

KYOCERA CORP
Form 6-K
November 13, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 under

the Securities Exchange Act of 1934

For the month of November 2017

Commission File Number: 1-07952

KYOCERA CORPORATION

(Translation of registrant's name into English)

6 Takeda Tobadono-cho, Fushimi-ku,

Kyoto 612-8501, Japan

(Address of principal executive office)

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

Form 20-F Form 40-F

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

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

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SIGNATURE

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

KYOCERA CORPORATION

/s/ SHOICHI AOKI

(Signature)

Shoichi Aoki

Director,

Managing Executive Officer and

General Manager of

Corporate Financial and Accounting Group

Date: November 10, 2017

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Information furnished on this form:

EXHIBITS

**Exhibit
Number**

1. English translation of consolidated financial statements included in the Quarterly Report (shihanki-houkokusho) for the three months and six months ended September 30, 2017 submitted to the Director of the Kanto Local Finance Bureau of the Ministry of Finance pursuant to the Financial Instruments and Exchange Law of Japan

Table of Contents**CONSOLIDATED BALANCE SHEETS (Unaudited)**

	March 31, 2017	September 30, 2017
	(Yen in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	¥ 376,195	¥ 392,659
Short-term investments in debt securities (Notes 4 and 5)	84,703	69,025
Other short-term investments (Note 4)	212,668	205,898
Trade receivables		
Notes	28,370	22,840
Accounts	291,485	300,544
Less allowances for doubtful accounts and sales returns	(5,593)	(5,258)
	314,262	318,126
Inventories (Note 6)	331,155	357,237
Other current assets (Notes 5, 7 and 10)	119,714	128,406
Total current assets	1,438,697	1,471,351
Investments and advances:		
Long-term investments in debt and equity securities (Notes 4 and 5)	1,130,756	1,146,260
Other long-term investments (Notes 4, 5 and 10)	22,246	24,984
Total investments and advances	1,153,002	1,171,244
Property, plant and equipment:		
Land	59,963	60,048
Buildings	351,431	356,622
Machinery and equipment	841,973	855,766
Construction in progress	14,097	16,880
Less accumulated depreciation	(1,000,860)	(1,012,867)
Total property, plant and equipment	266,604	276,449
Goodwill (Note 3)	110,470	141,130
Intangible assets (Note 3)	61,235	65,976
Other assets	80,462	76,846
Total assets	¥ 3,110,470	¥ 3,202,996

The accompanying notes are an integral part of these statements.

Table of Contents**CONSOLIDATED BALANCE SHEETS (Unaudited) (Continued)**

	March 31, 2017	September 30, 2017
	(Yen in millions)	
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	¥ 191	¥ 142
Current portion of long-term debt (Note 5)	8,235	8,789
Trade notes and accounts payable	129,460	140,295
Other notes and accounts payable (Note 10)	60,881	59,247
Accrued payroll and bonus	62,868	66,325
Accrued income taxes	15,707	14,537
Other accrued liabilities (Note 10)	51,062	53,376
Other current liabilities (Notes 5 and 7)	36,257	36,922
Total current liabilities	364,661	379,633
Non-current liabilities:		
Long-term debt (Note 5)	16,409	17,953
Accrued pension and severance liabilities (Note 8)	31,720	32,630
Deferred income taxes	258,859	257,381
Other non-current liabilities	19,912	20,260
Total non-current liabilities	326,900	328,224
Total liabilities	691,561	707,857
Commitments and contingencies (Note 10)		
Equity:		
Kyocera Corporation's shareholders' equity:		
Common stock	115,703	115,703
Additional paid-in capital	165,230	164,969
Retained earnings	1,638,116	1,677,440
Accumulated other comprehensive income (Note 12)	447,479	480,648
Common stock in treasury, at cost	(32,309)	(32,328)
Total Kyocera Corporation's shareholders' equity	2,334,219	2,406,432
Noncontrolling interests	84,690	88,707
Total equity (Note 11)	2,418,909	2,495,139
Total liabilities and equity	¥ 3,110,470	¥ 3,202,996

The accompanying notes are an integral part of these statements.

Table of Contents**CONSOLIDATED STATEMENTS OF INCOME (Unaudited)**

	Six months ended September 30,	
	2016	2017
	(Yen in millions and shares in thousands,	
	except per share amounts)	
Net sales	¥ 653,243	¥ 738,345
Cost of sales (Note 8)	488,049	533,191
Gross profit	165,194	205,154
Selling, general and administrative expenses (Notes 3, 8 and 13)	131,409	135,649
Profit from operations	33,785	69,505
Other income (expenses):		
Interest and dividend income (Note 4)	15,903	20,831
Interest expense	(1,385)	(656)
Foreign currency transaction gains (losses), net (Note 7)	(238)	150
Gains on sales of securities, net	103	389
Other, net	410	(2,379)
Total other income (expenses)	14,793	18,335
Income before income taxes	48,578	87,840
Income taxes (Note 9)	10,302	23,043
Net income	38,276	64,797
Net income attributable to noncontrolling interests	(2,123)	(3,410)
Net income attributable to Kyocera Corporation's shareholders	¥ 36,153	¥ 61,387
Per share information (Note 15):		
Net income attributable to Kyocera Corporation's shareholders:		
Basic	¥ 98.47	¥ 166.94
Diluted	98.47	166.94
Average number of shares of common stock outstanding:		
Basic	367,143	367,711
Diluted	367,143	367,711

The accompanying notes are an integral part of these statements.

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	Three months ended September 30,	
	2016	2017
	(Yen in millions and shares in thousands,	
	except per share amounts)	
Net sales	¥ 333,258	¥ 393,183
Cost of sales (Note 8)	248,194	284,857
Gross profit	85,064	108,326
Selling, general and administrative expenses (Notes 3, 8 and 13)	63,549	69,988
Profit from operations	21,515	38,338
Other income (expenses):		
Interest and dividend income	1,319	2,428
Interest expense	(327)	(333)
Foreign currency transaction gains, net (Note 7)	1,035	740
Gains on sales of securities, net		61
Other, net	238	(2,654)
Total other income (expenses)	2,265	242
Income before income taxes	23,780	38,580
Income taxes (Note 9)	3,978	10,311
Net income	19,802	28,269
Net income attributable to noncontrolling interests	(1,102)	(1,863)
Net income attributable to Kyocera Corporation's shareholders	¥ 18,700	¥ 26,406
Per share information (Note 15):		
Net income attributable to Kyocera Corporation's shareholders:		
Basic	¥ 50.89	¥ 71.81
Diluted	50.89	71.81
Average number of shares of common stock outstanding:		
Basic	367,429	367,710
Diluted	367,429	367,710

The accompanying notes are an integral part of these statements.

Table of Contents**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)**

	Six months ended September 30,	
	2016	2017
	(Yen in millions)	
Net income	¥ 38,276	¥ 64,797
Other comprehensive income net of taxes		
Net unrealized gains on securities (Notes 4, 11 and 12)	19,660	16,006
Net unrealized gains on derivative financial instruments (Notes 7, 11 and 12)	28	8
Pension liability adjustment (Notes 8, 11 and 12)	1,395	(1,118)
Foreign currency translation adjustments (Notes 11 and 12)	(63,076)	20,067
Total other comprehensive income	(41,993)	34,963
Comprehensive income	(3,717)	99,760
Comprehensive income attributable to noncontrolling interests	5,644	(5,228)
Comprehensive income attributable to Kyocera Corporation's shareholders	¥ 1,927	¥ 94,532

The accompanying notes are an integral part of these statements.

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	Three months ended September 30,	
	2016	2017
	(Yen in millions)	
Net income	¥ 19,802	¥ 28,269
Other comprehensive income net of taxes		
Net unrealized gains on securities (Notes 4 and 12)	1,456	1,005
Net unrealized gains on derivative financial instruments (Notes 7 and 12)	45	60
Pension liability adjustment (Notes 8 and 12)	(26)	(531)
Foreign currency translation adjustments (Note 12)	(9,240)	12,846
Total other comprehensive income	(7,765)	13,380
Comprehensive income	12,037	41,649
Comprehensive income attributable to noncontrolling interests	(25)	(3,017)
Comprehensive income attributable to Kyocera Corporation's shareholders	¥ 12,012	¥ 38,632

The accompanying notes are an integral part of these statements.

Table of Contents**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

	Six months ended September 30,	
	2016	2017
	(Yen in millions)	
Cash flows from operating activities:		
Net income	¥ 38,276	¥ 64,797
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	35,512	36,735
Provision for doubtful accounts and loss on bad debts	722	(8)
Write-down of inventories	4,673	4,183
Deferred income taxes	28	(176)
Gains on sales of securities, net	(103)	(389)
Gains on sales of property, plant and equipment, net	(973)	(7)
Foreign currency adjustments	8,233	(1,395)
Change in assets and liabilities:		
Decrease in receivables	9,954	14,988
Increase in inventories	(12,732)	(19,385)
Decrease (increase) in other current assets	3,204	(4,743)
Increase (decrease) in notes and accounts payable	768	(3,613)
Decrease in accrued income taxes	(16,195)	(1,301)
Increase (decrease) in other current liabilities	3,568	(207)
Decrease in other non-current liabilities	(959)	(1,044)
Other, net	(942)	2,658
Net cash provided by operating activities	73,034	91,093
Cash flows from investing activities:		
Payments for purchases of held-to-maturity securities	(81,624)	(24,915)
Payments for purchases of other securities	(1,731)	(3,051)
Proceeds from sales of available-for-sale securities	167	533
Proceeds from maturities of held-to-maturity securities	80,315	41,464
Acquisitions of businesses, net of cash acquired (Note 3)	(10,878)	(34,986)
Payments for purchases of property, plant and equipment	(35,851)	(36,144)
Payments for purchases of intangible assets	(3,018)	(3,009)
Proceeds from sales of property, plant and equipment	2,114	759
Acquisition of time deposits and certificate of deposits	(217,651)	(233,481)
Withdrawal of time deposits and certificate of deposits	186,320	241,177
Other, net	(847)	356
Net cash used in investing activities	(82,684)	(51,297)
Cash flows from financing activities:		
Decrease in short-term borrowings, net	(4,263)	(3,253)

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Proceeds from issuance of long-term debt	4,663	5,128
Payments of long-term debt	(6,269)	(5,653)
Dividends paid	(20,321)	(24,107)
Purchases of noncontrolling interests	(1,175)	(450)
Other, net	(488)	(215)
Net cash used in financing activities	(27,853)	(28,550)
Effect of exchange rate changes on cash and cash equivalents	(18,747)	5,218
Net increase (decrease) in cash and cash equivalents	(56,250)	16,464
Cash and cash equivalents at beginning of period	374,020	376,195
Cash and cash equivalents at end of period	¥ 317,770	¥ 392,659

The accompanying notes are an integral part of these statements.

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NOTES TO THE UNAUDITED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. ACCOUNTING PRINCIPLES, PROCEDURES AND FINANCIAL STATEMENTS PRESENTATION

In December 1975, Kyocera Corporation registered its common stock and American Depository Receipts (ADRs) with the United States Securities and Exchange Commission (SEC). In May 1980, Kyocera listed its ADRs on the New York Stock Exchange.

Kyocera Corporation has filed Form 20-F as an annual report with the SEC, which includes the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America, under section 13 of the Securities Exchange Act of 1934. Kyocera Corporation has also prepared quarterly consolidated financial statements in accordance with accounting principles generally accepted in the United States of America for interim financial statements.

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

(1) Revenue recognition

Kyocera adopts the Financial Accounting Standards Board (FASB) s Accounting Standards Codification (ASC) 605, Revenue Recognition. Kyocera recognizes revenue when the risks and rewards of ownership have been transferred to the customer and revenue can be reliably measured.

(2) Goodwill and other intangible assets

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

(3) Lease accounting

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

(4) Benefit plans

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

(5) Unused compensated absence

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

(6) Income taxes

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

(7) Stock issuance costs

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

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2. SUMMARY OF ACCOUNTING POLICIES

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

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

(2) Revenue recognition

Kyocera generates revenue principally through the sale of industrial components and telecommunications and information equipment. Kyocera's operations consist of the following reporting segments: 1) Industrial & Automotive Components Group, 2) Semiconductor Components Group, 3) Electronic Devices Group, 4) Communications Group, 5) Document Solutions Group and 6) Life & Environment Group.

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

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

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

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

Sales Incentives

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

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(a) Distributor Stock Rotation Program

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

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

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

Sales Rebates

In the case of sales to distributors in the Industrial & Automotive Components Group and Document Solutions Group, Kyocera provides cash rebates when predetermined sales targets are achieved during a certain period. Provisions for sales rebates are recorded as a reduction of revenue at the time of revenue recognition based on the best estimate of forecasted sales to each distributor in accordance with ASC 605-50, *Customer Payments and Incentives*.

Sales Returns

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

Products Warranty

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

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

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(3) Cash and cash equivalents

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

(4) Translation of foreign currencies

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

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

(5) Allowance for doubtful accounts

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

(6) Inventories

Inventories are accounted for under ASC 330, Inventory. Inventories are stated at the lower of cost and net realizable value. The remaining balance of raw materials to be purchased under the long term purchase agreements are also stated at the lower of cost and net realizable value.

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

Kyocera recognizes estimated write-down of inventories for excess, slow-moving and obsolete inventories.

(7) Securities

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

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

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

(8) Property, plant and equipment and depreciation

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

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

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

(9) Goodwill and other intangible assets

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

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

Customer relationships	3 to 20 years
Software	2 to 15 years
Patent rights	2 to 20 years
Trademarks	2 to 21 years
Non-patent technology	5 to 20 years

(10) Impairment of long-lived assets

Impairment of long-lived assets which include intangible assets with definite useful lives is accounted for under ASC 360, Property, Plant, and Equipment. Kyocera reviews its long-lived assets for impairment whenever events or

changes in circumstances indicate that its carrying amount may not be recoverable.

In the case that their carrying amounts are considered unrecoverable and exceed their fair value, its exceeded amount is recognized as the impairment loss. The fair value is determined using the expected discounted cash flows gained from them directly.

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(11) Derivative financial instruments

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

Kyocera designates certain foreign currency forward contracts. However, changes in fair value of most of the foreign currency forward contracts are recorded in income without applying hedge accounting as it is expected that such changes will be offset by corresponding gains or losses of the underlying hedged assets and liabilities. Kyocera's affiliate accounted for by the equity method designates certain interest rate swaps with applying hedge accounting to this transaction.

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

(12) Commitments and contingencies

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

(13) Stock-based compensation

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

(14) Net income attributable to Kyocera Corporation's shareholders

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

(15) Research and development expenses and advertising expenses

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

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(16) Use of estimates

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

(17) Recently adopted accounting standards

On April 1, 2017, Kyocera adopted Accounting Standards Update (ASU) No. 2016-07, Investments Simplifying the Transition to the Equity Method of Accounting. The accounting standard eliminates the requirement to retroactively adopt the equity method of accounting when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence. The adoption of this accounting standard did not have a material impact on Kyocera's consolidated results of operations, financial condition and cash flows.

(18) Recently issued accounting standards to be adopted in the future

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. This accounting standard requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The two permitted transition methods under the standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. This accounting standard also requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Qualitative and quantitative information is required about:

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

Furthermore, in August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers Deferral of the Effective Date. This accounting standard defers the effective date of ASU No. 2014-09 for all entities by one year. As a result, ASU No. 2014-09 will be effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Kyocera is currently in the assessment phase of implementing these standards. Kyocera has reviewed, and is continuing to review, Kyocera's contracts with customers to identify performance obligations and the associated transaction price and timing of revenue recognition in accordance with ASU No. 2014-09. Kyocera currently does not expect the adoption of these accounting standards to have a material impact on the timing of revenue recognition. However, Kyocera continues the analysis of the impact on Kyocera's consolidated financial statements and related disclosures and evaluates that these accounting standards will have on Kyocera's consolidated results of operations, financial position and cash flows.

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In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this accounting standard address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. This accounting standard includes the requirement that equity securities be measured at fair value with changes in the fair value recognized through net income. This accounting standard will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Kyocera currently has equity securities that will need to be measured at fair value through earnings as opposed to being measured through other comprehensive income when this accounting standard is adopted. If Kyocera adopted this accounting standard in the three months and the six months ended September 30, 2017, the amount of ¥1,437 millions and ¥22,858 millions of gain due to changes in the fair value of equity securities during the three months and the six months ended September 30, 2017 would be reported in other income (expenses) in the consolidated statements of income.

In February 2016, the FASB issued ASU No. 2016-02, Leases. This accounting standard requires a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. This accounting standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Kyocera is currently evaluating the impact that this accounting standard will have on Kyocera's consolidated results of operations, financial position and cash flows.

(19) Reclassifications

Certain reclassifications and format changes have been made to the consolidated statements of income for the three months ended September 30, 2016 and the corresponding footnotes to conform to the current presentation.

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3. BUSINESS COMBINATION

Business combination for the six months ended September 30, 2017

On August 1, 2017, Kyocera Document Solutions Inc., a domestic subsidiary, signed an agreement to acquire the business of DataBank IMX, LLC and acquired all of the common stocks of Databank Acquisition Corporation, its parent company, for ¥7,145 million by cash in order to activate a new business model and expand its business in the U.S. market. DataBank IMX, LLC mainly provides solutions services for improving the efficiency of document data management in a company.

Kyocera will use the acquisition method of accounting to record assets acquired and liabilities assumed in accordance with ASC 805, Business Combinations, but the allocation of fair value to the acquired assets and assumed liabilities in this business combination has not yet completed as of September 30, 2017. Further information related to the accounting will be disclosed upon completion of this allocation.

Acquisition-related costs of ¥40 million were included in selling, general and administrative expenses in the consolidated statement of income for the six months ended September 30, 2017. The result of operation of the acquired business was included into Kyocera's quarterly consolidated financial statements since the acquisition date. For segment reporting, it is reported in Document Solutions Group.

On August 7, 2017, Kyocera acquired all of the common stocks of Senco Holdings, Inc., a U.S. based company, which provides the product of the pneumatic tool for ¥28,312 million by cash in order to expand the pneumatic power tool related products globally in Kyocera's cutting tool business, and made it consolidated subsidiary and changed its name as Kyocera Senco Industrial Tools, Inc.

Kyocera will use the acquisition method of accounting to record assets acquired and liabilities assumed in accordance with ASC 805, Business Combinations, but the allocation of fair value to the acquired assets and assumed liabilities in this business combination has not yet completed as of September 30, 2017. Further information related to the accounting will be disclosed upon completion of this allocation.

Acquisition-related costs of ¥620 million were included in selling, general and administrative expenses in the consolidated statement of income for the six months ended September 30, 2017. The result of operation of the acquired business was included into Kyocera's quarterly consolidated financial statements since the acquisition date. For segment reporting, it is reported in Industrial & Automotive Components Group.

Table of Contents**Business combination for the six months ended September 30, 2016**

On May 2, 2016, Kyocera acquired all of the common stocks of SGS Tool Company which is the U.S. based solid tool manufacturing and sales company for ¥9,046 million by cash in order to strengthen Kyocera's cutting tool business in North America, and made it consolidated subsidiary and changed its name as Kyocera SGS Precision Tools, Inc.

Kyocera has used the acquisition method of accounting to record assets acquired and liabilities assumed in accordance with ASC 805, Business Combinations. The allocation of fair value to the acquired assets and assumed liabilities was completed during the three months ended March 31, 2017. As a result, the allocation of fair value to them based on estimated fair value in this business combination as of the acquisition date and goodwill were recognized as described below.

Acquisition-related costs of ¥282 million were included in selling, general and administrative expenses in the consolidated statement of income for the six months ended September 30, 2016. The result of operation of the acquired business was included into Kyocera's quarterly consolidated financial statements since the acquisition date. For segment reporting, it is reported in the Industrial & Automotive Components Group.

	May 2, 2016 (Yen in millions)
Cash and cash equivalents	¥ 501
Trade receivables	940
Inventories	1,330
Others	145
Total current assets	2,916
Property, plant and equipment	3,514
Intangible assets	1,432
Others	1
Total non-current assets	4,947
Total assets	7,863
Trade notes and accounts payable	172
Others	779
Total current liabilities	951
Non-current liabilities	1,111
Total liabilities	2,062
Total identified assets and liabilities	5,801
Purchase price (Cash)	9,046

Goodwill* ¥ 3,245

* The total amount of goodwill is not expected to be deductible for tax purposes.
Intangible assets that Kyocera recorded due to this acquisition are summarized as follows:

	May 2, 2016	
	(Yen in millions)	
Intangible assets subject to amortization:		
Customer relationships	¥	1,160
Trademarks		213
Others		59
Total	¥	1,432

The weighted average amortization periods for customer relationships and trademarks are 15 years and two years, respectively.

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

Table of Contents**4. DEBT SECURITIES, EQUITY SECURITIES AND OTHER INVESTMENTS**

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

Investments in debt and equity securities at March 31, 2017 and September 30, 2017, included in short-term investments in debt securities and in long-term investments in debt and equity securities in the consolidated balance sheets, are summarized as follows:

	March 31, 2017				September 30, 2017			
	Cost*1	Aggregate Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Cost*1	Aggregate Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
(Yen in millions)								
Available-for-sale securities:								
Marketable equity securities*2	¥ 267,526	¥ 1,048,127	¥ 780,644	¥ 43	¥ 267,416	¥ 1,070,869	¥ 803,492	¥ 39
Total equity securities	267,526	1,048,127	780,644	43	267,416	1,070,869	803,492	39
Total available-for-sale securities	267,526	1,048,127	780,644	43	267,416	1,070,869	803,492	39
Held-to-maturity securities:								
Corporate bonds	167,329	167,135	172	366	135,949	136,563	749	135
Government bonds and public bonds	3	3			2	2		
Commercial paper					8,465	8,482	17	
Total held-to-maturity securities	167,332	167,138	172	366	144,416	145,047	766	135
Total	¥ 434,858	¥ 1,215,265	¥ 780,816	¥ 409	¥ 411,832	¥ 1,215,916	¥ 804,258	¥ 174

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

- *2 Marketable equity securities mainly consist of the shares of KDDI Corporation, which is a telecommunications carrier in Japan. At September 30, 2017, Kyocera Corporation's equity interest in KDDI Corporation was 12.95%. Cost, aggregate fair value and gross unrealized gain of the shares of KDDI Corporation held by Kyocera are as follows:

	March 31, 2017				September 30, 2017			
	Cost	Aggregate Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	Cost	Aggregate Fair Value	Gross Unrealized Gain	Gross Unrealized Loss

Shares of KDDI Corporation	¥ 242,868	¥ 979,151	¥ 736,283	¥	¥ 242,868	¥ 994,230	¥ 751,362	¥
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Kyocera received dividends from KDDI Corporation, and included them in interest and dividend income in the consolidated statements of income, are summarized as follows:

	Six months ended September 30,	
	2016	2017
Dividends from KDDI Corporation	¥ 11,728	¥ 15,079

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Short-term investments in debt securities and long-term investments in debt and equity securities at March 31, 2017 and September 30, 2017 are as follows:

	March 31, 2017			September 30, 2017		
	Available- for-Sale	Held-to- Maturity	Total	Available- for-Sale	Held-to- Maturity	Total
	(Yen in millions)					
Short-term investment in debt securities	¥	¥ 84,703	¥ 84,703	¥	¥ 69,025	¥ 69,025
Long-term investment in debt and equity securities	1,048,127	82,629	1,130,756	1,070,869	75,391	1,146,260
Total	¥ 1,048,127	¥ 167,332	¥ 1,215,459	¥ 1,070,869	¥ 144,416	¥ 1,215,285

(2) Other investments

Kyocera holds time deposits and certificates of deposits which are due over three months to original maturity, non-marketable equity securities, long-term loans and investments in affiliates and an unconsolidated subsidiary. Carrying amounts of these investments at March 31, 2017 and September 30, 2017, included in other short-term investments and in other long-term investments in the consolidated balance sheets, are summarized as follows:

	March 31, 2017	September 30, 2017
	(Yen in millions)	
Time deposits and certificates of deposits (due over 3 months)	¥ 213,143	¥ 206,437
Non-marketable equity securities	15,865	18,734
Long-term loans	43	38
Investments in affiliates and an unconsolidated subsidiary	5,863	5,673
Total	¥ 234,914	¥ 230,882

Table of Contents**5. FAIR VALUE**

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

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

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

	March 31, 2017				September 30, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(Yen in millions)							
Current Assets:								
Foreign currency forward contracts	¥	¥ 2,470	¥	¥ 2,470	¥	¥ 548	¥	¥ 548
Total derivatives		2,470		2,470		548		548
Total current assets		2,470		2,470		548		548
Non-Current Assets:								
Marketable equity securities	1,048,127			1,048,127	1,070,869			1,070,869
Total equity securities	1,048,127			1,048,127	1,070,869			1,070,869
Total non-current assets	1,048,127			1,048,127	1,070,869			1,070,869
Total assets	¥ 1,048,127	¥ 2,470	¥	¥ 1,050,597	¥ 1,070,869	¥ 548	¥	¥ 1,071,417
Current Liabilities:								
Foreign currency forward contracts	¥	¥ 4,770	¥	¥ 4,770	¥	¥ 7,499	¥	¥ 7,499
Total derivatives		4,770		4,770		7,499		7,499
Total current liabilities	¥	¥ 4,770	¥	¥ 4,770	¥	¥ 7,499	¥	¥ 7,499

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

The fair value of Level 2 investments is other than quoted price included within Level 1 that is observable for the asset or liability, either directly or indirectly through corroboration with observable market data. Kyocera did not recognize any transfers between Levels 1 and 2 for the six months ended September 30, 2017.

The fair value of Level 2 derivatives is estimated based on quotes from financial institutions. With respect to the detail information of derivatives, please refer to the Note 7 to the Quarterly Consolidated Financial Statements.

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(2) Fair value of financial instruments

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

	March 31, 2017		September 30, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(Yen in millions)				
Assets (a):				
Short-term investments in debt securities	¥ 84,703	¥ 84,713	¥ 69,025	¥ 69,075
Long-term investments in debt and equity securities	1,130,756	1,130,552	1,146,260	1,146,841
Other long-term investments (excluding investments in affiliates and an unconsolidated subsidiary)	16,383	16,383	19,311	19,311
Total	¥ 1,231,842	¥ 1,231,648	¥ 1,234,596	¥ 1,235,227
Liabilities (b):				
Long-term debt (including due within one year)	¥ 24,644	¥ 24,644	¥ 26,742	¥ 26,742
Total	¥ 24,644	¥ 24,644	¥ 26,742	¥ 26,742

(a) For investments with active markets, fair value is based on quoted market prices. For non-marketable equity securities, it is not practicable to estimate the fair value because of the lack of the market price and difficulty in estimating fair value without incurring excessive cost. In addition, Kyocera did not identify any events or changes in circumstances that may have had a significant adverse effect on these investments. The aggregated carrying amounts of these investments included in the above table at March 31, 2017 and September 30, 2017 were ¥15,852 million and ¥18,703 million, respectively. Fair value of held-to-maturity investments in debt securities is mainly classified as Level 2.

(b) The fair value is estimated by discounting cash flows, using current interest rates for instruments with similar terms and remaining maturities, and classified as Level 2.

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

6. INVENTORIES

Inventories at March 31, 2017 and September 30, 2017 are as follows:

March 31, 2017 September 30, 2017
(Yen in millions)

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Finished goods	¥ 142,615	¥	164,672
Work in process	66,956		74,852
Raw materials and supplies	121,584		117,713
Total	¥ 331,155	¥	357,237

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7. DERIVATIVES AND HEDGING

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

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

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

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

Kyocera's affiliate accounted for by the equity method uses interest rate swaps to minimize significant, unanticipated cash flow fluctuations caused by interest rate volatility. The affiliate also reduces credit risks by entering into transactions with certain creditworthy counterparty and limiting the amount of exposure to the counterparty.

Cash Flow Hedges:

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

Other Derivatives:

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

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The aggregate contractual amounts of derivative financial instruments at March 31, 2017 and September 30, 2017 are as follows:

	March 31, 2017	September 30, 2017
	(Yen in millions)	
Derivatives designated as hedging instruments:		
Foreign currency forward contracts	¥ 13,701	¥ 14,597
Derivatives not designated as hedging instruments:		
Foreign currency forward contracts	315,523	414,743
Total derivatives	¥ 329,224	¥ 429,340

The fair value and location of derivative financial instruments in the consolidated balance sheets at March 31, 2017 and September 30, 2017 are as follows:

	Location	March 31, 2017	September 30, 2017
		(Yen in millions)	
Derivative assets:			
Derivatives designated as hedging instruments:			
Foreign currency forward contracts	Other current assets	¥ 129	¥ 91
Derivatives not designated as hedging instruments:			
Foreign currency forward contracts	Other current assets	2,341	457
Total derivative assets		¥ 2,470	¥ 548
Derivative liabilities:			
Derivatives designated as hedging instruments:			
Foreign currency forward contracts	Other current liabilities	¥ 77	¥ 98
Derivatives not designated as hedging instruments:			
Foreign currency forward contracts	Other current liabilities	4,693	7,401
Total derivative liabilities		¥ 4,770	¥ 7,499

Changes in the fair value of derivative financial instruments not designated as hedging instruments for the six months ended September 30, 2016 and 2017 are as follows:

Type of derivatives	Location	Six months ended September 30,	
		2016	2017
(Yen in millions)			
Foreign currency forward contracts	Foreign currency transaction gains (losses), net	¥ 2,789	¥ (4,592)

Changes in the fair value of derivative financial instruments not designated as hedging instruments for the three months ended September 30, 2016 and 2017 are as follows:

Type of derivatives	Location	Three months ended September 30,	
		2016	2017
(Yen in millions)			
Foreign currency forward contracts	Foreign currency transaction gains, net	¥ (10,530)	¥ (739)

Realized gains (losses) on derivative financial instruments designated as hedging instruments are not presented because the amounts were not material.

Table of Contents**8. BENEFIT PLANS**

Domestic:

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

Net periodic pension costs at Kyocera Corporation and its major domestic subsidiaries for the six months ended September 30, 2016 and 2017 include the following components and were recorded in cost of sales, and selling, general and administrative expenses in the consolidated statements of income.

	Six months ended September 30,			
	2016		2017	
	(Yen in millions)			
Service cost	¥	6,825	¥	6,541
Interest cost		93		191
Expected return on plan assets		(1,999)		(2,083)
Amortization of prior service cost		(2,183)		(2,173)
Recognized actuarial loss		1,235		992
Net periodic pension costs	¥	3,971	¥	3,468

Net periodic pension costs at Kyocera Corporation and its major domestic subsidiaries for the three months ended September 30, 2016 and 2017 include the following components and were recorded in cost of sales, and selling general and administrative expenses in the consolidated statements of income.

	Three months ended September 30,			
	2016		2017	
	(Yen in millions)			
Service cost	¥	3,413	¥	3,271
Interest cost		47		95
Expected return on plan assets		(1,000)		(1,041)
Amortization of prior service cost		(1,092)		(1,087)
Recognized actuarial loss		618		496
Net periodic pension costs	¥	1,986	¥	1,734

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Foreign:

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

Net periodic pension costs at these foreign subsidiaries for the six months ended September 30, 2016 and 2017 include the following components and were recorded in cost of sales, and selling, general and administrative expenses in the consolidated statements of income.

	Six months ended September 30,			
	2016		2017	
	(Yen in millions)			
Service cost	¥	343	¥	355
Interest cost		782		795
Expected return on plan assets		(855)		(934)
Amortization of prior service cost		9		10
Recognized actuarial loss		539		469
Net periodic pension costs	¥	818	¥	695

Net periodic pension costs at these foreign subsidiaries for the three months ended September 30, 2016 and 2017 include the following components and were recorded in cost of sales, and selling general and administrative expenses in the consolidated statements of income.

	Three months ended September 30,			
	2016		2017	
	(Yen in millions)			
Service cost	¥	166	¥	178
Interest cost		374		401
Expected return on plan assets		(408)		(469)
Amortization of prior service cost		4		5
Recognized actuarial loss		261		237
Net periodic pension costs	¥	397	¥	352

9. INCOME TAXES

The effective tax rates for the six months and the three months ended September 30, 2017 increased to 26.23% and 26.73% respectively, compared with the tax rates 21.21% and 16.73% for the six months and the three months ended September 30, 2016. This was due mainly to recognizing a deferred tax asset attributable to the net operating loss of Nihon Inter Electronics Corporation when it merged with Kyocera Corporation in the three months ended

September 30, 2016. Previously a valuation allowance was recorded against this deferred tax asset that was not needed upon the merger.

Table of Contents**10. COMMITMENTS AND CONTINGENCIES****(1) Assets pledged as collateral**

Kyocera's investment in Kagoshima Mega Solar Power Corporation, which was ¥1,911 million at September 30, 2017 accounted for by the equity method, is pledged as collateral for loans of ¥17,458 million from financial institutions of Kagoshima Mega Solar Power Corporation.

(2) Contractual obligations for the acquisition or construction of property, plant and equipment and lease contracts

As of September 30, 2017, Kyocera had contractual obligations for the acquisition or construction of property, plant and equipment aggregating ¥18,604 million principally due within one year.

Kyocera is a lessee under long-term operating leases primarily for office space and equipment. The future minimum lease commitments under non-cancelable leases as of September 30, 2017 are as follows:

	September 30, 2017 (Yen in millions)	
Due within 1 year	¥	6,224
Due after 1 year but within 2 years		4,715
Due after 2 years but within 3 years		3,111
Due after 3 years but within 4 years		1,787
Due after 4 years but within 5 years		1,240
Thereafter		1,518
Total	¥	18,595

(3) Long-term purchase agreements for the supply of raw materials

Between 2005 and 2008, Kyocera entered into four long-term purchase agreements (the "LTAs"), principally governed by Michigan law, with Hemlock Semiconductor Operations LLC and its subsidiary Hemlock Semiconductor, LLC (collectively, "Hemlock") for the supply of polysilicon material for use in its solar energy business. As of September 30, 2017, there was a remaining balance of ¥149,063 million of polysilicon material to be purchased under the LTAs by December 31, 2020, of which ¥41,398 million is prepaid.

After the LTAs were signed, the price of polysilicon material in the world market significantly declined, causing a significant divergence between the market price of polysilicon material and the fixed contract price in the LTAs. In light of these circumstances, Kyocera requested Hemlock to modify the contract terms including its price and quantity, and Kyocera sued Hemlock contending that the LTAs are illegal and unenforceable because of Hemlock's alleged abuse of a superior position, which is prohibited under Japanese Antitrust Law.

Taking into consideration these conditions, Kyocera withheld to order the polysilicon material for the amount stated under the LTAs during the year ended December 31, 2016 (the 2016 amount), which is ¥29,764 million in total. As a result, Hemlock issued an invoice for the amount equal to the difference between the 2016 amount and applicable advanced payment, which was due for payment by Kyocera on February 15, 2017.

As Kyocera contends that it secures the right to purchase by ordering the 2016 amount within a certain period from the issuance of the invoice, Kyocera has accounted for its rights and obligations under the LTAs, and has recorded ¥29,764 million as other current asset for the 2016 amount and ¥21,897 million as other account payable for the amount equal to the difference between the 2016 amount and applicable advanced payment in the consolidated balance sheet as of September 30, 2017.

Kyocera also placed an order for purchasing the 2016 amount on February 15, 2017, in order to secure the right to purchase.

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In addition, Kyocera considered the obligation to purchase polysilicon material through 2020 in its analysis based on lower of cost and net realizable value approach taking into consideration the anticipated selling price of the applicable solar products and concluded no loss was incurred as of September 30, 2017.

(4) Patent lawsuits

On April 25, 2013, AVX was named as a defendant in a patent infringement case filed in the United States District Court for the District of Delaware captioned *Greatbatch, Inc. v AVX Corporation*. This case alleged that certain AVX products infringe on one or more of six Greatbatch patents. On January 26, 2016, the jury returned a verdict in favor of the plaintiff in the first phase of a segmented trial and a mixed verdict in the second phase of a segmental trial, and found damages to Greatbatch in the amount of ¥4,238 million (\$37.5 million). The results of the third trial have not yet been issued by the District Judge. AVX is continuing to litigate the rest of the case. As of September 30, 2017, AVX and Kyocera have the above mentioned amount for this case in other accrued liabilities in the consolidated balance sheets.

(5) Environmental matters

Kyocera is involved in various environmental matters and Kyocera currently has certain amount of reserves related to such environmental matters. The amount recorded for identified contingent liabilities is based on estimates. Amounts recorded are reviewed periodically and adjusted to reflect additional legal and technical information that becomes available. The uncertainties about the status of laws, regulations, regulatory actions, technology and information related to individual matters make it difficult to develop an estimate of the reasonably possible aggregate environmental remediation exposure; therefore these costs could differ from our current estimates.

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

Table of Contents**11. EQUITY**

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

Based on the resolution at the Ordinary General Shareholders Meeting held on June 27, 2017, Kyocera Corporation declared year-end cash dividends totaling ¥22,063 million, ¥60 per share of common stock effective June 28, 2017 to shareholders of record on March 31, 2017.

Based on the resolution for the payment of interim dividends at the meeting of the Board of Directors held on October 30, 2017, Kyocera Corporation declared cash dividends totaling ¥22,063 million, ¥60 per share of common stock effective December 5, 2017 to shareholders of record on September 30, 2017.

Changes in Kyocera Corporation's shareholders' equity, noncontrolling interests and total equity for the six months ended September 30, 2016 and 2017 are as follows:

	Six months ended September 30, 2016		
	Kyocera Corporation's Shareholders Equity	Noncontrolling Interests (Yen in millions)	Equity
Balance at beginning of period	¥ 2,284,264	¥ 89,498	¥ 2,373,762
Comprehensive income			
Net income	36,153	2,123	38,276
Other comprehensive income net of taxes			
Net unrealized gains on securities	19,698	(38)	19,660
Net unrealized gains on derivative financial instruments	14	14	28
Pension liability adjustment	1,271	124	1,395
Foreign currency translation adjustments	(55,209)	(7,867)	(63,076)
Total other comprehensive income	(34,226)	(7,767)	(41,993)
Total comprehensive income	1,927	(5,644)	(3,717)
Cash dividends paid to Kyocera Corporation's shareholders	(18,343)		(18,343)
Cash dividends paid to noncontrolling interests		(1,461)	(1,461)
Equity transactions with noncontrolling interests and others	5,009	(5,909)	(900)
Balance at end of period	¥ 2,272,857	¥ 76,484	¥ 2,349,341

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	Six months ended September 30, 2017		
	Kyocera Corporation's		
	Shareholders	Noncontrolling	Equity
	Equity	Interests	
		(Yen in millions)	
Balance at beginning of period	¥ 2,334,219	¥ 84,690	¥ 2,418,909
Comprehensive income			
Net income	61,387	3,410	64,797
Other comprehensive income net of taxes			
Net unrealized gains on securities	16,000	6	16,006
Net unrealized gains on derivative financial instruments	21	(13)	8
Pension liability adjustment	(1,099)	(19)	(1,118)
Foreign currency translation adjustments	18,223	1,844	20,067
Total other comprehensive income	33,145	1,818	34,963
Total comprehensive income	94,532	5,228	99,760
Cash dividends paid to Kyocera Corporation's shareholders	(22,063)		(22,063)
Cash dividends paid to noncontrolling interests		(1,623)	(1,623)
Equity transactions with noncontrolling interests and others	(256)	412	156
Balance at end of period	¥ 2,406,432	¥ 88,707	¥ 2,495,139

Table of Contents**12. ACCUMULATED OTHER COMPREHENSIVE INCOME**

Changes in accumulated other comprehensive income for the six months ended September 30, 2016 and 2017 are as follows:

	Six months ended September 30, 2016				
	Net Unrealized Gains on Securities	Net Unrealized Losses on Derivative Financial Instruments	Pension Liability Adjustment	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income
Balance at beginning of period	¥ 517,190	¥ (488)	¥ (42,648)	¥ (4,251)	¥ 469,803
Other comprehensive income					
Other comprehensive income before reclassifications	19,752	(55)	1,481	(55,041)	(33,863)
Amounts reclassified from accumulated other comprehensive income	(54)	69	(210)	(168)	(363)
Other comprehensive income	19,698	14	1,271	(55,209)	(34,226)
Equity transactions with noncontrolling interests	(1)	0	(3)	(86)	(90)
Balance at end of period	¥ 536,887	¥ (474)	¥ (41,380)	¥ (59,546)	¥ 435,487

	Six months ended September 30, 2017				
	Net Unrealized Gains on Securities	Net Unrealized Losses on Derivative Financial Instruments	Pension Liability Adjustment	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income
Balance at beginning of period	¥ 499,650	¥ (449)	¥ (35,362)	¥ (16,360)	¥ 447,479
Other comprehensive income					
Other comprehensive income before reclassifications	16,242	(12)	(683)	15,990	31,537
Amounts reclassified from accumulated other comprehensive income	(242)	33	(416)	2,233	1,608
Other comprehensive income	16,000	21	(1,099)	18,223	33,145

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Equity transactions with noncontrolling interests		0		8		16		24	
Balance at end of period	¥ 515,650	¥	(428)	¥	(36,453)	¥	1,879	¥	480,648

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Tax effect allocated to each components of other comprehensive income for the six months ended September 30, 2016 and 2017 are as follows:

	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
(Yen in millions)			
For the six months ended September 30, 2016:			
Net unrealized gains on securities	¥ 28,215	¥ (8,555)	¥ 19,660
Net unrealized gains on derivative financial instruments	25	3	28
Pension liability adjustment	1,154	241	1,395
Foreign currency translation adjustments	(63,076)		(63,076)
Other comprehensive income	¥ (33,682)	¥ (8,311)	¥ (41,993)
For the six months ended September 30, 2017:			
Net unrealized gains on securities	¥ 22,655	¥ (6,649)	¥ 16,006
Net unrealized gains on derivative financial instruments	21	(13)	8
Pension liability adjustment	(1,438)	320	(1,118)
Foreign currency translation adjustments	21,070	(1,003)	20,067
Other comprehensive income	¥ 42,308	¥ (7,345)	¥ 34,963

Tax effect allocated to each components of other comprehensive income for the three months ended September 30, 2016 and 2017 are as follows:

	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
(Yen in millions)			
For the three months ended September 30, 2016:			
Net unrealized gains on securities	¥ 2,199	¥ (743)	¥ 1,456
Net unrealized gains on derivative financial instruments	65	(20)	45
Pension liability adjustment	(144)	118	(26)
Foreign currency translation adjustments	(9,240)		(9,240)
Other comprehensive income	¥ (7,120)	¥ (645)	¥ (7,765)
For the three months ended September 30, 2017:			
Net unrealized gains on securities	¥ 1,212	¥ (207)	¥ 1,005
Net unrealized gains on derivative financial instruments	65	(5)	60
Pension liability adjustment	(695)	164	(531)
Foreign currency translation adjustments	13,849	(1,003)	12,846
Other comprehensive income	¥ 14,431	¥ (1,051)	¥ 13,380

Table of Contents**13. SUPPLEMENTAL EXPENSE INFORMATION**

Supplemental expense information for the six months ended September 30, 2016 and 2017 is as follows:

	Six months ended September 30,	
	2016	2017
	(Yen in millions)	
Research and development expenses	¥ 28,951	¥ 27,450
Advertising expenses	2,418	2,262
Shipping and handling cost included in selling, general and administrative expenses	10,557	12,010

Supplemental expense information for the three months ended September 30, 2016 and 2017 is as follows:

	Three months ended September 30,	
	2016	2017
	(Yen in millions)	
Research and development expenses	¥ 13,682	¥ 13,866
Advertising expenses	1,267	1,213
Shipping and handling cost included in selling, general and administrative expenses	5,362	6,025

Table of Contents**14. SEGMENT REPORTING**

In order to focus on the direction of the growth strategy, starting from year ending March 31, 2018, Kyocera has changed the classification of its reporting segments which have been Fine Ceramic Parts Group, Semiconductor Parts Group, Applied Ceramic Products Group, Electronic Device Group, Telecommunications Equipment Group and Information Equipment Group to Industrial & Automotive Components Group, Semiconductor Components Group, Electronic Devices Group, Communications Group, Document Solutions Group and Life & Environment Group.

The principal businesses of each reporting segment are as follows.

Reporting segment	Principal business
Industrial & Automotive Components Group	Fine Ceramic Components, Automotive Components, Liquid Crystal Displays, Cutting Tools etc.
Semiconductor Components Group	Ceramic Packages, Organic Multilayer Substrates and Boards etc.
Electronic Devices Group	Electronic Components, Power Semiconductor Products, Printing Devices etc.
Communications Group	Mobile Phones, M2M Modules, Information Systems and Telecommunication Services etc.
Document Solutions Group	Printers, Multifunctional Products, Document Solutions, Supplies etc.
Life & Environment Group	Solar Power Generating System related Products, Medical Devices, Jewelry and Ceramic Knives etc.

Due to this change, results for the three months and six months ended September 30, 2016 have been reclassified to conform to the current presentation.

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

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

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Information by reporting segments for the six months ended September 30, 2016 and 2017 is summarized as follows:

Reporting Segments

	Six months ended September 30,			
	2016		2017	
	(Yen in millions)			
Net sales:				
Industrial & Automotive Components Group	¥	107,749	¥	131,010
Semiconductor Components Group		117,316		126,881
Electronic Devices Group		114,165		137,253
Communications Group		114,059		123,937
Document Solutions Group		147,435		172,020
Life & Environment Group		61,830		52,813
Others		10,735		9,319
Adjustments and eliminations		(20,046)		(14,888)
Net sales	¥	653,243	¥	738,345
Income before income taxes:				
Industrial & Automotive Components Group	¥	6,395	¥	14,752
Semiconductor Components Group		9,764		17,937
Electronic Devices Group		13,029		21,880
Communications Group		(4,830)		2,230
Document Solutions Group		12,867		20,090
Life & Environment Group		(740)		(373)
Others		(1,414)		430
Total operating profit		35,071		76,946
Corporate gains and equity in earnings (losses) of affiliates and an unconsolidated subsidiary		14,284		11,582
Adjustments and eliminations		(777)		(688)
Income before income taxes	¥	48,578	¥	87,840
Depreciation and amortization:				
Industrial & Automotive Components Group	¥	5,690	¥	6,438
Semiconductor Components Group		7,457		7,907
Electronic Devices Group		7,515		8,218
Communications Group		3,345		3,146
Document Solutions Group		6,951		6,243
Life & Environment Group		2,960		2,907
Others		723		627
Corporate		871		1,249
Total	¥	35,512	¥	36,735

Capital expenditures:				
Industrial & Automotive Components Group	¥	6,185	¥	8,714
Semiconductor Components Group		10,584		5,502
Electronic Devices Group		9,869		11,712
Communications Group		790		2,475
Document Solutions Group		3,409		2,040
Life & Environment Group		2,837		2,175
Others		542		379
Corporate		1,826		1,827
Total	¥	36,042	¥	34,824

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Information by reporting segments for the three months ended September 30, 2016 and 2017 is summarized as follows:

Reporting Segments

	Three months ended September 30,			
	2016		2017	
	(Yen in millions)			
Net sales:				
Industrial & Automotive Components Group	¥	55,233	¥	69,825
Semiconductor Components Group		61,311		66,095
Electronic Devices Group		58,712		74,133
Communications Group		56,224		66,866
Document Solutions Group		72,496		91,047
Life & Environment Group		34,522		28,207
Others		5,622		4,074
Adjustments and eliminations		(10,862)		(7,064)
Net sales	¥	333,258	¥	393,183
Income before income taxes:				
Industrial & Automotive Components Group	¥	4,638	¥	8,366
Semiconductor Components Group		5,285		9,932
Electronic Devices Group		6,109		13,281
Communications Group		(74)		1,072
Document Solutions Group		7,016		10,853
Life & Environment Group		1,142		830
Others		(448)		(36)
Total operating profit		23,668		44,298
Corporate gains and equity in earnings (losses) of affiliates and an unconsolidated subsidiary		613		(5,319)
Adjustments and eliminations		(501)		(399)
Income before income taxes	¥	23,780	¥	38,580
Depreciation and amortization:				
Industrial & Automotive Components Group	¥	2,966	¥	3,458
Semiconductor Components Group		3,956		4,077
Electronic Devices Group		4,025		4,298
Communications Group		1,635		1,595
Document Solutions Group		3,403		3,237
Life & Environment Group		1,533		1,369
Others		366		319
Corporate		438		777

Total	¥	18,322	¥	19,130
Capital expenditures:				
Industrial & Automotive Components Group	¥	2,772	¥	4,247
Semiconductor Components Group		5,693		2,668
Electronic Devices Group		5,213		6,027
Communications Group		367		1,242
Document Solutions Group		2,154		1,053
Life & Environment Group		1,406		1,051
Others		383		199
Corporate		846		1,157
Total	¥	18,834	¥	17,644

Table of Contents*Geographic segments (Net sales by region)*

	Six months ended September 30,			
	2016		2017	
	(Yen in millions)			
Net sales:				
Japan	¥	268,894	¥	293,524
Asia		141,538		173,694
Europe		106,338		135,321
United States of America		109,897		107,373
Others		26,576		28,433
Net sales	¥	653,243	¥	738,345

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

	Three months ended September 30,			
	2016		2017	
	(Yen in millions)			
Net sales:				
Japan	¥	139,639	¥	154,641
Asia		74,222		94,743
Europe		52,054		71,652
United States of America		54,502		57,248
Others		12,841		14,899
Net sales	¥	333,258	¥	393,183

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

Table of Contents*Geographic Segments (Net sales and Income before income taxes by Geographic area)*

	Six months ended September 30,	
	2016	2017
	(Yen in millions)	
Net sales:		
Japan	¥ 281,874	¥ 312,252
Intra-group sales and transfer between geographic areas	221,980	251,205
	503,854	563,457
Asia	115,580	137,145
Intra-group sales and transfer between geographic areas	123,675	145,872
	239,255	283,017
Europe	111,413	142,877
Intra-group sales and transfer between geographic areas	9,725	12,765
	121,138	155,642
United States of America	130,827	130,370
Intra-group sales and transfer between geographic areas	25,510	29,244
	156,337	159,614
Others	13,549	15,701
Intra-group sales and transfer between geographic areas	11,996	13,931
	25,545	29,632
Adjustments and eliminations	(392,886)	(453,017)
Net sales	¥ 653,243	¥ 738,345
Income before income taxes:		
Japan	¥ 14,117	¥ 45,060
Asia	9,760	15,309
Europe	4,942	7,565
United States of America	6,296	10,126
Others	(403)	95
	34,712	78,155
Corporate gains and Equity in earnings (losses) of affiliates and an unconsolidated subsidiary	14,284	11,582
Adjustments and eliminations	(418)	(1,897)

Income before income taxes	¥	48,578	¥	87,840
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	Three months ended September 30,			
	2016		2017	
	(Yen in millions)			
Net sales:				
Japan	¥	147,074	¥	166,237
Intra-group sales and transfer between geographic areas		113,514		130,714
		260,588		296,951
Asia		59,996		73,713
Intra-group sales and transfer between geographic areas		61,412		74,960
		121,408		148,673
Europe		54,893		75,422
Intra-group sales and transfer between geographic areas		4,792		6,891
		59,685		82,313
United States of America		64,776		69,529
Intra-group sales and transfer between geographic areas		12,420		14,507
		77,196		84,036
Others		6,519		8,282
Intra-group sales and transfer between geographic areas		5,789		7,275
		12,308		15,557
Adjustments and eliminations		(197,927)		(234,347)
Net sales	¥	333,258	¥	393,183
Income before income taxes:				
Japan	¥	13,127	¥	26,857
Asia		5,881		9,407
Europe		2,386		4,101
United States of America		2,997		5,194
Others		(536)		27
		23,855		45,586
Corporate gains and Equity in earnings (losses) of affiliates and an unconsolidated subsidiary		613		(5,319)
Adjustments and eliminations		(688)		(1,687)
Income before income taxes	¥	23,780	¥	38,580

Table of Contents**15. PER SHARE INFORMATION**

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

	Six months ended September 30,	
	2016	2017
	(Yen in millions and shares in thousands,	
	except per share amounts)	
Net income attributable to Kyocera Corporation's shareholders	¥ 36,153	¥ 61,387
Basic earnings per share:		
Net income attributable to Kyocera Corporation's shareholders	98.47	166.94
Diluted earnings per share:		
Net income attributable to Kyocera Corporation's shareholders	98.47	166.94
Basic weighted average number of shares outstanding	367,143	367,711
Diluted weighted average number of shares outstanding	367,143	367,711

	Three months ended September 30,	
	2016	2017
	(Yen in millions and shares in thousands,	
	except per share amounts)	
Net income attributable to Kyocera Corporation's shareholders	¥ 18,700	¥ 26,406
Basic earnings per share:		
Net income attributable to Kyocera Corporation's shareholders	50.89	71.81
Diluted earnings per share:		
Net income attributable to Kyocera Corporation's shareholders	50.89	71.81
Basic weighted average number of shares outstanding	367,429	367,710
Diluted weighted average number of shares outstanding	367,429	367,710

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16. SUBSEQUENT EVENTS

On October 2, 2017, AVX Corporation, a U.S. based subsidiary, acquired Transportaion, Sensing & Control Division (TS&C) and all of the common stocks of the related subsidiaries from TT Electronics PLC, a United Kingdom based manufacturer of electronics components, for approximately ¥17,628 million (approximately \$156 million) in cash, subject to customary post-closing adjustments based on the actual net debt and actual working capital. The main products of TT Electronics PLC are electronic components used for transportation, industrial, aerospace/defense and medical markets, and TS&C designs, develops, manufactures and markets sensors for temperature, position, and speed, including exhaust/emission control sensors. The acquisition enhances AVX Corporation's position in the automotive business and provides further opportunities for its expansion.

On October 31, 2017, Kyocera Corporation entered into a stock purchase agreement to acquire 80% of the common stocks of a company to be established from the company split of Ryobi Limited, which would succeed its power tool business. Kyocera will enter the power tool market through this acquisition and aim to further expand the business area included in the Industrial & Automotive Components Group in the future. The transaction is expected to be closed during the three months ending March 31, 2018.

Table of Contents**Reference Information (Unaudited)****1. Production (Sales price)**

	Six months ended September 30, 2016		Six months ended September 30, 2017		Increase (Decrease) %
	Amount	% to the total	Amount	% to the total	
	(Yen in millions)				
Industrial & Automotive Components Group	¥ 107,038	16.4	¥ 133,153	17.1	24.4
Semiconductor Components Group	116,595	17.8	132,956	17.1	14.0
Electronic Devices Group	105,737	16.2	141,365	18.1	33.7
Total Components Business	329,370	50.4	407,474	52.3	23.7
Communications Group	102,969	15.8	120,760	15.5	17.3
Document Solutions Group	146,340	22.4	188,381	24.2	28.7
Life & Environment Group	71,853	11.0	60,295	7.7	(16.1)
Total Equipment & Systems Business	321,162	49.2	369,436	47.4	15.0
Others	2,332	0.4	2,663	0.3	14.2
Production	¥ 652,864	100.0	¥ 779,573	100.0	19.4

2. Orders

	Six months ended September 30, 2016		Six months ended September 30, 2017		Increase (Decrease) %
	Amount	% to the total	Amount	% to the total	
	(Yen in millions)				
Industrial & Automotive Components Group	¥ 109,634	16.0	¥ 136,221	17.9	24.3
Semiconductor Components Group	118,684	17.4	130,898	17.2	10.3
Electronic Devices Group	122,993	18.0	144,629	19.0	17.6
Total Components Business	351,311	51.4	411,748	54.1	17.2
Communications Group	124,354	18.2	130,456	17.2	4.9
Document Solutions Group	147,755	21.6	172,178	22.6	16.5
Life & Environment Group	69,631	10.2	50,913	6.7	(26.9)
Total Equipment & Systems Business	341,740	50.0	353,547	46.5	3.5
Others	7,190	1.1	7,348	1.0	2.2
Adjustments and eliminations	(16,842)	(2.5)	(12,266)	(1.6)	
Orders	¥ 683,399	100.0	¥ 760,377	100.0	11.3

Note: Kyocera has changed the classification of its reporting segments from the year ending March 31, 2018. Production and orders for the six months ended September 30, 2016 have been reclassified in line with the change to reporting segment classifications. For detailed information on the new reporting segment classification, please refer to the Note 14 in the Consolidated Financial Statement included in this quarterly report on Form 6-K.