

Consolidated Financial Results for the Year Ended March 31, 2019 (IFRS)

April 25, 2019

Company name: **KYOCERA CORPORATION** Stock Listing: Tokyo Stock Exchange
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 Scheduled date of Ordinary General Meeting of Shareholders: June 25, 2019
 Scheduled date of Annual report filing: June 25, 2019
 Scheduled date for commencement of dividend payment: June 26, 2019
 Supplementary documents of the financial results: Yes
 Holding financial results meeting: Yes (financial results meeting for institutional investors and analysts)

(Amounts less than one million yen are rounded)

1. Consolidated Financial Results for the Year Ended March 31, 2019

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

Year ended	Sales revenue		Operating profit		Profit before income taxes		Profit attributable to owners of the parent		Comprehensive income for the year	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2019	1,623,710	3.0	94,823	4.5	140,610	8.2	103,210	30.4	34,118	(23.6)
March 31, 2018	1,577,039	—	90,699	—	129,992	—	79,137	—	44,672	—

Year ended	Earnings per share attributable to owners of the parent - Basic	Earnings per share attributable to owners of the parent - Diluted	Ratio of profit to equity attributable to owners of the parent	Ratio of profit before income taxes to total assets	Ratio of operating profit to sales revenue
	Yen	Yen	%	%	%
March 31, 2019	284.94	284.70	4.5	4.6	5.8
March 31, 2018	215.22	215.20	3.4	4.2	5.8

(Reference) Share of profit (loss) of investments accounted for using the equity method:

For the year ended March 31, 2019 379 million yen For the year ended March 31, 2018 (1,564) million yen

(2) Consolidated financial position

As of	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity per share attributable to owners of the parent
	Million yen	Million yen	Million yen	%	Yen
March 31, 2019	2,968,475	2,362,260	2,265,919	76.3	6,263.71
March 31, 2018	3,128,813	2,413,299	2,325,791	74.3	6,325.11

(3) Consolidated cash flows

Year ended	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at the end of the year
	Million yen	Million yen	Million yen	Million yen
March 31, 2019	220,025	(47,121)	(89,056)	512,814
March 31, 2018	158,905	(53,128)	(51,572)	424,938

2. Cash Dividends

Year ended	Annual dividends					Annual dividends (Consolidated)	Dividend payout ratio (Consolidated)	Dividends on equity attributable to owners of the parent
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total			
March 31, 2018	—	60.00	—	60.00	120.00	44,125	55.8	1.9
March 31, 2019	—	60.00	—	80.00	140.00	50,646	49.1	2.2
Year ending March 31, 2020 (forecast)	—	—	—	—	160.00		46.4	

(Note 1) Annual dividends per share for the year ended March 31, 2019 include ordinary dividends of 60.00 yen and 60th anniversary dividends of 20.00 yen.

(Note 2) Dividends per share for the year ending March 31, 2020 are forecasted to be 160 yen on an annual basis.

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

Year Ending	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
March 31, 2020	1,700,000	4.7	140,000	47.6	180,000	28.0	125,000	21.1	345.10

(Note) "Earnings per share attributable to owners of the parent - Basic" is calculated using the average number of shares outstanding for the year ended March 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: Yes

Please refer to page 18 “(6) Changes in Accounting Policies” and page 19 “(7) Changes in Accounting Estimates” for details.

(3) Number of shares issued (common stock)

- (i) Number of shares issued (including treasury stock):
 - As of March 31, 2019 377,618,580 shares
 - As of March 31, 2018 377,618,580 shares
- (ii) Number of treasury stock:
 - As of March 31, 2019 15,864,921 shares
 - As of March 31, 2018 9,910,822 shares
- (iii) Average number of shares outstanding:
 - Year ended March 31, 2019 362,215,901 shares
 - Year ended March 31, 2018 367,709,460 shares

(Reference) Outline of Non-Consolidated Results for Kyocera Corporation

Non-consolidated Financial Results for the Year Ended March 31, 2019

(1) Non-consolidated operation results

(% of change from previous year)

Year ended	Net sales		Profit from operations		Recurring profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2019	736,263	(0.8)	17,853	—	119,978	44.7	55,129	(29.8)
March 31, 2018	742,066	12.0	(10,705)	—	82,901	1.9	78,536	(6.2)

Year ended	Net income per share -Basic	Net income per share -Diluted
	Yen	Yen
March 31, 2019	152.20	—
March 31, 2018	213.58	—

(2) Non-consolidated financial condition

As of	Total assets	Net assets	Net assets to total assets	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2019	2,181,058	1,805,568	82.8	4,991.15
March 31, 2018	2,389,403	1,917,101	80.2	5,213.65

(Reference) Owned capital As of March 31, 2019: 1,805,568 million yen, As of March 31, 2018: 1,917,101 million yen

*This consolidated report is not subject to audit by certified public accountants or audit firms.

*Explanation for appropriate use of forecast and other notes

1. Adopting IFRS

Kyocera Corporation and its consolidated subsidiaries (“Kyocera”) has adopted IFRS for its consolidated financial statements from the year ended March 31, 2019. Accordingly, the consolidated financial statements for the year ended March 31, 2018 are also presented in accordance with IFRS.

2. Cautionary statements with respect to forward-looking statements

With regard to forecasts set forth above, please refer to the accompanying “Cautionary statements with respect to forward-looking statements” on page 7.

3. Method of obtaining supplementary materials on the financial results

The supplementary materials will be published on our website on April 25, 2019.

4. English translation

This is an English translation of the Japanese original of “Consolidated Financial Results for the Year Ended March 31, 2019.” The translation is prepared solely for the reference and convenience of foreigners. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

(Attachment)

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1. Overview of Operating Results and Financial Position

Commencing from the beginning of the fiscal year ended March 31, 2019 (“fiscal 2019”), Kyocera has adopted the International Financial Reporting Standards (“IFRS”) in lieu of the Generally Accepted Accounting Principles of the United States of America (“U.S. GAAP”). In addition, financial figures appearing herein for the year ended March 31, 2018 (“fiscal 2018”) have been reclassified in accordance with IFRS for the purpose of comparative analysis.

(1) Overview of Operating Results

a. Consolidated Financial Results

Sales revenue for fiscal 2019 increased by 46,671 million yen, or 3.0%, to 1,623,710 million yen, compared with fiscal 2018, marking record highs in sales for two consecutive years. Sales in the Life & Environment Group decreased, due to a decline in orders from the solar energy business. However, sales increased in the Electronic Devices Group and the Industrial & Automotive Components Group due in part to contributions from merger and acquisition activities during fiscal 2018.

Profits increased as compared with fiscal 2018, due to the effects of the increase in sales revenue, as well as cost reduction efforts in each division, which more than offset settlement expenses in the amount of 52,313 million yen relating to long-term purchase agreements for procurement of polysilicon material in the solar energy business and an impairment loss in the amount of 16,184 million yen relating to machinery, equipment, goodwill and intangible asset in the organic materials business.

As a result, operating profit increased by 4,124 million yen, or 4.5%, to 94,823 million yen, profit before income taxes increased by 10,618 million yen, or 8.2%, to 140,610 million yen in fiscal 2019 as compared with fiscal 2018.

Profit attributable to owners of the parent increased by 24,073 million yen, or 30.4%, to 103,210 million yen in fiscal 2019 as compared with fiscal 2018, due in part to lower tax expenses. Regarding the lower tax expenses, while Kyocera's U.S. subsidiaries including AVX Corporation (“AVX”) recorded one-time tax expenses in fiscal 2018 due to revisions in U.S. tax code, Kyocera recognized a deferred tax asset related to tax losses carried forward from the merger of Kyocera Display Corporation into Kyocera Corporation in fiscal 2019.

Average exchange rates for fiscal 2019 were 111 yen to the U.S. dollar, unchanged from fiscal 2018 and 128 yen to the Euro, marking appreciation of 2 yen (1.5%). As a result, sales revenue and profit before income taxes in fiscal 2019 were pushed down by approximately 7.5 billion yen and 2 billion yen, respectively, compared with fiscal 2018.

Consolidated Financial Results

(Yen in millions)

	For the year ended March 31, 2018		For the year ended March 31, 2019		Change	
	Amount	%*	Amount	%*	Amount	%
Sales revenue	1,577,039	100.0	1,623,710	100.0	46,671	3.0
Operating profit	90,699	5.8	94,823	5.8	4,124	4.5
Profit before income taxes	129,992	8.2	140,610	8.7	10,618	8.2
Profit attributable to owners of the parent	79,137	5.0	103,210	6.4	24,073	30.4
Average US\$ exchange rate (yen)	111	—	111	—	—	—
Average Euro exchange rate (yen)	130	—	128	—	—	—

Capital expenditures	86,519	5.5	117,049	7.2	30,530	35.3
Depreciation	69,703	4.4	51,524	3.2	(18,179)	(26.1)
Research and development	58,273	3.7	69,927	4.3	11,654	20.0

* % represents the percentage to sales revenue.

b. Consolidated Financial Results by Reporting Segment

1) Industrial & Automotive Components Group

Sales revenue for fiscal 2019 increased by 26,719 million yen, or 9.3%, to 314,339 million yen, compared with 287,620 million yen for fiscal 2018. Sales of industrial tools increased as a result of merger and acquisition activities conducted during fiscal 2018, while sales of fine ceramic parts for industrial equipment were also solid.

Business profit for fiscal 2019 increased by 7,050 million yen, or 22.5%, to 38,450 million yen compared with 31,400 million yen for fiscal 2018, due to the increase in sales revenue and cost reductions. The business profit ratio improved from 10.9% for fiscal 2018 to 12.2% for fiscal 2019.

2) Semiconductor Components Group

Sales revenue for fiscal 2019 decreased by 8,020 million yen, or 3.1%, to 249,217 million yen, compared with 257,237 million yen for fiscal 2018. This was due primarily to a decline in sales of ceramic packages for use in smartphones and optical communications.

Business profit for fiscal 2019 decreased by 20,117 million yen, or 64.8%, to 10,932 million yen compared with 31,049 million yen for fiscal 2018, due to the impact of lower sales of ceramic packages and the recording of an impairment loss in the amount of 16,184 million yen in the organic materials business. As a result, the business profit ratio declined from 12.1% for fiscal 2018 to 4.4% for fiscal 2019.

3) Electronic Devices Group

Sales revenue for fiscal 2019 increased by 59,682 million yen, or 19.6%, to 364,827 million yen, compared with 305,145 million yen for fiscal 2018. In addition to contributions from merger and acquisition activities by AVX during fiscal 2018, sales of ceramic capacitors for smartphones increased.

Business profit for fiscal 2019 increased by 20,294 million yen, or 43.5%, to 66,926 million yen compared with 46,632 million yen for fiscal 2018, due to the increase in sales revenue and improved profitability at AVX. The business profit ratio improved from 15.3% for fiscal 2018 to 18.3% for fiscal 2019.

4) Communications Group

Sales revenue for fiscal 2019 decreased by 3,468 million yen, or 1.4%, to 252,067 million yen, compared with 255,535 million yen for fiscal 2018. Sales in the information and communications services business, particularly in engineering services, increased. However, sales decreased in the telecommunications equipment business due to a decline in sales volume of mobile phone handsets in Japan.

In contrast, business profit for fiscal 2019 increased by 5,953 million yen, or 134.1%, to 10,393 million yen compared with 4,440 million yen for fiscal 2018, due to a removal of low-profit products from product lines and improved profitability through cost reduction efforts in the telecommunications equipment business. The business profit ratio improved from 1.7% for fiscal 2018 to 4.1% for fiscal 2019.

5) Document Solutions Group

Sales revenue for fiscal 2019 increased by 4,089 million yen, or 1.1%, to 375,147 million yen, compared with 371,058 million yen for fiscal 2018, due in part to solid sales volume of multifunctional products and other items coupled with the contribution of merger and acquisition activities which more than offset the impact of foreign exchange fluctuations.

Business profit for fiscal 2019 increased by 2,677 million yen, or 6.6%, to 43,528 million yen compared with 40,851 million yen for fiscal 2018, due to the increase in sales revenue, cost reductions and improved productivity. The business profit ratio improved from 11.0% for fiscal 2018 to 11.6% for fiscal 2019.

6) Life & Environment Group

Sales revenue for fiscal 2019 decreased by 32,098 million yen, or 28.6%, to 80,114 million yen, compared with 112,212 million yen for fiscal 2018, due primarily to a decline in sales in the solar energy business.

Business loss for fiscal 2019 expanded by 11,524 million yen to 67,016 million yen compared with 55,492 million yen for fiscal 2018 due to the decline in sales revenue and settlement expenses in the amount of 52,313 million yen relating to long-term purchase agreements for procurement of polysilicon material, which more than offset the effects of cost reduction efforts, including without limitation consolidation of production sites in the solar energy business.

Sales Revenue by Reporting Segment

(Yen in millions)

	For the year ended March 31, 2018		For the year ended March 31, 2019		Change	
	Amount	%*	Amount	%*	Amount	%
Industrial & Automotive Components Group	287,620	18.2	314,339	19.4	26,719	9.3
Semiconductor Components Group	257,237	16.3	249,217	15.3	(8,020)	(3.1)
Electronic Devices Group	305,145	19.4	364,827	22.5	59,682	19.6
Total Components Business	850,002	53.9	928,383	57.2	78,381	9.2
Communications Group	255,535	16.2	252,067	15.5	(3,468)	(1.4)
Document Solutions Group	371,058	23.5	375,147	23.1	4,089	1.1
Life & Environment Group	112,212	7.1	80,114	5.0	(32,098)	(28.6)
Total Equipment & Systems Business	738,805	46.8	707,328	43.6	(31,477)	(4.3)
Others	18,827	1.2	17,190	1.0	(1,637)	(8.7)
Adjustments and eliminations	(30,595)	(1.9)	(29,191)	(1.8)	1,404	—
Sales revenue	1,577,039	100.0	1,623,710	100.0	46,671	3.0

* % represents the component ratio.

Business Profit (Loss) by Reporting Segment

(Yen in millions)

	For the year ended March 31, 2018		For the year ended March 31, 2019		Change	
	Amount	%*	Amount	%*	Amount	%
Industrial & Automotive Components Group	31,400	10.9	38,450	12.2	7,050	22.5
Semiconductor Components Group	31,049	12.1	10,932	4.4	(20,117)	(64.8)
Electronic Devices Group	46,632	15.3	66,926	18.3	20,294	43.5
Total Components Business	109,081	12.8	116,308	12.5	7,227	6.6
Communications Group	4,440	1.7	10,393	4.1	5,953	134.1
Document Solutions Group	40,851	11.0	43,528	11.6	2,677	6.6
Life & Environment Group	(55,492)	—	(67,016)	—	(11,524)	—
Total Equipment & Systems Business	(10,201)	—	(13,095)	—	(2,894)	—
Others	1,393	7.4	660	3.8	(733)	(52.6)
Total business profit	100,273	6.4	103,873	6.4	3,600	3.6
Corporate gains and share of net profit of investments accounted for using the equity method	31,443	—	38,954	—	7,511	23.9
Adjustments and eliminations	(1,724)	—	(2,217)	—	(493)	—
Profit before income taxes	129,992	8.2	140,610	8.7	10,618	8.2

* % represents the percentage to sales revenue.

[Consolidated Financial Forecasts for the Year Ending March 31, 2020]

For the fiscal year ending March 31, 2020 (“fiscal 2020”), the telecommunications infrastructure market, particularly for base stations ahead of the commercial start of 5G, is expected to grow in the Components Business, although the smartphone market is expected to slow down. In automobile-related markets, demand is expected to continue increasing in areas related to advanced driver-assist systems (ADAS). In the Document Solutions Group, Kyocera will work to further expand its equipment and solutions business through pursuit of the benefits of merger and acquisition activities. Through growth in these businesses, Kyocera aims to post a new record high in sales revenue for the third consecutive fiscal year.

In fiscal 2020, Kyocera expects an increase in depreciation costs reflecting aggressive capital investment and in costs associated with efforts to create new businesses and cultivate new markets. Costs will also be incurred for celebrations of the Company’s 60th anniversary. Despite increased costs relating to the pursuit of business growth, Kyocera will strive to achieve the following profit forecasts by improving profitability in the solar energy business and organic materials business, which have undergone structural reform through fiscal 2019, and by accelerating a Company-wide project to double productivity through the use of artificial intelligence (AI), etc.

Assumed exchange rates for fiscal 2020 are 105 yen to the U.S. dollar, and 120 yen to the Euro.

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	51,524	3.2	65,000	3.8	13,476	26.2
Research and development	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.

Note: 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, and impairment losses on, securities and other assets held by us;
- (21) Impairment losses on property, plant and equipment, goodwill and intangible assets;
- (22) Unrealized deferred tax assets and additional liabilities for unrecognized tax benefits; 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) Overview of Financial Position

<Consolidated Cash Flows>

Cash and cash equivalents at March 31, 2019 increased by 87,876 million yen to 512,814 million yen from 424,938 million yen at March 31, 2018.

1) Cash flows from operating activities

Net cash provided by operating activities for fiscal 2019 increased by 61,120 million yen to 220,025 million yen from 158,905 million yen for fiscal 2018. This was due mainly to an increase in profit for the year and a decrease in receivables by collection in fiscal 2019, which increased in fiscal 2018.

2) Cash flows from investing activities

Net cash used in investing activities for fiscal 2019 decreased by 6,007 million yen to 47,121 million yen from 53,128 million yen for fiscal 2018. This was due mainly to decreases in payments for acquisitions of business, which were partly offset by increases in payments for purchases of property, plant and equipment.

3) Cash flows from financing activities

Net cash used in financing activities for fiscal 2019 increased by 37,484 million yen to 89,056 million yen from 51,572 million yen for the fiscal 2018. This was due mainly to the purchase of treasury stock.

Consolidated Cash Flows

(Yen in millions)

	For the year ended March 31, 2018	For the year ended March 31, 2019	Change
Cash flows from operating activities	158,905	220,025	61,120
Cash flows from investing activities	(53,128)	(47,121)	6,007
Cash flows from financing activities	(51,572)	(89,056)	(37,484)
Effect of exchange rate changes on cash and cash equivalents	(5,462)	4,028	9,490
Increase in cash and cash equivalents	48,743	87,876	39,133
Cash and cash equivalents at the beginning of the year	376,195	424,938	48,743
Cash and cash equivalents at the end of the year	424,938	512,814	87,876

2. Basic Profit Distribution Policy and Dividends for fiscal 2019 and for fiscal 2020

(1) Basic Profit Distribution Policy

Kyocera believes that the best way to increase corporate value and meet shareholders' expectations is to improve future consolidated performance on an ongoing basis. Kyocera therefore has adopted a principal guideline that dividend amounts shall fall within a range based on profit attributable to owners of the parent* on a consolidated basis, and has set its dividend policy to maintain a payout ratio of around 40% of profit attributable to owners of the parent*.

In addition, Kyocera determines dividend amounts based on a comprehensive assessment, taking into account various factors including the amount of capital expenditures necessary for medium-to-long-term corporate growth. Kyocera also has adopted policies to ensure a sound financial basis, and for such purpose it sets aside other general reserves in preparation for the creation of new businesses, cultivation of new markets, development of new technologies and acquisition, as necessary, of outside management resources to achieve sustainable corporate growth.

*Account title is presented in accordance with IFRS.

(2) Dividends for fiscal 2019

For fiscal 2019, the amount of the ordinary year-end dividend will be 60 yen per share in light of the performance for the consolidated fiscal year and in accordance with the basic profit distribution policy for the distribution of dividends of Kyocera. Furthermore, because the 60th anniversary of Kyocera's establishment was marked in April 2019, Kyocera will distribute a commemoration dividend in the amount of 20 yen per share in addition to the ordinary year-end dividend, in order to express Kyocera's gratitude to its shareholders for their longtime support. As a result, the amount of the year-end dividend shall be 80 yen per share, i.e., the sum of the ordinary year-end dividend in the amount of 60 yen per share and the commemoration dividend in the amount of 20 yen per share. The annual dividend will be 140 yen per share when aggregated with the interim dividend in the amount of 60 yen per share. This amount will represent an increase of 20 yen per share as compared with the amount of the annual dividend in fiscal 2018, which was 120 yen per share.

(3) Basic Profit Distribution Policy for fiscal 2020

(Raise in consolidated dividend payout ratio and idea of repurchase of own shares)

Since fiscal 2005, Kyocera has implemented a dividend policy based on payout ratio, in order to clarify its shareholder-oriented stance and to establish a greater linkage between the amount of dividends and its performance.

In order to further enhance the return of profit to shareholders and expand its shareholder base, Kyocera will revise this policy to aim for a consolidated dividend payout ratio of around 50% of profit attributable to owners of the parent, an increase of 10% compared with the existing payout ratio of around 40%, commencing in fiscal 2020. Kyocera heretofore has acquired its own shares from time to time pursuant to the provisions of its Articles of Incorporation under Article 165, paragraph 2 of the Companies Act, in order to utilize the treasury stock to swiftly execute its future-oriented capital strategies, such as stock swaps. Going forward, in addition to the above-mentioned purpose, within a certain range based on cash flow, Kyocera will implement acquisitions of its own shares as a powerful mechanism for enhancing shareholder returns, as appropriate taking into consideration the amount of capital expenditures necessary for medium-to-long-term corporate growth.

(4) Dividends for fiscal 2020

Kyocera will determine the amount of its annual dividend for its next consolidated fiscal year in accordance with the above-mentioned basic policy. Kyocera currently expects the annual dividend for fiscal 2020 to be 160 yen per share based on its forecast of performance for the next consolidated fiscal year. This would represent an increase of 40 yen per share as compared with the amount of the annual dividend of 120 yen per share for fiscal 2019, disregarding the commemoration dividend in the amount of 20 yen per share in addition to the annual ordinary dividend.

3. Initiatives to Enhance Corporate Governance

Kyocera will take initiatives as described below to enhance its corporate governance.

(1) Challenge to Further Increase Corporate Value

(i) Enhance Shareholder Return

Kyocera believes that the best way to increase corporate value and meet shareholders' expectations is to improve future consolidated performance on an ongoing basis. Kyocera therefore prioritizes dividends in its basic profit distribution policy.

In order to clarify our intention to shareholders and further enhance shareholder returns, we will amend its policy to raise its consolidated dividend payout ratio and to add the idea of repurchase of its own shares into its basic profit distribution policy.

Please see the following news release.

(Reference) <https://global.kyocera.com/ir/news/2019.html>

“Notice Relating to Review of Basic Profit Distribution Policy and Dividends for the Year Ending March 31, 2020,” released on April 25, 2019

(ii) Setting New Management Criteria

Kyocera heretofore has set sales revenue and profit before income taxes as its management criteria for evaluation of performance. Recently, improvement of return on equity (“ROE”) is required as a part of the enhancement of corporate governance. Kyocera will continue to give first priority to the improvement of sales revenue and profit before income taxes, but at the same time Kyocera will set a target ROE and show the milestones to achieve this target, so that it can meet the expectations of current and future shareholders.

From fiscal 2020 going forward, Kyocera will, in addition to pursuing improved profitability in low performing businesses and further enhancing the profitability of other existing businesses, improve ROE through business expansion driven by the creation of new high-profit businesses and also through further enhancement of shareholder returns.

(2) Initiatives for Better Corporate Management

(i) Increasing Transparency: Establishment of Nomination and Remuneration Committee

During fiscal 2019, Kyocera established a Nomination and Remuneration Committee a majority of whose members are outside Directors. Matters set forth below will be thoroughly discussed by this Committee to increase transparency.

- Remuneration of Directors;
- Nomination of candidates for Director;
- Appointment of executives, including Executive Officers; and
- Termination of executives, including Executive Officers.

After asking the Committee for advice on the above matters, the Board of Directors will further deliberate to make fair and appropriate decisions.

(ii) Enhancement of Diversity

Subject to the prerequisite that Kyocera must always select superior personnel, who understand Kyocera Group well and who excel in their “personal qualities,” “capability” and “insight,” to manage Kyocera, Kyocera will maintain diversity among the members of its Board of Directors in terms of, without limitation, nationality and gender.

Based on this policy, at the 65th Annual General Shareholders Meeting of Kyocera to be held on June 25, 2019 (the “2019 Annual Meeting”) Kyocera will propose to elect the following female Director as an Outside Director of Kyocera. For details regarding this Outside Directors, please refer to “5. Change in Directors” on the following page.

In addition, Kyocera appointed a female Executive Officer in April 2019.

(Reference) https://global.kyocera.com/news/2019/0205_jiin.html

“Changes in Executive Officers,” released on February 26, 2019

(iii) Amendment to Directors' remuneration system

Kyocera will review the Directors' remuneration system and implement new remuneration by granting non-transferable shares to Directors other than outside Directors (the "Subject Directors"), with the goal of providing incentive to the Subject Directors to aim for sustainable improvement of our corporate value and to enable the Subject Directors to further share this value with the shareholders of Kyocera. This system will be subject to approval through a resolution at the 2019 Annual Meeting.

(Reference) https://global.kyocera.com/ir/news/pdf/190329_rs_e.pdf
"Notice Regarding Introduction of Restricted Stock Compensation Plan," released on March 29, 2019

4. Basic Rationale for Selection of Accounting Standards

Kyocera has adopted IFRS to its consolidated financial statements from the three months ended June 30, 2018 in order to further enhance its management control on a global basis.

5. Changes in Directors

Kyocera has resolved at a meeting of its Board of Directors held on April 25, 2019, to change its directors as set forth below. This change will be subject to approval through a resolution at the 2019 Annual Meeting.

(1) New Candidate for Director

Outside Director: Akiko Koyano (Attorney)
[Independent Director]

(2) Director Scheduled to Resign

Outside Director: Tadashi Onodera (Senior Corporate Advisor of KDDI CORPORATION)

6. Consolidated Financial Statements and Primary Notes

(1) Consolidated Statement of Financial Position

(Yen in millions)

	The date of transition to IFRS (April 1, 2017)		As of March 31, 2018		As of March 31, 2019		Change
	Amount	%*	Amount	%*	Amount	%*	
Assets							
Current assets							
Cash and cash equivalents	376,195		424,938		512,814		87,876
Short-term investments	297,371		196,802		99,210		(97,592)
Trade and other receivables	337,371		382,659		357,352		(25,307)
Other financial assets	7,778		12,996		9,871		(3,125)
Inventories	331,155		364,875		343,880		(20,995)
Other current assets	79,755		83,629		34,637		(48,992)
Total current assets	1,429,625	46.3	1,465,899	46.9	1,357,764	45.7	(108,135)
Non-current assets							
Debt and equity instruments	1,146,608		1,071,990		963,651		(108,339)
Investments accounted for using the equity method	5,863		3,874		4,159		285
Other financial assets	13,429		15,681		17,869		2,188
Property, plant and equipment	254,341		288,898		341,855		52,957
Goodwill	110,470		144,268		149,499		5,231
Intangible assets	61,235		80,186		80,001		(185)
Deferred tax assets	56,614		41,370		38,558		(2,812)
Other non-current assets	6,452		16,647		15,119		(1,528)
Total non-current assets	1,655,012	53.7	1,662,914	53.1	1,610,711	54.3	(52,203)
Total assets	3,084,637	100.0	3,128,813	100.0	2,968,475	100.0	(160,338)

* % represents the component ratio.

(Yen in millions)

	The date of transition to IFRS (April 1, 2017)		As of March 31, 2018		As of March 31, 2019		Change
	Amount	%*	Amount	%*	Amount	%*	
Liabilities and Equity							
Liabilities							
Current liabilities							
Trade and other payables	190,292		216,685		186,281		(30,404)
Other financial liabilities	8,735		5,039		6,621		1,582
Income tax payables	15,707		19,436		12,672		(6,764)
Accrued expenses	108,367		114,049		120,903		6,854
Provisions	14,225		32,302		11,166		(21,136)
Other current liabilities	27,492		31,876		37,105		5,229
Total current liabilities	364,818	11.8	419,387	13.4	374,748	12.6	(44,639)
Non-current liabilities							
Long-term financial liabilities	5,292		7,370		7,800		430
Retirement benefit liabilities	28,794		29,112		25,479		(3,633)
Deferred tax liabilities	255,281		220,950		174,823		(46,127)
Provisions	6,488		19,914		7,892		(12,022)
Other non-current liabilities	12,286		18,781		15,473		(3,308)
Total non-current liabilities	308,141	10.0	296,127	9.5	231,467	7.8	(64,660)
Total liabilities	672,959	21.8	715,514	22.9	606,215	20.4	(109,299)
Equity							
Common stock	115,703		115,703		115,703		–
Capital surplus	165,172		165,079		165,225		146
Retained earnings	1,532,866		1,577,641		1,638,709		61,068
Other components of equity	545,452		499,710		418,643		(81,067)
Treasury stock	(32,309)		(32,342)		(72,361)		(40,019)
Total equity attributable to owners of the parent	2,326,884	75.4	2,325,791	74.3	2,265,919	76.3	(59,872)
Non-controlling interests	84,794	2.8	87,508	2.8	96,341	3.3	8,833
Total equity	2,411,678	78.2	2,413,299	77.1	2,362,260	79.6	(51,039)
Total liabilities and equity	3,084,637	100.0	3,128,813	100.0	2,968,475	100.0	(160,338)

* % represents the component ratio.

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

a. Consolidated Statement of Profit or Loss

(Yen in millions except per share amounts)

	For the year ended March 31, 2018		For the year ended March 31, 2019		Change	
	Amount	%*	Amount	%*	Amount	%
Sales revenue	1,577,039	100.0	1,623,710	100.0	46,671	3.0
Cost of sales	1,204,211	76.4	1,159,687	71.4	(44,524)	(3.7)
Gross profit	372,828	23.6	464,023	28.6	91,195	24.5
Selling, general and administrative expenses	282,129	17.8	369,200	22.8	87,071	30.9
Operating profit	90,699	5.8	94,823	5.8	4,124	4.5
Finance income	41,483	2.6	44,750	2.8	3,267	7.9
Finance expenses	1,560	0.1	1,241	0.1	(319)	(20.4)
Foreign exchange gains (losses)	(827)	(0.1)	53	0.0	880	—
Share of net profit (loss) of investments accounted for using the equity method	(1,564)	(0.1)	379	0.0	1,943	—
Other, net	1,761	0.1	1,846	0.2	85	4.8
Profit before income taxes	129,992	8.2	140,610	8.7	10,618	8.2
Income taxes	47,766	3.0	25,754	1.6	(22,012)	(46.1)
Profit for the year	82,226	5.2	114,856	7.1	32,630	39.7

Profit attributable to:						
Owners of the parent	79,137	5.0	103,210	6.4	24,073	30.4
Non-controlling interests	3,089	0.2	11,646	0.7	8,557	277.0
Profit for the year	82,226	5.2	114,856	7.1	32,630	39.7

Per share information:			
Earnings per share attributable to owners of the parent			
Basic	215.22 yen	284.94 yen	
Diluted	215.20 yen	284.70 yen	

* % represents the percentage to sales revenue.

b. Consolidated Statement of Comprehensive Income

(Yen in millions)

	For the year ended March 31, 2018	For the year ended March 31, 2019	Change
	Amount	Amount	
Profit for the year	82,226	114,856	32,630
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	–	(84,165)	(84,165)
Re-measurement of defined benefit plans	9,352	(1,618)	(10,970)
Total items that will not be reclassified to profit or loss	9,352	(85,783)	(95,135)
Items that may be reclassified subsequently to profit or loss:			
Net unrealized gains (losses) on securities	(40,138)	–	40,138
Net changes in fair value of cash flow hedge	(55)	36	91
Exchange differences on translating foreign operations	(6,670)	4,943	11,613
Share of other comprehensive income of investments accounted for using the equity method	(43)	66	109
Total items that may be reclassified subsequently to profit or loss	(46,906)	5,045	51,951
Total other comprehensive income	(37,554)	(80,738)	(43,184)
Comprehensive income for the year	44,672	34,118	(10,554)

Comprehensive income attributable to:			
Owners of the parent	43,131	21,514	(21,617)
Non-controlling interests	1,541	12,604	11,063
Comprehensive income for the year	44,672	34,118	(10,554)

(3) Consolidated Statement of Changes in Equity

For the year ended March 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, 2017	115,703	165,172	1,532,866	545,452	(32,309)	2,326,884	84,794	2,411,678
Profit for the year			79,137			79,137	3,089	82,226
Other comprehensive income				(36,006)		(36,006)	(1,548)	(37,554)
Total comprehensive income for the year	–	–	79,137	(36,006)	–	43,131	1,541	44,672
Cash dividends			(44,125)			(44,125)	(4,182)	(48,307)
Purchase of treasury stock					(33)	(33)		(33)
Reissuance of treasury stock		1			0	1		1
Transactions with non-controlling interests and other		(94)		27		(67)	5,355	5,288
Transfer to retained earnings			9,763	(9,763)		–		–
Balance as of March 31, 2018	115,703	165,079	1,577,641	499,710	(32,342)	2,325,791	87,508	2,413,299

For the year ended March 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, 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 year			103,210			103,210	11,646	114,856
Other comprehensive income				(81,696)		(81,696)	958	(80,738)
Total comprehensive income for the year	–	–	103,210	(81,696)	–	21,514	12,604	34,118
Cash dividends			(43,768)			(43,768)	(4,410)	(48,178)
Purchase of treasury stock					(40,020)	(40,020)		(40,020)
Reissuance of treasury stock		0			1	1		1
Transactions with non-controlling interests and other		146		11		157	639	796
Transfer to retained earnings			(1,347)	1,347		–		–
Balance as of March 31, 2019	115,703	165,225	1,638,709	418,643	(72,361)	2,265,919	96,341	2,362,260

(4) Consolidated Statements of Cash Flows

(Yen in millions)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Cash flows from operating activities:		
Profit for the year	82,226	114,856
Depreciation and amortization	82,370	63,889
Finance expenses (income)	(39,923)	(43,509)
Share of net profit of investments accounted for using the equity method	1,564	(379)
Impairment loss	324	16,630
(Gains) losses from sales or disposal of property, plant and equipment	121	442
Income taxes	47,766	25,754
(Increase) decrease in trade and other receivables	(25,609)	25,016
(Increase) decrease in inventories	(20,412)	24,597
(Increase) decrease in other assets	(6,769)	31,022
Increase (decrease) in trade and other payables	11,988	(11,028)
Increase (decrease) in income tax payables	(18,667)	1,508
Increase (decrease) in provisions	31,180	(33,276)
Increase (decrease) in other liabilities	(3,054)	2,210
Other, net	9,166	(290)
Subtotal	152,271	217,442
Interests and dividends received	39,623	45,192
Interests paid	(1,109)	(660)
Income taxes paid	(31,880)	(41,949)
Net cash provided by operating activities	158,905	220,025
Cash flows from investing activities:		
Payments for purchases of property, plant and equipment	(84,195)	(111,040)
Payments for purchases of intangible assets	(7,194)	(7,515)
Proceeds from sales of property, plant and equipment	1,886	2,782
Acquisitions of business, net of cash acquired	(75,322)	(22,165)
Acquisition of time deposits and certificate of deposits	(420,556)	(331,212)
Withdrawal of time deposits and certificate of deposits	466,962	428,810
Payments for purchases of securities	(40,759)	(71,143)
Proceeds from sales and maturities of securities	105,571	65,484
Other, net	479	(1,122)
Net cash used in investing activities	(53,128)	(47,121)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(3,240)	(356)
Proceeds from long-term borrowings	6,775	3,676
Repayments of long-term borrowings	(6,296)	(3,394)
Dividends paid	(47,936)	(48,064)
Purchase of treasury stock	(33)	(40,020)
Other, net	(842)	(898)
Net cash used in financing activities	(51,572)	(89,056)
Effect of exchange rate changes on cash and cash equivalents	(5,462)	4,028
Increase (decrease) in cash and cash equivalents	48,743	87,876
Cash and cash equivalents at the beginning of the year	376,195	424,938
Cash and cash equivalents at the end of the year	424,938	512,814

(5) Basis of Preparation of Consolidated Financial Statements

(i) Summary of significant accounting policies

Kyocera adopts IFRS for the first-time this fiscal year, and so the annual consolidated financial statements for the year are the first ones prepared in conformity with IFRS. The date of transition of Kyocera to IFRS is April 1, 2017. Explanations of how the first-time adoption of, and the transition to, IFRS have affected Kyocera's financial conditions and results of operations are provided in "(12) First-Time Adoption" under "6. Consolidated Financial Statements and Primary Notes."

(ii) Scope of consolidation:

Number of consolidated subsidiaries	271	Kyocera Document Solutions Inc. AVX Corporation Kyocera International, Inc. and others
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Number of associates accounted for using the equity method	14
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(iii) Changes in scope of consolidation:

Consolidated subsidiaries:

Number of increase	32
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Number of decrease	13
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Associate accounted for using the equity method

Number of increase	2
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(6) Changes in Accounting Policies

<Newly applied accounting standards>

Kyocera has adopted IFRS 15 "Revenue from contracts with customers" (issued in May 2014 and amended in April 2016, hereinafter, "IFRS 15") retrospectively from the year ended March 31, 2018. The effect to Kyocera's financial position and operation results by adopting IFRS 15 is described in "(12) First-Time Adoption" under "6. Consolidated Financial Statements and Primary Notes."

Kyocera has adopted IFRS 9 "Financial instruments" (issued in November 2009 and amended in July 2014, hereinafter, "IFRS 9") from the year ended March 31, 2019. Kyocera has adopted exemptions from retrospective application of IFRS 9 in accordance with IFRS 1 "First-Time Adoption of International Financing Reporting Standards" (hereinafter, "IFRS 1"), and Kyocera has adopted U.S. GAAP, the previous accounting standards, at the date of transition to IFRS and the year ended March 31, 2018.

At the beginning of the year ended March 31, 2019, Kyocera has changed the measurement method of unlisted-stocks which were measured at cost under U.S. GAAP. The amounts of these financial instruments were shown in below table. These financial instruments were included in "debt and equity instruments" on the consolidated statement of financial position.

(Yen in millions)

Classification based on U.S. GAAP	
Cost method investments	19,536

(Yen in millions)

Classification based on IFRS 9	
Financial instruments measured at fair value through other comprehensive income	22,747

IFRS 9 permits an entity to make an irrevocable election to present subsequent changes in the fair value in other comprehensive income for the investments in equity instruments. Kyocera chose to apply this option and classified listed stocks and unlisted stocks which meet the definition of equity instruments as financial instruments measured at fair value through other comprehensive income. As a result, Kyocera reclassified the amounts recorded in retained earnings under U.S. GAAP into other components of equity at the beginning of the year ended March 31, 2019.

As mentioned above, for adopting IFRS 9, retained earnings increased by 2,973 million yen, and other components of equity decreased by 729 million yen at the beginning of this fiscal year.

(7) Changes in Accounting Estimates

Kyocera changed the depreciation method from the declining-balance method to the straight-line method from the year ended March 31, 2019.

Kyocera implemented capital expenditures in order to double its productivity at manufacturing facilities in Japan and overseas with the introduction of innovative technology to promote streamlining and automation of production processes. As a result, the operation of the property, plant and equipment is expected to be more consistently than before and future utilization of those assets will be consistent.

Accordingly, Kyocera believes that the change to the straight-line method will be preferable as it better reflects the consumption of future economic benefits of those assets.

In accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors,” a change in depreciation method is treated as a change in accounting estimate. Therefore, the effect of the change in depreciation method has been reflected on a prospective basis from April 1, 2018 and it was to increase profit before income taxes by 22,117 million yen due mainly to the decrease in depreciation expenses for the year ended March 31, 2019.

(8) Segment Information**(i) Reporting segments:**

(Yen in millions)

	For the year ended March 31, 2018	For the year ended March 31, 2019	Change	
	Amount	Amount	Amount	%
Capital expenditures				
Industrial & Automotive Components Group	21,184	37,746	16,562	78.2
Semiconductor Components Group	15,820	17,737	1,917	12.1
Electronic Devices Group	26,512	33,275	6,763	25.5
Communications Group	4,813	4,945	132	2.7
Document Solutions Group	6,013	7,571	1,558	25.9
Life & Environment Group	5,454	5,548	94	1.7
Other	1,346	1,119	(227)	(16.9)
Corporate	5,377	9,108	3,731	69.4
Total	86,519	117,049	30,530	35.3
Depreciation and amortization				
Industrial & Automotive Components Group	15,436	13,934	(1,502)	(9.7)
Semiconductor Components Group	17,461	9,336	(8,125)	(46.5)
Electronic Devices Group	20,141	18,971	(1,170)	(5.8)
Communications Group	6,530	5,165	(1,365)	(20.9)
Document Solutions Group	12,864	9,717	(3,147)	(24.5)
Life & Environment Group	6,035	3,123	(2,912)	(48.3)
Other	1,322	1,347	25	1.9
Corporate	2,581	2,296	(285)	(11.0)
Total	82,370	63,889	(18,481)	(22.4)
Research and development				
Industrial & Automotive Components Group	10,571	14,589	4,018	38.0
Semiconductor Components Group	3,550	3,389	(161)	(4.5)
Electronic Devices Group	10,898	13,877	2,979	27.3
Communications Group	3,849	5,238	1,389	36.1
Document Solutions Group	22,259	21,787	(472)	(2.1)
Life & Environment Group	4,268	8,145	3,877	90.8
Other	2,878	2,902	24	0.8
Total	58,273	69,927	11,654	20.0

Note: With regard to Reporting segment information of Sales revenue and Profit before income taxes, please refer to “(1) Consolidated Financial Results by Reporting Segment” under “1. Overview of Operating Results and Financial Position” on page 4.

(ii) Geographic segments

(Yen in millions)

	For the year ended March 31, 2018		For the year ended March 31, 2019		Change	
	Amount	%*	Amount	%*	Amount	%
Sales revenue by geographic area						
Japan	614,043	38.9	595,364	36.7	(18,679)	(3.0)
Asia	363,649	23.1	382,635	23.6	18,986	5.2
Europe	312,669	19.8	331,508	20.4	18,839	6.0
United States of America	224,791	14.3	248,947	15.3	24,156	10.7
Others	61,887	3.9	65,256	4.0	3,369	5.4
Total	1,577,039	100.0	1,623,710	100.0	46,671	3.0

* % represents the component ratio.

(9) Earnings per Share

With regard to earnings per share, please refer to the cover page “Consolidated Financial Results for the Year Ended March 31, 2019” and “(2) Consolidated Statements of Profit or Loss and Comprehensive Income” under “6. Consolidated Financial Statements and Primary Notes” on page 14.

(10) Material Subsequent Event

Not Applicable

(11) Notes to Going Concern Assumption

Not Applicable

(12) First-Time Adoption

Kyocera has disclosed the consolidated financial statements under IFRS from the three months ended June 30, 2018. The latest consolidated financial statements under U.S. GAAP were prepared for the year ended March 31, 2018, and the date of transition to IFRS was April 1, 2017.

(a) First-time adoption based on IFRS 1

IFRS 1 requires that a company adopting IFRS for the first-time (hereinafter, the “first-time adopters”) shall apply IFRS retrospectively. However, IFRS 1 provides certain exemptions that allow first-time adopters to choose not to apply certain standards retrospectively. Kyocera has adopted the following exemptions:

Business combinations

A first-time adopter may choose not to apply IFRS 3 “Business combinations” (hereinafter, “IFRS 3”) retrospectively to business combinations that occurred before the date of transition to IFRS. Kyocera has applied this exemption and chosen not to apply IFRS 3 retrospectively to business combinations that occurred before the date of transition to IFRS. Therefore, the carrying amounts of goodwill prior to the date of transition to IFRS were based on U.S. GAAP. Kyocera performed an impairment test on goodwill at the date of transition to IFRS regardless of whether there was any indications that the goodwill may be impaired.

Exchange differences on translating foreign operations

A first-time adopter may choose to deem the cumulative exchange differences on translating foreign operations as zero at the date of transition to IFRS. Kyocera has chosen to apply this exemption and deemed all cumulative exchange differences on translating foreign operations as zero at the date of transition to IFRS.

Deemed cost

For property, plant and equipment, a first-time adopter may use fair value as deemed cost at the date of transition to IFRS. Kyocera has applied this exemption and used fair value as the deemed cost at the date of transition to IFRS for certain items of property, plant and equipment.

Exemptions from retrospective application of IFRS 9

When a first-time adopter choose to adopt IFRS for the annual periods beginning before January 1, 2019 and apply IFRS 9, it may apply the previous accounting standards without restating comparative information in the first IFRS consolidated financial statements. Kyocera has applied this exemption, and recognized and measured target items included in the scope of IFRS 9 under U.S. GAAP, the previous accounting standards, at the date of transition to IFRS and the year ended March 31, 2018.

(b) Reconciliation

The reconciliations required to be disclosed in the first IFRS financial statements are described in the reconciliations as below. “Effect of change in line items” includes items that do not affect retained earnings and comprehensive income, while “Recognition and measurement differences” includes items that affect retained earnings and comprehensive income.

(i) Reconciliation of equity at the date of transition to IFRS (April 1, 2017)

(Yen in millions)

Accounts under U.S. GAAP	U.S. GAAP	Effect of change in line items	Recognition and measurement differences	IFRS	Note	Accounts under IFRS
Assets						Assets
Current assets						Current assets
Cash and cash equivalents	376,195	—	—	376,195		Cash and cash equivalents
Short-term investments in debt securities	84,703	212,668	—	297,371		Short-term investments
Other short-term investments	212,668	(212,668)	—	—		
Trade notes receivables	28,370	309,001	—	337,371		Trade and other receivables
Trade accounts receivables	291,485	(291,485)	—	—		
Less allowances for doubtful accounts and sales returns	(5,593)	5,593	—	—	F	
	—	7,778	—	7,778		Other financial assets
Inventories	331,155	—	—	331,155		Inventories
Other current assets	119,714	(33,952)	(6,007)	79,755		Other current assets
Total current assets	1,438,697	(3,065)	(6,007)	1,429,625		Total current assets
Non-current assets						Non-current assets
Long-term investments in debt and equity securities	1,130,756	15,852	—	1,146,608		Debt and equity instruments
	—	5,863	—	5,863	F	Investments accounted for using the equity method
Other long-term investments	22,246	(8,817)	—	13,429		Other financial assets
Land	59,963	206,641	(12,263)	254,341	B	Property, plant and equipment
Buildings	351,431	(351,431)	—	—		
Machinery and equipment	841,973	(841,973)	—	—		
Construction in progress	14,097	(14,097)	—	—		
Less accumulated depreciation	(1,000,860)	1,000,860	—	—		
Goodwill	110,470	—	—	110,470		Goodwill
Intangible assets	61,235	—	—	61,235		Intangible assets
	—	46,482	10,132	56,614	D,F	Deferred tax assets
Other assets	80,462	(75,349)	1,339	6,452		Other non-current assets
Total non-current assets	1,671,773	(15,969)	(792)	1,655,012		Total non-current assets
Total assets	3,110,470	(19,034)	(6,799)	3,084,637		Total assets

(Yen in millions)

Accounts under U.S. GAAP	U.S. GAAP	Effect of change in line items	Recognition and measurement differences	IFRS	Note	Accounts under IFRS
Liabilities and Equity						Liabilities and Equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Short-term borrowings	191	(191)	—	—		
Current portion of long-term debt	8,235	(8,235)	—	—		
Trade notes and accounts payable	129,460	60,832	—	190,292		Trade and other payables
Other notes and accounts payable	60,881	(60,881)	—	—		
	—	8,735	—	8,735		Other financial liabilities
Accrued payroll and bonus	62,868	(62,868)	—	—		
Accrued income taxes	15,707	—	—	15,707		Income taxes payables
Other accrued liabilities	51,062	53,850	3,455	108,367	E	Accrued expenses
	—	14,225	—	14,225	F	Provisions
Other current liabilities	36,257	(8,765)	—	27,492	F	Other current liabilities
Total current liabilities	364,661	(3,298)	3,455	364,818		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term debt	16,409	(11,117)	—	5,292		Long-term financial liabilities
Accrued pension and severance liabilities	31,720	—	(2,926)	28,794	C	Retirement benefit liabilities
Deferred income taxes	258,859	(3,481)	(97)	255,281	D	Deferred tax liabilities
	—	6,488	—	6,488	F	Provisions
Other non-current liabilities	19,912	(7,626)	—	12,286		Other non-current liabilities
Total non-current liabilities	326,900	(15,736)	(3,023)	308,141		Total non-current liabilities
Total liabilities	691,561	(19,034)	432	672,959		Total liabilities
Equity						Equity
Common stock	115,703	—	—	115,703		Common stock
Additional paid-in capital	165,230	—	(58)	165,172		Capital surplus
Retained earnings	1,638,116	—	(105,250)	1,532,866	A,B,C D,E	Retained earnings
Accumulated other comprehensive income	447,479	—	97,973	545,452	A,C,D	Other components of equity
Common stock in treasury stock, at cost	(32,309)	—	—	(32,309)		Treasury stock
Total Kyocera Corporation's shareholders' equity	2,334,219	—	(7,335)	2,326,884		Total equity attributable to owners of the parent
Noncontrolling interests	84,690	—	104	84,794		Non-controlling interests
Total equity	2,418,909	—	(7,231)	2,411,678		Total equity
Total liabilities and equity	3,110,470	(19,034)	(6,799)	3,084,637		Total liabilities and equity

(ii) Reconciliation of equity as of March 31, 2018

(Yen in millions)

Accounts under U.S. GAAP	U.S. GAAP	Effect of change in line items	Recognition and measurement differences	IFRS	Note	Accounts under IFRS
Assets						Assets
Current assets						Current assets
Cash and cash equivalents	424,938	—	—	424,938		Cash and cash equivalents
Short-term investments in debt securities	38,023	158,779	—	196,802		Short-term investments
Other short-term investments	158,779	(158,779)	—	—		
Trade notes receivables	26,072	356,587	—	382,659		Trade and other receivables
Trade accounts receivables	331,570	(331,570)	—	—		
Less allowances for doubtful accounts and sales returns	(5,490)	5,490	—	—	F	
	—	12,996	—	12,996		Other financial assets
Inventories	364,875	—	—	364,875		Inventories
Other current assets	137,849	(47,383)	(6,837)	83,629		Other current assets
Total current assets	1,476,616	(3,880)	(6,837)	1,465,899		Total current assets
Non-current assets						Non-current assets
Long-term investments in debt and equity securities	1,050,537	21,453	—	1,071,990		Debt and equity instruments
	—	3,874	—	3,874	F	Investments accounted for using the equity method
Other long-term investments	25,858	(10,177)	—	15,681		Other financial assets
Land	62,141	238,783	(12,026)	288,898	B	Property, plant and equipment
Buildings	363,714	(363,714)	—	—		
Machinery and equipment	880,918	(880,918)	—	—		
Construction in progress	23,996	(23,996)	—	—		
Less accumulated depreciation	(1,029,845)	1,029,845	—	—		
Goodwill	144,268	—	—	144,268		Goodwill
Intangible assets	80,186	—	—	80,186		Intangible assets
	—	32,071	9,299	41,370	D,F	Deferred tax assets
Other assets	78,688	(65,040)	2,999	16,647		Other non-current assets
Total non-current assets	1,680,461	(17,819)	272	1,662,914		Total non-current assets
Total assets	3,157,077	(21,699)	(6,565)	3,128,813		Total assets

(Yen in millions)

Accounts under U.S. GAAP	U.S. GAAP	Effect of change in line items	Recognition and measurement differences	IFRS	Note	Accounts under IFRS
Liabilities and Equity						Liabilities and Equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Short-term borrowings	145	(145)	—	—		
Current portion of long-term debt	9,293	(9,293)	—	—		
Trade notes and accounts payable	149,734	66,951	—	216,685		Trade and other payables
Other notes and accounts payable	66,970	(66,970)	—	—		
	—	5,039	—	5,039		Other financial liabilities
Accrued payroll and bonus	68,664	(68,664)	—	—		
Accrued income taxes	19,436	—	—	19,436		Income tax payables
Other accrued liabilities	50,727	59,867	3,455	114,049	E	Accrued expenses
	—	32,302	—	32,302	F	Provisions
Other current liabilities	55,017	(23,141)	—	31,876	F	Other current liabilities
Total current liabilities	419,986	(4,054)	3,455	419,387		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term debt	20,237	(12,867)	—	7,370		Long-term financial liabilities
Accrued pension and severance liabilities	28,723	—	389	29,112	C	Retirement benefit liabilities
Deferred income taxes	223,530	(3,378)	798	220,950	D	Deferred tax liabilities
	—	19,914	—	19,914	F	Provisions
Other non-current liabilities	40,095	(21,314)	—	18,781		Other non-current liabilities
Total non-current liabilities	312,585	(17,645)	1,187	296,127		Total non-current liabilities
Total liabilities	732,571	(21,699)	4,642	715,514		Total liabilities
Equity						Equity
Common stock	115,703	—	—	115,703		Common stock
Additional paid-in capital	165,125	—	(46)	165,079		Capital surplus
Retained earnings	1,675,780	—	(98,139)	1,577,641	A,B,C D,E	Retained earnings
Accumulated other comprehensive income	411,980	—	87,730	499,710	A,C,D	Other components of equity
Common stock in treasury stock, at cost	(32,342)	—	—	(32,342)		Treasury stock
Total Kyocera Corporation's shareholders' equity	2,336,246	—	(10,455)	2,325,791		Total equity attributable to owners of the parent
Noncontrolling interests	88,260	—	(752)	87,508		Non-controlling interests
Total equity	2,424,506	—	(11,207)	2,413,299		Total equity
Total liabilities and equity	3,157,077	(21,699)	(6,565)	3,128,813		Total liabilities and equity

(iii) Reconciliation of profit or loss and other comprehensive income for the year ended March 31, 2018

(Yen in millions)

Accounts under U.S. GAAP	U.S. GAAP	Effect of change in line items	Recognition and measurement differences	IFRS	Note	Accounts under IFRS
Net sales	1,577,039	—	—	1,577,039		Sales revenue
Cost of sales	1,200,911	—	3,300	1,204,211	C,E	Cost of sales
Gross profit	376,128	—	(3,300)	372,828		Gross profit
Selling, general and administrative expenses	280,553	—	1,576	282,129	C,E	Selling, general and administrative expenses
Profit from operations	95,575	—	(4,876)	90,699		Operating profit
Other income (expenses)						
Interest and dividend income	40,498	985	—	41,483		Finance income
Interest expense	1,395	165	—	1,560		Finance expenses
Foreign currency transaction gains (losses), net	(827)	—	—	(827)		Foreign exchange gains (losses)
Gains on sales of securities, net	1,629	(1,629)	—	—		
	—	(1,564)	—	(1,564)	G	Share of net loss of investments accounted for using the equity method
Other, net	(3,614)	2,373	3,002	1,761		Other, net
Income before income taxes	131,866	—	(1,874)	129,992		Profit before income taxes
Income taxes	46,881	—	885	47,766		Income taxes
Net income	84,985	—	(2,759)	82,226		Profit for the year
Net income attributable to Kyocera Corporation's shareholders	81,789	—	(2,652)	79,137		Profit attributable to: Owners of the parent
Net income attributable to noncontrolling interests	3,196	—	(107)	3,089		Non-controlling interests

(Yen in millions)

Accounts under U.S. GAAP	U.S. GAAP	Effect of change in line items	Recognition and measurement differences	IFRS	Note	Accounts under IFRS
Net income	84,985	—	(2,759)	82,226		Profit for the year
Other comprehensive income – net of taxes						Other comprehensive income, net of taxation
Pension liability adjustment	6,428	—	2,924	9,352	C	Re-measurement of defined benefit plans
Net unrealized gains (losses) on securities	(40,087)	—	(51)	(40,138)		Net unrealized gains (losses) on securities
Net unrealized gains (losses) on derivative financial instruments	27	(82)	—	(55)		Net changes in fair value of cash flow hedge
Foreign currency translation adjustments	(2,703)	125	(4,092)	(6,670)	A	Exchange differences on translating foreign operations
	—	(43)	—	(43)		Share of other comprehensive income of investments accounted for using the equity method
Total other comprehensive income	(36,335)	—	(1,219)	(37,554)		Total other comprehensive income
Comprehensive income	48,650	—	(3,978)	44,672		Comprehensive income for the year

Comprehensive income attributable to Kyocera Corporation's shareholders	46,252	—	(3,121)	43,131		Comprehensive income attributable to: Owners of the parent
Comprehensive income attributable to noncontrolling interests	2,398	—	(857)	1,541		Non-controlling interests

Notes to reconciliation of equity, profit or loss and other comprehensive income

A. Exchange differences on translating of foreign operations

Under IFRS 1, a first-time adopter may choose to deem the cumulative exchange differences on translating foreign operations as zero at the date of transition to IFRS. Kyocera has chosen to apply this exemption and transferred all cumulative exchange differences on translating foreign operations into retained earnings at the date of transition to IFRS.

B. Deemed cost

Under IFRS 1, for property, plant and equipment, a first-time adopter may use fair value as deemed cost at the date of transition to IFRS. Kyocera has applied this exemption and used fair value as the deemed cost at the date of transition to IFRS for certain item of property, plant and equipment.

C. Retirement benefit

Under U.S. GAAP, the prior service costs and the actuarial gain and loss, resulted from defined benefit plan or unfunded retirement and severance plans which were incurred during the period but not recognized as the same periodic pension costs are recognized as accumulated other comprehensive income by the amount after tax. The amounts recognized in accumulated other comprehensive income are subsequently recognized in profit or loss as a component of retirement benefit expenses over a period of time in the future.

Under IFRS, the prior service costs are expensed as incurred. The actuarial gain and loss are recognized in other comprehensive income by the amount after tax and they are transferred from other components of equity to retained earnings directly without recording through profit or loss.

D. Income taxes

Under U.S. GAAP, all subsequent changes of deferred tax asset and liability due to a change in the tax rate, reassessment of recoverability are recognized in profit or loss. Under IFRS, changes of deferred tax assets and liabilities on other comprehensive income are recognized in other comprehensive income.

In addition, under U.S. GAAP, the temporary differences arising from the elimination of intercompany transaction are deferred as prepaid taxes using the sellers' tax rates. Under IFRS, above temporary differences are recognized as deferred tax assets using the purchasers' tax rates considering its recoverability.

E. Levies

Under U.S. GAAP, items qualified as levies such as property tax were recognized at the time of payment. Under IFRS, they were recognized on the date when an obligation to pay arises.

F. Reclassification on the consolidated statement of financial position

Under the presentation requirement on IFRS 15, refund liabilities included in "Less allowances for doubtful accounts and sales returns" were reclassified into "Other current liabilities."

Under the presentation requirement on IAS 1 "Presentation of financial statements" (hereinafter, "IAS 1"), "Investments accounted for using the equity method," "Deferred tax assets" and "Provisions" were presented separately.

G. Reclassifications on the consolidated statement of profit or loss

Under the presentation requirement on IAS 1, "Share of net profit of investments accounted for using the equity method" was presented separately.

As mentioned above, the effect of transition to IFRS on retained earnings at the date of transition to IFRS and March 31, 2018 are as follows:

(Yen in millions)

	The date of transition to IFRS (April 1, 2017)	As of March 31, 2018
Exchange differences on translating foreign operations	(16,360)	(14,124)
Deemed cost	(7,648)	(7,618)
Retirement benefit	(31,723)	(25,547)
Income taxes	(46,247)	(47,685)
Levies	(2,370)	(2,398)
Other	(902)	(767)
Total	(105,250)	(98,139)