

Consolidated Financial Results for the Three Months Ended June 30, 2019 (IFRS)

August 2, 2019

Company name: **KYOCERA CORPORATION** Stock Listing: Tokyo Stock Exchange
 Code number: 6971 URL: <https://global.kyocera.com/>
 Representative: Hideo Tanimoto, Director and President
 Contact person: Shoichi Aoki, Director and Managing Executive Officer TEL: +81-75-604-3500
 Scheduled date of quarterly report filing: August 9, 2019
 Scheduled date for commencement of dividend payment: –
 Supplementary documents of the quarterly financial results: Yes
 Holding quarterly financial results meeting: Yes (conference call for institutional investors and analysts)

(Amounts less than one million yen are rounded)

1. Consolidated Financial Results for the Three Months Ended June 30, 2019

(1) Consolidated operating results (% of change from the same period of the previous year)

	Sales revenue		Operating profit		Profit before income taxes		Profit attributable to owners of the parent		Comprehensive income for the period	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2019	384,937	(0.7)	22,629	(39.0)	45,486	(18.0)	32,037	(24.2)	98,061	(22.9)
June 30, 2018	387,484	12.3	37,104	18.7	55,488	12.4	42,284	20.7	127,197	121.1

	Earnings per share attributable to owners of the parent - Basic		Earnings per share attributable to owners of the parent - Diluted	
	Yen		Yen	
Three months ended June 30, 2019	88.56		88.51	
June 30, 2018	116.29		116.26	

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
As of	Million yen	Million yen	Million yen	%
June 30, 2019	3,104,854	2,430,262	2,334,659	75.2
March 31, 2019	2,968,475	2,362,260	2,265,919	76.3

2. Cash Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2019	–	60.00	–	80.00	140.00
Year ending March 31, 2020	–				
Year ending March 31, 2020 (forecast)		–	–	–	160.00

(Note) Revision of previously announced dividend targets during this reporting period: None
 Dividends per share for the year ending March 31, 2020 are forecasted to be 160.00 yen on an annual basis.

3. Consolidated Financial Forecasts for the Year Ending March 31, 2020 (% of change from the previous year)

	Sales revenue		Operating profit		Profit before income taxes		Profit attributable to owners of the parent		Earnings per share attributable to owners of the parent - Basic
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year Ending March 31, 2020	1,700,000	4.7	140,000	47.6	180,000	28.0	125,000	21.1	345.54

(Note) Revision of previously announced financial forecast during this reporting period: None
 “Earnings per share attributable to owners of the parent - Basic” is calculated using the average number of shares outstanding for the three months ended June 30, 2019.

Notes

(1) Changes in significant subsidiaries during the period

(Changes in specified subsidiaries that caused a change in the scope of consolidation): None

(2) Changes in accounting policies and accounting estimates

(i) Changes in accounting policies required under IFRS: Yes

(ii) Changes in accounting policies due to reasons other than (i): None

(iii) Changes in accounting estimates: None

Please refer to page 13 “(4) Notes to Condensed Quarterly Consolidated Financial Statements b. Changes in Accounting Policies” under “2. Condensed Quarterly Consolidated Financial Statements and Primary Notes” for details.

(3) Number of shares issued (common stock)

(i) Number of shares issued (including treasury stock):

As of June 30, 2019 377,618,580 shares

As of March 31, 2019 377,618,580 shares

(ii) Number of treasury stock:

As of June 30, 2019 15,865,780 shares

As of March 31, 2019 15,864,921 shares

(iii) Average number of shares outstanding:

For the three months ended June 30, 2019 361,752,983 shares

For the three months ended June 30, 2018 363,599,571 shares

Instruction for Forecasts and Other Notes

1. Cautionary statements with respect to forward-looking statements

Certain of the statements made in this document are forward-looking statements, which are based on our current assumptions and beliefs in light of the information currently available to us. These forward-looking statements involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors include, but are not limited to the following:

- (1) General conditions in the Japanese or global economy;
- (2) Unexpected changes in economic, political and legal conditions in countries where we operate;
- (3) Various export risks which may affect the significant percentage of our revenues derived from overseas sales;
- (4) The effect of foreign exchange fluctuations on our results of operations;
- (5) Intense competitive pressures to which our products are subject;
- (6) Fluctuations in the price and ability of suppliers to provide the required quantity of raw materials for use in our production activities;
- (7) Manufacturing delays or defects resulting from outsourcing or internal manufacturing processes;
- (8) Shortages and rising costs of electricity affecting our production and sales activities;
- (9) The possibility that future initiatives and in-process research and development may not produce the desired results;
- (10) Companies or assets acquired by us not produce the returns or benefits, or bring in business opportunities;
- (11) Inability to secure skilled employees, particularly engineering and technical personnel;
- (12) Damages on our information security systems from cyberattacks, etc. and significant costs in order to recover and maintain the systems;
- (13) Insufficient protection of our trade secrets and intellectual property rights including patents;
- (14) Expenses associated with licenses we require to continue to manufacture and sell products;
- (15) Environmental liability and compliance obligations by tightening of environmental laws and regulations;
- (16) Unintentional conflict with laws and regulations or newly enacted laws and regulations;
- (17) Our market or supply chains being affected by terrorism, plague, wars or similar events;
- (18) Earthquakes and other natural disasters affecting our headquarters and major facilities as well as our suppliers and customers;
- (19) Credit risk on trade receivables;
- (20) Fluctuations in the value of financial instruments held by us;
- (21) Impairment losses on property, plant and equipment, goodwill and intangible assets;
- (22) Uncertainty over income tax and deferred tax assets; and
- (23) Changes in accounting principles.

Due to such risks, uncertainties and other factors, our actual results, performance, achievements or financial condition may be substantially different from any future results, performance, achievements or financial condition expressed or implied by these forward-looking statements. We undertake no obligation to publicly update any forward-looking statements included in this document.

2. Method of obtaining supplementary materials on the financial results

The supplementary documents will be posted on the website of Kyocera Corporation on August 2, 2019.

3. This consolidated financial report is not subject to quarterly review procedure.

4. English translation

This is an English translation of the Japanese original of “Consolidated Financial Results for the Three Months Ended June 30, 2019.” The translation is prepared for the reference and convenience solely for those who do not use Japanese. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

(Attachment)

Table of Contents

1. Qualitative Information related to Consolidated Financial Results	2
(1) Explanation of Consolidated Financial Results	2
(2) Explanation of Consolidated Financial Position	5
(3) Explanation Regarding Future Projection Including Consolidated Financial Forecasts	6
2. Condensed Quarterly Consolidated Financial Statements and Primary Notes	8
(1) Condensed Quarterly Consolidated Statement of Financial Position	8
(2) Condensed Quarterly Consolidated Statement of Profit or Loss and Comprehensive Income	10
a. Condensed Quarterly Consolidated Statement of Profit or Loss	10
b. Condensed Quarterly Consolidated Statement of Comprehensive Income	11
(3) Condensed Quarterly Consolidated Statement of Changes in Equity	12
(4) Notes to Condensed Quarterly Consolidated Financial Statements	13
a. Notes to Going Concern Assumption	13
b. Changes in Accounting Policies	13

1. Qualitative Information related to Consolidated Financial Results

(1) Explanation of Consolidated Financial Results

a. Consolidated Financial Results

Sales revenue in the three months ended June 30, 2019 (“the first quarter”) was roughly on the same level as the three months ended June 30, 2018 (“the previous first quarter”). Despite this, profits in the first quarter decreased compared with the previous first quarter. Sales revenue in the Equipment & Systems Business increased as a result of higher sales of mobile phones in the Japanese market, while sales revenue in the Components Business decreased due to sluggish growth mainly in the smartphone and semiconductor-related markets and increasing uncertainty toward the future caused by trade friction between the United States and China.

As a result, sales revenue for the first quarter decreased by 2,547 million yen, or 0.7%, to 384,937 million yen, compared with the previous first quarter.

Profits decreased compared with the previous first quarter due to the impact of the decline in sales revenue in the Components Business, an increase in depreciation charge and research and development expenses as well as the recording of approximately 5.5 billion yen in costs incurred for celebrations for 60th anniversary of Kyocera Corporation, despite growth in profit in the Equipment & Systems Business due to increased sales revenue and improved profitability in the Communications Group.

For these reasons, operating profit decreased by 14,475 million yen, or 39.0%, to 22,629 million yen, profit before income taxes decreased by 10,002 million yen, or 18.0%, to 45,486 million yen, and profit attributable to owners of the parent decreased by 10,247 million yen, or 24.2%, to 32,037 million yen, compared with the previous first quarter.

Average exchange rates for the first quarter were 110 yen to the U.S. dollar, marking depreciation of 1 yen (0.9%), and 123 yen to the Euro, marking appreciation of 7 yen (5.4%), compared with the previous first quarter. As a result, sales revenue and profit before income taxes after translation into yen for the first quarter were pushed down by approximately 4.5 billion yen and approximately 2 billion yen, respectively, compared with the previous first quarter.

Consolidated Financial Results

(Yen in millions)

	For the three months ended June 30, 2018		For the three months ended June 30, 2019		Change	
	Amount	%*	Amount	%*	Amount	%
Sales revenue	387,484	100.0	384,937	100.0	(2,547)	(0.7)
Operating profit	37,104	9.6	22,629	5.9	(14,475)	(39.0)
Profit before income taxes	55,488	14.3	45,486	11.8	(10,002)	(18.0)
Profit attributable to owners of the parent	42,284	10.9	32,037	8.3	(10,247)	(24.2)
Average US\$ exchange rate (yen)	109	—	110	—	—	—
Average Euro exchange rate (yen)	130	—	123	—	—	—

Capital expenditures	29,850	7.7	25,821	6.7	(4,029)	(13.5)
Depreciation charge of property, plant and equipment	11,703	3.0	14,317	3.7	2,614	22.3
Research and development expenses	16,713	4.3	18,866	4.9	2,153	12.9

* % represents the percentage to sales revenue.

b. Consolidated Financial Results by Reporting Segment

1) Industrial & Automotive Components Group

Sales revenue for the first quarter decreased by 2,626 million yen, or 3.2%, to 79,330 million yen compared with 81,956 million yen in the previous first quarter. Sales of industrial tools increased as a result of the contribution from merger and acquisition activities closed in the first quarter, while sales of other products, such as automotive displays and fine ceramic parts for semiconductor processing equipment decreased.

Business profit decreased by 5,618 million yen, or 53.9%, to 4,798 million yen compared with 10,416 million yen in the previous first quarter due to the impact of the decline in sales revenue coupled with an increase in depreciation charge. The business profit ratio for the first quarter was 6.0%.

2) Semiconductor Components Group

Sales revenue for the first quarter decreased by 2,676 million yen or 4.4%, to 57,973 million yen compared with 60,649 million yen in the previous first quarter. This was due mainly to a decline in sales of ceramic packages for smartphones.

Business profit decreased due to a decline in sales in the ceramic materials business, even though profitability improved in the organic materials business due to a cost reduction as a result of structural reforms conducted in the year ended March 31, 2019 (“the previous fiscal year”). As a result, business profit for the first quarter decreased by 764 million yen or 13.1%, to 5,082 million yen compared with 5,846 million yen for the previous first quarter. The business profit ratio for the first quarter was 8.8%.

3) Electronic Devices Group

Sales revenue for the first quarter decreased by 5,081 million yen or 5.8%, to 83,203 million yen compared with 88,284 million yen for the previous first quarter. Sales in AVX Corporation, a U.S. subsidiary, decreased due to lower demand caused by higher than normal inventory levels in the sales channel, particularly on commodity products, and trade friction between the United States and China.

Business profit decreased by 979 million yen, or 6.8%, to 13,418 million yen compared with 14,397 million yen in the previous first quarter due mainly to a decrease in sales at AVX Corporation. Despite this, the business profit ratio remained roughly the same as the 16.3% recorded in the previous first quarter, with a result of 16.1% due primarily to cost reduction efforts.

4) Communications Group

Sales revenue for the first quarter increased by 10,612 million yen, or 20.6%, to 62,222 million yen compared with 51,610 million yen in the previous first quarter. This was due mainly to increased sales volume of mobile phones for the Japanese market in the telecommunication business.

Business profit improved by 4,254 million yen to 2,013 million yen compared with a loss in the previous first quarter due to the increase in sales revenue and cost reductions. The business profit ratio for the first quarter was 3.2%.

5) Document Solutions Group

Sales revenue for the first quarter decreased by 1,666 million yen or 1.9%, to 87,130 million yen compared with 88,796 million yen in the previous first quarter due mainly to the effect of currency fluctuation.

Business profit decreased by 1,382 million yen, or 13.4%, to 8,966 million yen compared with 10,348 million yen in the previous first quarter also due mainly to the effect of currency fluctuation. Despite this, a double-digit business profit ratio was maintained on the back of efforts to enhance productivity and cost reductions.

6) Life & Environment Group

Sales revenue for the first quarter decreased by 899 million yen or 4.8%, to 17,793 million yen compared with 18,692 million yen in the previous first quarter.

Business loss, however, decreased by 425 million yen to 2,590 million. This was due to continued efforts to reduce costs in the solar energy business by means of structural reforms conducted through the previous fiscal year, which more than offset the decrease in sales in this business.

Sales Revenue by Reporting Segment

(Yen in millions)

	For the three months ended June 30, 2018		For the three months ended June 30, 2019		Change	
	Amount	%*	Amount	%*	Amount	%
Industrial & Automotive Components Group	81,956	21.1	79,330	20.6	(2,626)	(3.2)
Semiconductor Components Group	60,649	15.7	57,973	15.1	(2,676)	(4.4)
Electronic Devices Group	88,284	22.8	83,203	21.6	(5,081)	(5.8)
Total Components Business	230,889	59.6	220,506	57.3	(10,383)	(4.5)
Communications Group	51,610	13.3	62,222	16.2	10,612	20.6
Document Solutions Group	88,796	22.9	87,130	22.6	(1,666)	(1.9)
Life & Environment Group	18,692	4.8	17,793	4.6	(899)	(4.8)
Total Equipment & Systems Business	159,098	41.0	167,145	43.4	8,047	5.1
Others	4,932	1.3	4,110	1.1	(822)	(16.7)
Adjustments and eliminations	(7,435)	(1.9)	(6,824)	(1.8)	611	—
Sales revenue	387,484	100.0	384,937	100.0	(2,547)	(0.7)

* % represents the component ratio.

Business Profit (Loss) by Reporting Segment

(Yen in millions)

	For the three months ended June 30, 2018		For the three months ended June 30, 2019		Change	
	Amount	%*	Amount	%*	Amount	%
Industrial & Automotive Components Group	10,416	12.7	4,798	6.0	(5,618)	(53.9)
Semiconductor Components Group	5,846	9.6	5,082	8.8	(764)	(13.1)
Electronic Devices Group	14,397	16.3	13,418	16.1	(979)	(6.8)
Total Components Business	30,659	13.3	23,298	10.6	(7,361)	(24.0)
Communications Group	(2,241)	—	2,013	3.2	4,254	—
Document Solutions Group	10,348	11.7	8,966	10.3	(1,382)	(13.4)
Life & Environment Group	(3,015)	—	(2,590)	—	425	—
Total Equipment & Systems Business	5,092	3.2	8,389	5.0	3,297	64.7
Others	617	12.5	(910)	—	(1,527)	—
Total business profit	36,368	9.4	30,777	8.0	(5,591)	(15.4)
Corporate gains and share of net profit of investments accounted for using the equity method	19,465	—	14,938	—	(4,527)	(23.3)
Adjustments and eliminations	(345)	—	(229)	—	116	—
Profit before income taxes	55,488	14.3	45,486	11.8	(10,002)	(18.0)

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

(2) Explanation of Consolidated Financial Position

Consolidated Cash Flows

Cash and cash equivalents at June 30, 2019 decreased by 94,242 million yen to 418,572 million yen from 512,814 million yen at March 31, 2019.

1) Cash flows from operating activities

Net cash provided by operating activities for the first quarter decreased by 15,576 million yen to 54,771 million yen from 70,347 million yen for the previous first quarter. This was due mainly to a decrease in profit for the period.

2) Cash flows from investing activities

Net cash used in investing activities for the first quarter increased by 71,560 million yen to 77,822 million yen from 6,262 million yen for the previous first quarter. This was due mainly to an increase in payments for acquisitions of business.

3) Cash flows from financing activities

Net cash used in financing activities for the first quarter increased by 5,157 million yen to 66,647 million yen from 61,490 million yen for the previous first quarter. This was due mainly to increases in repayments of borrowings and dividends paid, which were partly offset by a decrease in the purchase of treasury stock.

Consolidated Cash Flows

(Yen in millions)

	For the three months ended June 30, 2018	For the three months ended June 30, 2019	Change
Cash flows from operating activities	70,347	54,771	(15,576)
Cash flows from investing activities	(6,262)	(77,822)	(71,560)
Cash flows from financing activities	(61,490)	(66,647)	(5,157)
Effect of exchange rate changes on cash and cash equivalents	5,514	(4,544)	(10,058)
Increase (decrease) in cash and cash equivalents	8,109	(94,242)	(102,351)
Cash and cash equivalents at the beginning of the year	424,938	512,814	87,876
Cash and cash equivalents at the end of the period	433,047	418,572	(14,475)

(3) Explanation Regarding Future Projection Including Consolidated Financial Forecasts

Performance in the first quarter on the whole was within projections at the beginning of the year ending March 31, 2020. Despite continued uncertainties with respect to international relations and trade regulations, Kyocera Corporation and its consolidated subsidiaries (“Kyocera”) will continue to enhance productivity and reduce costs for the three months ending September 30, 2019 and going forward. Kyocera will further improve profitability in the organic materials business, telecommunications equipment business and solar energy business, with respect to which Kyocera conducted structural reforms through the previous fiscal year. In light of this outlook, Kyocera has not made any changes to its consolidated financial forecasts announced as of April 25, 2019.

Please refer to “Cautionary statements with respect to forward-looking statements” in “Instruction for Forecasts and Other Notes.”

Future Forecasts of Consolidated Financial Results

(Yen in millions)

	Results for the year ended March 31, 2019		Forecasts for the year ending March 31, 2020		Change	
	Amount	%*	Amount	%*	Amount	%
Sales revenue	1,623,710	100.0	1,700,000	100.0	76,290	4.7
Operating profit	94,823	5.8	140,000	8.2	45,177	47.6
Profit before income taxes	140,610	8.7	180,000	10.6	39,390	28.0
Profit attributable to owners of the parent	103,210	6.4	125,000	7.4	21,790	21.1
Average US\$ exchange rate (yen)	111	—	105	—	—	—
Average Euro exchange rate (yen)	128	—	120	—	—	—
Capital expenditures	117,049	7.2	120,000	7.1	2,951	2.5
Depreciation charge of property, plant and equipment	51,524	3.2	65,000	3.8	13,476	26.2
Research and development expenses	69,927	4.3	80,000	4.7	10,073	14.4

* % represents the percentage to sales revenue.

Sales Revenue by Reporting Segment

(Yen in millions)

	Results for the year ended March 31, 2019		Forecasts for the year ending March 31, 2020		Change	
	Amount	%*	Amount	%*	Amount	%
Industrial & Automotive Components Group	314,339	19.4	324,600	19.1	10,261	3.3
Semiconductor Components Group	249,217	15.3	251,100	14.8	1,883	0.8
Electronic Devices Group	364,827	22.5	381,600	22.4	16,773	4.6
Total Components Business	928,383	57.2	957,300	56.3	28,917	3.1
Communications Group	252,067	15.5	257,600	15.2	5,533	2.2
Document Solutions Group	375,147	23.1	400,000	23.5	24,853	6.6
Life & Environment Group	80,114	5.0	94,300	5.5	14,186	17.7
Total Equipment & Systems Business	707,328	43.6	751,900	44.2	44,572	6.3
Others	17,190	1.0	15,600	0.9	(1,590)	(9.2)
Adjustments and eliminations	(29,191)	(1.8)	(24,800)	(1.4)	4,391	—
Sales revenue	1,623,710	100.0	1,700,000	100.0	76,290	4.7

* % represents the component ratio.

Business Profit (Loss) by Reporting Segment

(Yen in millions)

	Results for the year ended March 31, 2019		Forecasts for the year ending March 31, 2020		Change	
	Amount	%*	Amount	%*	Amount	%
Industrial & Automotive Components Group	38,450	12.2	34,700	10.7	(3,750)	(9.8)
Semiconductor Components Group	10,932	4.4	30,900	12.3	19,968	182.7
Electronic Devices Group	66,926	18.3	65,500	17.2	(1,426)	(2.1)
Total Components Business	116,308	12.5	131,100	13.7	14,792	12.7
Communications Group	10,393	4.1	8,300	3.2	(2,093)	(20.1)
Document Solutions Group	43,528	11.6	41,300	10.3	(2,228)	(5.1)
Life & Environment Group	(67,016)	—	(6,400)	—	60,616	—
Total Equipment & Systems Business	(13,095)	—	43,200	5.7	56,295	—
Others	660	3.8	(5,500)	—	(6,160)	—
Total business profit	103,873	6.4	168,800	9.9	64,927	62.5
Corporate and others	36,737	—	11,200	—	(25,537)	(69.5)
Profit before income taxes	140,610	8.7	180,000	10.6	39,390	28.0

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

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Yen in millions)

	As of March 31, 2019		As of June 30, 2019		Change
	Amount	%*	Amount	%*	
Assets					
Current assets					
Cash and cash equivalents	512,814		418,572		(94,242)
Short-term investments	99,210		79,388		(19,822)
Trade and other receivables	357,352		329,467		(27,885)
Other financial assets	9,871		10,695		824
Inventories	343,880		368,079		24,199
Other current assets	34,637		34,948		311
Total current assets	1,357,764	45.7	1,241,149	40.0	(116,615)
Non-current assets					
Equity and debt instruments	963,651		1,081,869		118,218
Investments accounted for using the equity method	4,159		3,580		(579)
Other financial assets	17,869		25,935		8,066
Property, plant and equipment	341,855		351,769		9,914
Right-of-use assets	—		27,136		27,136
Goodwill	149,499		204,657		55,158
Intangible assets	80,001		114,958		34,957
Deferred tax assets	38,558		39,195		637
Other non-current assets	15,119		14,606		(513)
Total non-current assets	1,610,711	54.3	1,863,705	60.0	252,994
Total assets	2,968,475	100.0	3,104,854	100.0	136,379

* % represents the component ratio.

(Yen in millions)

	As of March 31, 2019		As of June 30, 2019		Change
	Amount	%*	Amount	%*	
Liabilities and Equity					
Liabilities					
Current liabilities					
Trade and other payables	186,281		185,618		(663)
Lease liabilities	–		9,751		9,751
Other financial liabilities	6,621		5,586		(1,035)
Income tax payables	12,672		8,358		(4,314)
Accrued expenses	120,903		104,132		(16,771)
Provisions	11,166		11,020		(146)
Other current liabilities	37,105		47,095		9,990
Total current liabilities	374,748	12.6	371,560	12.0	(3,188)
Non-current liabilities					
Lease liabilities	–		26,111		26,111
Other financial liabilities	7,800		7,001		(799)
Retirement benefit liabilities	25,479		26,241		762
Deferred tax liabilities	174,823		220,666		45,843
Provisions	7,892		7,846		(46)
Other non-current liabilities	15,473		15,167		(306)
Total non-current liabilities	231,467	7.8	303,032	9.7	71,565
Total liabilities	606,215	20.4	674,592	21.7	68,377
Equity					
Common stock	115,703		115,703		–
Capital surplus	165,225		164,952		(273)
Retained earnings	1,638,709		1,641,806		3,097
Other components of equity	418,643		484,565		65,922
Treasury stock	(72,361)		(72,367)		(6)
Total equity attributable to owners of the parent	2,265,919	76.3	2,334,659	75.2	68,740
Non-controlling interests	96,341	3.3	95,603	3.1	(738)
Total equity	2,362,260	79.6	2,430,262	78.3	68,002
Total liabilities and equity	2,968,475	100.0	3,104,854	100.0	136,379

* % represents the component ratio.

(2) Condensed Quarterly Consolidated Statement of Profit or Loss and Comprehensive Income

a. Condensed Quarterly Consolidated Statement of Profit or Loss

(Yen in millions except per share amounts)

	For the three months ended June 30, 2018		For the three months ended June 30, 2019		Change	
	Amount	%*	Amount	%*	Amount	%
Sales revenue	387,484	100.0	384,937	100.0	(2,547)	(0.7)
Cost of sales	278,234	71.8	274,914	71.4	(3,320)	(1.2)
Gross profit	109,250	28.2	110,023	28.6	773	0.7
Selling, general and administrative expenses	72,146	18.6	87,394	22.7	15,248	21.1
Operating profit	37,104	9.6	22,629	5.9	(14,475)	(39.0)
Finance income	18,437	4.7	23,064	6.0	4,627	25.1
Finance expenses	203	0.1	344	0.1	141	69.5
Foreign exchange gains (losses)	(445)	(0.1)	(112)	(0.0)	333	—
Share of net profit (loss) of investments accounted for using the equity method	367	0.1	267	0.0	(100)	(27.2)
Other, net	228	0.1	(18)	(0.0)	(246)	—
Profit before income taxes	55,488	14.3	45,486	11.8	(10,002)	(18.0)
Income taxes	10,687	2.7	11,147	2.9	460	4.3
Profit for the period	44,801	11.6	34,339	8.9	(10,462)	(23.4)

Profit attributable to:						
Owners of the parent	42,284	10.9	32,037	8.3	(10,247)	(24.2)
Non-controlling interests	2,517	0.7	2,302	0.6	(215)	(8.5)
Profit for the period	44,801	11.6	34,339	8.9	(10,462)	(23.4)

Per share information:			
Earnings per share attributable to owners of the parent			
Basic	116.29 yen	88.56 yen	
Diluted	116.26 yen	88.51 yen	

* % represents the percentage to sales revenue.

b. Condensed Quarterly Consolidated Statement of Comprehensive Income

(Yen in millions)

	For the three months ended	For the three months ended	Change
	June 30, 2018	June 30, 2019	
	Amount	Amount	
Profit for the period	44,801	34,339	(10,462)
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	72,278	82,501	10,223
Re-measurement of defined benefit plans	—	—	—
Total items that will not be reclassified to profit or loss	72,278	82,501	10,223
Items that may be reclassified subsequently to profit or loss:			
Net changes in fair value of cash flow hedge	6	(21)	(27)
Exchange differences on translating foreign operations	10,023	(18,722)	(28,745)
Share of other comprehensive income of investments accounted for using the equity method	89	(36)	(125)
Total items that may be reclassified subsequently to profit or loss	10,118	(18,779)	(28,897)
Total other comprehensive income	82,396	63,722	(18,674)
Comprehensive income for the period	127,197	98,061	(29,136)

Comprehensive income attributable to:			
Owners of the parent	122,829	97,936	(24,893)
Non-controlling interests	4,368	125	(4,243)
Comprehensive income for the period	127,197	98,061	(29,136)

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

For the three months ended June 30, 2018

(Yen in millions)

	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, 2018 (Before applying new accounting standard)	115,703	165,079	1,577,641	499,710	(32,342)	2,325,791	87,508	2,413,299
Cumulative effects of new accounting standard applied			2,973	(729)		2,244		2,244
Balance as of April 1, 2018 (After applying new accounting standard)	115,703	165,079	1,580,614	498,981	(32,342)	2,328,035	87,508	2,415,543
Profit for the period			42,284			42,284	2,517	44,801
Other comprehensive income				80,545		80,545	1,851	82,396
Total comprehensive income for the period	–	–	42,284	80,545	–	122,829	4,368	127,197
Cash dividends			(22,062)			(22,062)	(1,219)	(23,281)
Purchase of treasury stock					(40,002)	(40,002)		(40,002)
Reissuance of treasury stock		–			–	–		–
Transactions with non-controlling interests and other		(124)		4		(120)	93	(27)
Balance as of June 30, 2018	115,703	164,955	1,600,836	579,530	(72,344)	2,388,680	90,750	2,479,430

For the three months ended June 30, 2019

(Yen in millions)

	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			32,037			32,037	2,302	34,339
Other comprehensive income				65,899		65,899	(2,177)	63,722
Total comprehensive income for the period	–	–	32,037	65,899	–	97,936	125	98,061
Cash dividends			(28,940)			(28,940)	(1,190)	(30,130)
Purchase of treasury stock					(6)	(6)		(6)
Reissuance of treasury stock		–			–	–		–
Transactions with non-controlling interests and other		(273)		23		(250)	327	77
Balance as of June 30, 2019	115,703	164,952	1,641,806	484,565	(72,367)	2,334,659	95,603	2,430,262

(4) Notes to Condensed Quarterly Consolidated Financial Statements

a. Notes to Going Concern Assumption

Not Applicable

b. Changes in Accounting Policies

<Newly Applied Accounting Standard>

Adoption of IFRS 16 “Leases”

Kyocera has applied IFRS 16 “Leases” (published in January 2016, hereinafter “IFRS 16”) from three months ended June 30, 2019. Upon applying IFRS 16, Kyocera has recognized the cumulative effect of the standard’s application at the date of the initial application (April 1, 2019) as a transitional measurement permitted under the standard.

On transition to IFRS 16, Kyocera has chosen the practical expedient permitted in IFRS 16 paragraph C3 and carry forward its assessments of whether a contract is, or contains, a lease based on IAS 17 “Leases” (hereinafter “IAS 17”) and IFRIC 4 “Determining whether an Arrangement contains a Lease.” After the date of application, this assessment is determined based on the provisions of IFRS 16.

(a) Lease as a lessee

At the commencement date, Kyocera recognizes a right-of-use asset and a lease liability. Kyocera measures the right-of-use asset in the amount of the initial measurement of the lease liability adjusting any lease payments made at or before the commencement date and other costs permitted under IFRS 16. After the commencement date, Kyocera measures the right-of-use asset applying a cost model, and less any accumulated depreciation and any accumulated impairment losses. The right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of right-of-use asset or the end of the lease term. At the commencement date, Kyocera measures the lease liability at the present value of the lease payments that are not paid at that date using lessee’s incremental borrowing rate. After the commencement date, Kyocera measured the lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

Kyocera elects not to recognize the right-of-use asset and the lease liability for the short-term leases that has a lease term of 12 months or less and leases for which the underlying asset is of low value. Lease payments associated with those leases are recognized as an expense on straight-line basis over the lease term.

(b) Lease as a lessor

Leases are classified as either operating leases or finance leases. If the lease transfers substantially all the risks and rewards of the ownership of the underlying asset, it is classified as a finance lease; otherwise, it is classified as an operating lease. The classification of a lease as either a finance lease or operating lease is made based on actual content of the transaction, not on the form of the lease agreement.

i. Finance leases

At the commencement of the lease, assets held under finance leases are recorded as receivables in an amount equal to the net uncollected investment in the lease.

ii. Operating lease

Kyocera recognizes lease payments from operating leases as profit on a straight-line basis over the lease term.

In cases where Kyocera is an intermediate lessor, the head lease and the sublease are accounted separately. The classification of a sublease is determined upon referring to the right-of-use asset that arise from the head lease.

As the result of transition to IFRS 16, Kyocera has additionally recognized 22,828 million yen of right-of-use assets, 8,892 million yen of other financial assets and 33,095 million yen of lease liabilities.

The book value of right-of-use assets and lease liabilities as of the date of initial application for leases classified as finance leases under IAS 17 are the book values of the lease assets and lease liabilities immediately before that date measured applying IAS 17. As such, 3,578 million yen of property, plant and equipment has been reclassified as right-of-use assets, and 3,173 million yen of other financial liabilities has been reclassified as lease liabilities.

For leases classified as operating leases under IAS 17 at the year ended March 31, 2019, are recognized as a right-of-use asset and lease liabilities at the date of initial application.

The reconciliation between non-cancellable operating lease agreements as of March 31, 2019 under IAS 17 and the lease liabilities recognized in the condensed quarterly consolidated statement of financial position at the date of initial application are as follows.

(Yen in millions)	
	Amount
Non-cancellable operating lease agreements (As of March 31, 2019)	19,125
Finance lease liabilities (As of March 31, 2019)	3,173
Cancellable operating leases and others	13,970
Lease liabilities as of April 1, 2019	36,268