

#### **D. Exchange Controls**

There is no foreign exchange control in Japan that may materially affect the import or export of capital, including the availability of cash and cash equivalents for use by Kyocera Corporation, or the remittance of dividends or other payments to nonresident holders of Kyocera Corporation's shares or of ADRs evidencing ADSs.

#### **E. Taxation**

##### ***Japanese Taxation***

The following is a discussion summarizing material Japanese tax consequences to an owner of shares or ADSs who is a non-resident of Japan or a non-Japanese corporation without a permanent establishment in Japan to which the relevant income is attributable. The statements regarding Japanese tax laws set forth below are based on the laws in force and as interpreted by the Japanese taxation authorities as at the date hereof. This summary is not exhaustive of all possible tax considerations which may apply to a particular investor. Potential investors should satisfy themselves as to:

- the overall tax consequences of the ownership and disposition of shares or ADSs, including specifically the tax consequences under Japanese law,
- the laws of the jurisdiction of which they are a resident, and
- any tax treaty between Japan and their country of residence, by consulting their own tax advisers.

Generally, a non-resident of Japan or a non-Japanese corporation is subject to Japanese withholding tax on dividends paid by Japanese corporations. Stock splits, subject to the following, are not subject to Japanese income tax.

- The Convention Between the United States of America and Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "Treaty"), establishes the maximum rate of Japanese withholding tax which may be imposed on dividends paid to a United States resident or corporation (within the meaning of the Treaty) not having a "permanent establishment" in Japan. A "permanent establishment" in Japan is generally a fixed place of business for industrial or commercial activity in Japan. Under the Treaty, the maximum withholding rate for most qualified portfolio shareholders is limited to 10% of the gross amount of the dividends and 5% of the gross amount of the dividends if the beneficial owner is a qualified company that owns, directly or indirectly, on the date on which entitlement to the dividend is determined, at least 10% (or 0% in the case of certain owners of more than 50%, to be amended to at least 50% when the Protocol Amending the Convention between the United States of America and Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Tax on Income signed on January 24, 2013 becomes effective (effective date to be determined)) of the voting stock of the issuing company. The Treaty provides that no Japanese tax will be imposed on dividends paid to a qualified pension fund that is a United States resident, if such dividends are not derived from the carrying on of a business, directly or indirectly, by such pension fund.

For purposes of the Treaty and Japanese tax law, U.S. holders of ADRs will be treated as the owners of the shares underlying the ADSs evidenced by the ADRs.

Japan has income tax treaties, conventions or agreements, which generally provide that the rate of withholding tax may not exceed 15% for portfolio investors, with, among others, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore and Spain. Japan's income tax treaties with Australia, France, the Netherlands, Sweden, Switzerland and the United Kingdom have been amended to generally reduce the maximum withholding tax rate to 10%. In the absence of any applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax or allowing exemption from Japanese withholding tax, the rate of Japanese withholding tax applicable to dividends paid by Kyocera Corporation to

non-residents or non-Japanese corporations is 20%. However, with respect to dividends paid by Kyocera Corporation to any corporate or individual shareholders who are non-residents of Japan or non-Japanese corporations, except for any individual shareholder who holds 3% or more of the outstanding total of the shares issued by Kyocera Corporation, the said 20% withholding tax rate is reduced to 15% for dividends due and payable on or after January 1, 2014. A special reconstruction surtax (2.1% multiplied by the original applicable tax rate) is added to the withholding tax rates from and including January 1, 2013 to and including December 31, 2037. Under Japanese tax law, whichever is the lower of the maximum rate provided in the relevant tax treaty, convention or agreement and the Japanese statutory rate will be applicable. Gains derived from the sale outside Japan of the shares or ADSs by a non-resident of Japan or a non-Japanese corporation are in general not subject to Japanese income or corporation taxes. In addition, gains derived from the sale of shares or ADSs within Japan by a non-resident of Japan or non-Japanese corporation not having a permanent establishment in Japan are in general not subject to Japanese income or corporation taxes.

Kyocera Corporation has paid or will pay any stamp, registration or similar tax imposed by Japan in connection with the issue of the shares, except that Kyocera Corporation will not pay any tax payable in connection with the transfer or sale of the shares by a holder thereof.

Japanese inheritance and gift taxes at progressive rates may be payable by an investor who has acquired shares or ADRs as legatee, heir or donee.

#### **United States Taxation**

The following discusses the material United States federal income tax consequences of the ownership of shares or ADSs. It only applies to "U.S. holders" (as defined below) of shares or ADSs who hold their shares or ADSs as capital assets for tax purposes. This section does not address special classes of holders, some of whom may be subject to special rules including:

- a dealer in securities,
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,
- a tax-exempt organization,
- certain insurance companies,
- a person liable for alternative minimum tax,
- a person that actually or constructively owns 10% or more of the combined voting power of our voting stock or of the total value of our stock,
- a person that holds shares or ADSs as part of a straddle or a hedging or conversion transaction,
- a person that purchases or sells shares or ADSs as part of a wash sale for tax purposes, or
- a person whose functional currency is not the U.S. dollar.

This discussion is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations and administrative and judicial interpretations, as currently in effect, as well as on the Treaty. These laws are subject to change, possibly on a retroactive basis. In addition, this discussion is based upon the assumption that each obligation in the deposit agreement relating to the ADRs and any related agreement will be performed in accordance with its terms.

If a partnership holds the shares or ADSs, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the shares or ADSs should consult its tax advisor with regard to the United States federal income tax treatment of an investment in the shares or ADSs.

For purposes of this discussion, a “U.S. holder” is a beneficial owner of shares or ADSs that is:

- a citizen or resident of the United States,
- a domestic corporation,
- an estate whose income is subject to United States federal income tax regardless of its source, or
- a trust if a United States court can exercise primary supervision over the trust’s administration and one or more United States persons are authorized to control all substantial decisions of the trust.

This discussion addresses only United States federal income taxation. An investor should consult its own tax advisor regarding the United States federal, state and local and other tax consequences of owning and disposing of shares or ADSs in its particular circumstances.

In general, and taking into account the earlier assumptions, for United States federal income tax purposes, if the investor holds ADRs evidencing ADSs, the investor will be treated as the owner of the shares represented by those ADSs. Exchanges of shares for ADRs, and ADRs for shares, generally will not be subject to United States federal income tax.

The tax consequences of holding and disposing of shares or ADSs depends upon whether we are a passive foreign investment company, or “PFIC,” for United States federal income tax purposes. We believe that we were a PFIC for the 2016, 2017 and 2018 fiscal years, but that we were not a PFIC in any previous taxable years, and the discussion herein assumes the accuracy of this belief. The determination of whether we are a PFIC is a factual determination that is made annually and thus may be subject to change. Accordingly, we cannot predict whether we will be a PFIC in future taxable years.

In general, we will be a PFIC for a taxable year if:

- at least 75% of our gross income for the taxable year is passive income or
- at least 50% of the value, determined on the basis of a quarterly average, of our assets is attributable to assets that produce or are held for the production of passive income.

Passive income generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation’s income. Under these rules, all of the assets of our wholly-owned subsidiaries are treated as held by us, and all of the income of our wholly-owned subsidiaries is treated as recognized by us, for purposes of the PFIC asset and income tests described above. Most of our assets are passive for PFIC purposes and we therefore believe that we are currently a PFIC. Except as otherwise noted below, the discussion herein assumes that we will be a PFIC in future taxable years.

The tax consequences to you of holding our shares or ADSs depends upon whether you make a mark-to-market election with respect to your shares or ADSs. Accordingly, the discussion below separately addresses the tax consequences if you do not make such an election and the tax consequences if you do make such an election.

Because we do not intend to provide certain required information, you will not be able to make an election to have us treated as a “qualified electing fund” for United States federal income tax purposes.

If you own shares or ADSs during any year that we are a PFIC with respect to you, you will generally be required to file Internal Revenue Service (“IRS”) Form 8621, subject to a *de minimis* exception.

*Tax Consequences If You Do Not Make a Mark-to-Market Election*

This section describes the tax consequences if you do not make the mark-to-market election described below under “Mark-to-Market Election.”

**Dividends.** The tax treatment of distributions with respect to the shares and ADSs depends upon whether the distribution is an “excess distribution” under the rules described below. The discussion in this subsection only applies to distributions that are not excess distributions under the rules described below.

The gross amount of any distribution we pay out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) is subject to United States federal income taxation as ordinary dividend income. The dividend is taxable to you when you receive the dividend, actually or constructively, and will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. In addition, the dividend will not be eligible for the preferential tax rates that apply to qualified dividend income received by non-corporate U.S. holders. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of your tax basis in the shares or ADSs and thereafter as gain from the sale or disposition of shares or ADSs. However, we do not maintain calculations of our earnings and profits in accordance with United States federal income tax accounting principles. You should therefore assume that any distribution with respect to our shares and ADSs will be reported as ordinary dividend income.

You must include in your income any Japanese tax withheld from a dividend payment even though you do not in fact receive the withheld amounts. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Japanese Yen payments made, determined at the spot Japanese Yen/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Dividends will be income from sources outside the United States and will generally be “passive” income for purposes of computing the foreign tax credit allowable to you. Subject to generally applicable limitations, the Japanese tax withheld in accordance with the Treaty and paid over to Japan will be creditable or deductible against your United States federal income tax liability. If the withholding tax could have been reduced under the Treaty or a refund of the tax withheld is available to you under Japanese law, the amount of tax that could have been reduced or that is refundable will not be eligible for credit against your United States federal income tax liability.

**Sale or Other Disposition of Shares or ADSs.** If you sell or otherwise dispose of your shares or ADSs, you will generally recognize gain or loss equal to the difference between the U.S. dollar value of the amount you realize and your tax basis, determined in U.S. dollars, in your shares or ADSs. Any such gain will be subject to the rules with respect to excess distributions described below and thus will be subject to tax at the rates applicable to ordinary income, while any such loss will be a capital loss. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. For purposes of the excess distribution rules described below, you will generally be treated as having disposed of your shares or ADSs if you pledge your shares or ADSs as security for a loan, unless you would recognize a loss for United States federal income purposes upon a disposition of your shares or ADSs.

**Excess Distributions.** Any distributions to you during a single taxable year (other than any amounts you receive during the first year of your holding period in the shares or ADSs) that are greater than 125% of the average annual distributions received by you in respect of the shares or ADSs during the three preceding taxable years or, if shorter, your holding period for the shares or ADSs, will be treated as excess distributions. This rule will apply

irrespective of whether the distribution exceeds our current and accumulated earnings and profits. Additionally, any gain you realize on the sale or other disposition of your shares or ADSs will be treated as an excess distribution. Excess distributions are subject to the following special rules:

- the gain or excess distribution will be allocated ratably over your holding period for the shares or ADSs,
- the amount allocated to the taxable year in which you received the excess distribution, or to a prior year in which we were not a PFIC with respect to you, will be taxed as ordinary income based on the rates applicable in the year of distribution,
- the amount allocated to each prior year in which we were a PFIC with respect to you will be taxed at the highest tax rate in effect for that year,
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year, and
- special rules apply in determining the foreign tax credit limitation for any foreign taxes that are imposed with respect to any excess distributions that you realize with respect to your shares or ADSs.

Except to the extent inconsistent with the rules described above, the discussion under “Dividends” above will apply to distributions that are treated as excess distributions.

If we are a PFIC for any taxable year, to the extent any of our subsidiaries are also PFICs, you will generally be deemed to own shares in such lower-tier PFICs that are directly or indirectly owned by us in the proportion which the value of the shares you own bears to the value of all of our shares, and you will generally be subject to the tax consequences described above (including the Form 8621 reporting requirement described above) with respect to the shares of such lower-tier PFIC you would be deemed to own. As a result, if we receive a distribution from any lower-tier PFIC or sell shares in a lower-tier PFIC, you will generally be subject to tax under the excess distribution rules described above in the same manner as if you had held your proportionate share of the lower-tier PFIC stock directly, even if we do not distribute such amounts to you. However, if you are treated as receiving an excess distribution in respect of a lower-tier PFIC, you would increase your tax basis in your shares by the amount of such distribution. In addition, if we distribute such amount to you with respect to your shares, you would not include the distribution in income but you would rather reduce your tax basis in your shares by the amount of the distribution. The application of the PFIC rules to your indirect ownership of any lower-tier PFICs that we hold is complex and uncertain, and you should therefore consult your tax advisor regarding the application of such rules to your ownership of our shares and ADSs.

#### *Mark-to-Market Election*

If we are a PFIC and our shares and ADSs are “regularly traded” on a “qualified exchange,” you would be eligible to make a mark-to-market election that would result in tax treatment different from the general tax treatment for PFICs described above. Our shares or ADSs will be treated as “regularly traded” in any calendar year in which more than a *de minimis* quantity of the shares or ADSs are traded on a “qualified exchange” for at least 15 days during each calendar quarter. A “qualified exchange” includes the New York Stock Exchange and a foreign exchange that is regulated by a governmental authority in which the exchange is located and with respect to which certain other requirements are met.

Because the ADSs were regularly traded on the New York Stock Exchange during the 2017 calendar year, we believe that a mark-to-market election could be made for the ADSs in such year. It is not clear, however, whether the Tokyo Stock Exchange is treated as a “qualified exchange,” and it is therefore unclear whether a holder of shares can make a mark-to-market election in respect of the shares. In addition, because the ADSs are no longer listed on the New York Stock Exchange and the OTC market on which the ADSs currently trade is not a “qualified exchange,” the ADSs will not be eligible for mark-to-market treatment in the 2018 calendar year based

on the domestic trading of the ADSs. However, although the law is not clear, it is possible that the ADSs could nevertheless be eligible for mark-to-market treatment if the shares are treated as regularly traded on a “qualified exchange” because the ADSs represent an interest in the underlying shares. Under this approach, the ADSs may be treated as “marketable securities” in the 2018 calendar year if the Tokyo Stock Exchange is treated as a “qualified exchange” for purposes of the mark-to-market rules. Holder of ADSs and shares should consult their tax advisor as to whether they are eligible to make a mark-to-market election in respect of their ADSs or shares.

You can make a mark-to-market election with respect to your shares or ADSs (assuming the requirements described above for making an election are satisfied) by filing an IRS Form 8621 with your federal income tax return for the first taxable year in which you make the election. The election will continue to be in effect for all taxable years in which we are a PFIC and our shares and ADSs are treated as “marketable stock,” and you may not revoke the mark-to-market election without the consent of the IRS.

*Consequences of Making a Mark-to-Market Election.* If you make a mark-to-market election with respect to your shares or ADSs, distributions and gain from the sale or disposition of shares or ADSs will generally be treated as described above under “*Tax Consequences If You Do Not Make a Mark-to-Market Election*,” except that such distributions or gain will not be subject to the excess distribution rules described above. However, you will include as ordinary income in each year that we are a PFIC the excess, if any, of the fair market value of your shares or ADSs at the end of the taxable year over your adjusted tax basis in your shares or ADSs. These amounts of ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. You will also be allowed to take an ordinary loss in each year that we are a PFIC in respect of the excess, if any, of the adjusted tax basis of your shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Your tax basis in the shares or ADSs will be adjusted to reflect any such income or loss amounts.

In each year that we are a PFIC any gain you recognize on the sale or other disposition of your shares or ADSs will be treated as ordinary income and any loss will be ordinary loss to the extent of the net amount of previously included income as a result of the mark-to-market-election, and thereafter will be capital loss.

#### *Tax Consequences for Years in Which We Are Not a PFIC*

If we are not a PFIC in a future taxable year, the tax treatment of your shares or ADSs will depend upon whether the “once a PFIC, always a PFIC” rule applies to your shares or ADSs. Specifically, under the “once a PFIC, always a PFIC” rule, your shares or ADSs will be treated as stock in a PFIC in a taxable year even if we are not a PFIC in such taxable year, as long as we were a PFIC at any time during your holding period of the shares or ADSs unless (a) you had a valid mark-to-market election in effect during all taxable years in which you held our shares or ADSs and we were a PFIC or (b) you made a special “purging election” with respect to your shares or ADSs that effectively removes the PFIC taint from your shares or ADSs. U.S. holders are urged to consult their tax advisors regarding the application of the “once a PFIC, always a PFIC” rule to their shares or ADSs and the mechanics and tax consequences of making the purging election described above.

This paragraph addresses the tax treatment of distributions on, and gain from the sale of, shares or ADSs in taxable years in which we are not a PFIC and the “once a PFIC, always a PFIC” rule does not apply to your shares or ADSs. Such distributions and gain will generally be treated as described above under “*Tax Consequences If You Do Not Make a Mark-to-Market Election*” above, except that such distributions and gain will not be subject to the excess distribution rules described above. In addition, subject to the following sentence, if you are a noncorporate U.S. holder, we expect that dividends on shares or ADSs will generally be qualified dividend income and will be taxable to you at the preferential rates applicable to long-term capital gains provided that you hold the shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. However, if we are a PFIC (or are treated as a PFIC with respect to you) in the previous year, the dividend will not be qualified dividend income eligible for the preferential tax rates.