

## KYOCERA CORPORATION

· Date of the board of directors' meeting concerning the financial statements : May 17, 2000

### 1. Results for the year ended March 31, 2000 (From April 1, 1999 through March 31, 2000)

#### (1) Operational results

	Japanese yen	
	(Millions, except per share amounts)	
	2000	1999
Sales	<b>¥812,626</b>	¥725,326
% change from the previous year	<b>12.0%</b>	0.0%
Profit from operations	<b>92,151</b>	55,770
% change from the previous year	<b>65.2%</b>	-41.6%
Income before income taxes	<b>97,468</b>	61,800
% change from the previous year	<b>57.7%</b>	-41.4%
Net income	<b>50,345</b>	28,245
% change from the previous year	<b>78.2%</b>	-40.0%
Earnings per share :		
Basic	<b>¥265.72</b>	¥148.41
Diluted	<b>¥265.34</b>	¥148.41
Return on equity	<b>6.4%</b>	3.7%
Income before income taxes to total assets	<b>8.3%</b>	5.7%
Income before income taxes to net sales	<b>12.0%</b>	8.5%

#### Notes:

##### 1. Equity in earnings of affiliates and unconsolidated subsidiaries:

Japanese yen (Million)	
2000	1999
<b>-6,980</b>	3,158

2. Gross unrealized gain of investments in debt and equity securities (net): 17,936 Million yen  
 Gross unrealized loss of derivative financial instruments (net): -267 Million yen.

3. Change in accounting policies: None

#### (2) Financial condition :

	Japanese yen	
	March 31, 2000	March 31, 1999
Total assets	<b>1,217,158 million</b>	1,137,167 million
Stockholders' equity	<b>798,450 million</b>	769,493 million
Stockholders' equity to total assets	<b>65.6%</b>	67.7%
Stockholders' equity per share	<b>¥4,222.94</b>	¥4,043.19

(3) Cash flow :

	Japanese yen	
	2000	1999
Net cash provided by operating activities	107,930	125,525
Net cash used in investing activities	-73,748	-50,525
Net cash used in financing activities	-19,867	-19,042
Cash and cash equivalents at end of the year	178,944	172,417

(4) Scope of consolidation and application of the equity method :

Number of consolidated subsidiaries : 94

Number of subsidiaries accounted for by the equity method : 7

Number of affiliates accounted for by the equity method : 20

(5) Changes in scope of consolidation and application of the equity method :

	Consolidation	Equity method
Increase	8 companies	2 companies
Decrease	0 company	8 companies

2. Projection for the year ending March 31, 2001 :

	Japanese yen (Millions, except per share amounts)	
	Six months ending September 30, 2000	Year ending March 31, 2001
Net Sales	¥510,000	¥1,100,000
Income before income taxes	51,000	132,000
Net income	24,000	64,500

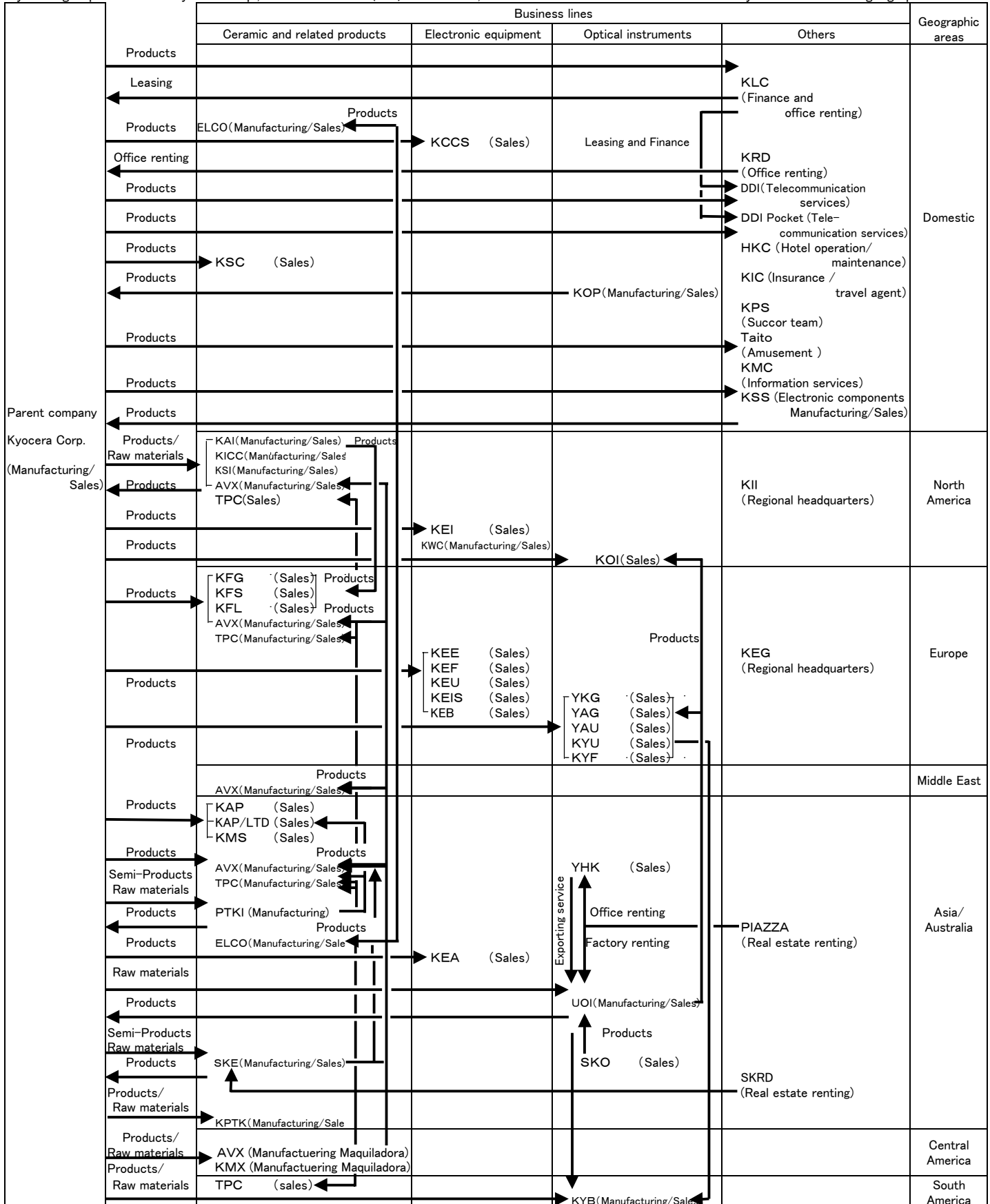
Note : Projected annual earnings per share : ¥339.94

Earnings per share amounts were computed base on Statement of Financial Accounting Standards No. 128.

Diluted earnings per share in year ending March 31, 2001 will be computed on the average number of shares of common stock outstanding in year ended March 31, 2000.

Scope of the group companies

Kyocera group consists of Kyocera corp., one hundred one (101) subsidiaries, and 20 affiliates. Below is a outline chart by business line and geographic area.



Note: "Ceramic and related products" includes following items.

Fine ceramic parts, semiconductor parts, electronic components, cutting tool, jewelry, BIOCERAM, soaler systems, applied ceramic products and others.

## Financial Performance

### 1. Financial Performance for the Year Ended March 31, 2000

The Company (Kyocera Corporation and its group companies) faced serious market and economic conditions during the past fiscal year. A rise in the value of the yen in relation to the U.S. dollar and Deutsche mark created a negative impact on net sales and pre-tax income totaling approximately 67 billion yen and 28.5 billion yen, respectively. Nonetheless, the Company made significant improvements in most segments, particularly electronic components and semiconductor parts, thanks to stronger demand from communication and information equipment markets worldwide. As a result, consolidated sales for the year ended March 31, 2000 rose to 812,626 million yen, an increase of 12.0% over the prior year.

In addition, increasing of sales and productivity improvements were made during this period. Consequently, operating profit increased 65.2% over the prior year, to 92,151 million yen, while pre-tax profit increased 57.7%, to 97,468 million yen, and net income increased 78.2%, to 50,345 million yen.

#### (1) Segment Results

##### ① Sales of Ceramic and related products

This segment's sales increased 16.1%, to 544,260 million yen. This segment's operating profit rose 90.9%, to 95,054 million yen due to increase of sales for Kyocera Corporation (Kyocera) and AVX Corporation (AVX) and productivity improvements.

Detailed results for each product line follow.

##### 1) Fine ceramic parts

Sales: 58,811 million yen (up 9.0% from the prior year)

The semiconductor industry's strong recovery led to a significant increase in sales of ceramic components for semiconductor fabrication equipment. Sales of ceramic components for fiber-optic communication systems posted a strong gain as well.

##### 2) Semiconductor parts

Sales: 150,693 million yen (up 22.9% from the prior year)

The expansion of the mobile phone market led to stronger sales of SMD (Surface-Mounted Device) ceramic packages for surface-acoustic wave (SAW) filters and crystal-related electronic components. Sales of ceramic packages for optical communication devices expanded as well.

##### 3) Electronic components

Sales: 271,283 million yen (up 14.0% from the prior year)

Rising global demand for mobile phones and personal computers led to increased sales of capacitors, connectors, and oscillator products, such TCXOs (temperature-compensated crystal oscillators) and VCOs (voltage-controlled oscillators). AVX, a U.S. subsidiary, also achieved a substantial sales increase.

#### 4) Cutting tools, jewelry, Bioceram, solar energy products and applied ceramic products

Sales: 57,692 million yen (up 19.5% from the prior year)

Sales of jewelry and applied ceramic products were restrained by sluggish personal consumption in Japan. However, expanding demand for residential solar power generation systems greatly contributed to increased sales of solar products, while sales of cutting tools and Bioceram products also grew.

#### ② Electronic Equipment

This segment's sales increased 8.3%, to 224,005 million yen. This segment's operating profit decreased 11.2%, to 21,753 million yen due mainly to loss on closure of Iridium business.

Detailed results for each product line follow.

##### 1) Telecommunications equipment

Sales: 168,240 million yen (up 14.9% from the prior year)

Sales of telecommunication equipment rose due to a steady increase in sales of CDMA handsets in Japan. In addition, sales of cellular handsets and PHS-related products began outside of Japan during the second half of this year.

##### 2) Information equipment

Sales: 55,765 million yen (decreased 7.5% from the prior year)

Although unit shipments to the European market grew, decreasing sales by intensified price competition and the rising value of the yen in relation to local currencies.

#### ③ Optical equipment

This segment's sales totaled 39,082 million yen, up 0.3% from the prior year.

Although shipments of Contax brand cameras grew, decreasing sales of compact cameras led to flat sales from this segment as a whole in comparison with the prior year. This segment's operating profit rose 204.9%, to 3,680 million yen, thanks to improved profitability in subsidiaries.

### (2) Breakdown by region

#### ① Sales to Japan

Although Japan's economy remained sluggish, total sales to Japan increased 7.4%, to 400,247 million yen, led by stronger demand for semiconductor parts among Japanese producers of communication equipment.

#### ② Sales to the United States

Despite the rising value of the yen, the Company achieved substantial increases in sales of electronic components, and ceramic components for semiconductor manufacturing equipment. In addition, the creation of Kyocera Wireless Corp. (KWC) brought a new source of revenue into the Company during the final five weeks of the fiscal year, helping this segment to increase sales by 23.2%, to 148,927 million yen.

### ③ Sales to Europe

As stated above, sales of the Company's ECOSYS cartridge-free page printers were slowed by the effect of a higher-valued yen, and sales dropped 2.1% from the previous period, to 108,342 million yen.

### ④ Sales to Asia (outside Japan)

In addition to increased sales of electronic components, the Company began shipments of PHS-related products outside of Japan during this period. As a result, sales increased 30.5% over the previous year, to 131,650 million yen.

## 2. Special circumstances

- ① Kyocera had previously announced that it would assist Mita Industrial Co., Ltd. in regard to its application for corporate reorganization, which was filed in August 1998. In January 2000, Mita's corporate reorganization plan was approved by the Osaka District Court, and Mita Industrial Co., Ltd. began operations anew as Kyocera Mita Corporation. Kyocera infused 12 billion yen in capital into Kyocera Mita Corporation in April 2000 and made Kyocera Mita a wholly-owned subsidiary of Kyocera Corporation.
- ② In February 2000, Kyocera acquired the terrestrial wireless CDMA handset business of UALCOMM Incorporated of the United States through the subsidiary, Kyocera International Inc. With this business as a foundation, Kyocera established a new wholly-owned subsidiary company named "Kyocera Wireless Corp. (KWC)" in the United States.
- ③ Ordinary shares of AVX Corporation, a U.S. subsidiary of the Company, were sold on the American securities market in February 2000, and proceeds of approximately 28.2 billion yen were realized from the sale. The Company's equity in AVX dropped from approximately 75% to approximately 70% as a result of this sale.
- ④ The U.S. Iridium LLC Company filed for Chapter 11 of the U.S. Federal Bankruptcy Act in August 1999, and decided to terminate Iridium service in March 2000. As a result, the Company has been compelled to account for losses totaling about 15 billion yen in the current period. In consolidated statement of income, equity in loss of affiliates and unconsolidated subsidiaries bring approximately 2.8 billion yen and loss on closure of Iridium business bring approximately 12.2 billion yen.
- ⑤ To strengthen the financial condition of Kyocera Leasing Co., Ltd. (KLC), a wholly-owned subsidiary of Kyocera, The Company allotted reserves of approximately 12 billion yen during this fiscal year to cover bad loans that KLC had extended to its clients.

### Non-consolidated results

On a non-consolidated basis, sales increased 12.0% compared with the prior year, to 507,802 million yen. Operating profit increased 46.0%, to 55,013 million yen; recurring profit increased 33.6%, to 69,471 million yen; and current net income increased 41.7%, to 39,296 million yen.

### 3. Cash flow

Net cash provided by operating activities totaled 107,930 million yen (a 14.0% decrease from the prior year). Net cash used in investing activities and net cash used in financing activities amounted to 73,748 million yen (a 46.0% increase from the prior year), and 19,867 million yen (a 4.3% increase from the prior year), respectively. In fiscal 2000, appreciation of the yen against the U.S. dollar made a negative effect to transaction on cash and cash equivalents totaled 7,788 million yen. Consequently, Cash and cash equivalents at ended of this fiscal year increased 3.8% from fiscal 1999, to 178,944 million yen.

The decrease for net cash provided by operating activities was due mainly to increase trade receivables and inventories, although notes and accounts payable increased.

Although, the Company gained approximately 34.5 billion yen cash from stock selling of AVX, our net cash used in investing activities increased due mainly to purchase of available-for-sale-securities and acquired the companies which became our fully-owned subsidiaries, such as Kyocera Solar, Inc. and KWC. Increasing a net cash used in financing activities was attributable to paying approximately 9.7 billion yen for buy treasury stock for inaugurating the stock option program, nonetheless net cash gain from excess of issuance over payment in long-term debt, amounted to 8.8 billion yen.

## **Management Policies**

### 1. Basic management policies and targeted management indices

The Company's goal is to grow continuously, both by developing its individual business units and by consolidating its strength as a group. To achieve this goal, the Company's policy will be to create new technologies, new products and new markets in areas that improve communication, environmental protection and the quality of life. For the benefit of our shareholders and the greater Kyocera Group, we are concentrating our efforts within these areas to create a valuable enterprise with a pre-tax margin of at least 15%.

### 2. Specific management policies

#### (1) Efficient resource management

- ① The Company will regularly review its operations to clarify which businesses to expand and which to abolish. Resources will be allocated aggressively to business units which offer greatest shareholder value and best promote the Company's future growth.
- ② Each business division shall adopt a unified decision-making structure and accelerate management decision making.
- ③ The Company will emphasize efficient cash flow in such areas as capital investment, inventory control and the reduction of lead times.

#### (2) Emphasizing consolidated results

- ① The Company will pursue intra-group synergies by further reinforcing connections between its major business divisions and their associated group companies. The Company will begin to measure profit on a consolidated product-line basis to improve results.
- ② The Company will structure development, production and sales systems at optimum locations worldwide to build a stronger global business system.

#### (3) Focusing on shareholder value

- ① The Company will pursue increased shareholder value (as reflected in the Company's market capitalization and the share price of Kyocera stock) as an important management objective. We will make concentrated efforts to expand future profits and cash flow, and to improve our effective return on equity.
- ② Kyocera will use a new incentive stock option program to align the interests of shareholders with those of Kyocera management and employees.



### 3. Basic policy relating to profit distribution

Since our original listing as a publicly traded company, Kyocera has worked to increase dividends per share while improving the company's performance. To reward our shareholders, Kyocera has issued increased dividends through stock splits or stock dividends. Kyocera intend to increase dividends further by improving cash flow, with a dividend of 60 yen per share as the basis. Kyocera will distribute the fruits of our performance upon making an overall judgment of the results.

At the same time, since the Company will continue to make aggressive strategic investments, we will maintain sufficient cash to permit important investment opportunities to be seized as they arise. These investments will focus on fields in which the Company plans strategic business expansion. We are confident that this strategy to attain continuous growth will relate favorably to the interests of our shareholders.

Upon shareholder approval at the general meeting of shareholders to be held June 29, 2000, the Kyocera's dividend for the current period will be set at 30 yen per share. Together with the interim dividend already paid, the total dividend for the fiscal year ended March 31, 2000 will be 60 yen per share, the same as last year.

## Future Prospects and Strategies

### 1. Prospects for the next fiscal year

Although currency exchange rates and other economic factors remain uncertain, the Japanese economy is expected to continue a gradual recovery trend throughout the next fiscal year. In addition, worldwide demand for mobile phones and PCs is predicted to continue growing rapidly.

Under these circumstances, and on the premise that foreign currency rates will be US\$1 = 102 yen, DM 1 = 51 yen, Kyocera expects consolidated sales for the fiscal year ending March 31, 2001 to increase 35.4%, to 1.1 trillion yen, with pre-tax income increasing 35.4%, to 132 billion yen, and net income will increase 28.1%, to 64.5 billion yen.

Segment sales forecasts for the year ending March 31, 2001 are as follows:

#### (1) Ceramic and related products

##### ① Fine ceramic parts

As economic recovery extends to Japan's manufacturing industries, the Company anticipates rising demand for ceramic parts used in semiconductor fabrication equipment, liquid crystal displays, fiber-optic networks and general industrial applications.

##### ② Semiconductor parts

Global production of mobile phones will continue to increase, bringing greater demand for the Company's SMD packages. The expanding deployment of fiber-optic networks is also expected to bring additional demand for ceramic optical-device packages.

##### ③ Electronic components

The Company will expand production and promote sales of high-capacity multilayer ceramic chip capacitors, oscillator parts and module products for use in communication and information equipment. We will make aggressive efforts to introduce new, miniaturized products of exceptional performance.

##### ④ Cutting tools, jewelry, Bioceram, solar systems and applied ceramic products

We will strive to expand sales of cutting tools by developing new markets and introducing new products. New efforts will also be made to expand sales of solar power generation systems for residential use, and to increase sales of Bioceram products for medical and dental applications.

#### (2) Electronic equipment

##### ① Telecommunication equipment

With the additional revenue of KWC, the Company expects a substantial increase in sales over the next fiscal year. To increase revenues in Japan, Kyocera will begin sales of new products such as CDMA data communication terminals with wireless application protocol (WAP) capability. Outside Japan, the Company will promote sales of PHS-related products to Asian markets and CDMA terminals to the United States and South Korea.

## ② Information equipment

With the addition of Kyocera Mita Corporation, the Company expects a substantial increase in revenue from this segment. To expand sales of copiers, printers and fax equipment, the Company will pursue joint development and marketing efforts with Kyocera Mita, integrating our respective production and sales operations.

## (3) Optical Instruments

The Company will strive to expand sales of Contax brand cameras and high-resolution digital cameras in Japan and other developed markets, while working to increase sales of compact cameras in other regions of the world.

On a non-consolidated basis, we expect sales for the year ending March 31, 2001 to increase 7.7%, to 547 billion yen. Operating profits will increase 7.4%, to 59.1 billion yen; recurring profits will increase 8.4%, to 75.3 billion yen; and net income will decrease 91.1%, to 3.5 billion yen due to an amortization of unrecognized net benefit obligation for employee retirement plan amounting to 69.3 billion yen during the first half of fiscal 2001.

## 2. Future strategies

The Kyocera Group will work to create a components business, an equipment business and a service network business which will become leaders in markets that facilitate global telecommunications, protect the environment and enhance the quality of human life. Further, the company will reinforce its business operations in strategic areas by bringing in new resources from outside the Kyocera Group, with an emphasis on Internet-related businesses.

In regard to the components business, the Kyocera Group (centered on Kyocera Corporation, AVX, and Kyocera Elco Corporation) will concentrate on expanding market share and improving profits by supporting the mobile communication and optical communication markets. To reinforce overseas production, a new plant in Shanghai, China is preparing to begin production in October 2000.

In regard to the equipment business, sales from KWC and Kyocera Mita Corporation will be added during the next period, bringing a substantial increase in total revenue. With our purchase of the terrestrial wireless CDMA handset business of QUALCOMM Incorporated, we have gained a new position as a major supplier of CDMA handsets in the United States, South Korea and Japan, where CDMA services already have a firm foothold. We will develop this business globally using the so-called "Third Generation" mobile communication products and services.

In regard to Kyocera Mita Corporation, the fusion of Kyocera's printer business and Kyocera Mita's copier machine business is expected to bring a synergistic effect in global development, manufacturing and sales.

In the service network business, we are developing markets with DDI, a communication carrier company, and Kyocera Communication Systems Co., Ltd., which conducts content distribution services for mobile communication terminals. This business structure will enable the Company to benefit from the rapid expansion of Internet use in Japan as millions of consumers begin to demand wireless on-line services.

It must be reported that, on February 17, 2000, the Ministry of International Trade and Industry determined pursuant to the Law regarding Appropriation of Budgetary Subsidies, etc. that (i) certain of the Ministries decisions to provide subsidies to Kyocera will be cancelled and Kyocera will be required to return subsidies received in connection with such cancelled decisions, (ii) execution of any agreement with Kyocera involving provision of subsidies or consignment fees other than subsidies will be suspended for a period from February 17, 2000 to February 16, 2003, and (iii) Kyocera will be excluded from nomination to participate in competitive bidding among nominated parties conducted by the Ministry of International Trade and Industry for a period from February 17, 2000 to November 16, 2003, due to Kyocera's "diversion of subsidies to purposes other than those prescribed", "use of property of a subsidized business for purposes other than those of the subsidies", and "violation of obligations to maintain books and records", etc. in connection with "Subsidies for Development and Practical Use of New Power Generation Technologies (Non-Polluting Solar Technology Power Generation System for Vehicles)" received by Kyocera for the fiscal years from 1990 to 1994.

It also must be reported that, on March 30, 2000, the New Energy and Industrial Technology Development Organization decided that (i) Kyocera must return consignment fees diverted to purposes other than the prescribed purposes, (ii) execution of a consignment contract with Kyocera and the decision to provide subsidies to Kyocera shall be suspended for a period from March 30, 2000 to March 29, 2003, and (iii) execution of any agreement with Kyocera relating to purchase and sale, contract, procurement of services or lease shall be suspended for a period from March 30, 2000 to December 29, 2000, because Kyocera was in violation of the standard terms and conditions of its consignment agreement with such Organization and diverted the consignment fee to purposes other than those of such consignment, etc. and, as a result, such Organization was required by the Ministry of International Trade and Industry to take appropriate action concomitant with the action taken by such Ministry.

The Company hereby expresses sincere apologies for causing trouble to the shareholders and society and for the concerns arising from this series of occurrences. The Company will take thorough measures to prevent any future repetition of such disgraceful events.

#### Forward Looking Statements

The Company's projections of sales and profits set forth in this document are based on a series of projections and estimates regarding the economies of Japan and various other countries, including estimates and projections concerning the ceramics, semiconductor, electronic parts, telecommunications, information and optical equipment industries, with which the Company and its group companies are related in their business activities, and the fluctuation in the exchange rates between various currencies (particularly, between the Japanese yen and the United States dollar, Deutsche mark and Euro) and other factors, which are made based on the information available to the Company as of the date of this document. These projections and estimates will be affected by market performance, the impact of competition, the introduction and success of new products and services, and market conditions around the world for the information- and communication-related industries, among other factors. Therefore, the reader should note that the actual results of sales and profits may vary significantly from the projected sales and profit as set forth in this document.

## CONSOLIDATED BALANCE SHEETS

### ASSETS

	Japanese yen (Millions)				
	ended March 31,				
	2000		1999		Increase or Decrease
	Amount	%	Amount	%	
Current assets :					
Cash and cash equivalents	<b>¥178,944</b>		¥172,417		6,527
Restricted deposit	<b>38,920</b>		42,131		-3,211
Short-term investments	<b>31,768</b>		33,867		-2,099
Trade notes receivable	<b>24,525</b>		18,934		5,591
Trade accounts receivable	<b>164,641</b>		130,206		34,435
Short-term financial receivable	<b>61,334</b>		55,676		5,658
Less allowance for doubtful accounts and sales returns	<b>-6,194</b>		-5,847		-347
Inventories	<b>154,995</b>		130,354		24,641
Other current assets	<b>47,626</b>		36,211		11,415
Total current assets	<b>696,559</b>	<b>57.2</b>	613,949	54.0	82,610
Non-current assets :					
Investments and advances :					
Investments in and advances to affiliates and unconsolidated subsidiaries	<b>94,218</b>		107,676		-13,458
Securities and other investments	<b>83,028</b>		55,520		27,508
Total investments and advances	<b>177,246</b>	<b>14.6</b>	163,196	14.3	14,050
Long-term financial receivable	<b>63,322</b>	<b>5.2</b>	89,348	7.9	-26,026
Property, plant and equipment, at cost :					
Land	<b>38,659</b>		39,982		-1,323
Buildings	<b>135,962</b>		133,400		2,562
Machinery and equipment	<b>413,827</b>		393,774		20,053
Construction in progress	<b>12,737</b>		13,901		-1,164
Less accumulated depreciation	<b>-378,436</b>		-367,210		-11,226
Total property, plant and equipment	<b>222,749</b>	<b>18.3</b>	213,847	18.8	8,902
Goodwill	<b>24,353</b>	<b>2.0</b>	23,112	2.0	1,241
Other assets	<b>33,929</b>	<b>2.7</b>	33,715	3.0	-786
Total non-current assets	<b>520,599</b>	<b>42.8</b>	523,218	46.0	-2,619
Total assets	<b>¥1,217,158</b>	<b>100.0</b>	¥1,137,167	100.0	79,991

Note : Restricted deposit represents the amount of time deposit to a financial institution in order to reduce the cost for the issuance of letter of credit in connection with a legal proceeding.

LIABILITIES AND STOCKHOLDERS' EQUITY

	Japanese yen (Millions)				
	ended March 31,				
	2000		1999		Increase or Decrease
Amount	%	Amount	%		
Current liabilities :					
Short-term bank loans	¥93,604		¥77,192		16,412
Current portion of long-term debt	17,944		18,658		-714
Trade notes and accounts payable	83,718		64,730		18,988
Construction notes and other payable	36,667		33,761		2,906
Accrued payroll and bonus	22,429		18,779		3,650
Accrued income taxes	37,372		16,391		20,981
Accrued expenses	16,571		12,188		4,383
Other current liabilities	12,578		9,522		3,056
Total current liabilities	320,883	26.4	251,221	22.1	69,662
Non-current liabilities :					
Long-term debt	21,090		36,103		-15,013
Accrued pension and severance costs	33,740		41,208		-7,468
Long-term deferred taxes	568		1,258		-690
Other non-current liabilities	6,910		9,756		-2,846
Total non-current liabilities	62,308	5.1	88,325	7.7	-26,017
Total liabilities	383,191	31.5	339,546	29.8	43,645
Minority interests in subsidiaries	35,517	2.9	28,128	2.5	7,389
Stockholders' equity :					
Common stock	115,703		115,703		0
Additional paid-in capital	157,768		157,768		0
Legal reserve	16,050		14,630		1,420
Retained earnings	553,560		516,015		37,545
Accumulated other comprehensive income	-35,518		-34,623		-895
Treasury stock	-9,113		-		-9,113
Total stockholders' equity	798,450	65.6	769,493	67.7	28,957
Total liabilities and stockholders' equity	¥1,217,158	100.0	¥1,137,167	100.0	79,991

Note : Accumulated other comprehensive income

	ended March 31,	
	2000	1999
Unrealized gain on securities, net	10,390	5,343
Foreign currency transaction adjustments	-45,908	-32,740
Minimum pension liability adjustments	-	-7,226

## CONSOLIDATED STATEMENTS OF INCOME

	Japanese yen (Millions)					
	For the year ended March 31,					
	2000		1999		Increase or Decrease %	
	Amount	%	Amount	%		
Net sales	¥801,263		¥708,795		92,468	
Finance and other operating revenue	11,363		16,531		-5,168	
Total net sales and operating revenue	<u>812,626</u>	<u>100.0</u>	<u>725,326</u>	<u>100.0</u>	<u>87,300</u>	<u>12.0</u>
Cost of goods sold	576,016		525,169		50,847	
Cost of finance and other operating revenue	9,624		12,784		-3,160	
Total cost of goods sold and operating revenue	<u>585,640</u>	<u>72.1</u>	<u>537,953</u>	<u>74.2</u>	<u>47,687</u>	<u>8.9</u>
Gross profit	<u>226,986</u>	<u>27.9</u>	<u>187,373</u>	<u>25.8</u>	<u>39,613</u>	<u>21.1</u>
Selling, general and administrative expenses	<u>134,835</u>	<u>16.6</u>	<u>131,603</u>	<u>18.1</u>	<u>3,232</u>	<u>2.5</u>
Profit from operations	<u>92,151</u>	<u>11.3</u>	<u>55,770</u>	<u>7.7</u>	<u>36,381</u>	<u>65.2</u>
Other income or expenses :						
Interest and dividend income	6,441	0.8	5,165	0.7	1,276	24.7
Interest expense	-834	-0.1	-1,039	-0.1	205	-
Foreign currency transaction losses or gains, net	-6,220	-0.8	557	0.1	-6,777	-
Equity in earnings or losses of affiliates and unconsolidated subsidiaries	-6,980	-0.8	3,158	0.4	-10,138	-
Gain on sale of investment in a subsidiary	28,175	3.5	-	-	28,175	-
Loss on closure of Iridium business	-12,210	-1.5	-	-	-12,210	-
Amortization of additional investments in excess of net assets of affiliates and a subsidiary	-	-	-5,471	-0.8	5,471	-
Other, net	-3,055	-0.4	3,660	0.5	-6,715	-
Total other income or expenses	<u>5,317</u>	<u>0.7</u>	<u>6,030</u>	<u>0.8</u>	<u>-713</u>	<u>-11.8</u>
Income before income taxes	<u>97,468</u>	<u>12.0</u>	<u>61,800</u>	<u>8.5</u>	<u>35,668</u>	<u>57.7</u>
Income taxes	<u>41,693</u>	<u>5.1</u>	<u>32,005</u>	<u>4.4</u>	<u>9,688</u>	<u>30.3</u>
Income before minority interests	55,775	6.9	29,795	4.1	25,980	87.2
Minority interests	-5,430	-0.7	-1,550	-0.2	-3,880	-
Net income	<u>¥50,345</u>	<u>6.2</u>	<u>¥28,245</u>	<u>3.9</u>	<u>22,100</u>	<u>78.2</u>
Earnings per share:						
Basic	¥265.72		¥148.41			
Diluted	¥265.34		¥148.41			
Weighted average number of shares of common stock and common stock equivalents (thousand of shares) :						
Basic	189,467		190,318			
Diluted	189,739		190,318			

- Note : (1) The Company applies Statement of Financial Accounting Standards No. 130, "Financial Reporting of Comprehensive Income." Based on this standard, the increase in comprehensive income of fiscal 2000 and 1999 was ¥49,450 million and ¥10,932 million, respectively.
- (2) Earnings per share amounts were computed based on Statements of Financial Accounting standards No. 128, "Earnings per Share (FAS128). Under FAS 128, basic earnings per share is computed based on the average number of shares of common stock outstanding during each period and diluted earnings per share assumes the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock.



## Consolidated Statements of Stockholders' Equity

( Yen in millions except number of shares in thousands)

Number of Shares Common Stock	Common stock	Treasury stock	Additional paid-in Capital	Legal reserve	Retained earnings	Total Accumulate and Other Comprehensive Income	Comprehensive Income
Balance, March 31, 1998 (190,318)	115,703	-	157,768	13,347	500,472	-17,310	
Net income for the year					28,245		28,245
Accumulated and other comprehensive income						-17,313	-17,313
Total comprehensive income for the year							10,932
Cash dividends					-11,419		
Appropriation for legal reserve				1,283	-1,283		
Balance, March 31, 1999 (190,318)	115,703	-	157,768	14,630	516,015	-34,623	
Net income for the year					50,345		50,345
Accumulated and other comprehensive income						-895	-895
Total comprehensive income for the year							49,450
Cash dividends					-11,380		
Appropriation for legal reserve				1,420	-1,420		
Purchase of treasury stock (1,325)		-9,714					
Sales of treasury stock from exercise of stock option (82)		601					
Balance, March 31, 2000 (189,075)	115,703	-9,113	157,768	16,050	553,560	-35,518	

## Consolidated Statements of Cash Flows

	Japanese yen ( Millions)	
	For the year ended March 31,	
	2000	1999
Cash flows from operating activities :		
Net income	¥50,345	¥28,245
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation and amortization	58,324	55,266
Provision for doubtful accounts	9,274	6,845
Losses on valuation of inventories	6,776	7,641
Deferred income taxes	-19,281	-4,592
Minority interests	5,430	1,550
Equity in earnings or losses of affiliates and unconsolidated subsidiaries	6,980	-3,158
Gain on sale of investment in a subsidiary	-28,175	-
Amortization of additional investments in excess of net assets of subsidiary and affiliates	-	5,471
Foreign currency adjustment	6,194	-386
Changes in assets and liabilities :		
Increase or decrease in trade receivables	-38,706	30,324
Increase or decrease in inventories	-20,451	9,744
Increase in other current assets	-759	-4,298
Increase in notes and accounts payable	28,613	1,479
Increase or decrease in accrued income taxes	20,897	-9,610
Increase or decrease in other current liabilities	9,634	-1,205
Increase in other non-current liabilities	9,998	7,117
Other, net	2,819	-4,908
Net cash provided by operating activities	107,930	125,525
Cash flows from investing activities :		
Payments for purchases of available-for-sale securities	-60,205	-9,018
Payments for purchases of investments and advances	-959	-12,728
Sales and maturities of available-for-sale securities	49,533	86,335
Payments for purchase of property, plant and equipment	-66,783	-64,341
Proceeds from sales of investment in a subsidiary	34,467	-
Acquisition of businesses, net of cash acquired	-30,556	-5,934
Payment for purchases of intangible assets	-2,885	-6,587
Restricted cash	-848	-41,010
Other, net	4,488	2,758
Net cash used in investing activities	-73,748	50,525
Cash flows from financing activities :		
Increase in short-term debt	16,997	3,781
Proceeds from issuance of long-term debt	20,454	14,418
Payments of long-term debt	-35,567	-25,087
Dividends paid	-12,198	-12,253
Purchase of treasury stock	-9,714	-
Other, net	161	99
Net cash used in financing activities	-19,867	-19,042
Effect of exchange rate changes on cash and cash equivalents	-7,788	-5,059
Net increase or decrease in cash equivalents	6,527	50,899
Cash and cash equivalents at beginning of year	172,417	121,518
Cash and cash equivalents at end of year	¥178,944	¥172,417

## SEGMENT INFORMATION

### 1. Industry segment information :

	Japanese yen (Millions)			
	2000 Amount	1999 Amount	Increase or Decrease	%
<b>Total net sales and operating revenue:</b>				
Ceramic and related products	¥544,260	¥468,620	75,640	16.1
Electronic equipment	224,005	206,751	17,254	8.3
Optical instruments	39,082	38,978	104	0.3
Finance and other operating revenue	11,363	16,531	-5,168	-31.3
Adjustments and eliminations	-6,084	-5,554	-530	-
	<b>¥812,626</b>	<b>¥725,326</b>	<b>87,300</b>	<b>12.0</b>
<b>Operating profit :</b>				
Ceramic and related products	¥95,054	¥49,790	45,264	90.9
Electronic equipment	21,753	24,506	-2,753	-11.2
Optical instruments	3,680	1,207	2,473	204.9
Finance and other operating revenue	-8,335	-2,010	-6,325	-
	<b>¥112,152</b>	<b>¥73,493</b>	<b>38,659</b>	<b>52.6</b>
Corporate	¥-34,166	¥-7,480	-26,686	-
Equity in earnings	-6,980	3,158	-10,138	-
Gain on sales of investment in a subsidiary	28,175	-	28,175	-
Amortization of additional investments in excess of net assets of affiliates	-	-5,471	5,417	-
Interest expense	-834	-1,039	205	-
Adjustments and eliminations	-879	-861	-18	-
Income before income taxes	<b>¥97,468</b>	<b>¥61,800</b>	<b>35,668</b>	<b>57.7</b>
<b>Identifiable assets :</b>				
Ceramic and related products	¥448,897	¥404,864	44,033	10.9
Electronic equipment	148,812	103,034	45,778	44.4
Optical instruments	34,504	34,375	129	0.4
Finance and other operating revenue	169,437	179,202	-9,765	-5.4
	<b>801,650</b>	<b>¥721,475</b>	<b>80,175</b>	<b>11.1</b>
Corporate	¥374,825	¥372,891	1,934	0.5
Investments in and advances to affiliates and unconsolidated subsidiaries	94,218	107,676	-13,458	-12.5
Adjustments and eliminations	-53,535	-64,875	11,340	-
Total assets	<b>¥1,217,158</b>	<b>¥1,137,167</b>	<b>79,991</b>	<b>7.0</b>
<b>Depreciation and amortization :</b>				
Ceramic and related products	¥41,243	¥41,489	-246	-0.6
Electronic equipment	9,637	8,117	1,520	18.7
Optical instruments	2,501	2,234	267	12.0
Finance and other operating revenue	3,501	2,001	1,500	75.0
Corporate	1,460	1,425	35	2.5
Total	<b>¥58,342</b>	<b>¥55,266</b>	<b>3,076</b>	<b>5.6</b>
<b>Capital expenditures :</b>				
Ceramic and related products	¥53,580	¥42,235	11,345	26.9
Electronic equipment	6,587	5,521	1,066	19.3
Optical instruments	1,422	2,926	-1,504	-51.4
Finance and other operating revenue	1,245	201	1,044	519.4
Corporate	1,897	7,490	-5,593	-74.7
Total	<b>¥64,731</b>	<b>¥58,373</b>	<b>6,358</b>	<b>10.9</b>

Notes :

(1) Method of segmentation :

Segmentation of the Company's business is based on its product lines that the Company has applied to report its sales breakdowns as well as the Company's historical development in terms of market technology and structure of business.

(2) Sales information by product line :

	Japanese yen (Millions)				
	For the year ended march 31,				Increase or Decrease %
	2000		1999		
Amount	%	Amount	%		
Ceramic and related products :					
Fine ceramic parts	¥58,811	7.2	¥53,946	7.4	9.0
Semiconductor parts	150,693	18.5	122,619	16.9	22.9
Electronic components	271,283	33.4	238,046	32.8	14.0
Cutting tools, jewelry, BIOCERAM, solar energy products and applied ceramic products	57,692	7.1	48,260	6.7	19.5
Others	5,781	0.7	5,749	0.8	0.6
	<b>544,260</b>	<b>66.9</b>	<b>468,620</b>	<b>64.6</b>	<b>16.1</b>
Electronic equipment :					
Telecommunications equipment	168,240	20.7	146,476	20.2	14.9
Information equipment	55,765	6.9	60,275	8.3	-7.5
	<b>224,005</b>	<b>27.6</b>	<b>206,751</b>	<b>28.5</b>	<b>8.3</b>
Optical instruments	39,082	4.8	38,978	5.4	0.3
Finance and other operating revenue	11,363	1.4	16,531	2.3	-31.3
Adjustments and eliminations	-6,084	-0.7	-5,554	-0.8	-
Total	<b>¥812,626</b>	<b>100.0</b>	<b>¥725,326</b>	<b>100.0</b>	<b>12.0</b>

## MAJOR PRODUCTS

	Product lines	Major products
Ceramic and related products	Fine ceramic parts	Parts for telecommunication equipment, Parts for audio visual equipment, Parts for office automation equipment, Parts for home electronic equipment, Parts for semiconductor fabrication equipment, Parts for liquid crystal displays fabrication equipment, Parts for fiber-optic communication equipment, Automotive parts, Parts for general manufacturing industry, Single crystal sapphire, Parts for gas turbine
	Semiconductor parts	Layer packages, Built-up packages, Cerdips, Thin-film packages, Metallized products, Lids, Packages for Surface Mount Devices, Packages for fiber-optic communication, Organic packages
	Electronic components	Chip capacitors, Chip resistors, Ceramic resonators, Filters, SAW (Surface Acoustic Wave) Devices, Quartz products, TCXO, VCO, Ceramic Circuit Board, Thermal printheads, Amorphous Silicon Drums, Liquid crystal displays, LED print head
	Cutting tools, jewelry, BIOCERAM, Solar energy products and applied ceramic products	Cutting tools, Wear parts, Dental and orthopedic implants, Dental materials, Medical equipment, Home and industrial use photovoltaic generating systems, Home and industrial use solar system, Home use heat pump, Solar cells and modules, Solar-cell-applied equipment, Jewelry, Ceramic housings for watches, Ceramic knives, Ceramic scissors, Accessories, Tableware
	Others	Plastics for special applications, Bi-products
Electronic equipment	Telecommunications Equipment	Cellular handsets, PHS-related products
	Information Equipment	Page printers
Optical instruments		Single-lens reflex cameras, Compact cameras, Digital cameras, Applied optical equipment (Medical and surveillance cameras, etc.)
Finance and other operating revenue		Leasing, credit finance, real estate renting and Other services

### 2. Segment information by geographic areas :

	Japanese yen (Millions)					
	<u>For the year ended March 31,</u>				Increase or Decrease	%
	<u>2000</u>	1999	1998			
<u>Amount</u>	Amount	Amount	Amount			
Japan	<b>¥400,247</b>	<b>49.3</b>	¥372,698	51.4	27,549	7.4
United States of America	<b>148,927</b>	<b>18.3</b>	120,900	16.7	28,027	23.2
Europe	<b>108,342</b>	<b>13.3</b>	110,689	15.2	-2,347	-2.1
Asia	<b>131,650</b>	<b>16.2</b>	100,919	13.9	30,731	30.5
Others	<b>23,460</b>	<b>2.9</b>	20,120	2.8	3,340	16.6
<b>Consolidated net sales</b>	<b>¥812,626</b>	<b>100.0</b>	¥725,326	100.0	87,300	12.0
Sales outside Japan	<b>¥412,379</b>		¥352,628		59,751	16.9
Overseas sales ratio to consolidated net sales	<b>50.7%</b>		48.6%			

## INVESTMENTS IN DEBT AND EQUITY SECURITIES :

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 tax. Held-to-maturity securities are recorded at amortized cost. Equity securities which do not have readily determinable fair value are recorded at cost. Investments in debt and equity securities at March 31, 2000 and 1999, included in short-term investments (current assets) and in securities and other investments (non-current assets) are summarized as follows :

	(Million yen)							
	March 31,							
	2000				1999			
	Cost	Aggregate Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Cost	Aggregate Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale securities :								
Corporate debt securities	48,732	48,395	216	553	¥27,956	¥27,569	¥108	¥495
Equity securities	16,669	34,810	18,434	293	18,623	30,551	14,747	2,819
Other debt securities	20,185	20,295	111	1	21,758	20,299	72	1,531
<b>Total available-for-sale securities</b>	<b>85,586</b>	<b>103,500</b>	<b>18,761</b>	<b>847</b>	<b>68,337</b>	<b>78,419</b>	<b>14,927</b>	<b>4,854</b>
Held-to-maturity securities :								
Corporate debt securities	7,000	7,035	35	14	7,000	7,065	65	-
<b>Total held-to-maturity securities</b>	<b>7,000</b>	<b>7,035</b>	<b>35</b>	<b>14</b>	<b>7,000</b>	<b>7,065</b>	<b>65</b>	<b>-</b>
<b>Total investments in debt and equity securities</b>	<b>92,586</b>	<b>110,535</b>	<b>18,796</b>	<b>861</b>	<b>¥75,337</b>	<b>¥85,484</b>	<b>14,992</b>	<b>4,845</b>

Note: Cost represents amortized cost for debt securities and acquisition cost for equity securities.

## DERIVATIVE FINANCIAL INSTRUMENTS

Kyocera enters into foreign currency swap agreements to hedge certain assets and liabilities denominated in foreign currencies. The aggregate contract amounts of the agreements were ¥1,331 and ¥1,190 at March 31, 2000 and 1999, respectively.

Foreign currency forward contracts are also used to hedge certain assets and liabilities denominated in foreign currencies. The aggregate contract amounts of the agreements for buying and selling were ¥36,130 and ¥4,881 at March 31, 2000, and 41,990 and 8,804 at 1999, respectively.

Interests swap and options agreements are used to reduce market risk exposures from fluctuation in interest rates. The aggregate contract amounts of agreements were ¥112,716 and ¥101,716 at March 31, 2000 and 1999, respectively.

Metal delivery contracts were utilized by a foreign subsidiary to hedge market risks from fluctuation in metal prices. The aggregates contract amounts of agreements were ¥620 at March 31, 2000.

Although Kyocera may be exposed to losses in the event of non-performance by counterparties or currency rate movements, it does not anticipate significant losses from the agreements described above.

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

	(Million yen)			
	March 31,			
	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Currency swaps (a)	-22	-2	-69	-69
Foreign currency forward contracts (a)	-817	385	-309	44
Interest swaps and options (a)	194	-600	330	-1,080
Metal delivery contracts (b)	-	-50	-	-

(a) The fair value was estimated based on quotes from financial institutions.

(b) The fair value was based on quoted market prices.

## Basis of preparation of this financial statement

### 1. Scope of consolidation and application of the equity method :

Major consolidated subsidiaries : AVX CORPORATION, KYOCERA AMERICA, INC.,  
KYOCERA ELCO CORPORATION

Major unconsolidated subsidiaries applied for equity method:  
KYOCERA INTERNATIONAL COMPANY

Major affiliates applied for equity method:  
DDI CORPORATION which has its own subsidiaries  
such as KANSAI CELLULAR CO., LTD.,  
DDI POCKET TELEPHONE INC.,  
TAITO CORPORATION, KINSEKI, LTD.

### 2. Changes in scope of consolidation and application of the equity method :

	Consolidation	Equity method
Increase	8 companies	2 companies
Decrease	0 company	8 companies



## KYOCERA CORPORATION

1. Date of the board of directors' meeting concerning the financial statements : May 17, 2000
2. Date of the general meeting of shareholders : June 29, 2000
3. Results for the year ended March 31, 2000 (From April 1, 1999 through March 31, 2000)

(1) Operational results :

	Japanese yen (Millions, except per share amounts)	
	Year ended March 31,	
	2000	1999
Net sales	<b>¥507,802</b>	¥453,595
% change from the previous year	<b>12.0%</b>	-7.8%
Profit from operations	<b>55,013</b>	37,690
% change from the previous year	<b>46.0%</b>	-35.4%
Recurring profit	<b>69,471</b>	52,009
% change from the previous year	<b>33.6%</b>	-28.4%
Net income	<b>39,296</b>	27,738
% change from the previous year	<b>41.7%</b>	-24.2%
Earnings per share	<b>¥206.48</b>	¥145.75
Return on equity	<b>5.4%</b>	4.0%
Recurring profit to total assets	<b>8.1%</b>	6.4%
Recurring profit to net sales	<b>13.7%</b>	11.5%

Notes :

1. Average number of shares outstanding during the year :

	2000	1999
	<b>190,318,300</b>	190,318,300

2. Change in accounting policies : See to "Summary of major accounting policies".

(2) Dividend information :

	Japanese yen	
	Year ended March 31,	
	2000	1999
Year-end dividends per share	<b>¥30.00</b>	¥30.00
Interim dividends per share	<b>¥30.00</b>	¥30.00
Annual dividends per share	<b>¥60.00</b>	¥60.00
Annual aggregate amount of dividends paid	<b>¥11,341 million</b>	¥11,419 million
Payout ratio	<b>28.9%</b>	41.2%
Dividends to stockholders' equity	<b>1.5%</b>	1.6%

(3) Financial condition :

	Japanese yen	
	<u>March 31, 2000</u>	<u>March 31, 1999</u>
Total assets	<b>¥902,172 million</b>	¥811,660 million
Stockholders' equity	<b>¥753,530 million</b>	696,620 million
Stockholders' equity to total assets	<b>83.5%</b>	85.8%
Stockholders' equity per share	<b>¥3,959.32</b>	¥3,660.29

Notes : Total number of shares outstanding as of :

<b>March 31, 2000</b>	<b>190,318,300</b>
March 31, 1999	190,318,300

2. Projection for the year ending March 31, 2001 :

	Japanese yen (Millions, except per share amounts)	
	<u>Six months ending September 30, 2000</u>	<u>Year ending March 31, 2001</u>
Net sales	<b>¥267,000</b>	<b>¥547,000</b>
Recurring profit	<b>30,800</b>	<b>75,300</b>
Net income	<b>-23,200</b>	<b>3,500</b>
Interim dividends per share	<b>30.00</b>	-
Annual dividends per share	-	<b>60.00</b>

Note : 1. Projected annual earnings per share : ¥18.39

2. Extraordinary loss of ¥69.3 billion is charged in the first half due to an amortization of unrecognized net benefit obligation for employee retirement plan.

## BALANCE SHEETS

### ASSETS

	Japanese yen (Millions)				Increase or Decrease
	as of March 31,				
	2000		1999		
Amount	%	Amount	%		
Current assets :					
Cash and bank deposits	¥59,529		¥108,494		-48,964
Trade notes receivable	53,192		41,933		11,258
Trade accounts receivable	93,251		82,552		10,699
Marketable securities	105,704		69,309		36,395
Treasury stock	113		4		109
Finished goods and purchased merchandise	23,185		31,457		-8,272
Raw materials	22,161		16,783		5,378
Work in process	22,648		17,617		5,030
Supplies	1,222		1,641		-418
Deferred income taxes	24,369		—		24,369
Short-term loans	13,245		37,116		-23,871
Other accounts receivable	4,272		2,268		2,003
Other current assets	1,215		1,135		79
Allowance for doubtful accounts	-779		-1,014		235
Total current assets	<u>423,331</u>	46.9	<u>409,299</u>	50.4	<u>14,031</u>
Fixed assets :					
Tangible fixed assets :					
Buildings	43,950		46,217		-2,266
Structures	2,650		2,890		-239
Machinery and equipment	50,651		41,418		9,232
Vehicles	62		56		5
Tools, furniture and fixtures	9,015		9,977		-961
Land	28,374		26,791		1,583
Construction in progress	1,623		6,249		-4,626
Total tangible fixed assets	<u>136,327</u>	15.1	<u>133,600</u>	16.5	<u>2,727</u>
Intangible assets :					
Patent rights and others	3,973		3,583		390
Total intangible assets	<u>3,973</u>	0.5	<u>3,583</u>	0.4	<u>390</u>
Investments and other assets :					
Investments in securities	124,592		107,192		17,399
Investments in subsidiaries	135,129		110,238		24,891
Equity investments (other than shares) in subsidiaries	8,977		7,429		1,548
Long-term loans	34,340		31,227		3,113
Long-term prepaid expenses	3,884		5,952		-2,067
Deferred income taxes	18,882		—		18,882
Treasury stock	9,113		—		9,113
Other investments	11,089		4,986		6,102
Allowances for doubtful accounts	-7,470		-1,849		-5,621
Total investments and other assets	<u>338,539</u>	37.5	<u>265,177</u>	32.7	<u>73,362</u>
Total fixed assets	<u>478,841</u>	53.1	<u>402,361</u>	49.6	<u>76,480</u>
TOTAL	<u>¥902,172</u>	100.0	<u>¥811,660</u>	100.0	<u>90,512</u>

Note : Software costs previously reported as "long-term prepaid expenses" have been reclassified to intangible assets on the balance sheet.

## LIABILITIES

	Japanese yen (Millions)				
	as of March 31,				
	2000		1999		Increase or Decrease
Amount	%	Amount	%		
Current liabilities :					
Trade notes payable	¥5,034		¥8,520		-3,486
Trade accounts payable	51,658		42,419		9,238
Other payables	42,181		26,392		15,788
Accrued income taxes and enterprise taxes	26,600		11,200		15,400
Accrued expenses	6,890		6,182		708
Deposits received	2,393		1,914		479
Reserve for employees' bonuses	10,700		10,700		—
Reserve for product warranty	586		767		-180
Reserve for losses on sales returns	234		265		-31
Notes payable					
for the purchase of equipment	502		4,985		-4,483
Other current liabilities	254		47		207
Total current liabilities	<u>147,035</u>	16.3	<u>113,394</u>	14.0	<u>33,641</u>
Fixed liabilities :					
Reserve for directors' retirement expenses	1,264		1,310		-46
Other fixed liabilities	343		335		7
Total fixed liabilities	<u>1,607</u>	0.2	<u>1,645</u>	0.2	<u>-38</u>
Total liabilities	<u>148,642</u>	16.5	<u>115,039</u>	14.2	<u>33,602</u>
STOCKHOLDERS' EQUITY					
Common stock	115,703	12.8	115,703	14.2	—
Legal reserves :					
Capital surplus					
Paid-in surplus	173,744		173,744		—
Surplus from merger	742		742		—
Total capital surplus	<u>174,487</u>		<u>174,487</u>		<u>—</u>
Legal revenue reserves	15,439		14,272		1,166
Total legal reserves	<u>189,926</u>	21.1	<u>188,759</u>	23.3	<u>1,166</u>
Retained earnings:					
Reserve for special depreciation	3,282		5,615		-2,333
Reserve for research and development	1,000		1,000		—
Reserve for dividends	1,000		1,000		—
Reserve for retirement benefits	300		300		—
Reserve for overseas investments	1,000		1,000		—
General reserve	369,828		354,828		15,000
Unappropriated retained earnings	<u>71,489</u>		<u>28,413</u>		<u>43,075</u>
Total retained earnings	<u>447,900</u>	49.6	<u>392,157</u>	48.3	<u>55,742</u>
Total stockholders' equity	<u>753,530</u>	83.5	<u>696,620</u>	85.8	<u>56,909</u>
TOTAL	<u>¥902,172</u>	100.0	<u>¥811,660</u>	100.0	<u>90,512</u>

## STATEMENTS OF INCOME

	Japanese yen (Millions)					
	For the year ended March 31,					
	2000		1999		Increase or Decrease %	
	Amount	%	Amount	%		
Recurring profit and loss :						
Operating income and expenses :						
Net sales	¥507,802	100.0	¥453,595	100.0	54,207	12.0
Cost of sales	379,283	74.7	339,786	74.9	39,497	11.6
Selling, general and administrative expenses	73,505	14.5	76,119	16.8	-2,613	-3.4
Profit from operations	55,103	10.8	37,690	8.3	17,323	46.0
Non-operating income and expenses :						
Non-operating income :						
Interest and dividend income	14,220	2.8	14,816	3.3	-595	-4.0
Gain from fluctuations of foreign exchange rates	—	—	298	0.1	-298	—
Other non-operating income	7,652	1.5	3,814	0.8	3,837	100.6
Total non-operating income	21,872	4.3	18,928	4.2	2,943	15.6
Non-operating expenses :						
Interest expense	25	0.0	19	0.0	6	33.7
Loss from fluctuations of foreign exchange rates	4,554	0.9	—	—	4,554	—
Other non-operating expenses	2,834	0.5	4,590	1.0	-1,756	-38.3
Total non-operating expenses	7,414	1.4	4,609	1.0	2,804	60.9
Recurring profit	69,471	13.7	52,009	11.5	17,462	33.6
Extraordinary profit and loss :						
Extraordinary profit	35,351	6.9	138	0.0	35,213	—
Extraordinary loss	38,682	7.6	292	0.1	38,390	—
Income before income taxes	66,140	13.0	51,855	11.4	14,285	27.5
Income taxes and enterprise taxes	41,003	8.1	24,117	5.3	16,885	70.0
Income taxes adjustment	-14,159	-2.8	—	—	-14,159	—
Net income	39,296	7.7	¥27,738	6.1	11,558	41.7
Unappropriated retained earnings brought forward from the previous year	6,961		6,956			
Cumulative effect on prior years of a change in accounting for income taxes	29,092		—			
Reversal of special depreciation reserve due to adoption of accounting for deferred taxes	2,376		—			
Interim dividends	5,669		5,709			
Amount appropriated for reserve in respect of interim dividends	566		570			
Unappropriated retained earnings at the end of the year	¥71,489		¥28,413			

Note : In this fiscal year, Kyocera adopted accounting for deferred tax. As a result of the adoption of the new accounting method, net income and retained earnings increased by ¥14,159 million and by ¥45,627 million, respectively.

## PROPOSED APPROPRIATION OF RETAINED EARNINGS

	Japanese yen (Millions)		Increase or Decrease
	For the year ended March 31,		
	2000	1999	
Unappropriated retained earnings	¥71,489	¥28,413	43,075
Reversal of reserves :			
Reversal of reserve for special depreciation	729	1,257	-528
Total	¥72,218	¥29,671	42,547
To be appropriated as follows :			
Legal reserves	600	600	-
Dividends (30 yen per share)	5,671	5,709	-37
Officers' bonuses (Note)	100	100	-
Reserve for special depreciation	986	1,300	-314
General reserve	35,000	15,000	20,000
Unappropriated retained earnings			
Carried forward to the next year	29,860	6,961	22,899

Note : Statutory auditors' bonuses of 3 million yen and 2 million yen are included in officers' bonuses in 2000 and 1999, respectively.

## 1. Summary of major accounting policies :

### (1) Valuation of securities :

Marketable securities are stated at the lower of cost or market. Cost is determined by the moving average method. Other securities are stated at cost determined by the moving average method.

### (2) Valuation of inventories:

#### Finished good, merchandise, and work in process:

Finished goods and work in process are stated at the lower of cost or market, the cost being determined by the retail inventory method. Merchandise are stated at the lower of cost or market, the cost being determined by last purchase method.

#### Raw materials, Supplies:

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

### (3) Depreciation of fixed assets :

Tangible fixed assets : The declining balance method.

Intangible assets : The straight-line method.

### (4) Accounting for allowance and accrual

#### Allowance for doubtful accounts :

Allowance for doubtful accounts are provided at an estimated amount of probable bad debts in addition to the maximum deductible limit established by the Japanese corporate income tax law.

#### Accrued employees' bonuses :

Accrued employees' bonuses are provided based upon the amounts expected to be paid which is determined by actual payment of preceeding year.

### (5) Lease transactions :

Finance lease other than those which are deemed to transfer the ownership of leased assets to lessees are accounted for by the method similar to that applicable to an ordinary operating lease.

(6) In this fiscal year, the Company changed its accounting method of prior service costs for the employee pension fund. Prior service cost had been recognized at the time of actual payments in previous years. Under the new method, those costs were recognized when incurred. This change was made to provide appropriate recognition of prior service costs and to enhance financial stability of the Company resulting from comprehensive review of its pension plan under current market condition of plan assets and increase in unamortized prior service cost. The impact of this change was to decrease income before income taxes by JPY 4,335 million.

(7) Consumption taxes are separately identified from each transaction.

2. Notes to the balance sheet :

	As of March 31,	
	2000	1999
(1) Current receivables from subsidiaries	¥60,861 million	¥76,312 million
Long-term receivables from subsidiaries	¥40,837 million	¥31,545 million
Current payables to subsidiaries	¥9,651 million	¥5,794 million
Long-term payables to subsidiaries	¥168 million	¥168 million
(2) Accumulated depreciation tangible fixed assets	¥259,189 million	¥239,736 million
(3) Major assets in foreign currencies :		
Assets :		
	<b>Japanese yen</b>	<b>In Foreign Currencies</b>
	<b>(in millions)</b>	<b>(in thousands)</b>
Cash and bank deposits	¥26,319	US\$ 250,307
Trade accounts receivable	¥2,595	US\$ 14,935
		DM 13,588
		EUR 3,271
Trade accounts receivable	¥7,932	US\$ 62,926
		DM 21,323
		F.Fr 14,454
Other accounts receivable	¥1,252	US\$ 10,698
		HK\$ 8,281
Investments in securities	¥2,137	US\$ 6,849
		W 14,044,160
Investments in shares of subsidiaries	¥47,265	US\$ 363,034
		W 13,500,000
		HK\$ 15,000
		EUR 4,500
		A\$ 3,800
		F.Fr 15,000
		£ Stg 500
Equity investment (other than shares) in subsidiaries	¥8,640	RMB¥ 290,723
		R\$ 13,626
		DM 34,040
		Lit 3,500,000
Guaranty money of investment	¥656	US\$ 5,810
Liabilities :		
	<b>Japanese yen</b>	<b>In Foreign Currencies</b>
	<b>(in millions)</b>	<b>(in thousands)</b>
Trade accounts payable	¥289	US\$ 2,698
Other payable	¥3,422	US\$ 31,941
Deposits received	¥638	US\$ 5,956
(4) Discounted trade notes received	<b>March 31, 2000</b>	<b>March 31, 1999</b>
	¥243 million	¥111 million
(5) Liability for guarantee	<b>March 31, 2000</b>	<b>March 31, 1999</b>
	¥18,123 million	¥25,965 million



(6) The reserve for losses on sales returns and for directors' retirement expense are accrued in accordance with the article 287-2 of the Japanese commercial code.

(7) The amount of treasury stock for the article 290-1-5 of the Japanese commercial code.	<u>March 31, 2000</u> <b>¥9,113 million</b>	<u>March 31, 1999</u> -
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(8) Number of treasury stock :	<u>March 31, 2000</u> <b>1,258,384 shares</b>	<u>March 31, 1999</u> 687 shares
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### 3. Notes to the statements of income :

#### (1) Transactions with subsidiaries :

	<u>2000</u>	<u>1999</u>
Net sales to subsidiaries	<b>¥177,383 million</b>	¥163,252 million
Purchases from subsidiaries	<b>9,150 million</b>	9,197 million
Selling, general and administrative expenses	<b>8,091 million</b>	7,699 million
Transactions with subsidiaries other than operational transactions	<b>21,680 million</b>	12,005 million

#### (2) Major items in extraordinary profit and loss :

	<u>2000</u>	<u>1999</u>
① Extraordinary profit :		
Profit from disposing of fixed assets	<b>¥189 million</b>	¥99 million
Profit from selling of investments in shares of subsidiaries	<b>¥29,346 million</b>	-
Profit from selling of investments in securities	<b>¥5,545 million</b>	-
Returns of doubtful accounts	<b>¥270 million</b>	¥39 million
② Extraordinary loss :		
Loss on disposal of fixed assets	<b>¥1,003 million</b>	¥283 million
Prior service cost	<b>¥4,335 million</b>	-
Loss on financial support to a subsidiary	<b>¥11,300 million</b>	-
Bad debt provision for s subsidiary	<b>¥5,950 million</b>	-
Loss on closure of iridium business	<b>¥15,991 million</b>	-

4. Notes for lease transaction :

Future lease payments at the latest balance sheet date :

	Japanese yen (Millions)	
	2000	1999
(1) Leased property costs, accumulated depreciation and balance of leased property		
Cost	5,551	5,482
Accumulated depreciation	3,454	3,379
Net balance of leased property	2,097	2,102
(2) Future lease payment at the latest balance sheet date		
Due within one year	983	955
Due after one year	1,189	1,206
Total	2,172	2,162
(3) Lease payment, depreciation and interests	Japanese yen (Millions)	
	2000	1999
Lease payments	1,260	1,277
Depreciation	1,152	1,162
Interests	111	109

(4) Calculation of depreciation : Using straight-line method.

(5) Calculation of interests

Using sum of digits method applying to the difference between total lease payments and estimated cost (fair market value) of leased property.

## PLANNED CHANGE OF DIRECTORS AND STATUTORY AUDITORS

### Retiring Director

(Effective June 27, 2000)

Mr. Kiyohide Shirai, presently Managing Director  
(to take the responsibilities of the Senior Managing Director of DDI Corporation)

(Effective June 29, 2000)

Mr. Takeru Miwa, presently Director  
(to take the responsibilities of the Director of Kyoto Broadcasting Corporation)

Mr. Nobukazu Sagawa, presently Director  
(to take the responsibilities of the Executive Vice President of Okinawa Cellular Telephone Co., Ltd.)

Mr. Kokichi Ishibitsu, presently Director  
(to take the responsibilities of the Director of Kinseki, Ltd.)

Mr. Yuzo Komori, presently Director  
(to take the responsibilities of the Managing Director of Kinseki, Ltd.)