for WILLCOM, Inc.

Since October 2004, Kyocera Corporation has owned a 30% interest in WILLCOM, Inc., which is engaged in the personal handy phone system (PHS) business. Kyocera also sells PHS handsets and PHS base stations to WILLCOM, Inc. Kyocera has accounted for its investment in WILLCOM, Inc. as an equity method investment.

On September 24, 2009, WILLCOM, Inc. applied to undergo Alternative Dispute Resolution (ADR) with the Japanese Association of Turnaround Professionals (JATP), a process for corporate revitalization prescribed in the Act on Special Measures for Industrial Revitalization. This application was accepted, and the ADR process was commenced. The ADR process is not a legal procedure like a bankruptcy or a corporate reorganization procedure, but rather constitutes a flexible private settlement mechanism that allows the subject company to continue its daily commercial operations, while securing fairness through the involvement of the JATP. The JATP has been authorized by the Minister of Economy, Trade and Industry to act as an unbiased intermediary to achieve resolution among relevant parties.

During the third quarter of fiscal 2010, Kyocera recognized an impairment loss of ¥19,987 million on its investment in WILLCOM, Inc., and recorded as losses in equity of affiliates, reflecting management s belief that the investment might not be recoverable.

On February 18, 2010, WILLCOM, Inc. filed a petition with the Tokyo District Court for commencement of corporate reorganization procedures and applied to the Enterprise Turnaround Initiative Corporation of Japan

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(ETIC) for support, and the ADR process was terminated. On March 12, 2010, the Tokyo District Court agreed to commence the corporate reorganization procedures. Upon such decision, most of the directors of WILLCOM, Inc., including all of those simultaneously serving as directors of Kyocera, resigned, and trustees and acting trustees were appointed by the Tokyo District Court. On the same day, the ETIC agreed to provide support to WILLCOM, Inc. Due to the commencement of the corporate reorganization procedures, Kyocera lost significant influence over WILLCOM, Inc. and therefore discontinued its application of equity method accounting thereto.

Taking into consideration the decision to commence corporate reorganization procedures, Kyocera also recognized a bad debt loss of ¥8,961 million on receivables from WILLCOM, Inc., recorded as selling, general and administrative expenses, based on publicly disclosed information such as the outline of the business revitalization plan of WILLCOM, Inc., etc. The final recovery rate and repayment schedule will be determined in a reorganization plan to be approved in the course of corporate reorganization procedures.

Results of Operations

Fiscal 2010 compared with Fiscal 2009

The following table shows a summary of Kyocera s results of operations for fiscal 2009 and fiscal 2010:

	Years ended March 31,				Increase
	2009		2010		(Decrease)
	Amount	%	Amount	%	%
			(Yen in millions)		
Net sales	¥ 1,128,586	100.0	¥ 1,073,805	100.0	(4.9)
Cost of sales	836,638	74.1	787,970	73.4	(5.8)
Gross profit	291,948	25.9	285,835	26.6	(2.1)
Selling, general and administrative expenses	248,529	22.1	221,975	20.7	(10.7)
Profit from operations	43,419	3.8	63,860	5.9	47.1
Interest and dividend income	15,441	1.4	13,202	1.3	(14.5)
Interest expense	(1,206)	(0.1)	(2,926)	(0.3)	
Foreign currency transaction (losses) gains, net	(91)	(0.0)	2,830	0.3	
Equity in earnings (losses) of affiliates and unconsolidated subsidiaries	6,460	0.6	(18,297)	(1.7)	
Losses on sales of securities, net	(2,840)	(0.3)	(93)	(0.0)	
Losses on impairment of securities	(7,141)	(0.6)	(217)	(0.0)	
Other, net	1,940	0.2	2,439	0.2	25.7
	12,563	1.2	(3,062)	(0.2)	
Income before income taxes	55,982	5.0	60,798	5.7	8.6
Income taxes	22,779	2.1	15,365	1.5	(32.5)
Net income	33,203	2.9	45,433	4.2	36.8
Net income attributable to noncontrolling interests	(3,697)	(0.3)	(5,338)	(0.5)	
Net income attributable to shareholders of Kyocera Corporation	¥ 29,506	2.6	¥ 40,095	3.7	35.9

Net Sales

Consolidated net sales in fiscal 2010 decreased by ¥54,781 million, or 4.9%, to ¥1,073,805 million, compared with ¥1,128,586 million in fiscal 2009.

Net sales in fiscal 2010 have had an increasing trend due to the continued recovery of the general business environment after the second quarter during fiscal 2010. Consolidated net sales in fiscal 2010, however,

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decreased compared with the fiscal 2009 due to the continued deterioration of the business environment until the second quarter and the impact of appreciation of the yen. Affected by the yen s appreciation against the Euro and the U.S. dollar, net sales after translation into the yen in fiscal 2010 were down by approximately ¥49,000 million, compared with fiscal 2009.

For detail of net sales, please refer to page 33, Business overview by reporting segment.

Net Sales by Geographic Segment

The following table shows a breakdown of Kyocera s total consolidated net sales in fiscal 2009 and fiscal 2010, distinguishing between domestic and overseas sales and, with respect to overseas sales, showing the geographical areas in which such sales were made:

	Years ended March 31,				Increase
	2009		2010		(Decrease)
	Amount	%	Amount	%	%
			(Yen in millions)		
Japan	¥ 473,387	41.9	¥ 470,643	43.8	(0.6)
Europe	200,483	17.8	198,058	18.5	(1.2)
United States of America	201,502	17.9	180,861	16.8	(10.2)
Asia	183,347	16.2	172,510	16.1	(5.9)
Others	69,867	6.2	51,733	4.8	(26.0)
Net sales	¥ 1,128,586	100.0	¥ 1,073,805	100.0	(4.9)

Sales in Japan remained roughly unchanged from fiscal 2009, due to a decline in sales in the Telecommunications Equipment Group, especially for mobile phone handsets, offset by a substantial increase in sales of solar energy business in the Applied Ceramic Products Group due to an increase of demand.

Overseas sales, which comprised 56.2% of consolidated net sales, decreased by ¥52,037 million, or 7.9%, to ¥603,162 million, compared with ¥655,199 million in fiscal 2009.

Sales in Europe decreased slightly compared with fiscal 2009 due mainly to the impact of appreciation of the yen, coupled with a decline in sales of the Electronic Device Group, offset by an increase in sales in the Information Equipment Group due to the contribution of new consolidated subsidiaries which joined from the fourth quarter of fiscal 2009.

Sales in United States of America decreased compared with fiscal 2009, due mainly to an impact of the yen s appreciation, as well as a decline in sales in the Telecommunications Equipment Group and the Electronic Device Group.

Sales in Asia decreased compared with fiscal 2009, due mainly to a decline in sales in the Electronic Device Group.

Sales in Others decreased compared with fiscal 2009, due mainly to a decline in sales in the Telecommunications Equipment Group.

Cost of Sales and Gross Profit

In fiscal 2010, cost of sales decreased by ¥48,668 million, or 5.8%, to ¥787,970 million from ¥836,638 million in fiscal 2009. The ratio of cost of sales to net sales was 73.4% in fiscal 2010, a decrease of 0.7 percentage points as compared with 74.1% in fiscal 2009. This significant decrease was an achievement made by promoting cost-cutting measures and improving productivity throughout the Kyocera Group.

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Raw material costs of ¥289,566 million accounted for 36.7% of the total cost of sales in fiscal 2010, which decreased by ¥30,172 million, or 9.4%, from ¥319,738 million in fiscal 2009. Labor costs of ¥154,940 million accounted for 19.7% in fiscal 2010, which decreased by ¥10,869 million, or 6.6%, from ¥165,809 million in fiscal 2009. Depreciation expense of ¥51,221 million accounted for 6.5% in fiscal 2010, which decreased by ¥18,941 million, or 27.0%, from ¥70,162 million in fiscal 2009 due to reduced capital expenditures.

As a result, gross profit in fiscal 2010 decreased by ¥6,113 million, or 2.1%, to ¥285,835 million from ¥291,948 million in fiscal 2009. The gross profit ratio to net sales increased by 0.7 percentage points from 25.9% to 26.6%.

SG&A Expenses and Profit from Operations

Selling, general and administrative (SG&A) expenses in fiscal 2010 decreased by ¥26,554 million, or 10.7%, to ¥221,975 million compared with ¥248,529 million in fiscal 2009. Although Kyocera recognized a bad debt loss of ¥8,961 million on receivables from WILLCOM, Inc. in fiscal 2010, Kyocera s cost reduction activities offset the bad debt loss. In fiscal 2009, gains on sales of certain properties of ¥8,314 million were recorded as deductions of SG&A expenses. These gains were offset by impairment losses of ¥2,240 million in goodwill related to the subsidiary in the United States, and of ¥2,309 million of long-lived assets which were used for a production of Organic Light-Emitting Diode displays.

Labor costs of ¥118,313 million accounted for 53.3% of total SG&A expenses in fiscal 2010, which decreased by ¥4,570 million, or 3.7%, from ¥122,883 million in fiscal 2009. Sales promotion and advertising cost of ¥30,353 million accounted for 13.7% in fiscal 2010, which decreased by ¥6,315 million, or 17.2%, from ¥36,668 million in fiscal 2009. Depreciation expense of ¥15,374 million accounted for 6.9% in fiscal 2010, which decreased by ¥4,510 million, or 22.7%, from ¥19,884 million in fiscal 2009.

As a result, profit from operations in fiscal 2010 increased by ¥20,441 million, or 47.1%, to ¥63,860 million, compared with ¥43,419 million in fiscal 2009. The operating margin increased by 2.1 percentage points to 5.9% in fiscal 2010, compared with 3.8% in fiscal 2009.

Interest and Dividend Income

Interest and dividend income in fiscal 2010 decreased by ¥2,239 million, or 14.5%, to ¥13,202 million, compared with ¥15,441 million in fiscal 2009. This was due mainly to a decrease of interest income in AVX Corporation resulting from lower interest rates in the United States.

Interest Expense

Interest expense in fiscal 2010 increased by ¥1,720 million, or 142.6%, to ¥2,926 million, compared with ¥1,206 million in fiscal 2009. This was due mainly to an increase of long-term debt as a result of the acquisition of TA Triumph - Adler AG in the 4th quarter of fiscal 2009, which had borrowed the long-term debt.

Foreign Currency Translation

During fiscal 2010, the average exchange rate for the yen appreciated by ¥8, or 7.9%, against the U.S. dollar, and by ¥12, or 8.4%, against the Euro, as compared with fiscal 2009. At March 31, 2010, the yen appreciated by ¥5, or 5.1%, against the U.S. dollar, and by ¥5, or 3.8%, against the Euro, as compared with March 31, 2009. Kyocera recorded foreign currency transaction gains of ¥2,830 million in fiscal 2010.

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

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Gains and Losses from Investments

Kyocera s earnings (losses) on equity method investments decreased by ¥24,757 million, from earnings of ¥6,460 million in fiscal 2009 to losses of ¥18,297 million in fiscal 2010.

The decrease in fiscal 2010 was primarily due to the fact that Kyocera recognized an impairment loss of ¥19,987 million on its investment in WILLCOM, Inc., and Kyocera s equity in earnings of affiliates and unconsolidated subsidiaries except the impairment loss in fiscal 2010 decreased due mainly to a decrease in the net income of WILLCOM, Inc.

Losses on sales of securities, net in fiscal 2010 decreased by ¥2,747 million, or 96.7%, to ¥93 million, compared with ¥2,840 million in fiscal 2009. Losses in fiscal 2009 were the result of sales of certain securities which were held by Kyocera, as a part of its asset allocation.

Losses on impairment of securities in fiscal 2010 decreased by ¥6,924 million, or 97.0%, to ¥217 million, compared with ¥7,141 million in fiscal 2009. In fiscal 2009, Kyocera had recognized impairment losses as a result of significant declines in market value of certain securities and the major part of such losses was derived from the shares of Mitsubishi UFJ Financial Group, Inc., which amounted to ¥3,935 million.

Income before Income Taxes

Income before income taxes in fiscal 2010 increased by ¥4,816 million, or 8.6%, to ¥60,798 million compared with ¥55,982 million in fiscal 2009. Margin of income before income taxes against net sales increased by 0.7% to 5.7% compared with 5.0% in fiscal 2009.

Despite an effect of the yen s appreciation against the Euro and the U.S. dollar, income before income taxes in fiscal 2010 increased compared with fiscal 2009 because Kyocera continued to improve profitability from fiscal 2009 by promoting cost-cutting measures including manufacturing cost reductions, and by improving productivity. Kyocera reduced depreciation and amortization costs for fiscal 2010 by ¥24,748 million compared with fiscal 2009, by curtailing capital expenditure from the third quarter in fiscal 2009, which contributed to a reduction in fixed costs. In addition, Kyocera reduced R&D expenses by ¥16,021 million to ¥49,911 million compared with ¥65,932 million in fiscal 2009, by narrowing down R&D themes in order to concentrate our management resources. Furthermore, losses on impairment of securities decreased by ¥6,924 million to ¥217 million compared with ¥7,141 million in fiscal 2009 which were recorded due to the stock market decline. However, Kyocera recorded a one-time loss of ¥28,948 million relating to WILLCOM, Inc. in fiscal 2010.

Affected by the yen appreciation against the Euro and the U.S. dollar, income before income taxes after translation into the yen for fiscal 2010 were down by approximately ¥13,500 million compared with fiscal 2009.

For a detail of income before taxes, please refer to page 33, Business overview by reporting segment.

Income Taxes

Current and deferred income taxes in fiscal 2010 decreased by ¥7,414 million, or 32.5%, to ¥15,365 million compared with ¥22,779 million in fiscal 2009.

The effective tax rate of 25.3% in fiscal 2010 was 15.4 points less than the effective rate in fiscal 2009 of 40.7%. This was due mainly to the changes in valuation allowances against deferred tax assets.

For detailed information, see Note 17 to the Consolidated Financial Statements in this annual report on Form 20-F.

Noncontrolling Interests

Net income attributable to noncontrolling interests in fiscal 2010 amounted to ¥5,338 million and noncontrolling interests related to AVX Corporation, which accounted for approximately 30% of noncontrolling ownership interests, amounted to ¥3,761 million. Net income attributable to noncontrolling interests in fiscal 2010 increased by ¥1,641 million, or 44.4%, compared with ¥3,697 million in fiscal 2009. This was due mainly to an increase in net income at AVX Corporation.

Business Overview by Reporting Segment

The following table shows a breakdown of Kyocera s total consolidated net sales in fiscal 2009 and fiscal 2010 by the seven reporting segments:

	Years ended March 31,				Increase (Decrease)
	2009		2010		
	Amount	%	Amount	%	%
			(Yen in millions)		
Fine Ceramic Parts Group	¥ 61,730	5.4	¥ 53,056	5.0	(14.1)
Semiconductor Parts Group	135,137	12.0	140,507	13.1	4.0
Applied Ceramic Products Group	148,917	13.2	157,033	14.6	5.5
Electronic Device Group	231,271	20.5	199,939	18.6	(13.5)
Total Components Business	577,055	51.1	550,535	51.3	(4.6)
Telecommunications Equipment Group	218,758	19.4	189,118	17.6	(13.5)
Information Equipment Group	229,297	20.3	232,365	21.6	1.3
Total Equipment Business	448,055	39.7	421,483	39.2	(5.9)
Others	126,043	11.2	124,577	11.6	(1.2)
Adjustments and eliminations	(22,567)	(2.0)	(22,790)	(2.1)	
Net sales	¥ 1,128,586	100.0	¥ 1,073,805	100.0	(4.9)

The following table shows a breakdown of Kyocera s total consolidated income before income taxes, and operating profit for fiscal 2009 and fiscal 2010 by the seven reporting segments:

	Years ended March 31,				Increase (Decrease)
	2009		2010		
	Amount	%*	Amount	%*	%
			(Yen in millions)		
Fine Ceramic Parts Group	¥ (240)		¥ (788)		
Semiconductor Parts Group	8,671	6.4	17,235	12.3	98.8
Applied Ceramic Products Group	27,469	18.4	19,858	12.6	(27.7)
Electronic Device Group	(4,070)		13,230	6.6	
Total Components Business	31,830	5.5	49,535	9.0	55.6
Telecommunications Equipment Group	(17,713)		(14,726)		
Information Equipment Group	13,497	5.9	22,091	9.5	63.7
Total Equipment Business	(4,216)		7,365	1.7	
Others	14,106	11.2	6,769	5.4	(52.0)
Operating profit	41,720	3.7	63,669	5.9	52.6
Corporate	7,632		15,665		105.3
Equity in earning of affiliates and unconsolidated subsidiaries	6,460		(18,297)		
Adjustments and eliminations	170		(239)		
Income before income taxes	¥ 55,982	5.0	¥ 60,798	5.7	8.6

* % to net sales of each corresponding segment

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(1) Fine Ceramic Parts Group

Sales in this reporting segment for fiscal 2010 decreased by ¥8,674 million, or 14.1%, to ¥53,056 million, compared with ¥61,730 million in fiscal 2009.

A decline in sales was mainly due to decreased demand and selling price in core products, such as sapphire substrates for LEDs, parts for semiconductor and LCD fabrication equipment, and for automotive related parts, as well as the yen appreciation against the Euro and the U.S. dollar. Demand for digital consumer equipment components, such as sapphire substrates for LEDs, registered tones of recovery from the beginning of fiscal 2010. In addition, demand for fine ceramic parts used in industrial machineries, such as semiconductor and LCD fabrication equipment, and for automotive related parts, recovered from the third quarter of fiscal 2010. However, demand fell short of levels posted in fiscal 2009 on the whole. Furthermore, selling price of these components declined by 10% to 20% compared with fiscal 2009. Mainly due to a decline in demand and selling price, sales in this reporting segment decreased by approximately ¥7,000 million compared with fiscal 2009. In addition, sales in this reporting segment decreased by approximately ¥1,500 million affected by the yen appreciation.

Operating loss in this reporting segment amounted to ¥788 million, an increase in loss of ¥548 million compared with a loss of ¥240 million in fiscal 2009.

Kyocera suppressed capital expenditures and promoted cost reduction measures comprehensively in fiscal 2010 to improve profitability amid difficulties in expanding sales due to continued weak demand and price erosion. As a result, depreciation and amortization costs for fiscal 2010 decreased by ¥2,267 million to ¥5,719 million, compared with ¥7,986 million in fiscal 2009. Kyocera offset such negative impacts from declined sales volumes and selling prices with comprehensive cost reductions. However, the yen appreciation also produced an impact of approximately ¥500 million on operating profit, resulting in expanded operating loss in this reporting segment compared with fiscal 2009.

(2) Semiconductor Parts Group

Sales in this reporting segment in fiscal 2010 increased by ¥5,370 million, or 4.0%, to ¥140,507 million, compared with ¥135,137 million in fiscal 2009.

Sales in this reporting segment increased due to an expansion in demand, despite the yen appreciation pushed down its sales by approximately ¥6,000 million compared with fiscal 2009. Demand for ceramic packages for crystal and SAW devices and for CCD/CMOS image sensors, and for organic packages used in servers declined from the third quarter of fiscal 2009, due to a decrease in production of digital consumer equipment affected by the global economic downturn. In line with expanded production of mobile phone handsets, PCs, and digital cameras from the start of fiscal 2010, however, demand for each package was on course for recovery. Demand for packages from the third quarter of fiscal 2010 reached higher level of the first half of fiscal 2009 when demand was brisk. As a result, sales in this reporting segment for fiscal 2010 increased compared with fiscal 2009.

Operating profit in this reporting segment was ¥17,235 million, up ¥8,564 million, or 98.8%, compared with ¥8,671 million in fiscal 2009.

Since the third quarter of fiscal 2009 when demand started to decline rapidly, Kyocera has been promoting reductions in capital expenditures and various costs throughout the group. As a result, operating profit in this reporting segment increased compared with fiscal 2009. Notably, depreciation and amortization costs for fiscal 2010 were ¥9,795 million, down ¥3,797 million compared with ¥13,592 million in fiscal 2009 due to curtailment of capital expenditures. The subcontracting costs and labor costs also decreased by approximately ¥2,000 million compared with fiscal 2009 due mainly to promoting in-house production in order to enhance production capacity utilization rate and improving production processes. Coupled with these cost-cutting measures, operating profit increased by ¥2,500 million due to effects of increased sales and a reduction in other costs.

(3) Applied Ceramic Products Group

Sales in this reporting segment for fiscal 2010 increased by ¥8,116 million, or 5.5%, to ¥157,033 million, compared with ¥148,917 million in fiscal 2009.

In the solar energy business, a core business in this reporting segment, overseas sales decreased as fierce competition in the European and the U.S. markets forced a decline in selling prices by 30% to 40% compared with fiscal 2009, as well as the impact of the yen appreciation. Nonetheless, demand in the Japanese market increased due mainly to the recommencement of government subsidies in the housing sector and the introduction of a purchase system for electricity by electric power companies, while selling prices remained stable, resulting in a significant sales increase. Production volume of solar cells in fiscal 2010 amounted to 400MW, an increase of roughly 40% compared with fiscal 2009. In addition, sales of the medical and dental implants business for fiscal 2010 increased compared with fiscal 2009. As a result, total sales of the solar energy business and the medical and dental implants business for fiscal 2010 increased by approximately ¥16,000 million compared with fiscal 2009. On the other hand, in the cutting tools business, demand for cutting tools remained at a low level compared with 2009, despite tones of recovery in demand due to resurgence in production activities in automotive related markets since the third quarter of fiscal 2010. Furthermore, sales of the jewelry and applied ceramic related products business for fiscal 2010 decreased compared with fiscal 2009 due to the deterioration in the economy. As a result, total sales of the cutting tools business and the jewelry and applied ceramic related products business for fiscal 2010 decreased by approximately ¥8,000 million compared with fiscal 2009.

Operating profit in this reporting segment decreased by ¥7,611 million, or 27.7%, to ¥19,858 million, compared with ¥27,469 million in fiscal 2009.

A decline in operating profit in this reporting segment was mainly due to decreased profit in the solar energy and cutting tools businesses. Although sales of solar energy business increased, gross profit margin was lowered by declined selling price, the yen appreciation and increased depreciation cost due to an expansion of production capacity. Despite the efforts to improve profitability through reducing manufacturing costs, operating profit in the cutting tools business decreased due to a decline in sales and lowered production capacity utilization until the end of second quarter of fiscal 2010. As a result, total operating profit of the solar energy business and the cutting tools business decreased by approximately ¥8,000 million compared with fiscal 2009.

Affected by the yen appreciation, sales and operating profit in this reporting segment were pushed down by approximately ¥6,000 million and ¥2,500 million, respectively, compared with fiscal 2009.

(4) Electronic Device Group

Sales in this reporting segment for fiscal 2010 decreased by ¥31,332 million, or 13.5%, to ¥199,939 million, compared with ¥231,271 million in fiscal 2009.

Despite tones of recovery in component demand for digital consumer equipment such as mobile phone handsets from April 2009, sales remained at a low level on the whole compared with fiscal 2009. Sales at AVX Corporation, a U.S.-based subsidiary that mainly produces and sells passive components, decreased by approximately ¥20,000 million compared with fiscal 2009 due to a decline in demand and the impact of the yen appreciation. In addition, sales for crystal related components, connectors, and thin film products decreased affected by the yen appreciation and slow demand. Sales in this reporting segment decreased by approximately ¥14,000 million due to the yen appreciation.

Operating profit in this reporting segment amounted to ¥13,230 million, an improvement of ¥17,300 million from an operating loss of ¥4,070 million in fiscal 2009.

Although one-time expenses of approximately ¥5,820 million which include an impairment loss of ¥2,309 million on long-lived assets for organic light-emitting diodes business, restructuring charges in AVX Corporation of approximately ¥1,800 million related to employee separations and facility consolidations and accrual of ¥1,711 million for estimated environmental remediation cost at AVX Corporation in fiscal 2009, there were no such significant one-time charges in fiscal 2010. Kyocera promoted drastic cost reductions in order to improve profitability including reductions in capital expenditures and R&D expenses while narrowing down R&D themes. Notably, depreciation and amortization costs in fiscal 2010 were ¥16,934 million, a decrease of ¥7,395 million compared with ¥24,329 million in fiscal 2009, due to curtailment of capital expenditures and facility consolidations at AVX Corporation proceeded in fiscal 2009. Additionally, R&D expenses for fiscal 2010 were ¥8,444 million, a decrease of ¥4,246 million compared with ¥12,690 million in fiscal 2009.

(5) Telecommunications Equipment Group

Sales in this reporting segment for fiscal 2010 decreased by ¥29,640 million, or 13.5%, to ¥189,118 million, compared with ¥218,758 million in fiscal 2009.

Despite an increase in sales volume of mobile phone handsets in Japan by approximately 10% in fiscal 2010 compared with fiscal 2009, sales in Japan declined by approximately ¥10,000 million year over year. This was due mainly to a decrease of average selling price of around 20% driven by increased sales of low-end models. Although sales volume of mobile phone handsets overseas were up approximately 20% in fiscal 2010 compared with fiscal 2009, overseas sales decreased by approximately ¥7,000 million, due to declined average selling price of 20% with increased sales of low-end models as well as a negative impact of the yen appreciation amounting to approximately ¥6,000 million. In addition, sales of telecommunication system equipment business, of which are mainly consisted of PHS-related products such as base stations and handsets, also decreased by approximately ¥12,000 million, due to stagnant capital expenditures and a decline in new subscribers affected by difficult financial situation at WILLCOM, Inc.

Operating loss in this reporting segment improved by ¥2,987 million from ¥17,713 million in fiscal 2009 to ¥14,726 million.

During fiscal 2010, an impairment loss of ¥8,961 million on account receivables from WILLCOM, Inc. was recorded in this reporting segment by taking into the decision to commence corporate reorganization procedures. However, the effects of business restructuring implemented in fiscal 2009 started to emerge, contributing to reduced operating loss. Through structural reforms and refined R&D themes, R&D expenses for fiscal 2010 decreased by ¥7,011 million, to ¥8,853 million, compared with ¥15,864 million in fiscal 2009. In addition, depreciation and amortization costs for fiscal 2010 decreased by ¥7,494 million, to ¥9,452 million, compared with ¥16,946 million in fiscal 2009, by curtailing capital expenditures. Operating profit in this reporting segment was down around ¥3,000 million compared with fiscal 2009 due to the yen appreciation against the U.S. dollar.

(6) Information Equipment Group

Sales in this reporting segment for fiscal 2010 increased by ¥3,068 million, or 1.3%, to ¥232,365 million, compared with ¥229,297 million in fiscal 2009.

Business climate in fiscal 2010 was quite severe due to a significant curtailment of information technology investment by customers as a result of the global economic downturn. Under such circumstances, sales for the U.S. were down by approximately ¥2,500 million compared with fiscal 2009 affected by stagnant sales and to the impact of the yen appreciation. Sales for Europe, however, increased by approximately ¥6,500 million despite a negative impact curtailed information technology investment. This was due mainly to a full-year contribution from TA Triumph-Adler AG in fiscal 2010, a sales subsidiary that was consolidated in January 2009, which amounted to approximately ¥27,000 million in sales in fiscal 2010. Affected by slow demand, sales for Asia including Japan and for other areas decreased by approximately ¥1,000 million compared with fiscal 2009.

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Operating profit increased by ¥8,594 million, or 63.7%, to ¥22,091 million, compared with ¥13,497 million in fiscal 2009.

Operating profit in this reporting segment increased strongly compared with fiscal 2009, due to the effect of cost reductions, an increase in the sales ratio of high-value-added and mid-speed models as well as color models, and to a one-time gain of ¥1,521 million related to sale of real estate overseas. Sales volume of printers and multifunctional peripherals in fiscal 2010 roughly unchanged from fiscal 2009. Compared with fiscal 2009, sales volume of high-value-added and mid-speed models increased mainly in the European and the U.S. markets in fiscal 2010, while replacement to color models continued apace. As a result, the average selling price in fiscal 2010 increased by approximately 3% compared with fiscal 2009. Kyocera also standardized design of software which controlled printers and Multifunctional Peripherals, and this resulted in a decrease in R&D expenses in fiscal 2010 to ¥17,400 million, a decrease of ¥2,727 million, from ¥20,127 million in fiscal 2009. In addition, depreciation and amortization costs in fiscal 2010 decreased by ¥1,623 million to ¥12,846 million, compared with ¥14,469 million in fiscal 2009. Furthermore, a reduction in cost of approximately ¥2,500 million, including labor costs in manufacturing division and advertising costs, contributed to increased operating profit compared with fiscal 2009.

(7) Others

Sales in this reporting segment for fiscal 2010 decreased by ¥1,466 million, or 1.2%, to ¥124,577 million, compared with ¥126,043 million in fiscal 2009.

Sales decreased due mainly to a decline in sales in the optical components business by approximately ¥2,000 million, despite sales in IT related business increased compared with fiscal 2009.

Operating profit decreased by ¥7,337 million, or 52.0%, to ¥6,769 million, compared with ¥14,106 million in fiscal 2009.

Operating profit decreased significantly compared with fiscal 2009, due mainly to the recognition of a one-time gain on sales of real estate in the amount of ¥9,352 million in fiscal 2009. However, operating profit in IT related business and the electronic component materials business increased compared with fiscal 2009 due to increased sales and cost-cutting measures to improve profitability.

(8) Corporate

Corporate income and losses mainly constitute gains or losses related to financial assets, and income related to management supporting service provided by Kyocera s head office to each reporting segment. Corporate income increased by ¥8,033 million, or 105.3%, to ¥15,665 million compared with ¥7,632 million in fiscal 2009. This was mainly due to significant decreases in losses on sales of securities and losses on impairment of securities.

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Fiscal 2009 compared with Fiscal 2008

The following table shows a summary of Kyocera s results of operations for fiscal 2008 and fiscal 2009:

	Years ended March 31,				Increase (Decrease)
	2008		2009		
	Amount	%	Amount	%	%
			(Yen in millions)		
Net sales	¥ 1,290,436	100.0	¥ 1,128,586	100.0	(12.5)
Cost of sales	883,763	68.5	836,638	74.1	(5.3)
Gross profit	406,673	31.5	291,948	25.9	(28.2)
Selling, general and administrative expenses	254,253	19.7	248,529	22.1	(2.3)
Profit from operations	152,420	11.8	43,419	3.8	(71.5)
Interest and dividend income	18,444	1.4	15,441	1.4	(16.3)
Interest expense	(1,480)	(0.1)	(1,206)	(0.1)	
Foreign currency transaction losses, net	(956)	(0.1)	(91)	(0.0)	
Equity in earnings of affiliates and unconsolidated subsidiaries	6,091	0.5	6,460	0.6	6.1
Losses on sales of securities, net	(622)	(0.1)	(2,840)	(0.3)	
Losses on impairment of securities	(248)	(0.0)	(7,141)	(0.6)	
Other, net	1,193	0.1	1,940	0.2	62.6
	22,422	1.7	12,563	1.2	(44.0)
Income before income taxes	174,842	13.5	55,982	5.0	(68.0)
Income taxes	60,235	4.6	22,779	2.1	(62.2)
Net income	114,607	8.9	33,203	2.9	(71.0)
Net income attributable to noncontrolling interests	(7,363)	(0.6)	(3,697)	(0.3)	
Net income attributable to shareholders of Kyocera Corporation	¥ 107,244	8.3	¥ 29,506	2.6	(72.5)

Net Sales

Consolidated net sales for fiscal 2009 decreased by ¥161,850 million, or 12.5%, to ¥1,128,586 million, compared with ¥1,290,436 million in fiscal 2008.

Net sales in the Components Business, which comprised 51.1% of consolidated net sales, decreased by ¥102,935 million in fiscal 2009, or 15.1%, to ¥577,055 million compared with fiscal 2008. This was principally due to stagnation in production activity in numerous industries, namely digital consumer equipment including mobile phone handsets and PCs, semiconductors, and automotive related industries, particularly in the second half, while inventory adjustments continued apace for equipment and components by Kyocera s customers, causing component demand to drop. In contrast, sales in the Applied Ceramic Products Group decreased only slightly compared with fiscal 2008 owing to steady expansion in demand for solar energy business, mainly in Europe and the United States, until the third quarter.

Net sales in the Equipment Business, which comprised 39.7% of consolidated net sales, decreased by ¥49,508 million in fiscal 2009, or 10.0%, to ¥448,055 million compared with fiscal 2008. Although sales in both Japanese and overseas market weakened, sales in the Telecommunications Equipment Group decreased slightly compared with fiscal 2008, due to the acquisition of the mobile phone business of SANYO Electric Co., Ltd. (SANYO). Sales in the Information Equipment Group decreased compared with fiscal 2008, due to the impact of the yen s appreciation against the Euro and the U.S. dollar, coupled with the sharp decline in investments in information technology at corporate sectors, especially in Europe and the United States.

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A detailed analysis and discussion of Kyocera s net sales by reporting segment and geographic segment are as follows:

Net Sales by Reporting Segment

The following table shows a breakdown of Kyocera s total consolidated net sales for fiscal 2008 and fiscal 2009 by the seven reporting segments:

	Years ended March 31,				Increase
	2008		2009		(Decrease)
	Amount	%	Amount (Yen in millions)	%	%
Fine Ceramic Parts Group	¥ 81,309	6.3	¥ 61,730	5.4	(24.1)
Semiconductor Parts Group	154,538	12.0	135,137	12.0	(12.6)
Applied Ceramic Products Group	149,942	11.6	148,917	13.2	(0.7)
Electronic Device Group	294,201	22.8	231,271	20.5	(21.4)
Total Components Business	679,990	52.7	577,055	51.1	(15.1)
Telecommunications Equipment Group	220,817	17.1	218,758	19.4	(0.9)
Information Equipment Group	276,746	21.5	229,297	20.3	(17.1)
Total Equipment Business	497,563	38.6	448,055	39.7	(10.0)
Others	138,494	10.7	126,043	11.2	(9.0)
Adjustments and eliminations	(25,611)	(2.0)	(22,567)	(2.0)	
Net sales	¥ 1,290,436	100.0	¥ 1,128,586	100.0	(12.5)

(1) Fine Ceramic Parts Group

Sales in this reporting segment in fiscal 2009 decreased by ¥19,579 million, or 24.1%, to ¥61,730 million, compared with ¥81,309 million in fiscal 2008.

Component demand was decreased in fiscal 2009 as prolonged stagnation in the semiconductor market since fiscal 2008 resulted in a year-on-year decline in sales of ceramic parts for semiconductor fabrication equipment, while there was a sharp decline in production activity in numerous industries, namely the digital consumer equipment and automotive industries. Overall sales in this reporting segment for fiscal 2009 were pushed down by approximately ¥3,100 million compared with fiscal 2008 due to the impact of the yen s appreciation.

(2) Semiconductor Parts Group

Sales in this reporting segment in fiscal 2009 decreased by ¥19,401 million, or 12.6%, to ¥135,137 million, compared with ¥154,538 million in fiscal 2008.

Sales of both ceramic packages and organic packages decreased compared with fiscal 2008. This was due primarily to rapid deterioration in demand for ceramic packages used mainly in mobile phone handsets and digital still cameras, and for organic packages used mainly in servers from the latter half of the second quarter of fiscal 2009. Overall sales in this reporting segment for fiscal 2009 were pushed down by approximately ¥9,400 million compared with fiscal 2008 due to the impact of the yen s appreciation.

(3) Applied Ceramic Products Group

Sales in this reporting segment in fiscal 2009 decreased by ¥1,025 million, or 0.7%, to ¥148,917 million, compared with ¥149,942 million in fiscal 2008.

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Despite an increase in sales in the solar energy business due primarily to growth in demand in Europe and the United States until the third quarter, this decrease was due to lower sales in the cutting tools business and the impact of the yen s appreciation against the foreign currencies.

In the solar energy business, despite the yen s appreciation against the Euro from the second half and a rapid decline in demand in Europe and the United States in the fourth quarter, production volume of solar cells and modules in fiscal 2009 increased by approximately 45% compared with fiscal 2008, while product selling prices remained relatively stable. However, sales in the cutting tools business decreased due to stagnation in production activity in automotive industries from the second half. Overall sales in this reporting segment for fiscal 2009 were pushed down by approximately ¥11,100 million compared with fiscal 2008 due to the impact of the yen s appreciation.

(4) Electronic Device Group

Sales in this reporting segment in fiscal 2009 decreased by ¥62,930 million, or 21.4%, to ¥231,271 million, compared with ¥294,201 million in fiscal 2008.

There were main reasons for this decrease: a decline in demand, a reduction in product selling prices, and the yen s appreciation. Demand for digital consumer equipment such as mobile phone handsets and PCs decreased due to the global economic downturn, forcing a rapid decline in production of digital consumer equipment and inventory adjustments for components thereof from the second half. In line with deterioration in the supply-demand situation, component prices also dropped compared with the end of fiscal 2008. In addition, sales at AVX Corporation, a core overseas subsidiary in this reporting segment, decreased by $229 million, or 14.1%, to $1,390 million, compared with $1,619 million in fiscal 2008. Overall sales in this reporting segment for fiscal 2009 were pushed down by approximately ¥27,800 million compared with fiscal 2008 due to the impact of the yen s appreciation.

(5) Telecommunications Equipment Group

Sales in this reporting segment in fiscal 2009 decreased by ¥2,059 million, or 0.9%, to ¥218,758 million, compared with ¥220,817 million in fiscal 2008.

Although the mobile phone business acquired from SANYO contributed approximately ¥87,000 million to segment sales in fiscal 2009, replacement demand for mobile phone handsets in the Japanese market weakened sharply due to the introduction of an installment sales method, while sales in the United States decreased and new product development was delayed, leading to an overall decline in sales compared with fiscal 2008. In addition, sales in this reporting segment for fiscal 2009 were pushed down by approximately ¥11,400 million compared with fiscal 2008 due to the impact of the yen s appreciation. Shipment volume of mobile phones and PHS handsets in fiscal 2009 decreased by approximately 13% compared with fiscal 2008.

(6) Information Equipment Group

Sales in this reporting segment in fiscal 2009 decreased by ¥47,449 million, or 17.1%, to ¥229,297 million, compared with ¥276,746 million in fiscal 2008.

A sharp decline in corporate information technology investment due to the economic downturn in the second half led to lower sales of printers and digital multifunctional peripherals. Kyocera acquired additional equity interest in TAAG, a German-based distributor of information equipment, to turn it into a consolidated subsidiary in January 2009 with the objective of further expanding business in the Information Equipment Group in Europe. Sales volume of both printers and digital multifunctional peripherals decreased by approximately 10%. Overall sales in this reporting segment for fiscal 2009 were pushed down by approximately ¥27,500 million compared with fiscal 2008 due to the impact of the yen s appreciation.

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(7) Others

Sales in this reporting segment in fiscal 2009 decreased by ¥12,451 million, or 9.0%, to ¥126,043 million, compared with ¥138,494 million in fiscal 2008. Sales at Kyocera Communication Systems Co., Ltd decreased due mainly to stagnation in telecommunications infrastructure related business, while sales in the electronic component materials business of Kyocera Chemical Corporation also decreased.

Net Sales by Geographic Segment

The following table shows a breakdown of Kyocera s total consolidated net sales for fiscal 2008 and fiscal 2009, distinguishing between domestic and overseas sales and, with respect to overseas sales, showing the geographical areas in which such sales were made:

	Years ended March 31,				Increase (Decrease)
	2008		2009		
	Amount	%	Amount	%	%
			(Yen in millions)		
Japan	¥ 507,837	39.4	¥ 473,387	41.9	(6.8)
United States of America	248,760	19.3	201,502	17.9	(19.0)
Europe	229,830	17.8	200,483	17.8	(12.8)
Asia	232,425	18.0	183,347	16.2	(21.1)
Others	71,584	5.5	69,867	6.2	(2.4)
Net sales	¥ 1,290,436	100.0	¥ 1,128,586	100.0	(12.5)

Sales in Japan, which comprised 41.9% of consolidated net sales, decreased by ¥34,450 million, or 6.8%, to ¥473,387 million, compared with ¥507,837 in fiscal 2008, due to a decline in demand for components used in digital consumer equipment.

Overseas sales, which comprised 58.1% of consolidated net sales, decreased by ¥127,400 million, or 16.3%, to ¥655,199 million, compared with ¥782,599 million in fiscal 2008.

Almost all of Kyocera s overseas sales were denominated in the U.S. dollar or the Euro. In fiscal 2009, the yen appreciated ¥13 against the U.S. dollar and appreciated ¥19 against the Euro on average, compared with fiscal 2008. Net sales in U.S. dollars amounted to approximately $3,900 million and net sales in Euro amounted to approximately 1,350 million in fiscal 2009. Including the impact of exchange rate changes against other currencies, consolidated net sales were pushed down by approximately ¥91,000 million compared with fiscal 2008.

Sales in United States in fiscal 2009 decreased by ¥47,258 million, or 19.0%, to ¥201,502, compared with ¥248,760 million in fiscal 2008, due mainly to the impact of the yen s appreciation, combined with sluggish growth in sales in the Telecommunications Equipment Group and the Information Equipment Group, and a decline in demand for electronic components.

Sales in Europe in fiscal 2009 decreased by ¥29,347 million, or 12.8%, to ¥200,483 million, compared with ¥229,830 million in fiscal 2008, due mainly to the impact of the yen s appreciation coupled with a decrease in sales in the Information Equipment Group caused by a reduction in information technology investment.

Sales in Asia in fiscal 2009 decreased by ¥49,078 million, or 21.1%, to ¥183,347 million, compared with ¥232,425 million in fiscal 2008, due primarily to a decline in demand for components used in digital consumer equipment and the yen s appreciation.

Sales in Others in fiscal 2009 decreased by ¥1,717 million, or 2.4%, to ¥69,867 million, compared with ¥71,584 million in fiscal 2008, due to a decrease in sales in the Information Equipment Group, which offset the addition of the sales from mobile phone handset related business acquired from SANYO.

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Cost of Sales and Gross Profit

In fiscal 2009, cost of sales decreased by ¥47,125 million, or 5.3%, to ¥836,638 million from ¥883,763 million in fiscal 2008. The ratio of cost of sales to net sales was 74.1% in fiscal 2009, an increase of 5.6 percentage points as compared with 68.5% in fiscal 2008. This was due mainly to an increase in the Telecommunication Equipment Group with the acquisition of the mobile phone related business from SANYO of which the ratio of cost of sales to net sales was relatively high, in addition to deterioration of profit due to a decline in selling prices of various components, which was partially offset by comprehensive Group-wide cost reduction activity.

Raw material costs of ¥319,738 million accounted for 38.2% of the total cost of sales in fiscal 2009, which decreased by ¥57,465 million, or 15.2%, from ¥377,203 million in fiscal 2008. Labor costs of ¥165,809 million accounted for 19.8% in fiscal 2009, which decreased by ¥1,733 million, or 1.0%, from ¥167,542 million in fiscal 2008. Depreciation expense of ¥70,162 million accounted for 8.4% in fiscal 2009, which increased by ¥8,497 million, or 13.8%, from ¥61,665 million in fiscal 2008 due to expanded capital expenditures in fiscal 2008.

As a result, gross profit in fiscal 2009 decreased by ¥114,725 million, or 28.2%, to ¥291,948 million from ¥406,673 million in fiscal 2008. The gross profit ratio to net sales decreased by 5.6 percentage points from 31.5% to 25.9%.

SG&A Expenses and Profit from Operations

Selling, general and administrative (SG&A) expenses in fiscal 2009 decreased by ¥5,724 million, or 2.3%, to ¥248,529 million compared with ¥254,253 million in fiscal 2008. This was due mainly to gains on sales of certain properties of ¥8,314 million which were recorded as deductions of SG&A expenses, however, Kyocera recorded impairment losses of ¥2,240 million in goodwill related to the subsidiary in the United States, and of ¥2,309 million of long-lived assets which were used for a production of Organic Light-Emitting Diode displays in fiscal 2009.

Labor costs of ¥122,883 million accounted for 49.4% of total SG&A expenses in fiscal 2009, which decreased by ¥655 million, or 0.5%, from ¥123,538 million in fiscal 2008. Sales promotion and advertising cost of ¥36,668 million accounted for 14.8% in fiscal 2009, which decreased by ¥3,876 million, or 9.6%, from ¥40,544 million in fiscal 2008.

Although SG&A expenses decreased as mentioned above, profit from operations decreased by ¥109,001 million, or 71.5%, to ¥43,419 million, compared with ¥152,420 million in fiscal 2008, due to a further decrease in gross profit. The operating margin decreased by 8.0 percentage points to 3.8% in fiscal 2009, compared with 11.8% in fiscal 2008.

Interest and Dividend Income

Interest and dividend income in fiscal 2009 decreased by ¥3,003 million, or 16.3%, to ¥15,441 million, compared with ¥18,444 million in fiscal 2008. This was due mainly to a decrease of interest income in AVX Corporation resulting from lower interest rate in the United States.

Interest Expense

Interest expense in fiscal 2009 decreased by ¥274 million, or 18.5%, to ¥1,206 million, compared with ¥1,480 million in fiscal 2008. This was due mainly to payments of a part of borrowings at overseas subsidiaries.

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Foreign Currency Translation

During fiscal 2009, the average exchange rate for the yen appreciated by ¥13, or 11.4%, against the U.S. dollar, and by ¥19, or 11.7%, against the Euro, as compared with fiscal 2008. At March 31, 2009, the yen appreciated by ¥2, or 2.0%, against the U.S. dollar, and by ¥28, or 17.7%, against the Euro, as compared with March 31, 2008. Kyocera recorded foreign currency transaction losses of ¥91 million in fiscal 2009.

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

Gains and Losses from Investments

In fiscal 2009, Kyocera s earnings on equity-method investments increased by ¥369 million, or 6.1%, to ¥6,460 million, compared with ¥6,091 million in fiscal 2008.

Kyocera s equity in earnings of affiliates and unconsolidated subsidiaries in fiscal 2009 was derived mainly from interests in WILLCOM, Inc. Kyocera Corporation owns a 30% interest in WILLCOM, Inc., which operates a PHS service in Japan. Kyocera Corporation accounted for this investment using equity method. The increase in Kyocera s earnings on equity-method investments was mainly derived from an increase in net income at WILLCOM, Inc.

Losses on sales of securities, net in fiscal 2009 increased by ¥2,218 million, or 356.6%, to ¥2,840 million, compared with ¥622 million in fiscal 2008. This was resulted from sales of certain securities which were held by Kyocera as a part of its asset allocation.

Losses on impairment of securities in fiscal 2009 increased by ¥6,893 million to ¥7,141 million, compared with ¥248 million in fiscal 2008. Kyocera recognized impairment losses as a result of significant declines in market value of certain securities. The major part of such losses was derived from the shares of Mitsubishi UFJ Financial Group, Inc. and its amount was ¥3,935 million.

Income before Income Taxes

Income before income taxes in fiscal 2009 decreased by ¥118,860 million, or 68.0%, to ¥55,982 million compared with ¥174,842 million in fiscal 2008.

Operating profit in the Components Business decreased by ¥68,543 million, or 68.3%, to ¥31,830 million in fiscal 2009, compared with fiscal 2008 due mainly to a decline in capacity utilization rate owing to a sharp reduction in demand, and to a reduction in product selling prices.

The Equipment Business recorded an operating loss of ¥4,216 million in fiscal 2009, a decrease of ¥50,540 million compared with fiscal 2008, due to significant profit declines in the Telecommunications Equipment Group and the Information Equipment Group.

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Operating Profit (Loss) by Reporting Segment

The following table shows a breakdown of Kyocera s consolidated income before income taxes, and operating profit for fiscal 2008 and fiscal 2009 by the seven reporting segments:

	Years ended March 31,				Increase (Decrease)
	2008		2009		
	Amount	%*	Amount	%*	%
			(Yen in millions)		
Fine Ceramic Parts Group	¥ 11,167	13.7	¥ (240)		
Semiconductor Parts Group	20,027	13.0	8,671	6.4	(56.7)
Applied Ceramic Products Group	32,655	21.8	27,469	18.4	(15.9)
Electronic Device Group	36,524	12.4	(4,070)		
Total Components Business	100,373	14.8	31,830	5.5	(68.3)
Telecommunications Equipment Group	6,786	3.1	(17,713)		
Information Equipment Group	39,538	14.3	13,497	5.9	(65.9)
Total Equipment Business	46,324	9.3	(4,216)		
Others	9,635	7.0	14,106	11.2	46.4
Operating profit	156,332	12.1	41,720	3.7	(73.3)
Corporate	12,497		7,632		(38.9)
Equity in earnings of affiliates and unconsolidated subsidiaries	6,091		6,460		6.1
Adjustments and eliminations	(78)		170		
Income before income taxes	¥ 174,842	13.5	¥ 55,982	5.0	(68.0)

* % to net sales of each corresponding segment

(1) Fine Ceramic Parts Group

This reporting segment recorded operating loss of ¥240 million in fiscal 2009.

Production activity in numerous industries, namely the semiconductor, digital consumer equipment and automotive industries, declined sharply due to the global economic downturn, which led to a substantial slump in component demand. Operating profit decreased by ¥11,407 million compared with ¥11,167 million in fiscal 2008 due to the reduction in production volume and decline in capacity utilization rate. Other factors behind the profit decline included an increase in depreciation costs. Operating profit in this reporting segment in fiscal 2009 was pushed down by approximately ¥900 million compared with fiscal 2008 due to the impact of the yen s appreciation.

(2) Semiconductor Parts Group

Operating profit in this reporting segment in fiscal 2009 decreased by ¥11,356 million, or 56.7%, to ¥8,671 million, compared with ¥20,027 million in fiscal 2008.

In particular, the capacity utilization rate declined significantly from the second half due to a decrease in component demand for mobile phone handsets, digital still cameras and servers, and to a slump in telecommunications infrastructure related investment, leading to lower profitability from ceramic packages and organic packages. Operating profit in this reporting segment in fiscal 2009 was pushed down by approximately ¥2,100 million compared with fiscal 2008 due to the impact of the yen s appreciation.

(3) Applied Ceramic Products Group

Operating profit in this reporting segment in fiscal 2009 decreased by ¥5,186 million, or 15.9%, to ¥27,469 million, compared with ¥32,655 million in fiscal 2008.

Despite the significant impact of the yen s appreciation, the solar energy business posted profit for fiscal 2009 due to the positive effects of sales growth coupled with comprehensive cost reductions in each production process. Overall operating profit in this reporting segment declined, however, due to stagnant production activity and continued inventory adjustments in automobile industries, a substantial decline in production volume of cutting tools caused by a decrease in demand, and impairment loss on goodwill of ¥2,240 million at a subsidiary. Operating profit in this reporting segment in fiscal 2009 was pushed down by approximately ¥6,200 million compared with fiscal 2008 due to the impact of the yen s appreciation.

(4) Electronic Device Group

This reporting segment recorded operating loss of ¥4,070 million in fiscal 2009, a decrease of ¥40,594 million compared with operating profit of ¥36,524 million in fiscal 2008.

The capacity utilization rate was down, particularly for ceramic capacitors, timing devices, and connectors, due to a sharp decline in component demand from the second half owing to lower production of mobile phone handsets, PCs and digital consumer electronics. In addition, the decline in demand led to intense component price competition, causing prices to drop significantly, by around 20% in certain components. The yen s appreciation also forced profits down by approximately ¥4,600 million compared with fiscal 2008. Furthermore, the decrease in profit reflected an impairment loss of ¥2,309 million on long-lived asset used for production of Organic Light-Emitting Diode displays, AVX Corporation s restructuring charges of approximately ¥1,800 million related to employee separations and facility consolidations, and AVX Corporation s accrual of ¥1,711 million for estimated environmental remediation costs.

(5) Telecommunications Equipment Group

This reporting segment recorded operating loss of ¥17,713 million in fiscal 2009, a decrease of ¥24,499 million compared with operating profit of ¥6,786 million in fiscal 2008.

Profitability in the mobile phone handset business acquired from SANYO was depressed due to deterioration in market conditions and to a considerable decline in sales of handsets in Japan and overseas owing to a reduction in the number of new models released. Profitability was also decreased in Kyocera s traditional mobile phone handset business as sales at Kyocera Wireless Corp., a subsidiary in the U.S., declined due to delayed development of new products and to the economic downturn. Other factors behind the decline in profit were increases in depreciation and amortization costs and R&D expenses by ¥8,193 million and ¥3,468 million, respectively, compared with fiscal 2008, due mainly to the acquisition of the mobile phone related business from SANYO. Employee separations were implemented at Kyocera Wireless Corp. in the fourth quarter to enhance profitability from the following fiscal period, and this resulted in the recording of approximately ¥1,300 million.

(6) Information Equipment Group

Operating profit in this reporting segment in fiscal 2009 decreased by ¥26,041 million, or 65.9%, to ¥13,497 million, compared with ¥39,538 million in fiscal 2008.

Operating profit for fiscal 2009 was pushed down by approximately ¥7,200 million compared with fiscal 2008 due to the impact of the yen s appreciation against the Euro and the U.S. dollar. A significant decline in investments in information technology at corporate sectors led to reduction in sales volumes of both printers and multifunctional peripherals compared with fiscal 2008. In addition, product selling prices dropped between 5% to 15% on a full-year basis for both printers and multifunctional peripherals.

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(7) Others

Operating profit in this reporting segment in fiscal 2009 increased by ¥4,471 million, or 46.4%, to ¥14,106 million, compared with ¥9,635 million in fiscal 2008.

Despite profit declines at Kyocera Communication Systems Co., Ltd. and Kyocera Chemical Corporation due to deterioration in the business environment, recorded ¥9,352 million of gains on sales of property, plant and equipment, net which includes gains on sales of certain properties.

(8) Corporate

Corporate income and losses mainly constitute gains or losses related to financial assets, and income related to management supporting service provided by Kyocera s head office to each reporting segment. Corporate income decreased by ¥4,865 million, or 38.9%, to ¥7,632 million compared with ¥12,497 million in fiscal 2008. This was mainly due to losses on sales of securities and losses on impairment of securities recognized in fiscal 2009.

Income Taxes

Current and deferred income taxes in fiscal 2009 decreased by ¥37,456 million, or 62.2%, to ¥22,779 million compared with ¥60,235 million in fiscal 2008.

The effective tax rate of 40.7% in fiscal 2009 was 6.2 points higher than the effective rate in fiscal 2008 of 34.5%. This was due mainly to an increase in valuation allowances on deferred tax assets recorded at certain foreign subsidiaries with pre-tax losses.

For detailed information, see Note 17 to the Consolidated Financial Statements in this annual report on Form 20-F.

Noncontrolling Interests

Net income attributable to noncontrolling interests in fiscal 2009 amounted to ¥3,697 million and net income attributable to noncontrolling interests related to AVX Corporation, which accounted for approximately 30% of noncontrolling ownership interests, amounted to ¥2,406 million. Noncontrolling interests in fiscal 2009 decreased by ¥3,666 million, or 49.8%, compared with noncontrolling interests of ¥7,363 million in fiscal 2008. This was due mainly to a decrease in net income at AVX Corporation.

Critical Accounting Policies and Estimates

Kyocera s consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of consolidated financial statements and the reported amounts of revenues and expenses during the periods presented. Actual results may differ from these estimates, judgments and assumptions.

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

Allowances for Doubtful Accounts

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

Inventory Valuation

Kyocera estimates the amount of write-downs required to properly value inventory. Write-downs are provided for excess, slow-moving and obsolete inventory as well as valuation losses required to adjust recorded cost to its market value. Kyocera generally considers all inventory aged over certain holding periods to be slow-moving or obsolete. Kyocera also records inventory write-downs based on its projections of future demand, market conditions and related management-led initiatives even though the age of corresponding inventory is shorter than certain holding periods.

As a result of continuous strict controls and adjustments on inventories, Kyocera recognized inventory write-downs of ¥8,719 million and ¥9,207 million in fiscal 2009 and 2010, respectively. The amounts of these inventory write-downs by reporting segments appear in Note 19 to the Consolidated Financial Statements included in this annual report on Form 20-F. A large portion of these inventory write-downs arose from inventories of telecommunications equipment and applied ceramic products. These products turned out to be obsolete because of their short product lives, and were subject to a decrease in demand and a decline in price.

The majority of Kyocera s inventories are produced for the IT industry. Each of these products generally has a short product life, and is susceptible to market demand and price fluctuations. In light of the impacts by segments, inventory write-downs significantly affect all the segments. If market conditions and demand in the information technology industry are less favorable than Kyocera s projections, additional write-downs may be required.

Impairment of Securities and Investments

Kyocera records impairment charges for debt and equity securities when it believes that the decline of fair value is other-than-temporary. Kyocera regularly reviews each security and investment for impairment based on the extent to which the fair value is less than cost, the duration of the decline, the anticipated recoverability of fair value in the future and the financial conditions of the issuer. Poor operating results of the issuers of these securities or adverse changes in the market may cause impairment losses in future periods. The impairment losses are recorded as Corporate losses.

Kyocera recognized losses on impairment of debt and equity securities of ¥7,141 million and ¥217 million in fiscal 2009 and 2010, respectively. Mainly, Kyocera recorded losses on impairment of certain equity securities due to the decline in fair value below cost for considerable length of time and the extent was severe in fiscal 2009.

Kyocera is currently a major shareholder of KDDI Corporation. The price fluctuation of the shares of KDDI Corporation may affect Kyocera s financial conditions. At March 31, 2010, the unrealized gain of ¥28,140 million on the shares of KDDI Corporation held by Kyocera had increased compared with that of ¥15,540 million as of at March 31, 2009, reflecting a fluctuation of the market price of the shares of KDDI Corporation during fiscal 2010. As the operating results of KDDI Corporation were stable, the performance of the shares of KDDI Corporation is considered to be stable. For detailed information on the gross unrealized gain or loss, see Note 3 to the Consolidated Financial Statements in this annual report on Form 20-F.

Impairment of Long-Lived Assets

Kyocera reviews its long-lived assets and intangible assets with definite useful lives for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Long-lived assets and intangible assets with definite useful lives are considered to be impaired when the expected undiscounted cash flow from the asset group is less than its carrying value. A loss on impairment is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived assets and intangible assets with definite useful lives.

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In fiscal 2009, Kyocera recognized ¥2,309 million of a loss on impairment on the long-lived assets which were used for a production of Organic Light-Emitting Diode (OLED) displays in the Electronic Device Group. Such loss was included in selling, general and administrative expenses.

Since qualities and characteristics of OLED displays requested by the users heightened recently and Kyocera changed the target of production in which they were used, Kyocera transferred such business from a manufacturing department to a research and development department. As a result of this transfer, Kyocera reviewed the future plan of OLED displays business and concluded the expected undiscounted cash flow from the long-lived assets of OLED displays business was less than its carrying value. Consequently, Kyocera recorded a loss on impairment based on the amount by which the carrying value exceeded the fair value of the long-lived assets of OLED displays business. The fair value of the long-lived assets of OLED displays business was estimated by using the expected present value of future cash flow.

Goodwill and Other Intangible Assets

Goodwill and intangible assets with indefinite useful lives, rather than being amortized, are tested for impairment at least annually, and also following any events and changes in circumstances that might lead to impairment. Intangible assets with definite useful lives are amortized straight line over their respective estimated useful lives to their estimated residual values, and reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

The goodwill of ¥1,538 million which Kyocera group acquired during fiscal 2010 was based on acquisitions of the common stocks of two distributors of information equipment in Korea, Kyocera Mita Korea Co., Ltd. and Kyocera Mita Korea Document Solution Co., Ltd., by Kyocera Mita included in the Information Equipment Group and based on the acquisition of the common stocks of Net it works, Inc. by Kyocera Communication Systems Co., Ltd. included in Others segment.

The goodwill of ¥26,449 million which Kyocera group acquired during fiscal 2009 was mainly based on the acquisition of the mobile phone related business from SANYO by Kyocera Corporation included in the Telecommunications Equipment Group and the acquisition of a controlling interest in TAAG to consolidated subsidiary by Kyocera Mita included in the Information Equipment Group.

For detailed information of these acquisitions, see Note 2 to the Consolidated Financial Statements in this annual report on Form 20-F.

In fiscal 2009, Kyocera recognized impairment losses on goodwill in the amounts of ¥2,240 million in the Applied Ceramic Products Group and ¥1,217 million in the Others segment. The sluggish performances at a U.S. subsidiary in the Applied Ceramic Products Group and at a Japanese subsidiary in the Others segment led to significant declines in their fair values. The fair values of those goodwill were determined through the use of various methodologies such as discounted cash flows and comparable valuations of similar companies.

Deferred Tax Assets

Kyocera records deferred tax assets with valuation allowances to adjust their carrying amounts when it believes that it is more likely than not that the assets will not be realized. The valuation of deferred tax assets principally depends on the estimation of future taxable income and feasible tax planning strategies. If future taxable income is lower than expected due to future market conditions or poor operating results, significant adjustments to deferred tax assets may be required. At March 31, 2010, deferred tax assets amounted to ¥99,388 million, which Kyocera considers will reasonably be realized in the future. This estimate is reasonable when compared with the amounts of income from continuing operations before income taxes and income taxes in fiscal 2010.

Benefit Plans

The over funded or under funded status of defined benefit postretirement plans, which depends on projected benefit obligations and plan assets, are recognized as an asset or liability in its consolidated balance sheets and changes in that funded status are recognized through comprehensive income in the year in which the changes occur. Projected benefit obligations are determined on an actuarial basis and are significantly affected by the assumptions used in their calculation, such as the discount rates, the rate of increase in compensation levels and other assumptions. The expected long-term rate of return on plan assets is also used as an assumption.

Kyocera determines the discount rate by referencing the yield on high quality fixed income securities such as Japanese Government Bonds. The rate of increase in compensation levels is determined based mainly on results of operations and inflation. The expected return on plan assets is determined based on the rate of historical earnings and Kyocera s expectation of future performance of the funds in which plan assets are invested. 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 and the expected long-term rate of return on plan assets because of a stagnation of Japanese and global economies, projected benefit obligations and net periodic pension costs will increased.

Sensitivity analysis of benefit plans

The following table illustrates the effect of assumed changes in discount rates and the expected rate of return on plan assets, while holding assuming all other assumptions consistent, for the benefit plan at Kyocera Corporation and its major domestic subsidiaries which accounts for a significant portion of Kyocera s projected benefit obligations and net periodic pension costs.

		Effect on projected benefit obligation as of March 31, 2010 (Yen in millions)
Discount rates:		
0.25% decrease	¥	4,100
0.25% increase		(3,873)

		Effect on income before income taxes for the year ending March 31, 2011 (Yen in millions)
Discount rates:		
0.25% decrease	¥	(82)
0.25% increase		79
Expected rate of return on plan assets:		
0.25% decrease		(334)
0.25% increase		334

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 is reasonably estimable. 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.

AVX Corporation, a subsidiary in the U.S., has been named as a potentially responsible party (PRP) in state and federal administrative proceedings seeking contribution for costs associated with the correction and remediation of environmental conditions at various waste disposals and operating sites. AVX Corporation continues to monitor these actions and proceedings and to vigorously defend its interests. AVX Corporation currently has reserves for current remediation, compliance and legal cost related to these matters.

In July 2007, AVX Corporation received oral notification from the Environmental Protection Agency (EPA), and in December 2007, written notification from the U.S. Department of Justice indicating that the United States is preparing to exercise the reopener provision under a 1991 consent decree relating to the environmental conditions at, and remediation of, New Bedford Harbor in the Commonwealth of Massachusetts. The EPA has indicated that remediation costs through December 6, 2007 (which remediation is ongoing) are approximately ¥29,621 million. AVX Corporation has not yet completed an investigation of the monies spent or its available defenses in light of the notification. AVX Corporation has also not yet determined whether or to what extent other parties may bear responsibility for these costs.

On April 1, 2008, the U.S. Department of Justice indicated that the future work to be performed at the harbor is expected to exceed hundreds of millions of dollars under current estimates. AVX Corporation anticipates further discussions with the U.S. Department of Justice, the EPA and the Commonwealth of Massachusetts.

The potential impact of this matter on Kyocera s consolidated results of operations, financial positions and cash flows cannot be determined at this time.

Revenue Recognition

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

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

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

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

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

Sales Incentives

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

(a) Distributor Stock Rotation Program

Stock rotation is a program whereby distributors are allowed to return for credit, qualified inventory, semi-annually, equal to a certain percentage of the previous six months net sales. In accordance with ASC 605-15, an estimated sales allowance for stock rotation is recorded at the time of sale based on a percentage of distributor sales using historical trends, current pricing and volume information, other market specific information and input from sales, marketing and other key management. We believe that these procedures enable us to make reliable estimates of future returns under the stock rotation program. Our actual results approximate our estimates. When the products are returned and verified, the distributor is given credit against their accounts receivable.

(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 customer from the distributor s stock. Ship and debit authorizations may cover current and future distributor activity for a specific part for a sale to their customer. In accordance with ASC 605, at the time we record the sales to the distributor, an allowance for the estimated future distributor activity related to such sales is provided since it is probable that such sales to distributors will result in ship and debit activity. In accordance with ASC 605-15, Kyocera records an estimated sales allowance based on sales during the period, credits issued to distributors, distributor inventory levels, historical trends, market conditions, pricing trends noted in direct sales activity with original equipment manufacturers and other customers, and input from sales, marketing and other key management. These procedures require the exercise of significant judgments. We believe that these procedures enable us to make reliable estimates of future credits under the ship and debit program. Our actual results approximate our estimates.

Sales Rebates

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

Sales Returns

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

Products Warranty

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

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

Uncertainty in Income Taxes

Kyocera adopts an interpretation of ASC 740 Income Taxes . Kyocera records liabilities for unrecognized tax benefits based on the premise of being subject to income tax examination by tax authorities, when it is more likely than not that tax benefits associated with tax positions will not be sustained. Actual results such as settlements with tax authorities may differ from the recognition accounted for under ASC 740.

At March 31, 2010, gross unrecognized tax benefits amounted to ¥8,352 million. Kyocera does not anticipate the final resolution of procedures to have a material impact on the consolidated statements of income in the future.

Recently Adopted Accounting Standards

Kyocera adopted the ASC 105, Generally Accepted Accounting Principles (former Statement of Financial Accounting Standards (SFAS) No. 168, The FASB Accounting Standards Codification and Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162) on July 1, 2009. This accounting standard compiles all generally accepted accounting principles in the U.S. and establishes Accounting Standards Codification as the single official source of authoritative generally accepted accounting standards. The adoption of this accounting standard had no impact on Kyocera s consolidated results of operations, financial position and cash flows.

Kyocera adopted the ASC 805, Business Combinations (former SFAS No. 141 (revised 2007), Business Combinations) on April 1, 2009, which requires assets, liabilities and noncontrolling interests be measured at fair value. Under this accounting standard, transaction and restructuring costs are required to be generally expensed, as well as contingent consideration and in-process research and development be recorded at fair value on acquisition date as a part of fair value of acquired business. Any tax adjustment made after the measurement period impacts income tax expenses. This accounting standard also requires companies to recognize an asset acquired or a liability assumed in a business combination that arises from a contingency at fair value, at the acquisition date, if the acquisition-date fair value of that asset or liability can be determined during the measurement period. The adoption of this accounting standard did not have a material impact on Kyocera s consolidated results of operations, financial position and cash flows.

Kyocera adopted the ASC 810, Consolidation (former SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an Amendment of Accounting Research Bulletin No. 51) on April 1, 2009. This accounting standard requires that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements, and requires that changes in a parent s ownership interest while the parent retains its controlling financial interest in its subsidiary shall be accounted for as equity transactions. Upon the adoption of this accounting standard, noncontrolling interests, which were previously referred to as minority interests and classified between total liabilities and shareholders equity on the consolidated balance sheets, are now included as a separate component of total equity. The presentation of consolidated statements of income and cash flows has also been changed. In addition, in accordance with a requirement of this accounting standard, certain reclassification of previously reported amounts have been made to the consolidated balance sheet at March 31, 2009, the consolidated statements of income and the consolidated statements of cash flows for the year ended March 31, 2008 and 2009. The adoption of this accounting standard did not have a material impact on Kyocera s consolidated results of operations, financial position and cash flows.

Kyocera adopted (a) the ASC 820, Fair Value Measurements and Disclosures (former FASB Staff Positions (FSP) No. 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability

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Have Significantly Decreased and Identifying Transactions That Are Not Orderly) (b) the ASC 320, Investments-Debt and Equity Securities (former FSP No. 115-2 and former FSP No. 124-2, Recognition and Presentation of Other-Than-Temporary Impairments) (c) the ASC 825, Financial Instruments (former FSP No. 107-1 and former Accounting Principles Bulletins (APB) No. 28-1, Interim Disclosures about Fair Value of Financial Instruments) on April 1, 2009.

(a) The ASC 820 (former FSP No. 157-4) provides guidance on how to estimate the fair value of assets or liabilities when the volume and level of activity for asset or liability have significantly decreased and on identifying circumstances that indicate a transaction is not orderly. In addition, this accounting standard requires disclosure in interim and annual periods of the inputs and valuation techniques used to estimate fair value and a discussion of changes in valuation techniques.

(b) The ASC 320 (former FSP No. 115-2 and former FSP No. 124-2) amends the other-than-temporary impairment guidance for debt securities and presentation and disclosure requirement of other-than-temporary impairments of debt and equity securities.

(c) The ASC 825 (former FSP No. 107-1 and former APB No. 28-1) requires interim disclosures regarding the fair values of financial instruments that are within the scope of the ASC 825. Additionally, this accounting standard requires disclosure of the methods and significant assumptions used to estimate the fair value of financial instruments on an interim basis as well as changes of the methods and significant assumptions from previous periods.

The adoption of these three ASCs did not have a material impact on Kyocera s consolidated results of operations, financial position and cash flows.

Kyocera adopted the ASC 855, Subsequent Events (former SFAS No. 165, Subsequent Events) on April 1, 2009. The purpose of this accounting standard is to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In addition, in February 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-09, Subsequent Events , and Kyocera adopted this accounting standard on the date of issuance. This accounting standard provides amendment to ASC 855 that removes the requirements for an SEC filer to disclose the date through which subsequent events have been evaluated. The adoption of this accounting standard did not have a material impact on Kyocera s consolidated results of operations, financial position and cash flows.

Kyocera adopted the ASU No. 2009-05, Measuring Liabilities at Fair Value on October 1, 2009. This accounting standard provides amendments to provisions related to the fair value measurement of liabilities as follows:

(a) In circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following techniques:

- The quoted price of the identical liability when traded as an asset.

- Quoted prices for similar liabilities or similar liabilities when traded as assets.

- Another valuation technique that is consistent with principles of the Topics, such as the income approach or a market approach.

(b) When estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability.

(c) Both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements.

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The adoption of this accounting standard did not have a material impact on Kyocera s consolidated results of operations, financial position and cash flows. With respect to the technical terms related to the fair value measurement in the above description, please refer to the Note 4 to the Consolidated Financial Statements on this Form 20-F.

Kyocera adopted ASC 715, Compensation Retirement Benefits (former FSP No. 132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets) in the year ended March 31, 2010. This accounting standard provides guidance on employers disclosures of a defined benefit pension or other postretirement plan. Specifically, employers are required to disclose information about fair value measurements of plan assets. As this accounting standard is a provision for disclosure, the adoption of this accounting standard had no impact on Kyocera s consolidated results of operations, financial position and cash flows.

In January 2010, the FASB issued ASU No. 2010-06, Improving Disclosures about Fair Value Measurements. This accounting standard provides amendments to ASC 820-10 that require new disclosures as follows:

(a) Transfer in and out of Level 1 and 2. A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers.

(b) Activity in Level 3 fair value measurements. In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuance, and settlements.

Kyocera adopted the new disclosures and clarifications of existing disclosures in the year ended March 31, 2010, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. As this accounting standard is a provision for disclosure, the adoption of this accounting standard had no impact on Kyocera s consolidated results of operations, financial position and cash flows. With respect to the technical terms related to the fair value measurement in the above description, please refer to the Note 4 to the Consolidated Financial Statement on this Form 20-F.

Recently Issued Accounting Standards

In September 2009, the FASB issued ASU No. 2009-13, Multiple-Deliverable Revenue Arrangements-a consensus of the FASB Emerging Issues Task Force which addressed the accounting for multiple-deliverable arrangements to enable vender to account for products or services separately rather than as a combined unit. This accounting standard addresses how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. This accounting standard will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Kyocera is currently evaluating the impact that this accounting standard will have on Kyocera s consolidated results of operations, financial position and cash flows.

In December 2009, the FASB issued ASU No. 2009-16, Accounting for Transfers of Financial Assets. This accounting standard codified former SFAS No. 166, Accounting for Transfers of Financial Assets-an amendment of FASB Statement No. 140 issued in June 2009 in the ASC 860. This accounting standard removes the concept of a qualifying special purpose entity from former SFAS No. 140 and removes the exception from applying former FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, to qualifying special-purpose entities and establishes specific conditions for reporting a transfer of a portion of a financial asset as a sale. This accounting standard must be applied as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The adoption of this accounting standard is expected to have no material impact on Kyocera s consolidated results of operations, financial position and cash flows.

In December 2009, the FASB issued ASU No. 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. This accounting standard codified former SFAS No. 167, Amendments to FASB Interpretation No. 46(R) issued in June 2009 in the ASC 810. This accounting standard requires an enterprise to perform an analysis to identify the primary beneficiary of a variable interest entity and also requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. This accounting standard shall be effective as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The adoption of this accounting standard is expected to have no material impact on Kyocera s consolidated results of operations, financial position and cash flows.

B. Liquidity and Capital Resources

Capital Resources

In fiscal 2010, although the deterioration of business environment was sluggish until the second quarter (July 1, 2009 to September 30, 2009), profitability of the Components Business and the Equipment Business improved significantly from the third quarter (October 1, 2009 to December 31, 2009). Kyocera s net cash provided by operating activities in fiscal 2010 was ¥137,583 million, and cash and cash equivalents at March 31, 2010 were ¥313,126 million. Kyocera held liquid financial assets, additionally. Based on those facts, Kyocera does not expect to face financial difficulties in near future.

In the short term, Kyocera expects cash demands for working capital and funds for capital expenditures required for the expansion of operations, contribution to pension plans and payments of dividends to shareholders. Kyocera s primary source of short-term liquidity is cash generated by operations. Certain subsidiaries also generate capital in the form of loans from financial institutions. At March 31, 2010, Kyocera s short-term borrowings and long-term debt including current portion totaled ¥46,596 million. The ratio to total assets of 2.5% continues to reflect a low level of dependence. Most borrowings were denominated in the Euro and the yen, but certain borrowings were denominated in other foreign currencies. Details of these borrowings are described in Tabular Disclosure of Contractual obligations, which also includes the information regarding obligations for the acquisition or construction of property, plant and equipment.

Capital expenditures in fiscal 2010 decreased by ¥25,186 million, or 39.9%, to ¥37,869 million compared with ¥63,055 million in fiscal 2009. In fiscal 2010, Kyocera made capital expenditures in the solar energy business to expand production capacity, but Kyocera reduced capital expenditures in other reporting segments due to the weak business environment continuing from fiscal 2009. R&D expenses also decreased by ¥16,021 million, or 24.3%, to ¥49,911 million compared with ¥65,932 million in fiscal 2009. In fiscal 2010, R&D expenses decreased in all reporting segments due to limiting the categories of research and development activities. Nearly all capital and R&D expenditures were funded by using cash at hand.

During fiscal 2011, Kyocera expects total capital expenditures to be approximately ¥60,000 million and total R&D expenses to be approximately ¥60,000 million. Kyocera expects that total capital expenditures will increase compared with fiscal 2010 in all reporting segments for expanding production capacity and for increasing production efficiency. Kyocera expects that R&D expenses will also increase compared with fiscal 2010. R&D expenses in solar energy business and information equipment business, particularly, will increase to expand future sales. The proportion of R&D expenditures to net sales will be flat compared with fiscal 2010. Nearly all capital and R&D expenditures will be funded by using cash at hand. Kyocera believes that Kyocera needs to invest its resources continuously in the development of new business areas and improved technology in order to create new products, commercialize advanced technologies and thereby secure future earnings streams.

In fiscal 2010, Kyocera contributed ¥9,954 million to its benefit pension plans, and in fiscal 2011, Kyocera forecasts to contribute ¥10,141 million to its benefit pension plans. At March 31, 2010, Kyocera s funded status of benefit pension plans ensured the sources of funds sufficient to cover the pension benefits paid to participants and beneficiaries, and large amounts of additional contributions are not considered to be necessary. Kyocera expects contributions to pension plan assets will be made by using cash at hand.

In fiscal 2010, Kyocera Corporation paid cash dividends totaling ¥22,023 million, at ¥120 per share. Kyocera Corporation received approval at the general meeting of shareholders held on June 25, 2010 for the payment of year-end dividends totaling ¥11,011 million, or ¥60 per share, on June 28, 2010 to all shareholders of record on March 31, 2010.

Treasury stock at March 31, 2010 increased by ¥56 million, or 0.1%, to ¥50,624 million, compared with ¥50,568 million at March 31, 2009. Kyocera Corporation acquires treasury stock to facilitate the implementation of flexible capital policies and to develop its business in a dynamic manner in response to changes in the operating environment.

As described in Note 2 to the Consolidated Financial Statements, Kyocera acquired several businesses and pertained shares. In fiscal 2010, these acquisition costs, net of cash acquired were ¥4,715 million, and nearly all acquisitions were funded by using cash at hand.

At March 31, 2010, Kyocera s working capital totaled ¥745,143 million, an increase of ¥30,788 million, or 4.3%, compared with ¥714,355 million at March 31, 2009. Its working capital requirements, capital expenditures, debt repayments and other obligations were funded by using cash in hand.

Kyocera believes cash at hand will be sufficient to fund all cash requirements outlined above at least through fiscal 2011. Consequently, Kyocera does not currently intend to use any other external financing sources that might affect its credit agency ratings. If cash generated by operations are insufficient for funding purposes, Kyocera retains other financing options, including external sources, such as short-term or long-term borrowings, as well as financing directly in the capital markets through issuances of debt or equity securities. As evidenced by equity to assets ratio of 72.8% at March 31, 2010, Kyocera maintains a strong financial position, which leads Kyocera to believe that any capital requirements could be secured from external sources at a relatively low cost. Kyocera also maintains good business relationships with several major financial institutions.

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

Cash flows

Fiscal 2010 compared with Fiscal 2009

The following table shows a summary of Kyocera s cash flows for fiscal 2009 and fiscal 2010:

	Years ended March 31,		Increase
	2009 Amount	2010 Amount	(Decrease) %
	(Yen in millions)		
Cash flows from operating activities	¥ 97,794	¥ 137,583	40.7
Cash flows from investing activities	(201,444)	(49,318)	(75.5)
Cash flows from financing activities	(62,930)	(38,047)	(39.5)
Effect of exchange rate changes on cash and cash equivalents	(11,759)	(6,339)	(46.1)
Net increase (decrease) in cash and cash equivalents	(178,339)	43,879	
Cash and cash equivalents at beginning of year	447,586	269,247	(39.8)
Cash and cash equivalents at end of year	269,247	313,126	16.3

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Net cash provided by operating activities in fiscal 2010 increased by ¥39,789 million, or 40.7%, to ¥137,583 million from ¥97,794 million in fiscal 2009. This was due mainly to an increase in net income.

Net cash used in investing activities in fiscal 2010 decreased by ¥152,126 million, or 75.5%, to ¥49,318 million from ¥201,444 million in fiscal 2009. This was due mainly to an increase in withdrawals of certificate deposits and time deposits, and a decrease in payments for acquisitions of businesses.

Net cash used in financing activities in fiscal 2010 decreased by ¥24,883 million, or 39.5%, to ¥38,047 million from ¥62,930 million in fiscal 2009. This was due mainly to a significant decrease in payments for acquisition of treasury stock.

Due mainly to the yen s appreciation against the Euro and the U.S. dollar between March 31, 2009 and March 31, 2010 resulted in decreases in the effect of exchange rate changes on cash and cash equivalents of ¥6,339 million.

At March 31, 2010, cash and cash equivalents totaled ¥313,126 million. This represented an increase of ¥43,879 million, or 16.3%, from ¥269,247 million at March 31, 2009. Most of Kyocera s cash and cash equivalents were denominated in the yen, but certain cash and cash equivalents, mainly in overseas subsidiaries, were denominated in foreign currencies, such as the U.S. dollar.

Fiscal 2009 compared with Fiscal 2008

The following table shows a summary of Kyocera s cash flows for fiscal 2008 and fiscal 2009:

	Years ended March 31,		Increase
	2008 Amount	2009 Amount	(Decrease) %
	(Yen in millions)		
Cash flows from operating activities	¥ 196,935	¥ 97,794	(50.3)
Cash flows from investing activities	16,058	(201,444)	
Cash flows from financing activities	(29,235)	(62,930)	115.3
Effect of exchange rate changes on cash and cash equivalents	(18,380)	(11,759)	(36.0)
Net increase (decrease) in cash and cash equivalents	165,378	(178,339)	
Cash and cash equivalents at beginning of year	282,208	447,586	58.6
Cash and cash equivalents at end of year	447,586	269,247	(39.8)

Net cash provided by operating activities in fiscal 2009 decreased by ¥99,141 million, or 50.3%, to ¥97,794 million from ¥196,935 million in fiscal 2008. This was due mainly to a decrease in net income.

Cash flow from investing activities turned from ¥16,058 million of cash inflows in fiscal 2008 to ¥201,444 million of cash outflows in fiscal 2009, which represented a decrease in cash inflow by ¥217,502 million compared with fiscal 2008.

This was due mainly to a decrease in withdrawal of certificate deposits and time deposits, and a decrease in proceeds from sales and maturities of available-for-sale securities.

Net cash used in financing activities in fiscal 2009 increased by ¥33,695 million, or 115.3%, to ¥62,930 million from ¥29,235 million in fiscal 2008.

This was due mainly to purchases of treasury stock from November 28, 2008 to December 22, 2008.

Due mainly to the yen s appreciation against the Euro and the U.S. dollar between March 31, 2008 and March 31, 2009 resulted in decreases in the effect of exchange rate changes on cash and cash equivalents of ¥11,759 million.

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At March 31, 2009, cash and cash equivalents totaled ¥269,247 million. This represented a decrease of ¥178,339 million, or 39.8%, from ¥447,586 million at March 31, 2008. Most of Kyocera s cash and cash equivalents were denominated in the yen but certain cash and cash equivalents, mainly in overseas subsidiaries, were denominated in foreign currencies, such as the U.S. dollar.

Assets, Liabilities and Equity

Kyocera s total assets at March 31, 2010 increased by ¥74,915 million, or 4.2% to ¥1,848,717 million, compared with ¥1,773,802 million at March 31, 2009.

Cash and cash equivalents increased by ¥43,879 million, or 16.3%, to ¥313,126 million. This was due mainly to the effect of net cash gained by operating activities and withdrawal of time deposits at Kyocera Corporation.

Trade receivables-Accounts increased by ¥32,149 million, or 20.3%, to ¥190,903 million, due mainly to increases in overall demand driven by recovery of economic conditions.

Inventories decreased by ¥22,280 million, or 11.2%, to ¥177,361 million, due mainly to the effect of inventories adjustment at Kyocera Mita and shipment acceleration in the solar energy business.

Advance payments increased by ¥22,437 million, or 75.1%, to ¥52,316 million, due to an increase of advance payments of the long-term purchase agreements for certain materials at Kyocera Corporation.

Other current assets decreased by ¥13,014 million, or 26.9%, to ¥35,370 million, due mainly to refunded income taxes at Kyocera Corporation.

Investments and advances to affiliates and unconsolidated subsidiaries decreased by ¥18,115 million, or 93.5%, to ¥1,261 million, due mainly to an impairment loss of an investment in WILLCOM, Inc.

Investments in debt and equity securities, long term increased by ¥44,579 million, or 13.7%, to ¥370,124 million, due mainly to increases in market values of the shares of KDDI Corporation and other equity securities at March 31, 2010 compared with March 31, 2009, and purchases of corporate bonds.

Total property, plant and equipment at cost, net of accumulated depreciation, decreased by ¥25,955 million, or 9.8%, to ¥240,099 million. Capital expenditure in fiscal 2010 was ¥37,869 million, and depreciation was ¥60,602 million.

Intangible assets decreased by ¥10,484 million, or 17.5%, to ¥49,593 million, due mainly to amortization and the completion of the allocation of fair value to the acquired assets and assumed liabilities of TA Triumph-Adler AG, a consolidated subsidiary of Kyocera Mita in fiscal 2010.

Other assets increased by ¥14,145 million, or 23.2%, to ¥75,049 million, due mainly to increased prepaid benefit cost resulted from recovery performance of benefit plan assets and a decrease in projected benefit obligation resulted from a change in discount rates applied to actuarial calculation.

Kyocera s total liabilities at March 31, 2010 increased by ¥50,741 million, or 13.0%, to ¥441,455 million, compared with ¥390,714 million at March 31, 2009.

Notes and accounts payable-Trade increased by ¥27,171 million, or 43.4%, to ¥89,750 million compared with March 31, 2009, due mainly to an increase in purchases in line with an increase in sales.

Notes and accounts payable-Other increased by ¥20,327 million, or 46.8%, to ¥63,779 million due mainly to an increase in payables for acquisitions of certificate deposits at Kyocera Corporation.

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Accrued income taxes increased by ¥8,172 million, or 110.0%, to ¥15,602 million due mainly to increases of income before income taxes.

Deferred taxes liabilities increased by ¥4,080 million, or 5.7%, to ¥75,619 million, due mainly to increases in market values of the shares of KDDI Corporation and other equity securities at March 31, 2010 compared with March 31, 2009.

Total equity at March 31, 2010 increased by ¥24,174 million, or 1.7%, to ¥1,407,262 million, compared with ¥1,383,088 million at March 31, 2009.

Retained earnings at March 31, 2010 increased by ¥18,072 million, or 1.6%, due to a net income for fiscal 2010 of ¥40,095 million offset by cash dividend payments of ¥22,023 million.

Accumulated other comprehensive income increased by ¥3,663 million, to a loss of ¥(51,010) million. Net unrealized gains on securities increased by ¥11,847 million, or 101.9%, due mainly to increases in market values of the shares of KDDI Corporation and other equity securities at March 31, 2010 compared with March 31, 2009. Foreign currency translation adjustments decreased by ¥9,247 million to a loss of ¥(75,449) million, due mainly to the appreciation of the yen against the U.S. dollar.

The Kyocera Corporation shareholders equity ratio at March 31, 2010 was 72.8%, down 1.8 percentage points from 74.6% at March 31, 2009.

Noncontrolling interests in subsidiaries, principally AVX Corporation, increased by ¥2,602 million, or 4.4%, to ¥62,027 million, compared with ¥59,425 million at March 31, 2009, due mainly to strong performance at AVX Corporation and an acquisition of the common stock of Net it works, Inc. by Kyocera Communication Systems Co., Ltd.

C. Research and Development, Patents and Licenses, etc.

Kyocera continuously aims at expanding sales and boosting profitability to improve group performance over the medium and long terms. To achieve these objectives, Kyocera seeks to create new technologies, products and markets by integrating group-wide management resources in order to generate business that will become core to the group in the future. Particular efforts are made to create new businesses in high-growth-potential areas; namely, the markets for information and communications and for environment and energy.

(1) Fine Ceramic Parts Group

By making effective use of fine ceramic materials technology, processing technology and design technology, Kyocera is seeking to strengthen the development of fine ceramic components, especially of large size sapphire substrates for LEDs, the demand for which is expected to expand dramatically.

In the automotive market, efforts are being undertaken to develop products that meet the need for environment-responsiveness, energy-saving and safety. Specific endeavors include the development and production of heater core for glow plugs and piezoelectric-stacks that enable precision control for the fuel injection of green diesel engine cars and camera modules to enhance driving safety.

(2) Semiconductor Parts Group

Kyocera is advancing the development of new ceramic packages and organic packages for various usages in information and communication market, where demand is expected to expand. In the ceramic package business, efforts are being made to develop smaller, thinner and more highly sophisticated ceramic packages that meet advancements in mobile phone handsets. In the organic package business, Kyocera is developing new flip chip packages for next-generation high-performance semiconductors and system in a package (SiP) to realize even thinner packages with narrower pitches.

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(3) Applied Ceramic Products Group

While striving to further increase the conversion efficiency and strengthen cost reduction of polycrystalline solar cells, Kyocera is developing a variety of next-generation solar cells.

(4) Electronic Device Group

Kyocera develops small, thin ceramic capacitors and various filters for mobile phone handsets and other devices in the wireless communications market. In the industrial machinery and information equipment markets, Kyocera is developing various sensors and actuators through piezoelectric ceramic technology.

In the thin film components, Kyocera is developing thermal printheads for barcode printers that incorporate ecogeneration specifications as part of a new environmental concept, as well as inkjet printheads capable of high speed full-color printing, and high-luminance, slim and lightweight TFT color liquid crystal displays.

(5) Telecommunications Equipment Group

By making effective use of component, device and software technologies within the group, Kyocera is promoting research and development towards introduction of high-value-added products for the mobile communications equipment market, in which functions are becoming increasingly advanced. Kyocera is also strengthening the development of equipment such as base stations and terminals for next generation telecommunication protocol such as Long Term Evolution (LTE) that enable stable, high-speed and high-data rate communication.

(6) Information Equipment Group

Kyocera is promoting the development of more color-based and solutions-oriented printers, multifunction peripherals and other information equipment based on the ECOSYS concept, which realizes longer engine life, reduced running costs and minimal waste. We are pursuing this goal through the incorporation of our amorphous silicon photoreceptor drum with high abrasion resistance. Apart from bolstering the lineup for both black-and-white and color ECOSYS printers and multifunction peripherals, Kyocera is advancing the development of document solutions products that can handle the integrated management of documents and digital information. Efforts are also being made to strengthen security functions.

(7) Others

Kyocera Communications Systems Co., Ltd. is conducting the development of technologies related to network infrastructure creation and of applied systems that are key to next-generation mobile telecommunications and the convergence of telecommunications and broadcasting from both Information and Communication Technologies (ICT) and engineering.

Kyocera Chemical Corporation is currently strengthening the development of materials for semiconductor and electronic components. Focused efforts include the development of epoxy molding compounds for semiconductors and the development of conductive paste for electronic components.

Kyocera is also eagerly working toward the practical application of SOFCs, which are expected to be the next-generation distributed power generation system for small-scale power sources.

R&D expenses by reporting segment are as follows.

	Years ended March 31,			Increase
	2008 Amount	2009 Amount	2010 Amount	(Decrease) %
		(Yen in millions)		
Fine Ceramic Parts Group	¥ 3,655	¥ 3,346	¥ 2,594	(22.5)
Semiconductor Parts Group	3,498	3,227	3,126	(3.1)
Applied Ceramic Products Group	5,146	4,992	4,947	(0.9)
Electronic Device Group	11,641	12,690	8,444	(33.5)
Total Components Business	23,940	24,255	19,111	(21.2)
Telecommunications Equipment Group	12,396	15,864	8,853	(44.2)
Information Equipment Group	19,587	20,127	17,400	(13.5)
Total Equipment Business	31,983	35,991	26,253	(27.1)
Others	5,682	5,686	4,547	(20.0)
R&D expenses	¥ 61,605	¥ 65,932	¥ 49,911	(24.3)
% to net sales	4.8%	5.8%	4.6%	

We have a variety of patents in Japan and other countries, and we hold licenses for the use of patents from others. Details are set forth in Patents and Licenses included in Item 4.B Business Overview in this annual report on Form 20-F.

D. Trend Information

We believe that the high-growth potential markets for information and communications, and environment and energy are important for us, and we endeavor to expand business in those markets.

In the market for information and communications, trend of the digital consumer equipment market has a great influence on our earnings. In this market in fiscal 2010, production activities showed signs of recovery, notably for mobile phone handsets and PCs, due to the end of inventory adjustments.

We expect that demand for the digital consumer equipment will continue to be solid in fiscal 2011 due to greater advance in the technology of information and communications in developed countries and penetration of mobile phone handsets in emerging countries. Demand for smart phones, high-end mobile phone handsets and LED TVs will expand, especially in developed countries. In emerging countries, demand for low-end mobile phone handsets will increase as well as PCs and digital cameras. Shipment volume of mobile phone handsets, PCs and digital cameras on a global basis will increase approximately 10% compared with fiscal 2010. We will expand production capacity of major components for these digital consumer equipment to meet growing demand.

On the other hand, the information equipment market such as printers and multifunction peripherals in fiscal 2010 did not show full-scale recovery due to continuing curtailment of information technology investment by government sector and corporate sector which are our main customers. It is expected that this curtailment will continue in fiscal 2011. In the information equipment market, equipment makers are required not only to develop equipment such as color or high-speed machines but to enhance solution services such as Managed Print Service (MPS) which contribute to reduce printing cost while improving operational efficiency. In addition, we will strengthen development of software in order to provide better solution services with customers. At the same time, we will cultivate markets in emerging countries where growing demand is expected.

In the market for environment and energy, solar energy business is currently our main business. Demand for solar energy market is highly driven by governmental subsidy systems in each country. We expect that our solar energy business will continue to expand, due to an expansion of governmental subsidy in other European

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countries and commencement of full-scale subsidy for solar energy in the United States, despite a reduction in Feed in Tariff and subsidy in Germany and Japan in 2010. We will increase production of solar cells and modules in line with growing demand on a global basis. However, we expect a decline in selling price, and we endeavor to reduce production cost, enhance conversion efficiency and improve productivity.

It is also expected that fuel cell systems which contribute to a reduction in greenhouse gas will grow in the future. We endeavor to develop SOFCs for households in order to commercialize as soon as possible.

E. Off-Balance Sheet Arrangements

Refer to Note 14 in The Consolidated Financial Statements included in this annual report on Form 20-F.

As a part of our ongoing business, we have no unconsolidated special purpose financing or partnership entities that are likely to create material contingent obligations.

F. Tabular Disclosure of Contractual Obligations

The following table provides information about Kyocera s contractual obligations and other commercial commitments that will affect Kyocera s liquidity for the next several years, as of March 31, 2010. Kyocera anticipates that the funds required to fulfill these debt obligations and commitments will be cash at hand.

Contractual obligations	Less than 1 year	2-3 years	4-5 years	Thereafter	Total
			(Yen in millions)		
Short-term borrowings	¥ 4,073	¥	¥	¥	¥ 4,073
Interest payments for short-term borrowings*	61				61
Long-term debt (including due within one year)	13,456	20,243	7,794	1,030	42,523
Interest payments for long-term debt*	1,947	2,025	422	33	4,427
Supply agreement material used in operation	19,046	42,934	51,916	157,540	271,436
Operating leases	5,055	5,452	2,148	1,387	14,042
Obligations for the acquisition or construction of property, plant and equipment	9,652	234			9,886
Total contractual obligations	¥ 53,290	¥ 70,888	¥ 62,280	¥ 159,990	¥ 346,448

* For Kyocera s variable interest rate of borrowings and debt, Kyocera utilized the rates in effect as of March 31, 2010 when estimating schedule of interest payments.

In addition to contractual obligations shown in the above tables, Kyocera forecasts to contributing ¥10,141 million to its defined benefit pension plans in fiscal 2011, and Kyocera recorded liabilities of ¥8,352 million for gross unrecognized tax benefits in accordance with Financial Accounting Standard Board s Accounting Standards Codification 740, Income Taxes at March 31, 2010, which are not included in the above table because it is unable to make reasonable estimates of the period of settlements. For detailed information, see Note 17 to the Consolidated Financial Statements in this annual report on Form 20-F.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Kyocera believes that its current management system enables faster decision-making across the board through the use of a top management system comprising the chairman, the president and the vice presidents. With this setup, the chairman takes on the position as the head of the board of directors, providing guidance to the president, while the president has total responsibility for daily business execution. It is also believed that more accurate management decisions can be made with this management system, as the chairman, the president and the vice presidents can provide diverse perspectives on critical issues.

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The following table shows Kyocera s Directors and Corporate Auditors as of June 25, 2010.

Name	Date of Birth	Position	Since	Term
Makoto Kawamura	August 13, 1949	Representative Director and Chairman	2005 (Chairman 2009)	*1
Tetsuo Kuba	February 2, 1954	Representative Director and President	2008 (President 2009)	*1
Tatsumi Maeda	January 1, 1953	Representative Director and Vice President	2008	*1
Hisao Hisaki	July 2, 1946	Representative Director and Vice President	1991	*1
Yasuyuki Yamamoto	April 2, 1951	Director	2009	*1
Goro Yamaguchi	January 21, 1956	Director	2009	*1
Shoichi Aoki	September 19, 1959	Director	2009	*1
Katsumi Komaguchi	March 5, 1951	Director	2009	*1
Yoshihiro Kano	April 5, 1953	Director	2009	*1
Tsutomu Yamori	September 25, 1949	Director	2010	*2
Yoshihito Ohta	June 26, 1954	Director	2010	*2
Rodney N. Lanthorne	February 5, 1945	Director	1989	*1
John S. Gilbertson	December 4, 1943	Director	1995	*1
Yoshihiko Nishikawa	September 11, 1945	Full-time Corporate Auditor	2005	*3
Kokichi Ishibitsu	December 25, 1943	Full-time Corporate Auditor	2008	*4
Osamu Nishieda	January 10, 1943	Corporate Auditor	1993	*4
Kazuo Yoshida	January 10, 1948	Corporate Auditor	2008	*4
Yoshinari Hara	April 3, 1943	Corporate Auditor	2009	*3

*1 The term of office of a Director is two years after his election at the close of the ordinary general meeting of shareholders held on June, 25 2009.

*2 The term of office of a Director is one year after his election at the close of the ordinary general meeting of shareholders held on June 25, 2010.

*3 The term of office of a Corporate Auditor is four years after his election at the close of the ordinary general meeting of shareholders held on June 25, 2009.

*4 The term of office of a Corporate Auditor is four years after his election at the close of the ordinary general meeting of shareholders held on June 26, 2008.

Makoto Kawamura has served as a Representative Director and Chairman of Kyocera Corporation since 2009. He became a Director in 2001 and retired in 2003. He rejoined as a Representative Director and President in 2005. He joined Kyocera Corporation in 1973 and has served as Representative Trustee of Japan Photovoltaic Energy Association, Representative Director and Chairman of Kyocera Mita Corporation, Representative Director and Chairman of Kyocera SLC Technologies Corporation, Representative Director and Chairman of Kyocera Realty Development, Representative Director and Chairman of Kyocera Kinseki Corporation and Representative Director and Chairman of Kyocera Optec Co., Ltd.

Tetsuo Kuba has served as a Representative Director and President of Kyocera Corporation since 2009. He became an Executive Officer in 2003, a Managing Executive Officer in 2005, a Senior Managing Executive Officer in 2007 and a Director in 2008. He joined Kyocera Corporation in 1982 and has served as the Chairman of the Board of Directors of Shanghai Kyocera Electronics Co., Ltd. and Chairman of the Board of Directors of Dongguan Shilong Kyocera Optics Co., Ltd.

Tatsumi Maeda has served as a Representative Director and Vice President of Kyocera Corporation since 2009. He became a Director in 2001 and retired in 2003. He became a Managing Executive officer in 2003, a Senior Managing Executive Officer in 2007 and rejoined as a Director in 2008. He joined Kyocera Corporation in 1975

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and has served as the Chairman of the Board of Kyocera (Tianjin) Solar Energy Co., Ltd., Representative Director and Chairman of Kyocera Solar Corporation, Representative Director and Chairman and President in Kyocera Korea Co., Ltd., and the General Manager of Solar Energy Group and Corporate Electronic Components Group.

Hisao Hisaki has served as a Representative Director and Vice President of Kyocera Corporation since 2010. He became a Director in 1991. He became a Managing Executive Officer in 2003, retired in 2005, and rejoined as a Senior Managing Executive Officer in 2009. He joined Kyocera Corporation in 1969 and has served as Chairman of the Board of Directors of Kyocera Tianjin Sales and Trading Corporation, Chairman of the Board of Directors of Kyocera Management Consulting Service (Shanghai) Co., Ltd. and the General Manager of Corporate Development Group.

Yasuyuki Yamamoto has served as a Director of Kyocera Corporation since 2009. He became an Executive Officer in 2003 and a Senior Executive Officer in 2008. He joined Kyocera Corporation in 1976 and has served as a Managing Executive Officer and the General Manager of Corporate Communication Equipment Group.

Goro Yamaguchi has served as a Director of Kyocera Corporation since 2009. He became an Executive Officer in 2003 and a Senior Executive Officer in 2005. He joined Kyocera Corporation in 1978 and has served as a Managing Executive Officer and the General Manager of Corporate Semiconductor Components Group.

Shoichi Aoki has served as a Director of Kyocera Corporation since 2009. He became an Executive Officer in 2005. He joined Kyocera Corporation in 1983 and has served as a Managing Executive Officer and the General Manager of Corporate Financial and Accounting Group.

Katsumi Komaguchi has served as a Director of Kyocera Corporation since 2009. He became an Executive Officer in 2008. He joined Kyocera Corporation in 1986 and has served as a Managing Executive Officer and the Representative Director and President of Kyocera Mita Corporation.

Yoshihiro Kano has served as a Director of Kyocera Corporation since 2009. He became an Executive Officer in 2005. He joined Kyocera International, Inc. in 1980, transferred to Kyocera Corporation in 1991 and has served as a Managing Executive Officer and the Deputy General Manager of Corporate Development Group.

Tsutomu Yamori has served as a Director of Kyocera Corporation since 2010. He became a Director in 1997 and retired in 2003. He joined Kyocera Corporation in 1972 and has served as a Managing Executive Officer and the General Manager of Corporate General Affairs Human Resources Group.

Yoshihito Ohta has served as a Director of Kyocera Corporation since 2010. He became an Executive Officer in 2003 and a Senior Executive Officer in 2007. He joined Kyocera Corporation in 1978 and has served as a Managing Executive Officer, the General Manager of Corporate Office of the Chief Executives and the Deputy Trustee of Japan Airlines Corporation.

Rodney N. Lanthorne has served as a Director of Kyocera Corporation since 1989. He became a Director in 1989, a Managing Director in 1990 and a Senior Managing and Representative Director in 1999. He joined Kyocera International, Inc. in 1979 and has served as Director and Vice Chairman of Kyocera International, Inc.

John S. Gilbertson has served as a Director of Kyocera Corporation since 1995. He became a Director in 1995 and a Managing Director in 1999. He joined AVX Corporation in 1981 and has served as Director, President and Chief Executive Officer of AVX Corporation.

Yoshihiko Nishikawa has served as a Full-time Corporate Auditor of Kyocera Corporation since 2005. He became a Director in 1995 and retired in 2003. He joined Kyocera Corporation in 1970.

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Kokichi Ishibitsu has served as a Full-time Corporate Auditor of Kyocera Corporation since 2008. He became a Director in 1991 and retired in 2000. He joined Kyocera Corporation in 1975.

Osamu Nishieda has served as a Corporate Auditor of Kyocera Corporation since 1993. He has served as an In-House Council of Kyocera Corporation.

Kazuo Yoshida has served as a Corporate Auditor of Kyocera Corporation since 2008. He has served as Professor at Kyoto University.

Yoshinari Hara has served as a Corporate Auditor of Kyocera Corporation since 2009. He has served as Chief Corporate Adviser of Daiwa Securities Group Inc.

Kyocera adopts an executive officer system, which aims to establish corporate governance appropriate for a global corporation together with a decision making system responsive to the business environment and to train the next generation of senior executives.

The following table shows Kyocera s Executive Officers as of June 25, 2010.

Name	Position
Tetsuo Kuba	Executive Officer and President
Tatsumi Maeda	Executive Officer and Vice President (General Manager of Corporate Solar Energy Group and Corporate Electronic Components Group)
Hisao Hisaki	Executive Officer and Vice President (General Manager of Corporate Development Group)
Yasuyuki Yamamoto	Managing Executive Officer (General Manager of Corporate Communication Equipment Group)
Goro Yamaguchi	Managing Executive Officer (General Manager of Corporate Semiconductor Components Group)
Shoichi Aoki	Managing Executive Officer (General Manager of Corporate Financial & Accounting Group)
Katsumi Komaguchi	Managing Executive Officer (Representative Director and President of Kyocera Mita Corporation)
Yoshihiro Kano	Managing Executive Officer (Deputy General Manager of Corporate Development Group)
Tsutomu Yamori	Managing Executive Officer (General Manager of Corporate General Affairs Human Resources Group)
Yoshihito Ohta	Managing Executive Officer (General Manager of Corporate Office of the Chief Executives)
Akiyoshi Okamoto	Managing Executive Officer (General Manager of Shanghai Kyocera Electronics Co., Ltd.)
Eiichi Toriyama	Managing Executive Officer (Director and President of Kyocera Communications, Inc.)
Osamu Nomoto	Senior Executive Officer

	(General Manager of Corporate Legal and Intellectual Property Group)
Keijiro Minami	Senior Executive Officer (General Manager of Corporate R&D Group for Components and Devices)
Takenori Ugari	Senior Executive Officer (Deputy General Manager of Corporate Communication Equipment Group)

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Name	Position
Gen Takayasu	Senior Executive Officer (Deputy General Manager of Corporate Electronic Components Group)
Junzo Katsuki	Senior Executive Officer (Deputy General Manager of Corporate Communication Equipment Group)
Junichi Jinno	Executive Officer (General Manager of Corporate R&D Group for Equipment and Systems)
Masakazu Mitsuda	Executive Officer (General Manager of Corporate Business Systems Administration Group)
Toshimi Gejima	Executive Officer (General Manager of R&D Center Kagoshima, Corporate R&D Group for Components and Devices)
Michiaki Furuhashi	Executive Officer (Deputy General Manager of Corporate Office of the Chief Executives)
Mitsuru Imanaka	Executive Officer (Representative Director and President of Kyocera Fineceramics GmbH)
Yoichi Yamashita	Executive Officer (General Manager of Corporate Production Technology & Development Group)
John S. Rigby	Executive Officer (Director and President of Kyocera International, Inc.)
Robert E. Whisler	Executive Officer (Director and President of Kyocera America Inc.)
Masaki Kozu	Executive Officer (General Manager of Corporate Education Group)
Hitoshi Takao	Executive Officer (General Manager of Corporate Thin Film Components Group)
Yoshiharu Nakamura	Executive Officer (General Manager of Dongguan Shilong Kyocera Optec Co., Ltd.)
Kazumasa Umemura	Executive Officer (General Manager of International Division, Corporate Office of the Chief Executives)
Takafumi Matsuda	Executive Officer (General Manager of Jewelry & Application Products Division)
Masaaki Itoh	Executive Officer (Deputy General Manager of Corporate General Affairs Human Resources Group)
Tsuyoshi Egami	Executive Officer (Deputy General Manager of Corporate Mobile Communication Equipment Technical Division, Corporate Communication Equipment Group)
Kouji Mae	Executive Officer

	(Representative Director and President of Kyocera SLC Technologies Corporation)
Motoo Kobayashi	Executive Officer (Representative Director and President of Kyocera Communication Systems Co., Ltd.)
Nobuo Kitamura	Executive Officer (Deputy General Manager of Corporate Solar Energy Group)
Ken Ishii	Executive Officer (General Manager of Corporate Cutting Tool Group)

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Name	Position
Takeshi Oda	Executive Officer (General Manager of Corporate Mobile Communication Equipment Technical Division, Corporate Communication Equipment Group)
Kazuyuki Nada	Executive Officer (Deputy General Manager of Corporate Semiconductor Components Group)
Yuji Goto	Executive Officer (General Manager of Kyocera (Tianjin) Sales & Trading Corporation)
Shigeaki Kinori	Executive Officer (General Manager of Corporate Fine Ceramics Group)
Masaki Iida	Executive Officer (General Manager of Corporate Purchasing Group)

B. Compensation

The aggregate amount of compensation, including bonuses, provided by Kyocera Corporation and its certain subsidiaries in fiscal 2010 to all Directors, Corporate Auditors and Executive Officers of Kyocera Corporation was ¥1,532 million.

Under our prior remuneration system for Directors and Corporate Auditors, which was revised as explained below, when a Director or Corporate Auditor retired, a proposal to pay a lump sum retirement allowance was submitted to the ordinary general meeting of shareholders for approval. After such approval, the amount to be paid to each Director was considered and determined by the Board of Directors, and the amount to be paid to each Corporate Auditor was also consulted with and determined by the Board of Corporate Auditors. When an Executive Officer retired, a lump sum payment of retirement allowance and the amount to be paid to each Executive Officer were considered and determined by the Board of Directors.

Annual provisions were made in the accounts of Kyocera Corporation for the cost of the retirement allowance for Directors, Corporate Auditors and Executive Officers in accordance with our internal provision. Our remuneration system for Directors and Corporate Auditors was revised following the approval of such revision by our shareholders at the general meeting of shareholders held on June 25, 2009. As revised, the above-mentioned retirement allowances were abolished.

The annual provisions and costs charged to income for such retirement allowance during April 1, 2009 to June 25, 2009 was ¥64 million.

Certain subsidiaries maintain retirement benefit plans for their executives who serve as Directors and Executive Officers of Kyocera Corporation and annual provisions and costs charged to income for such retirement allowance during fiscal 2010 was ¥28 million.

In Japan, the regulation regarding disclosure of compensation has been revised, and from fiscal 2010, disclosure of compensation is required on an individual basis if the compensation paid to each Director or Corporate Auditor by the company and its subsidiaries exceeds ¥100 million. In accordance to this, the person whose compensation is required to be disclosed individually at Kyocera and the detail of the compensation are as follows.

Name	:	John S. Gilbertson
Position	:	Director of Kyocera Corporation Director, President and Chief Executive Officer of AVX Corporation

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Compensation provided at	Amounts of compensation by types				
	Basic remuneration	Bonus	Stock option (Yen in millions)	Others	Total
Kyocera Corporation	¥ 10	¥ 2			¥ 114
AVX Corporation	¥ 66	¥ 5	¥ 20	¥ 11	

Notes:

1. AVX Corporation is Kyocera s consolidated subsidiary in the U.S. and the determination of compensation is made by AVX s Compensation Committee pursuant to the U.S. regulations and based on its consideration for general level and customary of compensation in the U.S.

2. The compensation provided originally in the U.S. dollar at AVX Corporation was translated into the yen by ¥93 per $1.00 which was the average rate during fiscal 2010.

In addition to the above, the revision of the new regulation requires public companies to disclose details of compensation paid to Directors and Corporate Auditors by the parent company and the policy to determine such amount of compensation. With respect to these revised regulations which are effective from fiscal 2010 annual reports, Kyocera s disclosure on compensation for Directors and Corporate Auditors is as follows.

The total amount of compensation paid to Director and Corporate Auditor, the amounts of compensation by types, and the number of Directors and Corporate Auditors

	Total amount of compensation	Amounts of compensation by types			Number of Directors and Corporate Auditors
		Basic remuneration	Bonus (Yen in millions)	Retirement allowance	
Director	¥ 286	¥ 207	¥ 41	¥ 38	17
Full-time Corporate Auditor	42	41		1	2
Outside Corporate Auditor	18	18			4
Total	¥ 346	¥ 266	¥ 41	¥ 39	23

Notes:

1. Amount of remuneration to Directors does not include salaries for services as employees or Executive Officers for Directors who serve as such.

2. The numbers set forth in &