

Quarterly Report

(English summary with full translation of consolidated financial information)

(The Third Quarter of 67th Business Term)

From October 1, 2020 to December 31, 2020

KYOCERA CORPORATION

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[Company Name]	Kyocera Kabushiki Kaisha
[Company Name in English]	KYOCERA CORPORATION
[Title and Name of Representative]	Hideo Tanimoto, Director and President
[Address of Head Office]	6, Takeda Tobadono-cho, Fushimi-ku, Kyoto
[Phone Number]	+81-75-604-3500
[Contact Person]	Shoichi Aoki, Director, Managing Executive Officer and General Manager of Corporate Management Control Group
[Contact Address]	6, Takeda Tobadono-cho, Fushimi-ku, Kyoto
[Phone Number]	+81-75-604-3500
[Contact Person]	Shoichi Aoki, Director, Managing Executive Officer and General Manager of Corporate Management Control Group
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

This is an English translation of the Quarterly Report filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors’ NETwork (“EDINET”) pursuant to the Financial Instruments and Exchange Act of Japan.

In this document, the terms “we,” “us,” “our,” “Kyocera Group” and “Kyocera” refer to Kyocera Corporation and consolidated subsidiaries or, as the context may require, Kyocera Corporation on a non-consolidated basis and the “Company” refers to Kyocera Corporation on a non-consolidated basis.

The term “fiscal 2021” refers to the year ending March 31, 2021, with other fiscal years referred to in a corresponding manner.

Part I. Information on Kyocera

I. Overview of Kyocera

1. Selected Financial Data

(Yen in millions unless otherwise stated)

	For the nine months ended December 31,		For the year ended March 31, 2020
	2019	2020	
Sales revenue	1,196,885	1,100,534	1,599,053
Profit before income taxes	141,629	87,216	148,826
Profit attributable to owners of the parent	101,265	63,931	107,721
Comprehensive income attributable to owners of the parent	299,420	46,469	262,750
Equity attributable to owners of the parent	2,512,012	2,427,540	2,432,134
Total assets	3,327,398	3,229,081	3,250,175
Earnings per share attributable to owners of the parent - Basic (Yen)	279.58	176.39	297.36
Earnings per share attributable to owners of the parent - Diluted (Yen)	279.51	176.39	297.36
Ratio of equity attributable to owners of the parent to total assets (%)	75.5	75.2	74.8
Cash flows from operating activities	149,268	153,306	214,630
Cash flows from investing activities	(132,071)	(133,145)	(145,551)
Cash flows from financing activities	(101,306)	(72,557)	(157,126)
Cash and cash equivalents at the end of the period	428,460	365,266	419,620

	For the three months ended December 31,	
	2019	2020
Sales revenue	397,835	404,497
Profit attributable to owners of the parent	41,651	29,571
Earnings per share attributable to owners of the parent - Basic (Yen)	114.92	81.59

- (Notes) 1. Kyocera prepared its condensed quarterly consolidated financial statements and consolidated financial statements in accordance with International Financial Reporting Standards (hereinafter, "IFRS"), and the figures are presented in Japanese yen and amounts less than one million yen are rounded.
2. Sales revenue does not include consumption taxes.
3. Earnings per share attributable to owners of the parent - Diluted for the year ended March 31, 2020 and for the nine months ended December 31, 2020 equals earnings per share attributable to owners of the parent -Basic, as there is no potential share.
4. As Kyocera prepares the condensed quarterly consolidated financial statements, the selected non-consolidated financial data is not set forth in this document.

2. Description of Business

There were no significant changes in the business and operations of Kyocera and its associates during the nine months ended December 31, 2020 (hereinafter, “the nine months”). A change in the organization of major subsidiary is as follow:

Absorption-type Merger of Subsidiary

On April 1, 2020, a consolidated subsidiary Kyocera Communication Systems Co., Ltd., absorbed and merged with a consolidated subsidiary Kyocera Solar Corporation. Kyocera Communication Systems Co., Ltd. is included in “Communications Group” and Kyocera Solar Corporation was included in “Life & Environment Group” for the reporting segment.

As of March 31, 2020

Name	Address	Capital	Principle lines of Business	Ownership Ratio of Voting Rights (%)	Relationship with Kyocera Corporation			
					Interlocking Directorate	Funding Support	Business Transaction	Lease of property, plant and equipment
Kyocera Solar Corporation	Fushimi-ku, Kyoto, Japan	Yen 310 million	Construction of Solar Power Generating System Related Products	100.00	Yes	—	Construction in Japan with finished goods supply from Kyocera Corporation	Leasing offices

II. Business Overview

1. Risk Factors

During the nine months, the following item has been added to the risk factors described in the Annual Report for the year ended March 31, 2020, pursuant to the Financial Instruments and Exchange Act of Japan. This section is determined at the date of submission of this Quarterly Report.

Inappropriate Listing of Certain Chemical Products as Receiving Certification from Third Party Organization

Certain chemical products were improperly identified by Kyocera as receiving certification from Underwriters Laboratories (hereinafter, “UL”), a third-party safety science organization in the United States.

Regarding flame retardancy and insulation properties of chemical products, Kyocera has learned of internal improprieties relating to its testing and certification program, which include the case that the samples submitted to UL for testing were different than the manufactured products sold to customers. Kyocera’s financial position, operating results and cash flows may be affected if significant costs related to these products are incurred.

(Key measures)

Kyocera has established a special investigation committee composed of outside experts to identify the cause of this issue and to develop preventive measures to restore trust as we work to be accountable to our customers.

2. Management’s Discussion and Analysis of Financial Position, Operating Results and Cash Flows

The future matter written in this document is determined at the date of submission of this Quarterly Report.

(1) Summary of Operating Results

(Yen in millions)

	For the nine months ended December 31,				Change	
	2019		2020			
	Amount	%*1	Amount	%*1	Amount	%
Sales revenue	1,196,885	100.0	1,100,534	100.0	(96,351)	(8.1)
Operating profit	94,860	7.9	42,983	3.9	(51,877)	(54.7)
Profit before income taxes	141,629	11.8	87,216	7.9	(54,413)	(38.4)
Profit attributable to owners of the parent	101,265	8.5	63,931	5.8	(37,334)	(36.9)
Average U.S. dollar exchange rate (yen)	109	—	106	—	—	—
Average Euro exchange rate (yen)	121	—	122	—	—	—

*1: % represents the percentage to sales revenue.

During the nine months, sales revenue and profit decreased in both the Components Business and the Equipment & Systems Business compared with the nine months ended December 31, 2019 (“the previous nine months”), despite the gradually weakening impact of economic deterioration caused by the spread of COVID-19 infections.

In the Components Business, while sales of components for 5G capable smartphone handsets and fine ceramic parts for semiconductor processing equipment increased, sales in the automotive-related market and the industrial machinery market fell below the level recorded in the previous nine months. In the Equipment & Systems Business, sales decreased mainly due to a decline in demand for equipment, such as printers and MFPs, and consumables. As a result, sales revenue in the nine months decreased by 96,351 million yen, or 8.1%, to 1,100,534 million yen, compared with the previous nine months.

Profit decreased compared with the previous nine months due to lower sales revenue and the recording of an impairment loss in the amount of 11,518 million yen in the smart energy business*2. Operating profit decreased by 51,877 million yen, or 54.7%, to 42,983 million yen, profit before income taxes decreased by 54,413 million yen, or 38.4%, to 87,216 million yen, and profit attributable to owners of the parent decreased by 37,334 million yen, or 36.9%, to 63,931 million yen, compared with the previous nine months.

Average exchange rates for the nine months were 106 yen to the U.S. dollar, marking appreciation of 3 yen, or 2.8%, and 122 yen to the Euro, marking depreciation of 1 yen or 0.8%, compared with the previous nine months.

As a result, sales revenue and profit before income taxes for the nine months after translation into yen were pushed down by approximately 10 billion yen and 1 billion yen, respectively, compared with the previous nine months.

*2: On April 1, 2020, the “solar energy business” was renamed the “smart energy business.”

Results by Reporting Segment

Sales Revenue by Reporting Segment

(Yen in millions)

	For the nine months ended December 31,				Change	
	2019		2020			
	Amount	%*	Amount	%*	Amount	%
Industrial & Automotive Components Group	253,754	21.2	258,502	23.5	4,748	1.9
Semiconductor Components Group	187,090	15.6	193,305	17.6	6,215	3.3
Electronic Devices Group	248,780	20.8	221,672	20.1	(27,108)	(10.9)
Total Components Business	689,624	57.6	673,479	61.2	(16,145)	(2.3)
Communications Group	198,128	16.6	164,926	15.0	(33,202)	(16.8)
Document Solutions Group	267,524	22.3	226,081	20.5	(41,443)	(15.5)
Life & Environment Group	54,220	4.5	45,823	4.2	(8,397)	(15.5)
Total Equipment & Systems Business	519,872	43.4	436,830	39.7	(83,042)	(16.0)
Others	12,510	1.1	12,746	1.2	236	1.9
Adjustments and eliminations	(25,121)	(2.1)	(22,521)	(2.1)	2,600	—
Sales revenue	1,196,885	100.0	1,100,534	100.0	(96,351)	(8.1)

* % represents the component ratio.

Business Profit (Loss) by Reporting Segment

(Yen in millions)

	For the nine months ended December 31,				Change	
	2019		2020			
	Amount	%*	Amount	%*	Amount	%
Industrial & Automotive Components Group	12,444	4.9	9,500	3.7	(2,944)	(23.7)
Semiconductor Components Group	22,998	12.3	19,491	10.1	(3,507)	(15.2)
Electronic Devices Group	36,474	14.7	16,686	7.5	(19,788)	(54.3)
Total Components Business	71,916	10.4	45,677	6.8	(26,239)	(36.5)
Communications Group	7,066	3.6	6,906	4.2	(160)	(2.3)
Document Solutions Group	27,498	10.3	18,351	8.1	(9,147)	(33.3)
Life & Environment Group	(7,417)	—	(20,874)	—	(13,457)	—
Total Equipment & Systems Business	27,147	5.2	4,383	1.0	(22,764)	(83.9)
Others	(3,133)	—	(1,700)	—	1,433	—
Total business profit	95,930	8.0	48,360	4.4	(47,570)	(49.6)
Corporate gains and share of net profit (loss) of investments accounted for using the equity method	46,297	—	40,201	—	(6,096)	(13.2)
Adjustments and eliminations	(598)	—	(1,345)	—	(747)	—
Profit before income taxes	141,629	11.8	87,216	7.9	(54,413)	(38.4)

* % represents the percentage to sales revenue of each corresponding segment.

(Note) As Kyocera Communication Systems Co., Ltd. absorbed and merged with Kyocera Solar Corporation described in “I . Overview of Kyocera 2. Description of Business,” the results for the nine months ended December 31, 2019 have been reclassified to the reporting segment following the merger.

The analysis of Reporting Segment is as follows:

a. Industrial & Automotive Components Group

Sales revenue for the nine months increased by 4,748 million yen, or 1.9%, to 258,502 million yen compared with 253,754 million yen recorded in the previous nine months. Although sales of products such as displays for the automotive-related markets decreased, increased sales of fine ceramic parts for semiconductor processing equipment and contributions from M&A activities were more than enough to offset such decrease.

Despite an increase in sales revenue, business profit decreased by 2,944 million yen, or 23.7%, to 9,500 million yen compared with 12,444 million yen recorded in the previous nine months due to the impact of decreased sales of products for the automotive-related markets and an increase in costs such as depreciation charges.

b. Semiconductor Components Group

Sales revenue for the nine months increased by 6,215 million yen, or 3.3%, to 193,305 million yen compared with 187,090 million yen recorded in the previous nine months. While demand for organic multilayer substrates for automotive use declined, demand for ceramic packages for 5G capable smartphones remained strong.

Despite an increase in sales revenue, business profit decreased by 3,507 million yen, or 15.2%, to 19,491 million yen compared with 22,998 million yen recorded in the previous nine months due to a decrease in sales in the organic materials business and an increase in costs such as depreciation charges.

c. Electronic Devices Group

Sales revenue for the nine months decreased by 27,108 million yen, or 10.9 %, to 221,672 million yen compared with 248,780 million yen recorded in the previous nine months. This decrease was due mainly to lower sales at AVX Corporation, particularly in the industrial machinery and the automotive-related markets.

Business profit decreased by 19,788 million yen, or 54.3%, to 16,686 million yen compared with 36,474 million yen recorded in the previous nine months primarily due to the decrease in sales revenue.

d. Communications Group

Sales revenue for the nine months decreased by 33,202 million yen, or 16.8%, to 164,926 million yen compared with 198,128 million yen recorded in the previous nine months due to a decrease in the number of mobile phone handsets sold and a decrease in sales in the engineering business.

Business profit for the nine months was 6,906 million yen, almost flat as compared with 7,066 million yen recorded in the previous nine months. Business profit margin was improved as a result of our efforts to reduce costs.

e. Document Solutions Group

Sales revenue for the nine months decreased by 41,443 million yen, or 15.5%, to 226,081 million yen compared with 267,524 million yen recorded in the previous nine months. Despite a recovery in demand after the three months ended June 30, 2020 (“the first quarter”), demand through the duration of the nine months did not reach the level of the previous nine months, particularly reflected in lower sales of equipment and consumables.

Business profit decreased by 9,147 million yen, or 33.3%, to 18,351 million yen compared with 27,498 million yen recorded in the previous nine months primarily due to the decrease in sales revenue.

f. Life & Environment Group

Sales revenue for the nine months decreased by 8,397 million yen, or 15.5%, to 45,823 million yen compared with 54,220 million yen recorded in the previous nine months due mainly to a lower sales of solar power generation systems in the smart energy business.

Business loss increased by 13,457 million yen to 20,874 million yen compared with 7,417 million yen recorded in the previous nine months due to lower sales revenue and the recording of an impairment loss in the amount of 11,518 million yen relating to machinery, equipment and goodwill as well as intangible assets in the smart energy business.

(2) Summary of Cash Flows

(Yen in millions)

	For the nine months ended December 31,		Change
	2019	2020	
Cash flows from operating activities	149,268	153,306	4,038
Cash flows from investing activities	(132,071)	(133,145)	(1,074)
Cash flows from financing activities	(101,306)	(72,557)	28,749
Effect of exchange rate changes on cash and cash equivalents	(245)	(1,958)	(1,713)
Increase (decrease) in cash and cash equivalents	(84,354)	(54,354)	30,000
Cash and cash equivalents at the beginning of the year	512,814	419,620	(93,194)
Cash and cash equivalents at the end of the period	428,460	365,266	(63,194)

The balance of cash and cash equivalents at December 31, 2020 decreased by 54,354 million yen, or 13.0%, to 365,266 million yen from 419,620 million yen at March 31, 2020.

a. Cash Flows from Operating Activities

Net cash provided by operating activities for the nine months increased by 4,038 million yen, or 2.7%, to 153,306 million yen from 149,268 million yen for the previous nine months. This was due mainly to that inventories, which increased for the previous nine months, decreased for the nine months although profit for the period decreased.

b. Cash Flows from Investing Activities

Net cash used in investing activities for the nine months increased by 1,074 million yen, or 0.8%, to 133,145 million yen from 132,071 million yen for the previous nine months. This was due mainly to increases in capital expenditures and purchases of securities as well as decreases in sales of real estate and maturity redemption of bonds, despite decreases in payments for M&A.

c. Cash Flows from Financing Activities

Net cash used in financing activities for the nine months decreased by 28,749 million yen, or 28.4%, to 72,557 million yen from 101,306 million yen for the previous nine months. This was due mainly to decreases in repayments of borrowings.

(3) Liquidity and Capital Resources

Kyocera's primary source of fund is cash generated by operations. As of December 31, 2020, its cash and cash equivalents were 365,266 million yen and the balance of borrowings is 88,357 million yen. The borrowings at Kyocera Corporation were denominated in yen, and those at certain overseas subsidiaries were denominated in U.S. dollars, Euros or other currencies.

Kyocera's expected cash requirements in fiscal 2021 are funds for capital expenditures, M&As and R&D activities, repayments of borrowings and dividend payments in addition to working capital of operational activities.

Kyocera believes cash on hand will be sufficient to fund these cash requirements and there are little concerns to face any liquidity issue in the foreseeable future.

In case the significant amount of cash is temporarily required, Kyocera can retain other financing options, including external sources, such as borrowings, as well as financing directly in the capital markets through issuances of debt or equity securities, however, it does not currently intend to use any other external financing sources that might affect its credit agency ratings.

There was no material impact on the liquidity for the nine months. However, future deterioration in market demand, or a significant fall on product prices may be adversely affect Kyocera's liquidity.

(4) Significant Accounting Estimates and Judgments Involving Estimations

There has been no material changes in significant accounting estimates and judgments described in “Management’s Discussion and Analysis of Financial Position, Operating Results and Cash Flows” of the Annual Report for the year ended March 31, 2020.

Kyocera assumed that the negative impacts by staginations of production activities or large decreases in demand caused by the COVID-19 pandemic would continue, but that major markets would gradually recover toward the end of March 2021. Kyocera’s accounting estimates and judgments as of March 31, 2020 was made such assumption, and during the nine months ended December 31, 2020, Kyocera has not recognized any events that would have significant impacts on its estimates and judgments although the future impacts by the COVID-19 are still uncertain.

(5) Management Policy and Management Strategy

Reorganization of Business Structure to Strengthen Management Foundation

To further enhance growth capabilities, Kyocera, effective as of April 1, 2021, will reorganize its current 16 main businesses and subsidiaries, integrating them into three newly established reporting segments, namely, “Core Components Business,” “Electronic Components Business” and “Solutions Business.” Administrative divisions will also be reorganized and integrated into “Headquarters.”

From the year ending March 31, 2022, under the new organizational structure, Kyocera will further pursue synergies, efficiently utilize management resources, and promote the development of new products and businesses.

<Change of Reporting Segment>

(Current)

Reporting Segment	Major Businesses and Subsidiaries
Industrial & Automotive Components Group	Fine Ceramic Components
	Automotive Components
	Liquid Crystal Displays
	Industrial Tools
	Optical Components
Semiconductor Components Group	Ceramic Packages
	Organic Multilayer Substrates and Boards
Electronic Devices Group	Electronic Components
	AVX Corporation
	Printing Devices
Communications Group	Telecommunications Equipment
	Information Systems and Telecommunication Services (KCCS * 1)
Document Solutions Group	Information Equipment (KDC * 2)
Life & Environment Group	Smart Energy Business
	Medical Devices
	Jewelry and Applied Ceramic Related Products

(From April 1, 2021)

Reporting Segment	Major Businesses and Subsidiaries
Core Components Business	Fine Ceramic Components
	Automotive Components
	Ceramic Packages
	Organic Multilayer Substrates and Boards
	Optical Components
	Medical Devices
	Jewelry and Applied Ceramic Related Products
Electronic Components Business	Electronic Components
	AVX Corporation
Solutions Business	Industrial Tools
	Liquid Crystal Displays
	Printing Devices
	Information Equipment (KDC * 2)
	Telecommunications Equipment
	Information Systems and Telecommunication Services (KCCS * 1)
	Smart Energy Business

*1 Kyocera Communication Systems Co., Ltd.

*2 Kyocera Document Solutions Inc.

(6) Business and Financial Tasks to be Addressed

During the nine months, the following item has been added to the business and financial tasks described in the Annual Report for the year ended March 31, 2020, pursuant to the Financial Instruments and Exchange Act of Japan.

With regard to the “Inappropriate Listing of Certain Chemical Products as Receiving Certification from Third Party Organization” described in the “ II . Business Overview 1. Risk Factors,” Kyocera will sincerely address it as a priority issue. Kyocera has established a special investigation committee composed of outside experts to identify the cause of this issue and to develop preventive measures to restore trust as we work to be accountable to our customers.

(7) Research and Development Activities

Research and development expenses in the nine months decreased by 4,666 million yen, or 7.9%, to 54,242 million yen from 58,908 million yen for the previous nine months. There were no significant changes in the status of research and development activities from the Annual Report for the year ended March 31, 2020 pursuant to the Financial Instruments and Exchange Act of Japan.

(8) Summary of Production, Orders and Sales

Orders by Reporting Segment

(Yen in millions)

	For the nine months ended December 31,				Change
	2019		2020		
	Amount	%*	Amount	%*	%
Industrial & Automotive Components Group	251,902	21.8	258,615	23.0	2.7
Semiconductor Components Group	183,791	15.9	198,309	17.6	7.9
Electronic Devices Group	243,675	21.1	230,081	20.4	(5.6)
Total Components Business	679,368	58.8	687,005	61.0	1.1
Communications Group	175,178	15.1	180,244	16.0	2.9
Document Solutions Group	266,954	23.1	226,946	20.2	(15.0)
Life & Environment Group	48,292	4.2	45,155	4.0	(6.5)
Total Equipment & Systems Business	490,424	42.4	452,345	40.2	(7.8)
Others	8,326	0.7	7,728	0.7	(7.2)
Adjustments and eliminations	(22,397)	(1.9)	(21,505)	(1.9)	—
Orders	1,155,721	100.0	1,125,573	100.0	(2.6)

* % represents the component ratio.

(Note) 1. Kyocera flexibly produces in accordance with growing demands, customer’s request and market changes.

Therefore, results of production are similar to results of sales. Summary of production and sales is correlated to the description on “(1) Summary of Operating Results Results by Reporting Segment.”

2. As Kyocera Communication Systems Co., Ltd. absorbed and merged with Kyocera Solar Corporation described in “ I . Overview of Kyocera 2. Description of Business,” the results for the nine months ended December 31, 2019 have been reclassified to the reporting segment following the merger.

3. Material Agreements

On October 30, 2020, Kyocera Corporation entered into an agreement with Soraa Laser Diode, Inc., a sales and manufacturing company of gallium nitride (GaN) based laser products in the U.S., to make it a wholly owned subsidiary.

On January 8, 2021, Kyocera Corporation acquired all of the common stocks of Soraa Laser Diode, Inc. and made it consolidated subsidiary and changed its name to Kyocera SLD Laser, Inc.

For detailed information, please refer to Note “14. Subsequent Events” under “IV. Condensed Quarterly Consolidated Financial Statements and Other Information 1. Condensed Quarterly Consolidated Financial Statements.”

III. Corporate Information

1. Information on Kyocera's Shares and Others

(1) Total Number of Shares and Others

a. Total Number of Shares

Class	Total number of shares authorized to be issued (shares)
Common stock	600,000,000
Total	600,000,000

b. Shares Issued

Class	Number of shares issued as of December 31, 2020 (shares)	Number of shares issued as of the filing date (shares) (February 10, 2021)	Stock exchange on which Kyocera is listed or authorized financial instruments firms association where Kyocera is registered	Description
Common stock	377,618,580	377,618,580	Tokyo Stock Exchange (the first section)	This is Kyocera's standard stock. There is no restriction on contents of the right of the stock. The number of shares per one unit of shares is 100 shares.
Total	377,618,580	377,618,580	—	—

(2) Information on the Stock Acquisition Rights and Others

a. Details of Stock Option Plans

Not Applicable.

b. Other Information about Stock Acquisition Rights

Not Applicable.

(3) Information on Moving Strike Convertible Bonds

Not Applicable.

(4) Changes in the Total Number of Shares Issued, the Amount of Common Stock and Others

Date	Change in the total number of shares issued (shares)	Balance of the total number of shares issued (shares)	Changes in common stock (Yen in millions)	Balance of common stock (Yen in millions)	Changes in additional paid-in capital (Yen in millions)	Balance of additional paid-in capital (Yen in millions)
From October 1, 2020 to December 31, 2020	—	377,618,580	—	115,703	—	192,555

(5) Major Shareholders

Not Applicable.

(6) Information on Voting Rights

Information on voting rights as of September 30, 2020 is stated in this item because Kyocera does not identify the number of voting rights as of December 31, 2020 due to the lack of information on the details entered in the shareholders registry as of December 31, 2020.

a. Shares Issued

As of September 30, 2020

Classification	Number of shares (shares)	Number of voting rights	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury stock)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury stock)	(Number of treasury stock) Common stock 15,176,500	—	This is Kyocera's standard stock. There is no restriction on contents of the right of the stock. The number of shares per one unit of shares is 100 shares.
Shares with full voting rights (others)	Common stock 362,114,400	3,621,144	Same as above
Shares less than one unit	Common stock 327,680	—	—
Number of shares issued	377,618,580	—	—
Total number of voting rights	—	3,621,144	—

(Note) The “Shares with full voting rights (others)” column includes 1,100 shares registered in the name of JASDEC and the “Number of voting rights” column includes 11 voting rights for those shares.

b. Treasury Stock and Others

As of September 30, 2020

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the name of others (shares)	Total shares held (shares)	Ownership percentage to the total number of shares issued (%)
Kyocera Corporation	6, Takeda Tobadonocho, Fushimi-ku, Kyoto	15,176,500	—	15,176,500	4.02
Total	—	15,176,500	—	15,176,500	4.02

(Note) Kyocera Corporation held 15,177,300 shares of treasury stock as of December 31, 2020.

2. Changes in Directors and Senior Management

Not Applicable.

IV. Condensed Quarterly Consolidated Financial Statements and Other Information

1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Yen in millions)

	Note	As of	
		March 31, 2020	December 31, 2020
Assets			
Current assets			
Cash and cash equivalents		419,620	365,266
Short-term investments	11	62,999	95,668
Trade and other receivables	9	336,294	314,301
Other financial assets	11	11,035	13,945
Inventories		344,304	341,720
Other current assets		28,455	28,238
Total current assets		1,202,707	1,159,138
Non-current assets			
Equity and debt instruments	11	1,196,634	1,157,110
Investments accounted for using the equity method	13	17,422	18,162
Other financial assets	11	27,179	35,836
Property, plant and equipment	7	383,271	415,335
Right-of-use assets	7	34,921	34,340
Goodwill	6,7	212,207	226,545
Intangible assets	6,7	118,533	122,262
Deferred tax assets		40,434	39,798
Other non-current assets		16,867	20,555
Total non-current assets		2,047,468	2,069,943
Total assets		3,250,175	3,229,081

The accompanying notes are an integral part of these statements.

(Yen in millions)

	Note	As of	
		March 31, 2020	December 31, 2020
Liabilities and Equity			
Liabilities			
Current liabilities			
Borrowings	11	35,025	37,863
Trade and other payables		173,300	167,534
Lease liabilities		15,477	15,098
Other financial liabilities	11	1,544	2,585
Income tax payables		11,396	11,430
Accrued expenses	9,11	114,983	99,337
Provisions	13	14,411	4,504
Other current liabilities	9	31,373	37,765
Total current liabilities		397,509	376,116
Non-current liabilities			
Borrowings	11	44,970	50,494
Lease liabilities		31,847	30,425
Retirement benefit liabilities		28,406	27,383
Deferred tax liabilities		271,317	264,881
Provisions	13	8,760	9,089
Other non-current liabilities		13,124	19,267
Total non-current liabilities		398,424	401,539
Total liabilities		795,933	777,655
Equity			
Common stock		115,703	115,703
Capital surplus		123,539	123,178
Retained earnings		1,686,672	1,700,560
Other components of equity		575,495	557,335
Treasury stock	8	(69,275)	(69,236)
Total equity attributable to owners of the parent		2,432,134	2,427,540
Non-controlling interests		22,108	23,886
Total equity		2,454,242	2,451,426
Total liabilities and equity		3,250,175	3,229,081

The accompanying notes are an integral part of these statements.

(2) Condensed Quarterly Consolidated Statement of Profit or Loss

For the nine months ended December 31, 2019 and 2020

(Yen in millions except per share amounts)

	Note	For the nine months ended December 31,	
		2019	2020
Sales revenue	5, 9	1,196,885	1,100,534
Cost of sales		858,297	808,576
Gross profit		338,588	291,958
Selling, general and administrative expenses	6, 7	243,728	248,975
Operating profit		94,860	42,983
Finance income	11	46,590	44,706
Finance expenses		1,135	1,355
Foreign exchange gains (losses)		(882)	(1,025)
Share of net profit (loss) of investments accounted for using the equity method		363	123
Other, net		1,833	1,784
Profit before income taxes	5	141,629	87,216
Income taxes		34,263	21,286
Profit for the period		107,366	65,930
Profit attributable to:			
Owners of the parent		101,265	63,931
Non-controlling interests		6,101	1,999
Profit (loss) for the period		107,366	65,930
Per share information:	10		
Earnings per share attributable to owners of the parent			
Basic		279.58 yen	176.39 yen
Diluted		279.51 yen	176.39 yen

The accompanying notes are an integral part of these statements.

For the three months ended December 31, 2019 and 2020

(Yen in millions except per share amounts)

	Note	For the three months ended December 31,	
		2019	2020
Sales revenue	5, 9	397,835	404,497
Cost of sales		285,881	293,240
Gross profit		111,954	111,257
Selling, general and administrative expenses	6, 7	77,414	92,339
Operating profit		34,540	18,918
Finance income	11	21,209	21,614
Finance expenses		346	432
Foreign exchange gains (losses)		297	(1,118)
Share of net profit (loss) of investments accounted for using the equity method		(157)	(393)
Other, net		873	378
Profit before income taxes	5	56,416	38,967
Income taxes		12,786	8,675
Profit for the period		43,630	30,292
Profit attributable to:			
Owners of the parent		41,651	29,571
Non-controlling interests		1,979	721
Profit for the period		43,630	30,292
Per share information:	10		
Earnings per share attributable to owners of the parent			
Basic		114.92 yen	81.59 yen
Diluted		114.90 yen	81.59 yen

The accompanying notes are an integral part of these statements.

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income

For the nine months ended December 31, 2019 and 2020

(Yen in millions)

	Note	For the nine months ended December 31,	
		2019	2020
Profit for the period		107,366	65,930
Other comprehensive income, net of taxation			
Items that will not be reclassified to profit or loss:			
Financial assets measured at fair value through other comprehensive income		206,405	(12,427)
Re-measurement of defined benefit plans		—	—
Total items that will not be reclassified to profit or loss		206,405	(12,427)
Items that may be reclassified subsequently to profit or loss:			
Net changes in fair value of cash flow hedge		(11)	160
Exchange differences on translating foreign operations		(9,321)	(4,844)
Share of other comprehensive income of investments accounted for using the equity method		12	(21)
Total items that may be reclassified subsequently to profit or loss		(9,320)	(4,705)
Total other comprehensive income		197,085	(17,132)
Comprehensive income for the period		304,451	48,798

Comprehensive income attributable to:			
Owners of the parent		299,420	46,469
Non-controlling interests		5,031	2,329
Comprehensive income for the period		304,451	48,798

The accompanying notes are an integral part of these statements.

For the three months ended December 31, 2019 and 2020

(Yen in millions)

	Note	For the three months ended December 31,	
		2019	2020
Profit for the period		43,630	30,292
Other comprehensive income, net of taxation			
Items that will not be reclassified to profit or loss:			
Financial assets measured at fair value through other comprehensive income		105,174	103,850
Re-measurement of defined benefit plans		—	—
Total items that will not be reclassified to profit or loss		105,174	103,850
Items that may be reclassified subsequently to profit or loss:			
Net changes in fair value of cash flow hedge		(3)	132
Exchange differences on translating foreign operations		18,983	(233)
Share of other comprehensive income of investments accounted for using the equity method		25	(22)
Total items that may be reclassified subsequently to profit or loss		19,005	(123)
Total other comprehensive income		124,179	103,727
Comprehensive income for the period		167,809	134,019
Comprehensive income attributable to:			
Owners of the parent		163,900	133,111
Non-controlling interests		3,909	908
Comprehensive income for the period		167,809	134,019

The accompanying notes are an integral part of these statements.

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

For the nine months ended December 31, 2019

(Yen in millions)

	Note	Total equity attributable to owners of the parent						Non-controlling interests	Total equity
		Common Stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total		
Balance as of April 1, 2019		115,703	165,225	1,638,709	418,643	(72,361)	2,265,919	96,341	2,362,260
Profit for the period				101,265			101,265	6,101	107,366
Other comprehensive income					198,155		198,155	(1,070)	197,085
Total comprehensive income for the period		—	—	101,265	198,155	—	299,420	5,031	304,451
Cash dividends	8			(57,935)			(57,935)	(2,705)	(60,640)
Purchase of treasury stock						(19)	(19)		(19)
Reissuance of treasury stock	8		1,700			3,112	4,812		4,812
Transactions with non-controlling interests and other			(185)		0		(185)	1,580	1,395
Transfer to retained earnings				(1,159)	1,159		—		—
Balance as of December 31, 2019		115,703	166,740	1,680,880	617,957	(69,268)	2,512,012	100,247	2,612,259

The accompanying notes are an integral part of these statements.

For the nine months ended December 31, 2020

(Yen in millions)

	Note	Total equity attributable to owners of the parent						Non-controlling interests	Total equity
		Common Stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total		
Balance as of April 1, 2020		115,703	123,539	1,686,672	575,495	(69,275)	2,432,134	22,108	2,454,242
Profit for the period				63,931			63,931	1,999	65,930
Other comprehensive income					(17,462)		(17,462)	330	(17,132)
Total comprehensive income for the period		—	—	63,931	(17,462)	—	46,469	2,329	48,798
Cash dividends	8			(50,741)			(50,741)	(843)	(51,584)
Purchase of treasury stock						(11)	(11)		(11)
Reissuance of treasury stock	8		17			50	67		67
Transactions with non-controlling interests and other	6		(378)				(378)	292	(86)
Transfer to retained earnings				698	(698)		—		—
Balance as of December 31, 2020		115,703	123,178	1,700,560	557,335	(69,236)	2,427,540	23,886	2,451,426

The accompanying notes are an integral part of these statements.

(5) Condensed Quarterly Consolidated Statement of Cash Flows

(Yen in millions)

	Note	For the nine months ended December 31,	
		2019	2020
Cash flows from operating activities:			
Profit for the period		107,366	65,930
Depreciation and amortization		66,729	79,767
Finance expenses (income)		(45,455)	(43,351)
Share of net profit of investments accounted for using the equity method		(363)	(123)
Impairment loss	7	297	11,518
(Gains) losses from sales or disposal of property, plant and equipment		(8,038)	(519)
Income taxes		34,263	21,286
(Increase) decrease in trade and other receivables		19,156	11,084
(Increase) decrease in inventories		(17,997)	2,941
(Increase) decrease in other assets		10,216	1,757
Increase (decrease) in trade and other payables		(8,794)	(8,203)
Increase (decrease) in accrued expenses		(15,052)	(5,448)
Increase (decrease) in provisions		(1,533)	(9,663)
Increase (decrease) in other liabilities		(19,606)	(13,768)
Other, net		(5,421)	2,089
Subtotal		115,768	115,297
Interests and dividends received		47,383	48,236
Interests paid		(1,016)	(1,434)
Income taxes refund (paid)		(12,867)	(8,793)
Net cash provided by operating activities		149,268	153,306
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment		(81,365)	(92,632)
Payments for purchases of intangible assets		(9,785)	(7,154)
Proceeds from sales of property, plant and equipment		11,500	1,350
Acquisitions of business, net of cash acquired	6	(78,177)	(21,872)
Acquisition of time deposits and certificate of deposits		(159,629)	(85,103)
Withdrawal of time deposits and certificate of deposits		157,733	71,831
Payments for purchases of securities		(2,283)	(12,401)
Proceeds from sales and maturities of securities		26,392	13,779
Other, net		3,543	(943)
Net cash used in investing activities		(132,071)	(133,145)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings		(1,187)	(3,266)
Proceeds from long-term borrowings		4,647	4,488
Repayments of long-term borrowings		(39,905)	(6,513)
Repayments of lease liabilities		(10,249)	(15,334)
Dividends paid		(60,121)	(51,337)
Reissuance of treasury stock	8	4,745	1
Other, net		764	(596)
Net cash used in financing activities		(101,306)	(72,557)
Effect of exchange rate changes on cash and cash equivalents		(245)	(1,958)
Increase (decrease) in cash and cash equivalents		(84,354)	(54,354)
Cash and cash equivalents at the beginning of the year		512,814	419,620
Cash and cash equivalents at the end of the period		428,460	365,266

The accompanying notes are an integral part of these statements.

Notes to Condensed Quarterly Consolidated Financial Statements

1. Reporting Entity

Kyocera Corporation is a corporation domiciled in Japan, whose shares are listed on the Tokyo Stock Exchange. The registered address of headquarter and principal business offices are available on the Kyocera Corporation's website (<https://global.kyocera.com/>).

Condensed quarterly consolidated financial statements as of and for the nine months ended December 31, 2020 consist of Kyocera and shares of associates of Kyocera.

Kyocera globally operates various kinds of businesses, which include productions and distributions of material components, electronic devices and equipment as well as provisions of systems and services, in the markets primarily related to information and communications, automotive-related, environment and energy and medical and healthcare. The details are described in "Note 5. Segment Information."

2. Basis of Preparation

(1) Compliance with IFRS

The condensed quarterly consolidated financial statements of Kyocera have been prepared in accordance with International Accounting Standard (hereinafter, "IAS") 34 "Interim Financial Reporting" pursuant to the provision of Article 93 of Regulations for Consolidated Financial Statements, as Kyocera meets the criteria of a "Designated IFRS Specified Company" defined under Article 1-2 of the regulations.

Condensed quarterly consolidated financial statements do not include all the information that required in the annual consolidated financial statements, therefore, condensed quarterly consolidated financial statements should be used with the consolidated financial statements for the year ended March 31, 2020.

(2) Basis of Measurement

These condensed quarterly consolidated financial statements have been prepared under the historical cost basis, except for certain items, such as financial instruments that are measured at fair value.

(3) Functional Currency and Presentation Currency

These condensed quarterly consolidated financial statements are presented in Japanese yen, which is the functional currency of Kyocera, and are rounded to the nearest million yen.

3. Significant Accounting Policies

Significant accounting policies applied in the condensed quarterly consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended March 31, 2020.

For the nine months ended December 31, 2020, income tax expenses are accrued using the tax rate calculated based on the estimated average annual effective income tax rate.

4. Significant Accounting Estimates and Judgments Involving Estimations

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

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

There has been no material changes in significant accounting estimates and judgments described in the Annual Report for the year ended March 31, 2020.

Kyocera assumed that the negative impacts by stagnations of production activities or large decreases in demand caused by the COVID-19 pandemic would continue, but that major markets would gradually recover toward the end of March 2021. Kyocera's accounting estimates and judgments as of March 31, 2020 was made such assumption, and during the nine months ended December 31, 2020, Kyocera has not recognized any events that would have significant impacts on its estimates and judgments although the future impacts by the COVID-19 are still uncertain.

5. Segment Information

Kyocera's reporting segments are components of business activities for which discrete financial information is available, and such information is regularly reviewed by management in order to make decisions regarding the allocation of resources and assess its performance. Kyocera's reporting segment are reclassified taking similarity of target market and economic characteristics into consideration.

Kyocera's reporting segments and main products or businesses of each reporting segment are as follows:

Reporting segment	Main products or businesses
Industrial & Automotive Components Group	Fine Ceramic Components, Automotive Components, Liquid Crystal Displays, Industrial Tools, Optical Components
Semiconductor Components Group	Ceramic Packages, Organic Multilayer Substrates and Boards
Electronic Devices Group	Electronic Components (Capacitors, Crystal Devices, Connectors, Power Semiconductor Devices, etc.), Printing Devices
Communications Group	Smartphones, Mobile Phones, Communication Modules (Telematics, IoT), Information Systems and Telecommunication Services
Document Solutions Group	Printers/Multifunctional Products, Commercial Inkjet Printers, Document Solution Services, Supplies
Life & Environment Group	Solar Power Generating System Related Products, Medical Devices, Jewelry and Ceramic Knives

On April 1, 2020, a consolidated subsidiary Kyocera Communication Systems Co., Ltd., which is included in "Communications Group," absorbed and merged with a consolidated subsidiary Kyocera Solar Corporation, which was included in "Life & Environment Group." Accordingly, results for the three months and nine months ended December 31, 2019 are presented in the reporting segment after the merger.

Inter-segment sales and transfers are made with reference to prevailing market prices. Transactions between reporting segments are disclosed as "Adjustments & eliminations" and not shown separately due to immateriality. "Adjustments & eliminations" also includes adjustment of unrealized profit regarding inter-company transaction between each reporting segment.

Business profit for each reporting segment represents sales revenue, less related costs and operating expenses, excluding corporate gains (losses) and share of net profit (loss) of investments accounted for using the equity method and income taxes. Corporate gains (losses) includes income and expenses which do not belong to any reporting segments and mainly consists of finance income and expenses.

Information by reporting segment

The segment information for the nine months ended December 31, 2019 and 2020 are as follows:

Sales revenue (Yen in millions)

	For the nine months ended December 31,	
	2019	2020
Industrial & Automotive Components Group	253,754	258,502
Semiconductor Components Group	187,090	193,305
Electronic Devices Group	248,780	221,672
Communications Group	198,128	164,926
Document Solutions Group	267,524	226,081
Life & Environment Group	54,220	45,823
Others	12,510	12,746
Adjustments and eliminations	(25,121)	(22,521)
Total	1,196,885	1,100,534

Profit (loss) before income taxes (Yen in millions)

	For the nine months ended December 31,	
	2019	2020
Industrial & Automotive Components Group	12,444	9,500
Semiconductor Components Group	22,998	19,491
Electronic Devices Group	36,474	16,686
Communications Group	7,066	6,906
Document Solutions Group	27,498	18,351
Life & Environment Group	(7,417)	(20,874)
Others	(3,133)	(1,700)
Total business profit	95,930	48,360
Corporate gains and share of net profit (loss) of investments accounted for using the equity method	46,297	40,201
Adjustments and eliminations	(598)	(1,345)
Total	141,629	87,216

Depreciation and amortization charge

(Yen in millions)

	For the nine months ended December 31,	
	2019	2020
Industrial & Automotive Components Group	17,487	21,463
Semiconductor Components Group	6,983	9,477
Electronic Devices Group	17,203	19,304
Communications Group	5,634	6,406
Document Solutions Group	10,803	12,656
Life & Environment Group	3,378	3,878
Others	2,551	2,761
Corporate	2,690	3,822
Total	66,729	79,767

Capital expenditures (for property, plant and equipment)

(Yen in millions)

	For the nine months ended December 31,	
	2019	2020
Industrial & Automotive Components Group	18,625	11,131
Semiconductor Components Group	8,125	17,497
Electronic Devices Group	24,132	36,735
Communications Group	4,123	4,106
Document Solutions Group	6,808	6,775
Life & Environment Group	4,076	6,548
Others	2,724	1,644
Corporate	14,414	4,687
Total	83,027	89,123

The segment information for the three months ended December 31, 2019 and 2020 are as follows:

Sales revenue (Yen in millions)

	For the three months ended December 31,	
	2019	2020
Industrial & Automotive Components Group	86,602	91,315
Semiconductor Components Group	63,995	70,796
Electronic Devices Group	81,229	82,708
Communications Group	63,841	57,464
Document Solutions Group	89,640	87,941
Life & Environment Group	16,391	17,487
Others	4,709	4,809
Adjustments and eliminations	(8,572)	(8,023)
Total	397,835	404,497

Profit (loss) before income taxes (Yen in millions)

	For the three months ended December 31,	
	2019	2020
Industrial & Automotive Components Group	3,210	4,670
Semiconductor Components Group	8,508	7,388
Electronic Devices Group	11,496	8,062
Communications Group	1,949	2,996
Document Solutions Group	8,615	12,301
Life & Environment Group	(2,359)	(13,464)
Others	(1,213)	(424)
Total business profit	30,206	21,529
Corporate gains and share of net profit (loss) of investments accounted for using the equity method	26,222	17,764
Adjustments and eliminations	(12)	(326)
Total	56,416	38,967

Depreciation and amortization (Yen in millions)

	For the three months ended December 31,	
	2019	2020
Industrial & Automotive Components Group	6,971	7,380
Semiconductor Components Group	2,550	3,423
Electronic Devices Group	6,090	6,803
Communications Group	1,958	2,160
Document Solutions Group	3,612	4,237
Life & Environment Group	1,091	1,337
Others	1,017	947
Corporate	1,007	1,275
Total	24,296	27,562

Capital expenditures (for property, plant and equipment)

(Yen in millions)

	For the three months ended December 31,	
	2019	2020
Industrial & Automotive Components Group	7,247	3,114
Semiconductor Components Group	2,381	7,650
Electronic Devices Group	5,472	13,769
Communications Group	1,691	862
Document Solutions Group	3,045	2,398
Life & Environment Group	1,265	2,269
Others	483	398
Corporate	5,260	1,596
Total	26,844	32,056

Information by geographic segment

The segment information for the nine months ended December 31, 2019 and 2020 are as follows:

Sales revenue

(Yen in millions)

	For the nine months ended December 31,	
	2019	2020
Japan	442,648	396,238
Asia	277,396	286,966
Europe	224,853	196,735
United States of America	207,803	187,298
Others	44,185	33,297
Total	1,196,885	1,100,534

There are no individually material countries with respect to revenue from external customers in Asia, Europe and Others for the nine months ended December 31, 2019 and 2020.

The segment information for the three months ended December 31, 2019 and 2020 are as follows:

Sales revenue

(Yen in millions)

	For the three months ended December 31,	
	2019	2020
Japan	144,544	139,788
Asia	97,155	107,394
Europe	72,938	78,080
United States of America	68,872	65,536
Others	14,326	13,699
Total	397,835	404,497

There are no individually material countries with respect to revenue from external customers in Asia, Europe and Others for the three months ended December 31, 2019 and 2020.

6. Business Combination

On April 15, 2020, Kyocera Document Solutions Inc., a domestic consolidated subsidiary, acquired 97% of the common stocks of OPTIMAL SYSTEMS GmbH, a Germany based company which conducts enterprise content management business, in order to expand the document solutions business in Europe, and made it consolidated subsidiary.

The purchase price was 14,420 million yen, which consisted of 12,090 million yen in cash and 2,330 million yen of the fair value of the future performance-linked payment (hereinafter, “contingent consideration”) at the acquisition date. Regarding the levels of the fair value hierarchy of contingent consideration, please refer to “Note 11. Financial Instruments.”

Kyocera has used the acquisition method of accounting to record assets acquired and liabilities assumed, and the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. Non-controlling interests were measured as non-controlling interest’s proportionate share of the acquirer’s net identifiable assets. Factors that contributed to the recognition of goodwill include those expected synergies and the trained workforce.

As of December 31, 2020, the allocation of the purchase price is shown in the following table. However, the allocation of purchase price is provisionally calculated based on information available at this time, and the amounts are subject to change following an additional information relating to facts and circumstances that existed at the date of acquisition.

Fair value of assets acquired and liabilities assumed as of the acquisition date (Yen in millions)

	Provisional fair value
Assets:	
Cash and cash equivalents	797
Trade and other receivables	1,095
Inventories	50
Others	191
Total current assets	2,133
Property, plant and equipment	125
Right-of-use assets	1,107
Intangible assets	7,026
Others	57
Total non-current assets	8,315
Total	10,448
Liabilities:	
Borrowings	837
Trade and other payables	164
Lease liabilities	289
Others	1,565
Total current liabilities	2,855
Lease liabilities	818
Deferred tax liabilities	2,100
Total non-current liabilities	2,918
Total	5,773
Non-controlling interests	290
Total identified equity attributable to owners of the parent	4,385
Purchase price	14,420
Goodwill *	10,035

(Note) The total amount of goodwill is not expected to be deductible for tax purposes.

Intangible assets recognized as a result of the acquisition are summarized as follows:

(Yen in millions)

	Provisional fair value
Intangible assets subject to amortization:	
Customer relationships	5,431
Non-patent technology	973
Trademarks	613
Others	9
Total	7,026

Acquisition-related costs of 587 million yen were included in selling, general and administrative expenses in the condensed quarterly consolidated statement of profit or loss. The result of operation of the acquired business is included into Kyocera's condensed quarterly consolidated financial statements since the acquisition date. For segment reporting, it is reported in "Document Solutions Group."

The information on sales revenue and profit for the period of this business combination, as though the acquisition date had been as of the beginning of the annual reporting period, is immaterial.

On June 1, 2020, Kyocera Corporation acquired 93.53% of the common stocks of Showa Optronics Co., Ltd., a Japanese based manufacturer of optical components, from NEC Corporation for 8,476 million yen in cash in order to expand the optical components business, and made it consolidated subsidiary.

Kyocera has used the acquisition method of accounting to record assets acquired and liabilities assumed, and the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. Non-controlling interests is measured as non-controlling interests' proportionate share of the acquirer's net identifiable assets. Factors that contributed to the recognition of goodwill include those expected synergies and the trained workforce.

As of December 31, 2020, the allocation of the purchase price is shown in the following table. However, the allocation of purchase price is provisionally calculated based on information available at this time, and the amounts are subject to change following an additional information relating to facts and circumstances that existed at the date of acquisition.

Fair value of assets acquired and liabilities assumed as of the acquisition date (Yen in millions)

	Provisional fair value
Assets:	
Cash and cash equivalents	2,365
Trade and other receivables	1,264
Inventories	1,673
Other current assets	28
Total current assets	5,330
Property, plant and equipment	2,025
Intangible assets	3,724
Others	388
Total non-current assets	6,137
Total	11,467
Liabilities:	
Borrowings	3,000
Trade and other payables	1,405
Accrued expenses	472
Others	1,559
Total current liabilities	6,436
Retirement benefit liabilities	727
Deferred tax liabilities	723
Others	322
Total non-current liabilities	1,772
Total	8,208
Non-controlling interests	211
Total identified equity attributable to owners of the parent	3,048
Purchase price	8,476
Goodwill*	5,428

(Note) The total amount of goodwill is not expected to be deductible for tax purposes.

Intangible assets recognized as a result of the acquisition are summarized as follows:

(Yen in millions)

	Provisional fair value
Intangible assets subject to amortization :	
Customer relationships	2,950
Non-patent technology	740
Others	34
Total	3,724

Acquisition-related costs of 64 million yen is included in selling, general and administrative expenses in the condensed quarterly consolidated statement of profit or loss. The result of operation of the acquired business is included into Kyocera's condensed quarterly consolidated financial statements since the acquisition date. For segment reporting, it is reported in "Industrial & Automotive Components Group."

The information on sales revenue and profit for the period of this business combination, as though the acquisition date had been as of the beginning of the annual reporting period, is immaterial.

On September 15, 2020, Kyocera Corporation additionally acquired all the outstanding shares of common stock of Showa Optronics Co., Ltd., a consolidated subsidiary, held by non-controlling interest in cash. As a result, Kyocera Corporation made Showa Optronics Co., Ltd., as a wholly owned subsidiary.

Since this transaction is consider as equity transaction, the difference between the consideration paid of 587 million yen and decreased non-controlling interest of 216 million yen, which is 371 million yen, is accounted for as a decrease in additional paid in capital.

On October 1, 2020, Showa Optronics Co., Ltd., changed its name to Kyocera SOC Corporation.

Kyocera has performed other business combination during the nine months ended December 31, 2020. These business combinations do not have a material impact on Kyocera's financial position, operating results and cash flows.

7. Impairment of Non-financial Assets

Kyocera recognized an impairment loss of 11,518 million yen for property, plant and equipment, right-of-use assets, goodwill and intangible assets due to the deterioration of profitability in the Smart Energy business included in the Life & Environment Group during the nine months ended December 31, 2020. The carrying amounts of those assets were written down to their recoverable amount. Impairment losses are included in “Selling, general and administrative expenses” in the condensed quarterly consolidated statements of profit or loss.

The impairment loss is summarized as follows:

	(Yen in millions)	
	For the nine months ended December 31, 2020	
Property, plant and equipment	7,522	
Right-of-use asset	77	
Goodwill	3,470	
Intangible assets	449	
Total	11,518	

The recoverable amount was measured at the value in use. The value in use was calculated by discounting future cash flows based on the five-year business plan approved by the management to present value using the pre-tax discount rate (13.5%). The pre-tax discount rate is based on the weighted average cost of capital of the Smart Energy business. The growth rate applied to the estimation of future cash flow beyond the period covered by the business plan is assumed to be zero in consideration of future uncertainties.

8. Equity and Other Equity

(1) Dividends

Dividends paid are as follows:

For the nine months ended December 31, 2019

	Class of shares	Total amount of dividends (Yen in millions)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
The resolution of the Ordinary General Meeting of Shareholders held on June 25, 2019	Common stock	28,940	80	March 31, 2019	June 26, 2019	Retained earnings
The resolution of the Board of Directors Meeting held on October 31, 2019	Common stock	28,995	80	September 30, 2019	December 5, 2019	Retained earnings

(Note) Dividends per share resolved at the Ordinary General Meeting of Shareholders held on June 25, 2019 includes 60th commemoration dividends of 20 yen.

For the nine months ended December 31, 2020

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

(2) Disposal of Treasury Stock

Disposal of treasury stock for the nine months ended December 31, 2019 is as follows.

a. Disposal of Treasury Stock Through Third-party Allotment to Employees Shareholding Association

Kyocera resolved at meetings of its Board of Directors held on March 29, 2019 and June 25, 2019, to dispose of treasury stocks through the third-party allotment to Employees Shareholding Association and it granted common stocks to the employees who participate in the association on July 11, 2019. Its summary is as follows:

Class and number of shares to be disposed of	Common stock 672,600
Disposal price	7,053 yen per share
Total amount to be paid	4,743,847,800 yen
Disposal method	Third-party allotment
Subscriber	Stock Purchase Plan for Kyocera Group Employees

b. Disposal of Treasury Stock for Restricted Stock Compensation

Kyocera resolved at a meeting of its Board of Directors held on June 25, 2019, to dispose of treasury stocks as the restricted stock compensation to the Directors of Kyocera, excluding Outside Directors, and Executive Officers (hereinafter, "Eligible Officers"), and it allotted the restricted stock compensation and disposed of treasury stocks on July 25, 2019. Its summary is as follows:

Class and number of shares to be disposed of	Common stock 9,552
Disposal price	7,053 yen per share
Total amount to be paid	67,370,256 yen
Allottees and number thereof, and number of shares to be disposed of	11 Directors (excluding Outside Directors) 6,942 shares 17 Executive Officers 2,610 shares

Treasury stock decreased by 3,111 million yen as the result of this disposal of treasury stock.

Disposal of treasury stock for the nine months ended December 31, 2020 is as follows.

Disposal of Treasury Stock for Restricted Stock Compensation

Kyocera resolved at a meeting of its Board of Directors held on June 25, 2020, to dispose of treasury stocks as the restricted stock compensation to the Eligible Officers, and it allotted the restricted stock compensation and disposed of treasury stocks on July 22, 2020. Its summary is as follows:

Class and number of shares to be disposed of	Common stock 10,798
Disposal price	6,148 yen per share
Total amount to be paid	66,386,104 yen
Allottees and number thereof, and number of shares to be disposed of	10 Directors (excluding Outside Directors) 7,477 shares 19 Executive Officers 3,321 shares

Treasury stock decreased by 49 million yen as the result of this disposal of treasury stock.

9. Sales Revenue

(1) Breakdown of Revenue

Regarding to the breakdown of revenue, please refer to “Note 5. Segment Information.”

In addition to revenue recognized in accordance with IFRS 15 “Revenue from contracts with customers,” Sales revenue includes revenue from leases in accordance with IFRS 16 “Leases”.

(2) Contract Balance

The following table shows the components of receivables from contracts with customers, contract assets and contract liabilities. On the condensed quarterly consolidated statement of financial position, contract assets are included in “Trade and other receivables,” and contract liabilities are included in “Accrued expenses” and “Other current liabilities,” respectively.

(Yen in millions)

	As of	
	March 31, 2020	December 31, 2020
Receivables from contracts with customers	285,975	277,536
Contract assets	11,395	3,950
Contract liabilities	27,050	26,795

10. Earnings Per Share

Basic and diluted profit attributable to owners of the parent per share are as follows:

Earnings per share attributable to owners of the parent - Diluted for the nine months ended December 31, 2020 and the three months ended December 31, 2020 equals earnings per share attributable to owners of the parent - Basic, as there is no potential share.

	For the nine months ended December 31,	
	2019	2020
Profit attributable to owners of the parent (Yen in millions)	101,265	63,931
Adjustment related to potential stocks of consolidated subsidiaries (Yen in millions)	(25)	—
Diluted profit attributable to owners of the parent (Yen in millions)	101,240	63,931
Weighted average shares (Thousands of shares)	362,207	362,439
Earnings per share attributable to owners of the parent:		
- Basic (Yen)	279.58	176.39
- Diluted (Yen)	279.51	176.39

	For the three months ended December 31,	
	2019	2020
Profit attributable to owners of the parent (Yen in millions)	41,651	29,571
Adjustment related to potential stocks of consolidated subsidiaries (Yen in millions)	(8)	—
Diluted profit attributable to owners of the parent (Yen in millions)	41,643	29,571
Weighted average shares (Thousands of shares)	362,434	362,442
Earnings per share attributable to owners of the parent:		
- Basic (Yen)	114.92	81.59
- Diluted (Yen)	114.90	81.59

11. Financial Instruments

Fair values of financial instruments

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.

Carrying amount and fair value of financial instruments measured at amortized cost are as follows:

(Yen in millions)

	As of			
	March 31, 2020		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Short-term investments	62,323	62,164	90,016	89,974
Long-term instruments in debt securities	31,689	31,214	4,119	4,094
Other financial assets	36,544	36,544	48,665	48,665
Total	130,556	129,922	142,800	142,733
Liabilities:				
Borrowings	79,995	79,995	88,357	88,357
Total	79,995	79,995	88,357	88,357

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

The levels of the fair value hierarchy of financial instruments measured at fair value are as follows:

(Yen in millions)

	As of March 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Short-term investments	–	–	676	676
Equity and debt instruments				
Financial assets measured at fair value through other comprehensive income	1,124,977	–	37,576	1,162,553
Financial assets measured at fair value through profit or loss	–	–	2,392	2,392
Other financial assets	–	1,670	–	1,670
Total	1,124,977	1,670	40,644	1,167,291
Liabilities				
Other financial liabilities	–	1,544	–	1,544
Total	–	1,544	–	1,544

(Yen in millions)

	As of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Short-term investments	–	–	5,652	5,652
Equity and debt instruments				
Financial assets measured at fair value through other comprehensive income	1,106,728	–	43,490	1,150,218
Financial assets measured at fair value through profit or loss	–	–	2,773	2,773
Other financial assets	–	1,116	–	1,116
Total	1,106,728	1,116	51,915	1,159,759
Liabilities:				
Other financial liabilities	–	2,585	–	2,585
Contingent consideration	–	–	2,515	2,515
Total	–	2,585	2,515	5,100

The valuation techniques to measure fair value of financial instruments and input information are as follows:

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

The fair value of Level 2 other financial assets and other financial liabilities are derivatives, and their fair values are measured by discounting the value calculated using forward exchange rates current on the date of consolidated financial statements to the present value.

Equity securities classified Level 3 are mainly unlisted stocks, and their fair values are measured by discounted cash flows method and the comparable company valuation multiples technique. For financial instruments classified as Level 3, significant changes in fair value are not expected when unobservable inputs are changed to reasonably possible alternative assumptions. Contingent consideration recognized in a business combination is calculated based on expected payment by taking into account future business performances. Contingent consideration is included in “Accrued expenses” in the condensed quarterly consolidated statement of financial position.

Transfers between levels are recognized on the day when the event or change in circumstances that caused the transfer occurred. Kyocera did not recognize any transfers between levels for the year ended March 31, 2020 and for the nine months ended December 31, 2020.

There were no significant changes in financial instruments classified Level 3 for the nine months ended December 31, 2019 and 2020.

Kyocera received dividends from KDDI Corporation, and recognized as “Finance income” in the condensed quarterly consolidated statement of profit or loss for the nine months ended December 31, 2019 and 2020, and the three months ended December 31, 2019 and 2020. The amounts of dividends are as follows:

(Yen in millions)

	For the nine months ended December 31,	
	2019	2020
Dividends from KDDI Corporation	36,861	40,212

(Yen in millions)

	For the three months ended December 31,	
	2019	2020
Dividends from KDDI Corporation	18,431	20,106

12. Commitments

Acquisition of property, plant and equipment

Commitments for acquisition of property, plant and equipment after the closing date was 50,132 million yen at March 31, 2020 and 50,125 million yen at December 31, 2020, respectively.

13. Contingency

(1) Assets Pledged as Collateral

Kyocera’s investment in Kagoshima Mega Solar Power Corporation was pledged as collateral for its debts from financial institutions in the amount of 13,281 million yen at December 31, 2020.

The investment was accounted for using the equity method, and its book value was 2,064 million yen at March 31, 2020 and 2,126 million yen at December 31, 2020, respectively.

(2) Patent Lawsuits

On April 25, 2013, AVX Corporation 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 3,938 million yen (37.5 million dollars), which was recorded in the year ended March 31, 2016. That verdict was later vacated by the court on March 30, 2018, which resulted in a favorable accrual adjustment of 162 million yen (1.5 million dollars). In a new trial, the amount of damages (excluding interest) was determined by a jury to be 2,321 million yen (22.1 million dollars) on January 15, 2019 resulting in a favorable accrual adjustment of 1,571 million yen (13.9 million dollars) for the year ended in March 31, 2019. During the year ended March 31, 2019 AVX Corporation made a payment of 2,321 million yen (22.1 million dollars) to an escrow account. Additionally, during the year ended March 31, 2020, AVX Corporation made a payment of 592 million yen (5.6 million dollars), representing pre-judgement interest, to an escrow account. In October 13, 2020, AVX Corporation paid the settlement amount of 2,913 million yen (27.7 million dollars).

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 financial position, operating results and cash flows.

(3) 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 Kyocera's current estimates.

14. Subsequent Events

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

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

Consideration for the acquisition was 39,671 million yen in cash plus 4,131 million yen in fair value of existing shareholding at the date of acquisition, aggregating to 43,802 million yen. In addition to the consideration for acquisition, Kyocera Corporation repaid 6,898 million yen of Soraa Laser Diode, Inc.'s borrowings and other indebtedness.

The consideration for the acquisition is provisionally determined and it is subject to change. Fair values of the assets acquired, liabilities assumed at the acquisition date are in the process of being calculated.

15. Approval of Condensed Quarterly Consolidated Financial Statements

The condensed quarterly consolidated financial statements have been approved by Hideo Tanimoto, President and Representative Director, and Shoichi Aoki, Director, Managing Executive Officer and General Manager of Corporate Management Control Group, on February 10, 2021.

2. Others

(1) Interim Dividend

For detailed information about interim dividend, please refer to “Note 8. Equity and Other Equity (1) Dividends.”

(2) Lawsuits

For detailed information about lawsuits, please refer to “Note 13. Contingency (2) Patent Lawsuits.”

Part II. Corporate Information on Guarantors and Others

Not Applicable.