

Consolidated Financial Results for the Nine Months Ended December 31, 2019 (IFRS)

January 30, 2020

Company name: **KYOCERA CORPORATION** Stock Listing: Tokyo Stock Exchange
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 Scheduled date for commencement of dividend payments: –
 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 Nine Months Ended December 31, 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	%
Nine months ended December 31, 2019	1,196,885	(1.4)	94,860	56.6	141,629	36.1	101,265	27.5	304,451	381.1
December 31, 2018	1,214,417	6.1	60,576	(44.1)	104,100	(29.3)	79,419	(14.7)	63,278	(36.7)

	Earnings per share attributable to owners of the parent - Basic		Earnings per share attributable to owners of the parent - Diluted	
	Yen		Yen	
Nine months ended December 31, 2019	279.58		279.51	
December 31, 2018	219.17		219.00	

(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
	Million yen	Million yen	Million yen	%
As of December 31, 2019	3,327,398	2,612,259	2,512,012	75.5
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	—	80.00	—		
Year ending March 31, 2020 (forecast)				80.00	160.00

(Note) Revision of previously announced dividend targets during this reporting period: No
 Dividends per share for the year ended March 31, 2019 includes 60th commemoration dividends of 20.00 yen.

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	1,625,000	0.1	118,000	24.4	165,000	17.3	117,000	13.4	323.02

(Note) Revision of previously announced financial forecast during this reporting period: Yes
 “Earnings per share attributable to owners of the parent - Basic” is calculated using the average number of shares outstanding for the nine months ended December 31, 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 December 31, 2019 377,618,580 shares

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

(ii) Number of treasury stock:

As of December 31, 2019 15,185,442 shares

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

(iii) Average number of shares outstanding:

For the nine months ended December 31, 2019 362,206,966 shares

For the nine months ended December 31, 2018 362,369,908 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. This quarterly consolidated financial report is not subject to quarterly review by certified public accountants or audit firms.

3. Method of obtaining supplementary materials on the financial results

The supplementary documents will be posted on the website of Kyocera Corporation on January 30, 2020.

4. English translation

This is an English translation of the Japanese original of “Consolidated Financial Results for the Nine Months Ended December 31, 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)

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1. Qualitative Information related to Consolidated Financial Results

(1) Explanation of Consolidated Financial Results

a. Consolidated Financial Results

Sales revenue in the nine months ended December 31, 2019 (“the nine months”) decreased by 17,532 million yen, or 1.4%, to 1,196,885 million yen, compared with the nine months ended December 31, 2018 (“the previous nine months”). Sales revenue of the Electronic Devices Group decreased due to the impact of the economic slowdown in China and inventory adjustments, which more than offset the increase in sales revenue from, among others, the contribution of M&A in the Industrial & Automotive Components Group.

On the other hand, despite the impact of lower sales, profit increased compared with the previous nine months due mainly to the absence of a one-time charge in the aggregate amount of approximately 68.5 billion yen which resulted from, among others, structural reforms in the solar energy business and the organic materials business, recorded in the previous nine months. As a result, operating profit increased by 34,284 million yen, or 56.6%, to 94,860 million yen, profit before income taxes increased by 37,529 million yen, or 36.1%, to 141,629 million yen, and profit attributable to owners of the parent increased by 21,846 million yen, or 27.5%, to 101,265 million yen, compared with the previous nine months.

Average exchange rates for the nine months were 109 yen to the U.S. dollar, marking appreciation of 2 yen or 1.8%, and 121 yen to the Euro, marking appreciation of 8 yen or 6.2%, compared with the previous nine months. As a result, sales revenue and profit before income taxes after translation into yen for the nine months were pushed down by approximately 30 billion yen and 10.5 billion yen, respectively, compared with the previous nine months.

Consolidated Financial Results

(Yen in millions)

	For the nine months ended December 31, 2018		For the nine months ended December 31, 2019		Change	
	Amount	%*	Amount	%*	Amount	%
Sales revenue	1,214,417	100.0	1,196,885	100.0	(17,532)	(1.4)
Operating profit	60,576	5.0	94,860	7.9	34,284	56.6
Profit before income taxes	104,100	8.6	141,629	11.8	37,529	36.1
Profit attributable to owners of the parent	79,419	6.5	101,265	8.5	21,846	27.5
Average US\$ exchange rate (yen)	111	—	109	—	—	—
Average Euro exchange rate (yen)	129	—	121	—	—	—

Capital expenditures	85,109	7.0	83,027	6.9	(2,082)	(2.4)
Depreciation charge of property, plant and equipment	38,019	3.1	45,313	3.8	7,294	19.2
Research and development expenses	52,516	4.3	58,908	4.9	6,392	12.2

* % represents the percentage to sales revenue.

b. Consolidated Financial Results by Reporting Segment

1) Industrial & Automotive Components Group

Sales revenue for the nine months increased by 15,360 million yen, or 6.4%, to 253,754 million yen, compared with 238,394 million yen in the previous nine months. Although sales of automotive parts, such as displays, and fine ceramic parts for semiconductor processing equipment decreased, sales of industrial tools increased as a result of the contribution of sales from SouthernCarlson, Inc. a U.S. based company, which joined Kyocera Group in June 2019.

Business profit decreased by 18,769 million yen, or 60.1%, to 12,444 million yen, compared with 31,213 million yen in the previous nine months due to decreased sales in the industrial machinery and automotive-related markets as well as an increase in depreciation charge resulting from capital expenditures in the year ended March 31, 2019 (“the previous fiscal year”). The business profit ratio for the nine months was 4.9%.

2) Semiconductor Components Group

Sales revenue for the nine months decreased by 6,417 million yen, or 3.3%, to 187,090 million yen compared with 193,507 million yen in the previous nine months. Sales of ceramic packages for crystal components and SAW devices as well as sales of organic packages for telecommunications infrastructure decreased due to the economic slowdown in China, etc.

Business profit increased by 18,162 million yen or 375.6%, to 22,998 million yen, compared with 4,836 million yen in the previous nine months due to the absence of an impairment loss in the amount of approximately 16.2 billion yen recorded in the previous nine months as well as the achievement of profitability in the organic materials business. The business profit ratio for the nine months improved to 12.3%.

3) Electronic Devices Group

Sales revenue for the nine months decreased by 29,311 million yen, or 10.5%, to 248,780 million yen compared with 278,091 million yen in the previous nine months. Sales at AVX Corporation, a U.S. subsidiary, decreased due mainly to continued inventory adjustments in the market caused by the weaker global economy as well as sluggish demand in the automotive-related industry.

Business profit decreased by 16,446 million yen, or 31.1%, to 36,474 million yen, compared with 52,920 million yen in the previous nine months due mainly to the decrease in sales at AVX Corporation. The business profit ratio for the nine months was 14.7%.

4) Communications Group

Sales revenue for the nine months increased by 5,468 million yen, or 3.0%, to 186,100 million yen compared with 180,632 million yen in the previous nine months. This increase was due mainly to increased sales of engineering services in the information system and telecommunication services business.

Business profit increased by 1,260 million yen, or 22.2%, to 6,937 million yen, compared with 5,677 million yen in the previous nine months due to improved profitability in the telecommunications equipment business resulting mainly from cost reductions. The business profit ratio for the nine months was 3.7%.

5) Document Solutions Group

Sales revenue for the nine months decreased by 6,311 million yen, or 2.3%, to 267,524 million yen compared with 273,835 million yen in the previous nine months due to the effect of appreciation of the yen, which more than offset the contribution from M&A conducted in the previous fiscal year.

Business profit decreased by 2,583 million yen, or 8.6%, to 27,498 million yen, compared with 30,081 million yen in the previous nine months due mainly to the effect of foreign currency fluctuations. Despite this decrease, a double-digit business profit ratio was maintained on the back of improved productivity and cost reductions.

6) Life & Environment Group

Sales revenue for the nine months increased by 3,468 million yen, or 5.9%, to 61,980 million yen compared with 58,512 million yen in the previous nine months due to a sales increase in the solar energy business.

Business loss decreased by 56,554 million yen to 7,340 million yen, compared with 63,894 million yen in the previous nine months. This was due to the absence of settlement expenses in the amount of approximately 52.3 billion yen recorded in the previous nine months relating to long-term purchase agreements for procurement of polysilicon material, in addition to improved profitability in the solar energy business.

Sales Revenue by Reporting Segment

(Yen in millions)

	For the nine months ended December 31, 2018		For the nine months ended December 31, 2019		Change	
	Amount	%*	Amount	%*	Amount	%
Industrial & Automotive Components Group	238,394	19.6	253,754	21.2	15,360	6.4
Semiconductor Components Group	193,507	16.0	187,090	15.6	(6,417)	(3.3)
Electronic Devices Group	278,091	22.9	248,780	20.8	(29,311)	(10.5)
Total Components Business	709,992	58.5	689,624	57.6	(20,368)	(2.9)
Communications Group	180,632	14.9	186,100	15.5	5,468	3.0
Document Solutions Group	273,835	22.5	267,524	22.4	(6,311)	(2.3)
Life & Environment Group	58,512	4.8	61,980	5.2	3,468	5.9
Total Equipment & Systems Business	512,979	42.2	515,604	43.1	2,625	0.5
Others	13,355	1.1	12,510	1.0	(845)	(6.3)
Adjustments and eliminations	(21,909)	(1.8)	(20,853)	(1.7)	1,056	—
Sales revenue	1,214,417	100.0	1,196,885	100.0	(17,532)	(1.4)

* % represents the component ratio.

Business Profit (Loss) by Reporting Segment

(Yen in millions)

	For the nine months ended December 31, 2018		For the nine months ended December 31, 2019		Change	
	Amount	%*	Amount	%*	Amount	%
Industrial & Automotive Components Group	31,213	13.1	12,444	4.9	(18,769)	(60.1)
Semiconductor Components Group	4,836	2.5	22,998	12.3	18,162	375.6
Electronic Devices Group	52,920	19.0	36,474	14.7	(16,446)	(31.1)
Total Components Business	88,969	12.5	71,916	10.4	(17,053)	(19.2)
Communications Group	5,677	3.1	6,937	3.7	1,260	22.2
Document Solutions Group	30,081	11.0	27,498	10.3	(2,583)	(8.6)
Life & Environment Group	(63,894)	—	(7,340)	—	56,554	—
Total Equipment & Systems Business	(28,136)	—	27,095	5.3	55,231	—
Others	1,564	11.7	(3,133)	—	(4,697)	—
Total business profit	62,397	5.1	95,878	8.0	33,481	53.7
Corporate gains and share of net profit of investments accounted for using the equity method	42,971	—	46,297	—	3,326	7.7
Adjustments and eliminations	(1,268)	—	(546)	—	722	—
Profit before income taxes	104,100	8.6	141,629	11.8	37,529	36.1

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

(2) Explanation of Consolidated Financial Position

Consolidated Cash Flows

Cash and cash equivalents at December 31, 2019 decreased by 84,354 million yen to 428,460 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 nine months decreased by 9,283 million yen to 149,268 million yen from 158,551 million yen for the previous nine months. This was due mainly to an increase in inventory for the nine months, which decreased for the previous nine months.

2) Cash flows from investing activities

Net cash used in investing activities for the nine months increased by 47,465 million yen to 132,071 million yen from 84,606 million yen for the previous nine months. This was due mainly to an increase in payments for acquisitions of business and a decrease in withdrawal of time deposits, which were partly offset by decreases in acquisitions of time deposits and purchases of securities.

3) Cash flows from financing activities

Net cash used in financing activities for the nine months increased by 14,928 million yen to 101,306 million yen from 86,378 million yen for the previous nine months. This was due mainly to increases in repayments of borrowings and dividends paid, which exceeded a decrease in the purchase of treasury stock.

Consolidated Cash Flows

(Yen in millions)

	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019	Change
Cash flows from operating activities	158,551	149,268	(9,283)
Cash flows from investing activities	(84,606)	(132,071)	(47,465)
Cash flows from financing activities	(86,378)	(101,306)	(14,928)
Effect of exchange rate changes on cash and cash equivalents	3,745	(245)	(3,990)
Increase (decrease) in cash and cash equivalents	(8,688)	(84,354)	(75,666)
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	416,250	428,460	12,210

(3) Explanation Regarding Future Projection Including Consolidated Financial Forecasts

Kyocera has revised its consolidated financial forecasts for the fiscal year ending March 31, 2020 (“fiscal 2020”) as shown in the table below based on the results for the nine months and its forecast for the three month period from January 1 to March 31, 2020 (“the fourth quarter”).

Profitability in the solar energy and organic materials businesses has improved as a result of structural reforms implemented in the previous fiscal year. On the other hand, regarding the business environment, although demand for some 5G and IoT related products is increasing, demand for products for automotive-related markets and the industrial machinery market is expected to remain sluggish in the fourth quarter due to the prolonged global economic slowdown. In light of these circumstances, sales and profits forecast for fiscal 2020 are expected to be lower than forecast in Kyocera’s previous projections. Kyocera has also revised its forecasts for each reporting segment as shown on the following page.

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

Forecasts of Consolidated Financial Results

(Yen in millions)

	Results for the year ended March 31, 2019		Forecasts for the year ending March 31, 2020 announced on				Change
			October 31, 2019 (Previous)		January 30, 2020 (Revised)		
	Amount	%*	Amount	%*	Amount	%*	%
Sales revenue	1,623,710	100.0	1,700,000	100.0	1,625,000	100.0	0.1
Operating profit	94,823	5.8	140,000	8.2	118,000	7.3	24.4
Profit before income taxes	140,610	8.7	180,000	10.6	165,000	10.2	17.3
Profit attributable to owners of the parent	103,210	6.4	125,000	7.4	117,000	7.2	13.4
Average US\$ exchange rate (yen)	111	—	105	—	108	—	—
Average Euro exchange rate (yen)	128	—	120	—	120	—	—
Capital expenditures	117,049	7.2	120,000	7.1	110,000	6.8	(6.0)
Depreciation charge of property, plant and equipment	51,524	3.2	65,000	3.8	65,000	4.0	26.2
Research and development expenses	69,927	4.3	80,000	4.7	80,000	4.9	14.4

* % represents the percentage to sales revenue.

Forecasts of Sales Revenue by Reporting Segment

(Yen in millions)

	Results for the year ended March 31, 2019		Forecasts for the year ending March 31, 2020 announced on				Change
			October 31, 2019 (Previous)		January 30, 2020 (Revised)		
	Amount	%*	Amount	%*	Amount	%*	%
Industrial & Automotive Components Group	314,339	19.4	362,000	21.3	343,500	21.1	9.3
Semiconductor Components Group	249,217	15.3	248,000	14.6	241,500	14.9	(3.1)
Electronic Devices Group	364,827	22.5	338,000	19.9	328,500	20.2	(10.0)
Total Components Business	928,383	57.2	948,000	55.8	913,500	56.2	(1.6)
Communications Group	252,067	15.5	266,000	15.6	253,000	15.6	0.4
Document Solutions Group	375,147	23.1	397,000	23.4	375,500	23.1	0.1
Life & Environment Group	80,114	5.0	98,000	5.8	92,000	5.7	14.8
Total Equipment & Systems Business	707,328	43.6	761,000	44.8	720,500	44.4	1.9
Others	17,190	1.0	15,600	0.9	16,500	1.0	(4.0)
Adjustments and eliminations	(29,191)	(1.8)	(24,600)	(1.5)	(25,500)	(1.6)	—
Sales revenue	1,623,710	100.0	1,700,000	100.0	1,625,000	100.0	0.1

* % represents the component ratio.

Forecasts of 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 announced on				Change
			October 31, 2019 (Previous)		January 30, 2020 (Revised)		
	Amount	%*	Amount	%*	Amount	%*	%
Industrial & Automotive Components Group	38,450	12.2	21,000	5.8	16,000	4.7	(58.4)
Semiconductor Components Group	10,932	4.4	30,900	12.5	28,000	11.6	156.1
Electronic Devices Group	66,926	18.3	50,000	14.8	44,500	13.5	(33.5)
Total Components Business	116,308	12.5	101,900	10.7	88,500	9.7	(23.9)
Communications Group	10,393	4.1	10,000	3.8	10,000	4.0	(3.8)
Document Solutions Group	43,528	11.6	41,300	10.4	38,500	10.3	(11.6)
Life & Environment Group	(67,016)	—	(6,400)	—	(9,000)	—	—
Total Equipment & Systems Business	(13,095)	—	44,900	5.9	39,500	5.5	—
Others	660	3.8	(5,500)	—	(4,500)	—	—
Total business profit	103,873	6.4	141,300	8.3	123,500	7.6	18.9
Corporate and others	36,737	—	38,700	—	41,500	—	13.0
Profit before income taxes	140,610	8.7	180,000	10.6	165,000	10.2	17.3

* % 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 December 31, 2019		Change
	Amount	%*	Amount	%*	
Assets					
Current assets					
Cash and cash equivalents	512,814		428,460		(84,354)
Short-term investments	99,210		87,393		(11,817)
Trade and other receivables	357,352		330,191		(27,161)
Other financial assets	9,871		8,488		(1,383)
Inventories	343,880		372,526		28,646
Other current assets	34,637		26,890		(7,747)
Total current assets	1,357,764	45.7	1,253,948	37.7	(103,816)
Non-current assets					
Equity and debt instruments	963,651		1,246,901		283,250
Investments accounted for using the equity method	4,159		5,049		890
Other financial assets	17,869		26,512		8,643
Property, plant and equipment	341,855		379,605		37,750
Right-of-use assets	—		31,156		31,156
Goodwill	149,499		208,387		58,888
Intangible assets	80,001		120,484		40,483
Deferred tax assets	38,558		39,339		781
Other non-current assets	15,119		16,017		898
Total non-current assets	1,610,711	54.3	2,073,450	62.3	462,739
Total assets	2,968,475	100.0	3,327,398	100.0	358,923

* % represents the component ratio.

(Yen in millions)

	As of March 31, 2019		As of December 31, 2019		Change
	Amount	%*	Amount	%*	
Liabilities and Equity					
Liabilities					
Current liabilities					
Trade and other payables	186,281		180,271		(6,010)
Lease liabilities	–		12,216		12,216
Other financial liabilities	6,621		8,349		1,728
Income tax payables	12,672		13,751		1,079
Accrued expenses	120,903		98,115		(22,788)
Provisions	11,166		9,366		(1,800)
Other current liabilities	37,105		38,243		1,138
Total current liabilities	374,748	12.6	360,311	10.8	(14,437)
Non-current liabilities					
Lease liabilities	–		28,639		28,639
Other financial liabilities	7,800		5,706		(2,094)
Retirement benefit liabilities	25,479		26,068		589
Deferred tax liabilities	174,823		273,160		98,337
Provisions	7,892		8,031		139
Other non-current liabilities	15,473		13,224		(2,249)
Total non-current liabilities	231,467	7.8	354,828	10.7	123,361
Total liabilities	606,215	20.4	715,139	21.5	108,924
Equity					
Common stock	115,703		115,703		–
Capital surplus	165,225		166,740		1,515
Retained earnings	1,638,709		1,680,880		42,171
Other components of equity	418,643		617,957		199,314
Treasury stock	(72,361)		(69,268)		3,093
Total equity attributable to owners of the parent	2,265,919	76.3	2,512,012	75.5	246,093
Non-controlling interests	96,341	3.3	100,247	3.0	3,906
Total equity	2,362,260	79.6	2,612,259	78.5	249,999
Total liabilities and equity	2,968,475	100.0	3,327,398	100.0	358,923

* % 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 nine months ended December 31, 2018		For the nine months ended December 31, 2019		Change	
	Amount	%*	Amount	%*	Amount	%
Sales revenue	1,214,417	100.0	1,196,885	100.0	(17,532)	(1.4)
Cost of sales	863,417	71.1	858,297	71.7	(5,120)	(0.6)
Gross profit	351,000	28.9	338,588	28.3	(12,412)	(3.5)
Selling, general and administrative expenses	290,424	23.9	243,728	20.4	(46,696)	(16.1)
Operating profit	60,576	5.0	94,860	7.9	34,284	56.6
Finance income	41,576	3.4	46,590	3.9	5,014	12.1
Finance expenses	996	0.1	1,135	0.1	139	14.0
Foreign exchange gains (losses)	619	0.1	(882)	(0.1)	(1,501)	–
Share of net profit (loss) of investments accounted for using the equity method	555	0.0	363	0.0	(192)	(34.6)
Other, net	1,770	0.2	1,833	0.2	63	3.6
Profit before income taxes	104,100	8.6	141,629	11.8	37,529	36.1
Income taxes	15,799	1.3	34,263	2.8	18,464	116.9
Profit for the period	88,301	7.3	107,366	9.0	19,065	21.6

Profit attributable to:						
Owners of the parent	79,419	6.5	101,265	8.5	21,846	27.5
Non-controlling interests	8,882	0.8	6,101	0.5	(2,781)	(31.3)
Profit for the period	88,301	7.3	107,366	9.0	19,065	21.6

Per share information:			
Earnings per share attributable to owners of the parent			
Basic	219.17 yen	279.58 yen	
Diluted	219.00 yen	279.51 yen	

* % represents the percentage to sales revenue.

b. Condensed Quarterly Consolidated Statement of Comprehensive Income

(Yen in millions)

	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019	Change
	Amount	Amount	
Profit for the period	88,301	107,366	19,065
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	(29,691)	206,405	236,096
Re-measurement of defined benefit plans	—	—	—
Total items that will not be reclassified to profit or loss	(29,691)	206,405	236,096
Items that may be reclassified subsequently to profit or loss:			
Net changes in fair value of cash flow hedge	17	(11)	(28)
Exchange differences on translating foreign operations	4,595	(9,321)	(13,916)
Share of other comprehensive income of investments accounted for using the equity method	56	12	(44)
Total items that may be reclassified subsequently to profit or loss	4,668	(9,320)	(13,988)
Total other comprehensive income	(25,023)	197,085	222,108
Comprehensive income for the period	63,278	304,451	241,173

Comprehensive income attributable to:			
Owners of the parent	53,306	299,420	246,114
Non-controlling interests	9,972	5,031	(4,941)
Comprehensive income for the period	63,278	304,451	241,173

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

For the nine months ended December 31, 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			79,419			79,419	8,882	88,301
Other comprehensive income				(26,113)		(26,113)	1,090	(25,023)
Total comprehensive income for the period	–	–	79,419	(26,113)	–	53,306	9,972	63,278
Cash dividends			(43,768)			(43,768)	(2,967)	(46,735)
Purchase of treasury stock					(40,015)	(40,015)		(40,015)
Reissuance of treasury stock		0			1	1		1
Transactions with non-controlling interests and other		51		10		61	561	622
Balance as of December 31, 2018	115,703	165,130	1,616,265	472,878	(72,356)	2,297,620	95,074	2,392,694

For the nine months ended December 31, 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			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			(57,935)			(57,935)	(2,705)	(60,640)
Purchase of treasury stock					(19)	(19)		(19)
Reissuance of treasury stock		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

(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 the 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
Non-cancellable operating lease agreements (Discounted using incremental borrowing rate)	18,593
Finance lease obligations (As of March 31, 2019)	3,173
Short-term leases	(439)
Leases for which the underlying asset is of low value	(986)
Cancellable operating lease agreements	15,747
Others	180
Lease liabilities as of April 1, 2019	36,268