Quarterly Report

(English summary with full translation of consolidated financial information)

(The Second Quarter of 65th Business Term)

From July 1, 2018 to September 30, 2018

KYOCERA CORPORATION

Table of Contents

[Cover]

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[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

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

Part I. Information on Kyocera

Ⅰ. Overview of Kyocera

1. Selected Financial Data

(Yen in millions except per share amount)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018	For the year ended March 31, 2018
Sales revenue	738,345	800,638	1,577,039
Profit before income taxes	90,788	105,689	129,992
Profit attributable to owners of the parent	63,441	78,394	79,137
Comprehensive income attributable to owners of the parent	93,817	199,881	43,131
Equity attributable to owners of the parent	2,398,383	2,465,801	2,325,791
Total assets	3,172,701	3,322,816	3,128,813
Earnings per share attributable to owners of the parent - Basic (Yen)	172.53	216.15	215.22
Earnings per share attributable to owners of the parent - Diluted (Yen)	172.47	216.04	215.20
Ratio of equity attributable to owners of the parent to total assets (%)	75.6	74.2	74.3
Cash flows from operating activities	90,996	125,952	158,905
Cash flows from investing activities	(51,297)	(99,165)	(53,128)
Cash flows from financing activities	(28,453)	(63,633)	(51,572)
Cash and cash equivalents at the end of the period (year)	392,659	398,436	424,938

	For the three months ended September 30, 2017	For the three months ended September 30, 2018
Sales revenue	393,183	413,154
Profit attributable to owners of the parent	28,415	36,110
Earnings per share attributable to owners of the parent - Basic (Yen)	77.28	99.82

(Notes) 1. Kyocera Corporation and its consolidated subsidiaries (hereinafter, "Kyocera") prepared its condensed quarterly consolidated financial statements and consolidated financial statements in accordance with International Financial Reporting Standards (hereinafter, "IFRS"), and the figures are presented in Japanese yen and amounts less than one million yen are rounded.

2. Sales revenue do not include consumption taxes.

3. As Kyocera prepared the condensed quarterly consolidated financial statements, the selected non-consolidated financial data was not set forth in this document.

2. Description of Business

There were no significant changes in the business and operations of Kyocera and its associates during the six months ended September 30, 2018 (hereinafter, "the first half"). There were no changes in the organizations of major subsidiaries and associates.

Ⅱ. Business Overview

1. Risk Factors

There were no new risk factors recognized during the first half. There were no significant changes from the risk factors stated in the Annual Report for the year ended March 31, 2018 pursuant to the Financial Instruments and Exchange Act of Japan.

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

Commencing from the beginning of its year ending March 31, 2019 (hereinafter, "fiscal 2019"), Kyocera has adopted the IFRS in lieu of the Generally Accepted Accounting Principles of the United States of America (hereinafter, "U.S. GAAP"). In addition, financial figures appearing herein for the six months ended September 30, 2017 (hereinafter, "the previous first half") and the year ended March 31, 2018 (hereinafter, "fiscal 2018") have been prepared in accordance with IFRS for the purpose of comparative analysis. Please refer to "Note 18. First-Time Adoption" under "Ⅳ. Condensed Quarterly Consolidated Financial Statements and Other Information" for details.

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

(1) Summary of Operating Results

(Yen in millions)

	For the six months ended September 30, 2017		For the six months ended September 30, 2018		Change	
	Amount	%*	Amount	%*	Amount	%
Sales revenue	738,345	100.0	800,638	100.0	62,293	8.4
Operating profit	69,272	9.4	82,601	10.3	13,329	19.2
Profit before income taxes	90,788	12.3	105,689	13.2	14,901	16.4
Profit attributable to owners of the parent	63,441	8.6	78,394	9.8	14,953	23.6
Average U.S. dollar exchange rate (yen)	111	－	110	－	－	－
Average Euro exchange rate (yen)	126	－	130	－	－	－

* % represents the percentage to sales revenue.

Sales revenue for the first half increased by 62,293 million yen, or 8.4%, to 800,638 million yen, compared with the previous first half, marking a record high for first half sales for the second consecutive first half period. This is due to contributions from merger and acquisition activities conducted during fiscal 2018 and increases in sales in the Components Business and the Document Solutions Group.

Operating profit increased by 13,329 million yen, or 19.2%, to 82,601 million yen, compared with the previous first half, reflecting the effects of the sales growth and cost reduction efforts in each division. Profit before income taxes increased by 14,901 million yen, or 16.4%, to 105,689 million yen, and profit attributable to owners of the parent increased by 14,953 million yen, or 23.6%, to 78,394 million yen, compared with the previous first half, with both results marking record highs for first half results.

Average exchange rates for the first half were 110 yen to the U.S. dollar, marking appreciation of 1 yen (0.9%), and 130 yen to the Euro, marking depreciation of 4 yen (3.2%), from the previous first half. As a result, sales revenue and profit before income taxes after translation into yen for the first half were pushed up by approximately 1.0 billion yen and 1.5 billion yen, respectively, compared with the previous first half.

Results by Reporting Segment

Sales Revenue by Reporting Segment

(Yen in millions)

	For the six months ended September 30, 2017		For the six months ended September 30, 2018		Change	
	Amount	%*	Amount	%*	Amount	%
Industrial & Automotive Components Group	131,010	17.7	160,807	20.1	29,797	22.7
Semiconductor Components Group	126,881	17.2	127,469	15.9	588	0.5
Electronic Devices Group	137,253	18.6	183,803	22.9	46,550	33.9
Total Components Business	395,144	53.5	472,079	58.9	76,935	19.5
Communications Group	123,937	16.8	114,871	14.4	(9,066)	(7.3)
Document Solutions Group	172,020	23.3	178,769	22.3	6,749	3.9
Life & Environment Group	52,813	7.1	40,805	5.1	(12,008)	(22.7)
Total Equipment & Systems Business	348,770	47.2	334,445	41.8	(14,325)	(4.1)
Others	9,319	1.3	9,332	1.2	13	0.1
Adjustments and eliminations	(14,888)	(2.0)	(15,218)	(1.9)	(330)	−
Sales revenue	738,345	100.0	800,638	100.0	62,293	8.4

* % represents the component ratio.

Business Profit (Loss) by Reporting Segment

(Yen in millions)

	For the six months ended September 30, 2017		For the six months ended September 30, 2018		Change	
	Amount	%*	Amount	%*	Amount	%
Industrial & Automotive Components Group	14,188	10.8	21,250	13.2	7,062	49.8
Semiconductor Components Group	17,228	13.6	13,157	10.3	(4,071)	(23.6)
Electronic Devices Group	21,485	15.7	33,817	18.4	12,332	57.4
Total Components Business	52,901	13.4	68,224	14.5	15,323	29.0
Communications Group	1,918	1.5	656	0.6	(1,262)	(65.8)
Document Solutions Group	19,830	11.5	19,978	11.2	148	0.7
Life & Environment Group	(592)	−	(6,398)	−	(5,806)	−
Total Equipment & Systems Business	21,156	6.1	14,236	4.3	(6,920)	(32.7)
Others	320	3.4	967	10.4	647	202.2
Total business profit	74,377	10.1	83,427	10.4	9,050	12.2
Corporate gains and share of net profit of investments accounted for using the equity method	17,097	−	23,083	−	5,986	35.0
Adjustments and eliminations	(686)	−	(821)	−	(135)	−
Profit before income taxes	90,788	12.3	105,689	13.2	14,901	16.4

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

The analysis of Reporting Segment is as follows:

a. Industrial & Automotive Components Group
Sales in this reporting segment increased as compared with the previous first half due to an increase in sales of industrial tools as a result of merger and acquisition activities conducted in fiscal 2018, as well as increases in sales of fine ceramic parts used in semiconductor processing equipment and sales of automotive camera modules.
Business profit increased markedly due to the growth in sales and cost reductions.

b. Semiconductor Components Group
Sales in this reporting segment were roughly on par with the previous first half. Business profit decreased due to a decline in sales of highly profitable ceramic packages for optical communications, despite an increase in sales of organic multilayer substrates and boards for automotive applications.

c. Electronic Devices Group
Sales in this reporting segment increased as compared with the previous first half due to an increase in sales at AVX Corporation, a U.S. subsidiary, on the back of contribution from merger and acquisition activities conducted in fiscal 2018, in addition to solid demand for ceramic capacitors for smartphones and printing devices for industrial equipment.
Business profit increased significantly due to the sales growth and enhanced profitability at AVX Corporation.

d. Communications Group
Sales and business profit decreased in this reporting segment as compared with the previous first half due to a decline in sales in the telecommunications equipment business and an increase in R&D expenses, despite growth in sales and profit in the information and communications services business, in which Kyocera provides engineering services, etc.

e. Document Solutions Group
Sales and business profit increased in this reporting segment as compared with the previous first half due mainly to an increase in sales volume of multifunctional products in Japan and overseas, and the contribution from merger and acquisition activities.

f. Life & Environment Group
Sales in this reporting segment decreased as compared with the previous first half and a business loss was recorded due to a decline in sales in the solar energy business and an increase in R&D expenses.

(2) Summary of Cash Flows

(Yen in millions)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018	Change
Cash flows from operating activities	90,996	125,952	34,956
Cash flows from investing activities	(51,297)	(99,165)	(47,868)
Cash flows from financing activities	(28,453)	(63,633)	(35,180)
Effect of exchange rate changes on cash and cash equivalents	5,218	10,344	5,126
Increase (decrease) in cash and cash equivalents	16,464	(26,502)	(42,966)
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 period	392,659	398,436	5,777

Cash and cash equivalents at September 30, 2018 decreased by 26,502 million yen, or 6.2%, to 398,436 million yen from 424,938 million yen at March 31, 2018.

a. Cash flows from operating activities

Net cash provided by operating activities for the first half increased by 34,956 million yen, or 38.4%, to 125,952 million yen from 90,996 million yen for the previous first half. This was due mainly to an increase in profit for the period as well as an increase in the cash inflow related to a decrease in trade and other receivables.

b. Cash flows from investing activities

Net cash used in investing activities for the first half increased by 47,868 million yen, or 93.3%, to 99,165 million yen from 51,297 million yen for the previous first half. This was due mainly to an increase in the payments for purchases of property, plant and equipment and a decrease in the withdrawal of time deposit, which was partly offset by a decrease in the payment for acquisitions of business.

c. Cash flows from financing activities

Net cash used in financing activities for the first half increased by 35,180 million yen, or 123.6%, to 63,633 million yen from 28,453 million yen for the previous first half. This was due mainly to the purchase of treasury stock.

(3) Liquidity and Capital Resources

For the main short-term demand of funds, Kyocera expects to pay for capital expenditures, research and development, merger and acquisition and cash dividends in addition to operation funds for business operations. The source of Kyocera's short-term funding is primarily cash earned by sales activities. Some of Kyocera's consolidated subsidiaries are funded by borrowing from financial institutions in several different currencies, primarily in Euro.

Based on the resolution of the ordinary general meeting of shareholders held on June 26, 2018, Kyocera held a year-end dividend, totaling 22,062 million yen, or 60 yen per share, on June 27, 2018, to all shareholders as of March 31, 2018.

In addition, based on the resolution of the meeting of Board of Directors held on October 30, 2018, Kyocera plans to pay an interim dividend, totaling 21,705 million yen, or 60 yen per share, on December 5, 2018, to all shareholders as of September 30, 2018.

Since Kyocera has 398,436 million yen in cash and cash equivalents at the end of first half, Kyocera recognizes that there are few concerns about the shortage of future predictable financial needs. In the future, in the event of a deteriorating market demand trend or a decline in product prices exceeding Kyocera's expectations, the impact on Kyocera's financial position and operating results could adversely affect the liquidity of Kyocera's capital.

(4) Business and Financial Tasks to be Addressed

There were no new business and financial tasks to be addressed during the first half. There were no significant changes from the content in the Annual Report for the year ended March 31, 2018 pursuant to the Financial Instruments and Exchange Act of Japan.

(5) Research and Development Activities

Research and development expenses in the first half increased by 7,806 million yen, or 28.4%, to 35,256 million yen from 27,450 million yen for the previous first half. This increase was due mainly to merger and acquisition activities conducted in fiscal 2018 and an increase in research and development expenses for automotive-related market. There were no significant changes in the status of research and development activities from the Annual Report for the year ended March 31, 2018 pursuant to the Financial Instruments and Exchange Act of Japan.

(6) Summary of Production, Orders and Sales

Orders by Reporting Segments (Yen in millions)

	For the six months ended September 30, 2017		For the six months ended September 30, 2018		Change
	Amount	%*	Amount	%*	%
Industrial & Automotive Components Group	136,221	17.9	164,269	20.2	20.6
Semiconductor Components Group	130,898	17.2	128,907	15.9	(1.5)
Electronic Devices Group	144,629	19.0	199,524	24.6	38.0
Total Components Business	411,748	54.1	492,700	60.7	19.7
Communications Group	130,456	17.2	115,623	14.2	(11.4)
Document Solutions Group	172,178	22.6	178,079	21.9	3.4
Life & Environment Group	50,913	6.7	33,107	4.1	(35.0)
Total Equipment & Systems Business	353,547	46.5	326,809	40.2	(7.6)
Others	7,348	1.0	6,209	0.8	(15.5)
Adjustments and eliminations	(12,266)	(1.6)	(13,767)	(1.7)	−
Orders	760,377	100.0	811,951	100.0	6.8

* % represents the component ratio.

(Note) Kyocera flexibly produces in accordance with growing demands, customer's request and market changes. Therefore results of production is similar to results of sales. Summary of production and sales is correlated to the description on "(1) Summary of Operating Results Results by Reporting Segment."

3. Material Agreements

There were no material contracts relating to Kyocera's operations that were agreed upon or entered into during the three months ended September 30, 2018.

Ⅲ. Corporate Information

1. Information on Kyocera's shares and others

(1) Total number of shares and others

a. Total number of shares

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

b. Shares issued

Class	Number of shares issued as of September 30, 2018 (shares)	Number of shares issued as of the filing date (shares) (November 9, 2018)	Stock exchange on which Kyocera is listed or authorized financial instruments firms association where Kyocera is registered	Description
Common stock	377,618,580	377,618,580	Tokyo Stock Exchange (the first section)	This is Kyocera's standard stock. There is no restriction on contents of the right of the stock. The number of shares per one unit of shares is 100 shares.
Total	377,618,580	377,618,580	−	−

(2) Information on the stock acquisition rights and others

a. Details of stock option plans

Not applicable

b. Other information about stock acquisition rights.

Not applicable

(3) Information on moving strike convertible bonds

Not applicable

(4) Changes in the total number of shares issued and the amount of common stock and others

Date	Change in the total number of shares issued (shares)	Balance of the total number of shares issued (shares)	Changes in common stock (Yen in millions)	Balance of common stock (Yen in millions)	Changes in additional paid-in capital (Yen in millions)	Balance of additional paid-in capital (Yen in millions)
From July 1, 2018 to September 30, 2018	−	377,618,580	−	115,703	−	192,555

(5) Major shareholders

As of September 30, 2018

Name	Address	Number of shares held (thousands of shares)	Ownership percentage to the total number of shares issued (Excluding treasury shares)(%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-Chome, Minato-ku, Tokyo	50,005	13.82
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-Chome, Chuo-ku, Tokyo	25,808	7.13
SSBTC Client Omnibus Account (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	One Lincoln Street, Boston Massachusetts 02111 USA （11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo）	18,106	5.00
The Bank of Kyoto, Ltd.	700, Yakushimae-cho, Karasuma-dori, Matsubara-Agaru, Shimogyo-ku, Kyoto	14,436	3.99
Kazuo Inamori	Fushimi-ku, Kyoto	10,212	2.82
Inamori Foundation	620, Suiginya-cho, Shimogyo-ku, Kyoto	9,360	2.59
KI Enterprise Co., Ltd.	88, Kankoboko-cho, Shijodori-Muromachi-Higashiiru, Shimogyo-ku, Kyoto	7,099	1.96
Japan Trustee Services Bank, Ltd. (Trust Account 5)	8-11, Harumi 1-Chome, Chuo-ku, Tokyo	6,169	1.71
Trust & Custody Services Bank, Ltd. (Stock Investment Trust Account)	8-12, Harumi 1-Chome, Chuo-ku, Tokyo	5,647	1.56
Stock Purchase Plan for Kyocera Group Employees	6, Takeda Tobadono-cho, Fushimi-ku, Kyoto	5,548	1.53
Total	－	152,390	42.13

(Notes) 1. According to the report filed with the EDINET system on April 16, 2018, Mitsubishi UFJ Financial Group, Inc. and its related partners held shares as of April 9, 2018, as shown in the following table. Despite this report, they are not included in the above list of major shareholders because Kyocera is not able to confirm the number of shares beneficially owned by them from Kyocera's shareholders records as of September 30, 2018.

Name	Address	Number of shares held (thousands of shares)	Ownership percentage to the total number of shares issued (%)
MUFG Bank, Ltd.	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	5,077	1.34
Mitsubishi UFJ Trust and Banking Corporation	4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo	10,683	2.83
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	12-1, Yurakucho 1-Chome, Chiyoda-ku, Tokyo	6,756	1.79
Total	—	22,516	5.96

(Notes) 2. According to the report filed with EDINET system on September 25, 2018, Mizuho Securities Co., Ltd. and its related partners held shares as of September 14, 2018, as shown in the following table. Despite this report, they are not included in the above list of major shareholders because Kyocera is not able to confirm the number of shares beneficially owned by them from Kyocera's shareholders records as of September 30, 2018.

Name	Address	Number of shares held (thousands of shares)	Ownership percentage to the total number of shares issued (%)
Mizuho Securities Co., Ltd.	5-1, Otemachi 1-Chome, Chiyoda-ku,Tokyo	914	0.24
Asset Management One Co., Ltd.	8-2, Marunouchi 1-Chome, Chiyoda-ku, Tokyo	14,468	3.83
Total	—	15,383	4.07

(Notes) 3. According to the report filed with EDINET system on October 19, 2018, Sumitomo Mitsui Trust Bank, Ltd. and its related partners held shares as of October 15, 2018, as shown in the following table.

Name	Address	Number of shares held (thousands of shares)	Ownership percentage to the total number of shares issued (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	33-1, Shiba 3-Chome, Minato-ku, Tokyo	9,812	2.60
Nikko Asset Management Co., Ltd.	7-1, Akasaka 9-Chome, Minato-ku, Tokyo	14,120	3.74
Total	—	23,931	6.34

(6) Information on voting rights

a. Shares issued

As of September 30, 2018

Classification	Number of shares (shares)	Number of voting rights	Description
Shares without voting right	–	–	–
Shares with restricted voting rights (treasury stock)	–	–	–
Shares with restricted voting rights (others)	–	–	–
Shares with full voting right (treasury stock)	(Number of treasury stock) Common stock 15,863,500	–	This is Kyocera's standard stock. There is no restriction on contents of the right of the stock. The number of shares per one unit of shares is 100 shares.
Shares with full voting right (others)	Common stock 361,398,100	3,613,981	Same as above
Shares less than one unit	Common stock 356,980	–	–
Number of shares issued	377,618,580	–	–
Total number of voting rights	–	3,613,981	–

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

b. Treasury stock and others

As of September 30, 2018

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the name of others (shares)	Total shares held (shares)	Ownership percentage to the total number of shares issued (%)
Kyocera Corporation	6, Takeda Tobadono-cho, Fushimi-ku, Kyoto	15,863,500	–	15,863,500	4.20
Total	–	15,863,500	–	15,863,500	4.20

2. Changes in Directors and Senior Management

Not Applicable

Ⅳ. Condensed Quarterly Consolidated Financial Statements and Other Information

1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Yen in millions)

	Note	The date of transition to IFRS (April 1, 2017)	As of March 31, 2018	As of September 30, 2018
Assets				
Current assets				
Cash and cash equivalents		376,195	424,938	398,436
Short-term investments	13	297,371	196,802	237,828
Trade and other receivables	10	337,371	382,659	353,329
Other financial assets	13	7,778	12,996	7,995
Inventories		331,155	364,875	372,942
Other current assets	14	79,755	83,629	89,361
Total current assets		1,429,625	1,465,899	1,459,891
Non-current assets				
Debt and equity instruments	13	1,146,608	1,071,990	1,226,475
Investments accounted for using the equity method		5,863	3,874	4,555
Other financial assets	13	13,429	15,681	17,056
Property, plant and equipment		254,341	288,898	324,295
Goodwill	7	110,470	144,268	151,009
Intangible assets	7	61,235	80,186	80,083
Deferred tax assets		56,614	41,370	41,680
Other non-current assets		6,452	16,647	17,772
Total non-current assets		1,655,012	1,662,914	1,862,925
Total assets		3,084,637	3,128,813	3,322,816

The accompanying notes are an integral part of these statements.

(Yen in millions)

	Note	The date of transition to IFRS (April 1, 2017)	As of March 31, 2018	As of September 30, 2018
Liabilities and Equity				
Liabilities				
Current liabilities				
Trade and other payables	14	190,292	216,685	212,946
Other financial liabilities	13	8,735	5,039	13,322
Income tax payables		15,707	19,436	21,761
Accrued expenses	10	108,367	114,049	114,113
Provisions	14, 15	14,225	32,302	31,674
Other current liabilities	10	27,492	31,876	33,750
Total current liabilities		364,818	419,387	427,566
Non-current liabilities				
Long-term financial liabilities	13	5,292	7,370	8,875
Retirement benefit liabilities		28,794	29,112	29,088
Deferred tax liabilities		255,281	220,950	256,805
Provisions	14, 15	6,488	19,914	19,926
Other non-current liabilities		12,286	18,781	19,058
Total non-current liabilities		308,141	296,127	333,752
Total liabilities		672,959	715,514	761,318
Equity				
Common stock		115,703	115,703	115,703
Capital surplus		165,172	165,079	165,027
Retained earnings		1,532,866	1,577,641	1,636,946
Other components of equity		545,452	499,710	620,478
Treasury stock	9	(32,309)	(32,342)	(72,353)
Total equity attributable to owners of the parent		2,326,884	2,325,791	2,465,801
Non-controlling interests		84,794	87,508	95,697
Total equity		2,411,678	2,413,299	2,561,498
Total liabilities and equity		3,084,637	3,128,813	3,322,816

The accompanying notes are an integral part of these statements.

(2) Condensed Quarterly Consolidated Statement of Profit or Loss

(Yen in millions except per share amounts)

	Note	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Sales revenue	6, 10	738,345	800,638
Cost of sales	8	532,666	571,337
Gross profit		205,679	229,301
Selling, general and administrative expenses	8	136,407	146,700
Operating profit		69,272	82,601
Finance income	13	20,942	21,375
Finance expenses		361	406
Foreign exchange gains (losses)		150	329
Share of net profit of investments accounted for using the equity method		106	613
Other, net		679	1,177
Profit before income taxes	6	90,788	105,689
Income taxes	11	23,909	21,581
Profit for the period		66,879	84,108

Profit attributable to:			
Owners of the parent		63,441	78,394
Non-controlling interests		3,438	5,714
Profit for the period		66,879	84,108

Per share information:	12		
Earnings per share attributable to owners of the parent			
Basic		172.53 yen	216.15 yen
Diluted		172.47 yen	216.04 yen

The accompanying notes are an integral part of these statements.

(Yen in millions except per share amounts)

	Note	For the three months ended September 30, 2017	For the three months ended September 30, 2018
Sales revenue	6, 10	393,183	413,154
Cost of sales	8	284,825	293,103
Gross profit		108,358	120,051
Selling, general and administrative expenses	8	70,346	74,554
Operating profit		38,012	45,497
Finance income		2,378	2,938
Finance expenses		201	203
Foreign exchange gains (losses)		740	774
Share of net profit of investments accounted for using the equity method		81	246
Other, net		425	949
Profit before income taxes	6	41,435	50,201
Income taxes	11	11,138	10,894
Profit for the period		30,297	39,307

Profit attributable to:			
Owners of the parent		28,415	36,110
Non-controlling interests		1,882	3,197
Profit for the period		30,297	39,307

Per share information:	12		
Earnings per share attributable to owners of the parent			
Basic		77.28 yen	99.82 yen
Diluted		77.24 yen	99.73 yen

The accompanying notes are an integral part of these statements.

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income

(Yen in millions)

	Note	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Profit for the period		66,879	84,108
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		–	101,170
Re-measurement of defined benefit plans		–	–
Total items that will not be reclassified to profit or loss		–	101,170
Items that may be reclassified subsequently to profit or loss:			
Net unrealized gains (losses) on securities		15,999	–
Net changes in fair value of cash flow hedge		(48)	20
Exchange differences on translating foreign operations		16,188	23,885
Share of other comprehensive income of investments accounted for using the equity method		74	195
Total items that may be reclassified subsequently to profit or loss		32,213	24,100
Total other comprehensive income		32,213	125,270
Comprehensive income for the period		99,092	209,378

Comprehensive income attributable to:			
Owners of the parent		93,817	199,881
Non-controlling interests		5,275	9,497
Comprehensive income for the period		99,092	209,378

The accompanying notes are an integral part of these statements.

(Yen in millions)

	Note	For the three months ended September 30, 2017	For the three months ended September 30, 2018
Profit for the period		30,297	39,307
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		–	28,892
Re-measurement of defined benefit plans		–	–
Total items that will not be reclassified to profit or loss		–	28,892
Items that may be reclassified subsequently to profit or loss:			
Net unrealized gains (losses) on securities		1,006	–
Net changes in fair value of cash flow hedge		30	14
Exchange differences on translating foreign operations		10,171	13,862
Share of other comprehensive income of investments accounted for using the equity method		52	106
Total items that may be reclassified subsequently to profit or loss		11,259	13,982
Total other comprehensive income		11,259	42,874
Comprehensive income for the period		41,556	82,181

Comprehensive income attributable to:			
Owners of the parent		38,508	77,052
Non-controlling interests		3,048	5,129
Comprehensive income for the period		41,556	82,181

The accompanying notes are an integral part of these statements.

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

For the six months ended September 30, 2017 (Yen in millions)

	Note	Total equity attributable to owners of the parent						Non-controlling interests	Total equity
		Common Stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total		
Balance as of April 1, 2017		115,703	165,172	1,532,866	545,452	(32,309)	2,326,884	84,794	2,411,678
Profit for the period				63,441			63,441	3,438	66,879
Other comprehensive income					30,376		30,376	1,837	32,213
Total comprehensive income for the period		–	–	63,441	30,376	–	93,817	5,275	99,092
Cash dividends	9			(22,063)			(22,063)	(1,623)	(23,686)
Purchase of treasury stock						(19)	(19)		(19)
Reissuance of treasury stock			0			0	0		0
Transactions with non-controlling interests and other			(252)		16		(236)	411	175
Balance as of September 30, 2017		115,703	164,920	1,574,244	575,844	(32,328)	2,398,383	88,857	2,487,240

For the six months ended September 30, 2018 (Yen in millions)

	Note	Total equity attributable to owners of the parent						Non-controlling interests	Total equity
		Common Stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total		
Balance as of April 1, 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				78,394			78,394	5,714	84,108
Other comprehensive income					121,487		121,487	3,783	125,270
Total comprehensive income for the period		–	–	78,394	121,487	–	199,881	9,497	209,378
Cash dividends	9			(22,062)			(22,062)	(1,826)	(23,888)
Purchase of treasury stock	9					(40,011)	(40,011)		(40,011)
Reissuance of treasury stock			–			–	–		–
Transactions with non-controlling interests and other			(52)		10		(42)	518	476
Balance as of September 30, 2018		115,703	165,027	1,636,946	620,478	(72,353)	2,465,801	95,697	2,561,498

The accompanying notes are an integral part of these statements.

(5) Condensed Quarterly Consolidated Statement of Cash Flows

(Yen in millions)

	Note	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Cash flows from operating activities:			
Profit for the period		66,879	84,108
Depreciation and amortization		36,557	30,484
Finance expenses (income)		(20,581)	(20,969)
Share of net profit of investments accounted for using the equity method		(106)	(613)
(Gains) losses from sales or disposal of property, plant and equipment		(50)	(763)
Income taxes		23,909	21,581
(Increase) decrease in trade and other receivables		16,457	37,779
(Increase) decrease in inventories		(15,203)	(2,042)
(Increase) decrease in other assets		(5,006)	(60)
Increase (decrease) in trade and other payables		(3,217)	(11,594)
Increase (decrease) in income tax payables		(6,911)	(8,968)
Increase (decrease) in other liabilities		(12)	2,918
Other, net		(821)	(7,853)
Subtotal		91,895	124,008
Interests and dividends received		20,076	21,571
Interests paid		(543)	(276)
Income taxes paid		(20,432)	(19,351)
Net cash provided by operating activities		90,996	125,952
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment		(36,144)	(54,220)
Payments for purchases of intangible assets		(3,009)	(3,374)
Proceeds from sales of property, plant and equipment		759	2,597
Acquisitions of business, net of cash acquired		(34,986)	(2,495)
Acquisition of time deposits and certificate of deposits		(233,481)	(217,477)
Withdrawal of time deposits and certificate of deposits		241,177	192,434
Payments for purchases of securities		(27,968)	(38,269)
Proceeds from sales and maturities of securities		42,147	22,142
Other, net		208	(503)
Net cash used in investing activities		(51,297)	(99,165)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings		(3,253)	(356)
Proceeds from long-term borrowings		1,797	2,944
Repayments of long-term borrowings		(2,225)	(1,252)
Dividends paid		(24,107)	(24,632)
Purchase of treasury stock	9	(19)	(40,011)
Other, net		(646)	(326)
Net cash used in financing activities		(28,453)	(63,633)
Effect of exchange rate changes on cash and cash equivalents		5,218	10,344
Increase (decrease) in cash and cash equivalents		16,464	(26,502)
Cash and cash equivalents at the beginning of the year		376,195	424,938
Cash and cash equivalents at the end of the period		392,659	398,436

The accompanying notes are an integral part of these statements.

Notes to Condensed Quarterly Consolidated Financial Statements

1. Reporting Entity

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

Condensed quarterly consolidated financial statements as of and for the six months ended September 30, 2018 consist of Kyocera Corporation and its consolidated subsidiaries (hereinafter, "Kyocera") and shares of associates of Kyocera.

Kyocera globally operates various kinds of businesses, which include productions and distributions of material components, electronic devices and equipment as well as provisions of systems and services, in the markets primarily related to information and communications, automotive-related, environment and energy and medical and healthcare. The details are described in "Note 6. Segment Information."

2. Basis of Preparation

(1) Compliance with IFRS and first-time adoption

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

Kyocera adopts IFRS for the first-time this fiscal year (commencing on April 1, 2018 and ending on March 31, 2019), 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. Kyocera adopts IFRS 1 "First-Time Adoption of International Financing Reporting Standards" (hereinafter, "IFRS 1") for the transition to IFRS. Explanations of how the first-time adoption of, and the transition to, IFRS have affected Kyocera's consolidated results of operations, financial conditions and cash flows are provided in "Note 18. First-Time Adoption."

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

(4) Application of new standards and interpretations

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, operation results and cash flows by adopting IFRS 15 is described in "Note 18. First-Time Adoption."

(5) Changes in accounting policies

Kyocera has adopted IFRS 9 “Financial instruments” (issued in November 2009 and amended in July 2014, hereinafter, “IFRS 9”) from the year ending March 31, 2019. Kyocera has adopted exemptions from retrospective application of IFRS 9 in accordance with 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 ending 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 condensed quarterly consolidated statement of financial position. As for the details of the valuation techniques to measure fair value of financial instruments, please refer to “Note 13. Financial instruments.”

(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 ending 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.

3. Significant Accounting Policies

Significant accounting policies adopted in preparation of the condensed quarterly consolidated financial statements are consistent with those used in the preparation of Kyocera's condensed quarterly consolidated financial statements for the three months ended June 30, 2018.

4. Significant Accounting Estimates and Judgments Involving Estimations

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

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

The estimates and judgements that have a material effect on Kyocera’s condensed quarterly consolidated financial statements, are consistent with those used in the preparation of Kyocera’s quarterly consolidated financial statements for the three months ended June 30, 2018.

Kyocera changed the depreciation method from the declining-balance method to the straight-line method from the year ending 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 8,524 million yen due mainly to the decrease in depreciation expenses for the six months ended September 30, 2018.

5. Issued IFRS Standards and Interpretations not yet Adopted

The following new standards and amendments of IFRS and Interpretations by the International Financial Reporting Interpretation Committee (hereinafter, “IFRIC”) were announced by the approval date of the condensed quarterly consolidated financial statements.

IFRS		Effective date (From the year beginning on or after)	Kyocera’s adoption year	Summaries of new standards and amendments
IFRS 16	Leases	January 1, 2019	From the year ending March 31, 2020	Revised accounting standard for leases
IFRIC 23	Uncertainty over income tax treatments	January 1, 2019	From the year ending March 31, 2020	Clarified ways to reflect uncertainty in accounting treatment for income tax

These standards are not mandatory for the six months ended September 30, 2018, and Kyocera has not early adopted them. Kyocera is currently assessing the possible impacts that these applications will have on financial position, operating results and cash flows.

6. Segment Information

Kyocera's reporting segments are components of business activities for which discrete financial information is available, and such information is regularly reviewed by management in order to make decisions regarding the allocation of resources and assess its performance.

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

Reporting segment	Main products or businesses
Industrial & Automotive Components Group	Fine Ceramic Components, Automotive Components, Liquid Crystal Displays, Industrial Tools
Semiconductor Components Group	Ceramic Packages, Organic Multilayer Substrates and Boards
Electronic Devices Group	Electronic Components (Capacitors, Crystal Devices, Connectors, Power Semiconductor Devices, etc.), Printing Devices
Communications Group	Mobile Phones, M2M Modules, Information Systems and Telecommunication Service
Document Solutions Group	Printers, Multifunctional Products, Document Solutions, Supplies
Life & Environment Group	Solar Power Generating System related Products, Medical Devices, Jewelry and Ceramic Knives

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

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

Information by reporting segment

The segment information for the six months ended September 30, 2017 and 2018 are as follows:

Sales revenue (Yen in millions)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Industrial & Automotive Components Group	131,010	160,807
Semiconductor Components Group	126,881	127,469
Electronic Devices Group	137,253	183,803
Communications Group	123,937	114,871
Document Solutions Group	172,020	178,769
Life & Environment Group	52,813	40,805
Other	9,319	9,332
Adjustments and eliminations	(14,888)	(15,218)
Total	738,345	800,638

Profit before income taxes (Yen in millions)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Industrial & Automotive Components Group	14,188	21,250
Semiconductor Components Group	17,228	13,157
Electronic Devices Group	21,485	33,817
Communications Group	1,918	656
Document Solutions Group	19,830	19,978
Life & Environment Group	(592)	(6,398)
Other	320	967
Total business profit	74,377	83,427
Corporate gains and share of net profit of investments accounted for using the equity method	17,097	23,083
Adjustments and eliminations	(686)	(821)
Total	90,788	105,689

Depreciation and amortization (Yen in millions)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Industrial & Automotive Components Group	6,411	6,303
Semiconductor Components Group	7,881	4,743
Electronic Devices Group	8,188	8,793
Communications Group	3,146	2,644
Document Solutions Group	6,192	4,758
Life & Environment Group	2,869	1,517
Other	623	652
Corporate	1,247	1,074
Total	36,557	30,484

Capital expenditures (Yen in millions)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Industrial & Automotive Components Group	8,714	17,332
Semiconductor Components Group	5,502	8,503
Electronic Devices Group	11,712	17,312
Communications Group	2,475	2,727
Document Solutions Group	2,040	4,576
Life & Environment Group	2,175	2,142
Other	379	414
Corporate	1,827	4,015
Total	34,824	57,021

The segment information for the three months ended September 30, 2017 and 2018 are as follows:

Sales revenue (Yen in millions)

	For the three months ended September 30, 2017	For the three months ended September 30, 2018
Industrial & Automotive Components Group	69,825	78,851
Semiconductor Components Group	66,095	66,820
Electronic Devices Group	74,133	95,519
Communications Group	66,866	63,261
Document Solutions Group	91,047	89,973
Life & Environment Group	28,207	22,113
Other	4,074	4,400
Adjustments and eliminations	(7,064)	(7,783)
Total	393,183	413,154

Profit before income taxes (Yen in millions)

	For the three months ended September 30, 2017	For the three months ended September 30, 2018
Industrial & Automotive Components Group	8,085	10,834
Semiconductor Components Group	9,577	7,311
Electronic Devices Group	13,058	19,420
Communications Group	916	2,897
Document Solutions Group	10,670	9,630
Life & Environment Group	718	(3,383)
Other	(92)	350
Total business profit	42,932	47,059
Corporate gains and share of net profit of investments accounted for using the equity method	(1,099)	3,618
Adjustments and eliminations	(398)	(476)
Total	41,435	50,201

Depreciation and amortization (Yen in millions)

	For the three months ended September 30, 2017	For the three months ended September 30, 2018
Industrial & Automotive Components Group	3,444	3,356
Semiconductor Components Group	4,064	2,434
Electronic Devices Group	4,276	4,623
Communications Group	1,595	1,312
Document Solutions Group	3,208	2,336
Life & Environment Group	1,355	769
Other	317	329
Corporate	777	525
Total	19,036	15,684

Capital expenditures (Yen in millions)

	For the three months ended September 30, 2017	For the three months ended September 30, 2018
Industrial & Automotive Components Group	4,247	8,440
Semiconductor Components Group	2,668	3,854
Electronic Devices Group	6,027	8,459
Communications Group	1,242	1,098
Document Solutions Group	1,053	1,827
Life & Environment Group	1,051	1,595
Other	199	165
Corporate	1,157	1,733
Total	17,644	27,171

Information by geographic segments

The segment information for the six months ended September 30, 2017 and 2018 are as follows:

Sales revenue (Yen in millions)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Japan	293,524	287,885
Asia	173,694	196,820
Europe	135,321	160,836
United States of America	107,373	123,658
Others	28,433	31,439
Total	738,345	800,638

The segment information for the three months ended September 30, 2017 and 2018 are as follows:

Sales revenue (Yen in millions)

	For the three months ended September 30, 2017	For the three months ended September 30, 2018
Japan	154,641	150,921
Asia	94,743	103,938
Europe	71,652	78,491
United States of America	57,248	63,664
Others	14,899	16,140
Total	393,183	413,154

7. Business Combination

On October 2, 2017, AVX Corporation, a U.S. based subsidiary, acquired Transportation, Sensing & Control Division and all of the common stocks of the related subsidiaries from TT Electronics, PLC, a United Kingdom based manufacturer of electronics components, for 18,652 million yen (165 million U.S. dollar) in cash in order to enhance AVX Corporation’s position in the automotive business and provides further opportunities for expansion and growth.

Kyocera has used the acquisition method of accounting to record assets acquired and liabilities assumed. In accordance with the acquisition method, the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. The allocation of fair value to the acquired assets and assumed liabilities was completed during the three months ended September 30, 2018. As a result, the allocation of fair value to them based on estimated fair value in this business combination as of the acquisition date and goodwill were recognized as described below. Factors that contributed to the recognition of goodwill include expected synergies and the trained workforce.

The amount of assets and liabilities on the acquisition date have been revised for the three months ended September 30, 2018.

(Yen in millions)

	As of October 2, 2017
Asset:	
Cash and cash equivalents	378
Trade and other receivables	6,934
Inventories	4,787
Others	1,345
Total current assets	13,444
Property, plant and equipment	9,676
Intangible assets	2,049
Others	197
Total non-current assets	11,922
Total	25,366
Liabilities:	
Trade and other payables	3,985
Others	4,055
Total current liabilities	8,040
Non-current liabilities	1,755
Total	9,795
Total identified assets and liabilities at fair value (net amount)	15,571
Purchase price (Cash)	18,652
Goodwill*	3,081

* The total amount of goodwill is not expected to be deductible for tax purposes.

Intangible assets that Kyocera recorded due to this acquisition are summarized as follows:

(Yen in millions)

	As of October 2, 2017
Intangible assets subject to amortization:	
Non-patent technology	1,173
Customer relationships	698
Other	178
Total	2,049

The weighted average amortization periods for non-patent technology and customer relationships are 11 years and six years, respectively.
The result of operation of the acquired business is included into Kyocera's condensed quarterly consolidated financial statements since the acquisition date, and for the segment reporting, it is reported in the "Electronic Devices Group."
Sales revenue and profit for the period of Transportation, Sensing and Control Division and all related subsidiaries that were included in the condensed quarterly consolidated statement of profit or loss for the six months ended September 30, 2018 were not material.

On January 31, 2018, AVX Corporation, a U.S. based subsidiary, acquired 100% of the common stock of Ethertronics Inc. for 14,978 million yen (138 million U.S. dollar) in cash, made it consolidated subsidiary and changed its name as AVX Antenna, Inc. The purchase of Ethertronics expands AVX's extensive electronic product offering into the antenna technology market and will provide new and exciting growth opportunities for AVX going forward.

Kyocera has used the acquisition method of accounting to record assets acquired and liabilities assumed. In accordance with the acquisition method, the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. Factors that contributed to the recognition of goodwill include expected synergies and the trained workforce.

As of September 30, 2018, the allocation of the purchase price was prepared based on estimates of fair values, as shown in the following table. The purchase price allocation of assets and liabilities are preliminary and subject to change as Kyocera awaits the completion of the fair value appraisal of certain personal and real tangible assets as well as certain intangible assets.

The amount of assets and liabilities on the acquisition date have been revised for the three months ended September 30, 2018.

(Yen in millions)

	As of January 31, 2018
Asset:	
Cash and cash equivalents	1,088
Trade and other receivables	1,569
Inventories	644
Others	235
Total current assets	3,536
Property, plant and equipment	1,498
Intangible assets	7,050
Others	203
Total non-current assets	8,751
Total	12,287
Liability:	
Trade and other payables	1,103
Others	486
Total current liabilities	1,589
Long-term financial liabilities	2,296
Others	1,889
Total non-current liabilities	4,185
Total	5,774
Total identified assets and liabilities at fair value (net amount)	6,513
Purchase price (Cash)	14,978
Goodwill*	8,465

* The total amount of goodwill is not expected to be deductible for tax purposes.

Intangible assets that Kyocera recorded due to this acquisition are summarized as follows:

(Yen in millions)

	As of January 31, 2018
Intangible assets subject to amortization:	
Non-patent technology	1,654
Customer relationships	4,265
Trademarks	849
Other	282
Total	7,050

The weighted average amortization periods for non-patent technology, customer relationships and trademarks are 10 years, 13 years and 10 years, respectively.

The result of operation of the acquired business was included into Kyocera's condensed quarterly consolidated financial statements since the acquisition date. For segment reporting, it is reported in the "Electronic Devices Group."

Sales revenue and profit for the period of AVX Antenna, Inc. that were included in the condensed quarterly consolidated statement of profit or loss for the six months ended September 30, 2018 were not material.

8. Employee Benefits

The amount of "Cost of sales" and "Selling, general and administrative expenses" recognized related to defined benefit plans in the condensed quarterly consolidated statement of profit or loss are as follows:

Domestic (Yen in millions)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Service cost	6,332	6,024
Net interest cost	0	(36)
Total	6,332	5,988

Foreign (Yen in millions)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Service cost	366	381
Net interest cost	190	142
Total	556	523

Domestic (Yen in millions)

	For the three months ended September 30, 2017	For the three months ended September 30, 2018
Service cost	3,166	3,012
Net interest cost	0	(18)
Total	3,166	2,994

Foreign (Yen in millions)

	For the three months ended September 30, 2017	For the three months ended September 30, 2018
Service cost	183	192
Net interest cost	97	71
Total	280	263

9. Equity and Other Equity

(1) Dividends

a. Dividends paid

For the six months ended September 30, 2017

	Class of shares	Total amount of dividends (Yen in millions)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
The resolution of the Ordinary General Meeting of Shareholders held on June 27, 2017	Common stock	22,063	60	March 31, 2017	June 28, 2017	Retained earnings

For the six months ended September 30, 2018

	Class of shares	Total amount of dividends (Yen in millions)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
The resolution of the Ordinary General Meeting of Shareholders held on June 26, 2018	Common stock	22,062	60	March 31, 2018	June 27, 2018	Retained earnings

b. Dividends for which the record date fall in the six months ended September 30, 2017 and 2018 with an effective date in the subsequent period

For the six months ended September 30, 2017

	Class of shares	Total amount of dividends (Yen in millions)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
The resolution of the Board of Directors Meeting held on October 30, 2017	Common stock	22,063	60	September 30, 2017	December 5, 2017	Retained earnings

For the six months ended September 30, 2018

	Class of shares	Total amount of dividends (Yen in millions)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
The resolution of the Board of Directors Meeting held on October 30, 2018	Common stock	21,705	60	September 30, 2018	December 5, 2018	Retained earnings

(2) Purchase of treasury stock

Kyocera Corporation has resolved at a meeting of its Board of Directors held on April 26, 2018 to undertake a repurchase of its own shares under the provisions of the Articles of Incorporation of the Company pursuant to Article 165, Paragraph 2 of the Companies Act of Japan, as described below.

Type of shares repurchased	Common stock
Total number of shares repurchased	5,951,000 shares
Total amount of repurchase price	40,000 million yen
Period of repurchase	From April 27, 2018 to May 30, 2018
Method of repurchase	Market purchases through the Tokyo Stock Exchange

10. Sales Revenue

(1) Breakdown of revenue

Regarding to the breakdown of revenue, please refer to "Note 6. Segment information."

(2) Contract balance

Receivables from contracts with customers, contract assets and contract liabilities are as follows:

(Yen in millions)

	The date of transition to IFRS (April 1, 2017)	As of March 31, 2018	As of September 30, 2018
Receivables from contracts with customers	309,846	337,646	316,496
Contract assets	7,139	17,270	15,609
Contract liabilities	23,354	30,410	33,196

On the condensed quarterly consolidated statement of financial position, contract assets are included in "Trade and other receivables," and contract liabilities are included in "Accrued expenses" and "Other current liabilities," respectively.

11. Income Taxes

The effective tax rates for the six months and the three months ended September 30, 2018 decreased to 20.4% and 21.7% respectively, compared with the tax rates 26.3% and 26.9% for the six months and the three months ended September 30, 2017. This decrease was due mainly to that Kyocera reassessed unrecognized deferred tax assets for the temporary differences and the carryforward of unused tax losses of Kyocera Display Corporation based on that Kyocera Corporation, at a meeting of its Board of Directors held on May 25, 2018, resolved that Kyocera Corporation merged with Kyocera Display Corporation which was a wholly-owned subsidiary of Kyocera Corporation on October 1, 2018.

12. Earnings Per Share

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

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Profit attributable to owners of the parent (Yen in millions)	63,441	78,394
Adjustment related to dilutive potential stocks of consolidated subsidiaries (Yen in millions)	(22)	(43)
Diluted profit attributable to owners of the parent (Yen in millions)	63,419	78,351
Weighted average shares (Thousands of shares)	367,711	362,677
Basic earnings per share:		
Profit attributable to owners of the parent per share (Yen)	172.53	216.15
Diluted earnings per share:		
Profit attributable to owners of the parent per share (Yen)	172.47	216.04

	For the three months ended September 30, 2017	For the three months ended September 30, 2018
Profit attributable to owners of the parent (Yen in millions)	28,415	36,110
Adjustment related to dilutive potential stocks of consolidated subsidiaries (Yen in millions)	(12)	(32)
Diluted profit attributable to owners of the parent (Yen in millions)	28,403	36,078
Weighted average shares (Thousands of shares)	367,710	361,755
Basic earnings per share:		
Profit attributable to owners of the parent per share (Yen)	77.28	99.82
Diluted earnings per share:		
Profit attributable to owners of the parent per share (Yen)	77.24	99.73

13. Financial Instruments

Fair values of financial instruments

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of inputs that may be used to measure fair value are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

For the date of transition to IFRS and the year ended March 31, 2018, information under U.S. GAAP has been provided under the exemptions from the retrospective application of IFRS 9 in accordance with IFRS 1. The details for the effect of adopting IFRS 9 are provided in "Note 2. Basis of Preparation (5) Changes in accounting policies."

Carrying amount and fair value of financial instruments are as follows:

(Yen in millions)

	The date of transition to IFRS (April 1, 2017)		As of March 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Short-term investments in debt securities	84,703	84,713	38,023	38,051
Long-term investments in debt and equity securities	1,130,756	1,130,552	1,050,537	1,051,306
Other long-term investments	16,383	16,383	21,984	21,984
Total	1,231,842	1,231,648	1,110,544	1,111,341
Liabilities:				
Long-term debt (including due within one year)	6,468	6,468	8,889	8,889
Total	6,468	6,468	8,889	8,889

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

(Yen in millions)

	As of September 30, 2018	
	Carrying Amount	Fair Value
Assets:		
Short-term investments (including short-term instruments in debt securities)	237,700	237,768
Long-term instruments in debt securities	55,842	55,866
Other financial investments (excluding derivatives)	24,446	24,446
Total	317,988	318,080
Liabilities:		
Other financial liabilities (excluding derivatives)	14,368	14,368
Total	14,368	14,368

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

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

(Yen in millions)

	The date of transition to IFRS (April 1, 2017)				As of March 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Derivatives	－	2,470	－	2,470	－	5,742	－	5,742
Marketable equity securities	1,048,127	－	－	1,048,127	993,707	－	－	993,707
Total	1,048,127	2,470	－	1,050,597	993,707	5,742	－	999,449
Liabilities:								
Derivatives	－	4,770	－	4,770	－	905	－	905
Total	－	4,770	－	4,770	－	905	－	905

(Yen in millions)

	As of September 30, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Debt and equity instruments				
Financial assets measured at fair value through other comprehensive income	1,137,533	－	31,991	1,169,524
Financial assets measured at fair value through profit or loss	－	－	1,237	1,237
Derivatives	－	605	－	605
Total	1,137,533	605	33,228	1,171,366
Liabilities:				
Derivatives	－	7,829	－	7,829
Total	－	7,829	－	7,829

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

The fair value of Level 1 investments is quoted price in an active market with sufficient volume and frequency of transactions.
The fair value of Level 2 derivatives is estimated based on quotes from financial institutions.
Equity securities classified Level 3 are mainly unlisted stocks, and their fair values are measured by discounted cash flows method and the comparable company valuation multiples technique. For financial instruments classified as Level 3, significant changes in fair value are not expected when unobservable inputs are changed to reasonably possible alternative assumptions.
Transfers between levels are recognized on the day when the event or change in circumstances that caused the transfer occurred. Kyocera did not recognize any transfers between levels for the year ended March 31, 2018 and for the six months ended September 30, 2018.
For financial instruments classified Level 3, there were no significant changes for the six months ended September 30, 2018.

Kyocera received dividends of 15,079 million yen from KDDI Corporation, and included in finance income in the condensed quarterly consolidated statements of profit or loss for six months ended September 30, 2017 and 2018.

14. Commitments

(1) Acquisition of property, plant and equipment

Commitments for acquisition of property, plant and equipment after the closing date was 13,599 million yen at the date of transition to IFRS (April 1, 2017), 34,731 million yen at March 31, 2018 and 43,383 million yen at September 30, 2018, respectively.

(2) Long-term purchase agreements for the supply of raw materials

Between 2005 and 2008, Kyocera entered into four long-term purchase agreements (hereinafter, the “LTAs”) with Hemlock Semiconductor Operations LLC and its subsidiary Hemlock Semiconductor, LLC (hereinafter, “Hemlock”) for the supply of polysilicon material for use in its solar energy business. As of September 30, 2018, there was a remaining balance of 119,933 million yen of polysilicon material to be purchased under the LTAs by December 31, 2020, of which 33,532 million yen is prepaid.

After the LTAs were signed, the price of polysilicon material in the world market significantly declined, causing a significant divergence between the market price of polysilicon material and the fixed contract price in the LTAs. In light of these circumstances, Kyocera requested Hemlock to modify the contract terms including its price and quantity. Taking into consideration these condition, Kyocera withheld to order the polysilicon material for the amount stated under the LTAs during the year ended December 31, 2017 (hereinafter, “the 2017 amount”), which is 32,115 million yen in total. As a result, Hemlock issued an invoice for the amount equal to the difference between the 2017 amount and applicable advanced payment.

As Kyocera contends that it secures the right to purchase by ordering the 2017 amount within a certain period from the issuance of the invoice, Kyocera has accounted for its rights and obligations under the LTAs, and has recorded 32,115 million yen as “other current asset” for the 2017 amount and 23,440 million yen as “trade and other payables” for the amount equal to the difference between the 2017 amount and applicable advanced payment in the condensed quarterly consolidated statement of financial position as of September 30, 2018.

Kyocera evaluated the future material purchase commitments under the LTAs at the lower of cost and net realizable value. As a result of a decline in the profitability of the solar energy business in fiscal 2018, the net realizable value of the polysilicon material was less than the purchase price under the LTAs. Kyocera recorded a write-down in an amount equivalent to the difference between net realizable value and purchase price under the LTAs. The total amount of provision for such write-down at March 31, 2018 and September 30, 2018 was 30,885 million yen, and 18,340 million yen was included in “provisions” of current liabilities and 12,545 million yen was included in “provisions” of non-current liabilities in the condensed quarterly consolidated statement of financial position.

15. Contingencies

(1) Assets pledged as collateral

Kyocera's investment in Kagoshima Mega Solar Power Corporation was pledged as collateral for its debts from financial institutions in the amount of 16,071 million yen at September 30, 2018. The investment was accounted for using the equity method, and its book value was 1,893 million yen at the date of transition to IFRS (April 1, 2017), 2,034 million yen at March 31, 2018 and 2,009 million yen at September 30, 2018, respectively.

(2) Patent lawsuits

On April 25, 2013, AVX was named as a defendant in a patent infringement case filed in the United States District Court for the District of Delaware captioned Greatbatch, Inc. v. AVX Corporation. This case alleged that certain AVX products infringe on one or more of six Greatbatch patents. On January 26, 2016, the jury returned a verdict in favor of the plaintiff in the first phase of a segmented trial and a mixed verdict in the second phase of a segmental trial, and found damages to Greatbatch in the amount of 4,275 million yen (37.5 million dollars), which was recorded in the year ended March 31, 2016. That verdict was later vacated by the court on March 30, 2018. Operating profit for the year ended March 31, 2018 reflects a favorable accrual adjustment of 162 million yen (1.5 million dollars) related to this patent infringement case. The amount of damages will be subject to further legal proceedings including a potential trial on damages, which Kyocera expects to occur in the year ending March 31, 2019. AVX is continuing to litigate the case.

(3) Environmental matters

Kyocera is involved in various environmental matters and Kyocera currently has certain amount of reserves related to such environmental matters. The amount recorded for identified contingent liabilities is based on estimates. Amounts recorded are reviewed periodically and adjusted to reflect additional legal and technical information that becomes available. The uncertainties about the status of laws, regulations, regulatory actions, technology and information related to individual matters make it difficult to develop an estimate of the reasonably possible aggregate environmental remediation exposure; therefore these costs could differ from Kyocera's current estimates.

Kyocera is also subject to various lawsuits and claims which arise in the ordinary course of business. Kyocera consults with legal counsel and assesses the likelihood of adverse outcome of these contingencies. Kyocera records liabilities for these contingencies when the likelihood of an adverse outcome is probable and the amount can be reasonably estimated. Based on the information available, management believes that damages, if any, resulting from these actions will not have a significant impact on Kyocera's consolidated results of operations, financial condition and cash flows.

16. Subsequent Events

Not Applicable

17. Approval of Condensed Quarterly Consolidated Financial Statements

The condensed quarterly consolidated financial statements have been approved by Hideo Tanimoto, President and Representative Director, and Shoichi Aoki, Director, Managing Executive Officer and General Manager of Corporate Management Control Group, on November 9, 2018.

18. First-Time Adoption

Kyocera disclosed the condensed quarterly 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 is April 1, 2017.

(1) 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.

(2) 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.

a. 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	C	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 tax 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**

Notes to reconciliation of equity at the date of transition to IFRS (April 1, 2017)

The major items of the reconciliation of equity at the date of transition to IFRS are as follows:

A. Exchange differences on translating 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.
As a result, “Retained earnings” decreased by 16,360 million yen and “Other component of equity” increased by the same amount.

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.
The carrying amount of these property, plant and equipment under U.S. GAAP was 29,234 million yen, while the fair value was 18,269 million yen. As a result, “Property, plant and equipment” decreased by 10,965 million yen and “Retained earnings” decreased by 7,648 million yen, which was derived after deducting adjustments to deferred taxes of 3,317 million yen.

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.

Due to these changes, retirement benefit assets included in “Other non-current assets” increased by 2,157 million yen and “Retirement benefit liabilities” decreased by 2,926 million yen. As a result, “Retained earnings” decreased by 31,723 million yen and “Other components of equity” increased by 35,362 million yen, which were derived after deducting adjustments to deferred taxes of 1,533 million yen.

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.

As a result, “Retained earnings” decreased by 46,247 million yen and “Other components of equity” increased by 46,251 million yen.

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.

As a result, “Accrued expenses” increased by 3,455 million yen and “Retained earnings” decreased by 2,370 million yen, which was derived after deducting adjustments to deferred taxes of 1,080 million yen.

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.

b. Reconciliation of equity as of September 30, 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	392,659	–	–	392,659		Cash and cash equivalents
Short-term investments in debt securities	69,025	205,898	–	274,923		Short-term investments
Other short-term investments	205,898	(205,898)	–	–		
Trade notes receivables	22,840	319,602	–	342,442		Trade and other receivables
Trade accounts receivables	300,544	(300,544)	–	–		
Less allowances for doubtful accounts and sales returns	(5,258)	5,258	–	–	F	
	–	6,270	–	6,270		Other financial assets
Inventories	357,237	–	–	357,237		Inventories
Other current assets	128,406	(35,040)	(6,707)	86,659		Other current assets
Total current assets	1,471,351	(4,454)	(6,707)	1,460,190		Total current assets
Non-current assets						**Non-current assets**
Long-term investments in debt and equity securities	1,146,260	18,734	–	1,164,994		Debt and equity instruments
	–	5,673	–	5,673	F	Investments accounted for using the equity method
Other long-term investments	24,984	(9,884)	–	15,100		Other financial assets
Land	60,048	216,402	(12,214)	264,236	B	Property, plant and equipment
Buildings	356,622	(356,622)	–	–		
Machinery and equipment	855,766	(855,766)	–	–		
Construction in progress	16,880	(16,880)	–	–		
Less accumulated depreciation	(1,012,867)	1,012,867	–	–		
Goodwill	141,130	–	–	141,130		Goodwill
Intangible assets	65,976	–	–	65,976		Intangible assets
	–	40,275	9,256	49,531	D,F	Deferred tax assets
Other assets	76,846	(71,074)	99	5,871	C	Other non-current assets
Total non-current assets	1,731,645	(16,275)	(2,859)	1,712,511		Total non-current assets
Total assets	3,202,996	(20,729)	(9,566)	3,172,701		**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	142	(142)	−	−		
Current portion of long-term debt	8,789	(8,789)	−	−		
Trade notes and accounts payable	140,295	59,203	−	199,498		Trade and other payables
Other notes and accounts payable	59,247	(59,247)	−	−		
	−	11,210	−	11,210		Other financial liabilities
Accrued payroll and bonus	66,325	(66,325)	−	−		
Accrued income taxes	14,537	−	(523)	14,014		Income tax payables
Other accrued liabilities	53,376	56,848	1,199	111,423	E	Accrued expenses
	−	14,220	−	14,220	F	Provisions
Other current liabilities	36,922	(11,231)	−	25,691	F	Other current liabilities
Total current liabilities	379,633	(4,253)	676	376,056		Total current liabilities
Non-current liabilities						**Non-current liabilities**
Long-term debt	17,953	(12,736)	−	5,217		Long-term financial liabilities
Accrued pension and severance liabilities	32,630	−	(2,282)	30,348	C	Retirement benefit liabilities
Deferred income taxes	257,381	(2,239)	(61)	255,081	D	Deferred tax liabilities
	−	6,611	−	6,611	F	Provisions
Other non-current liabilities	20,260	(8,112)	−	12,148		Other non-current liabilities
Total non-current liabilities	328,224	(16,476)	(2,343)	309,405		Total non-current liabilities
Total liabilities	707,857	(20,729)	(1,667)	685,461		**Total liabilities**
Equity						**Equity**
Common stock	115,703	−	−	115,703		Common stock
Additional paid-in capital	164,969	−	(49)	164,920		Capital surplus
Retained earnings	1,677,440	−	(103,196)	1,574,244	A,B,C D,E	Retained earnings
Accumulated other comprehensive income	480,648	−	95,196	575,844	A,C,D	Other components of equity
Common stock in treasury stock, at cost	(32,328)	−	−	(32,328)		Treasury stock
Total Kyocera Corporation's shareholders' equity	2,406,432	−	(8,049)	2,398,383		Total equity attributable to owners of the parent
Noncontrolling interests	88,707	−	150	88,857		Non-controlling interests
Total equity	2,495,139	−	(7,899)	2,487,240		**Total equity**
Total liabilities and equity	3,202,996	(20,729)	(9,566)	3,172,701		**Total liabilities and equity**

Notes to reconciliation of equity as of September 30, 2017

The major items of the reconciliation of equity as of September 30, 2017 are as follows:

A. Exchange differences on translating 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.
As a result, “Retained earnings” decreased by 14,046 million yen and “Other component of equity” increased by 13,007 million yen, which was derived after deducting adjustments to deferred taxes of 1,039 million yen.

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.

The carrying amount of these property, plant and equipment under U.S. GAAP was 29,188 million yen, while the fair value was 18,266 million yen. As a result, “Property, plant and equipment” decreased by 10,922 million yen and “Retained earnings” decreased by 7,618 million yen, which was derived after deducting adjustments to deferred taxes of 3,304 million yen.

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.

Due to these changes, retirement benefit assets included in “Other non-current assets” increased by 903 million yen and “Retirement benefit liabilities” decreased by 2,282 million yen. As a result, “Retained earnings” decreased by 33,522 million yen and “Other components of equity” increased by 35,833 million yen, which were derived after deducting adjustments to deferred taxes of 941 million yen.

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.
As a result, “Retained earnings” decreased by 46,293 million yen and “Other components of equity” increased by 46,243 million yen.

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.
As a result, “Accrued expenses” increased by 1,199 million yen and “Retained earnings” decreased by 820 million yen, which was derived after deducting adjustments to deferred taxes of 379 million yen.

F. Reclassification on the condensed quarterly 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, “Investments accounted for using the equity method”, “Deferred tax assets” and “Provisions” were presented separately.

c. 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	C	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**

Notes to reconciliation of equity as of March 31, 2018

The major items of the reconciliation of equity as of March 31, 2018 are as follows:

A. Exchange differences on translating 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.

As a result, “Retained earnings” decreased by 14,124 million yen and “Other component of equity” increased by 13,118 million yen, which was derived after deducting adjustments to deferred taxes of 1,006 million yen.

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.

The carrying amount of these property, plant and equipment under U.S. GAAP was 29,188 million yen, while the fair value was 18,266 million yen. As a result, “Property, plant and equipment” decreased by 10,922 million yen and “Retained earnings” decreased by 7,618 million yen, which was derived after deducting adjustments to deferred taxes of 3,304 million yen.

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.

Due to these changes, retirement benefit assets included in “Other non-current assets” increased by 3,767 million yen and “Retirement benefit liabilities” increased by 389 million yen. As a result, “Retained earnings” decreased by 25,547 million yen and “Other components of equity” increased by 28,445 million yen, which were derived after deducting adjustments to deferred taxes of 1,349 million yen.

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.

As a result, “Retained earnings” decreased by 47,685 million yen and “Other components of equity” increased by 46,200 million yen.

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.
As a result, “Accrued expenses” increased by 3,455 million yen and “Retained earnings” decreased by 2,398 million yen, which was derived after deducting adjustments to deferred taxes of 1,052 million yen.

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, “Investments accounted for using the equity method” and “Deferred tax assets” were presented separately.

d. Reconciliations of profit or loss and other comprehensive income for six month ended September 30, 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
Net sales	738,345	−	−	738,345		**Sales revenue**
Cost of sales	533,191	−	(525)	532,666	A, B	Cost of sales
Gross profit	205,154	−	525	205,679		**Gross profit**
Selling, general and administrative expenses	135,649	−	758	136,407	A, B	Selling, general and administrative expenses
Profit from operations	69,505	−	(233)	69,272		**Operating profit**
Other income (expenses)						
Interest and dividend income	20,831	111	−	20,942		Finance income
Interest expense	656	(295)	−	361		Finance expenses
Foreign currency transaction gains (losses), net	150	−	−	150		Foreign exchange gains (losses)
Gains on sales of securities, net	389	(389)	−	−		
	−	106	−	106	D	Share of net profit of investments accounted for using the equity method
Other, net	(2,379)	(123)	3,181	679	C	Other, net
Income before income taxes	87,840	−	2,948	90,788		**Profit before income taxes**
Income taxes	23,043	−	866	23,909		Income taxes
Net income	64,797	−	2,082	66,879		**Profit for the period**

						Profit attributable to:
Net income attributable to Kyocera Corporation's shareholders	61,387	−	2,054	63,441		Owners of the parent
Net income attributable to noncontrolling interests	3,410	−	28	3,438		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	64,797	−	2,082	66,879		**Profit for the period**
Other comprehensive income − net of taxes						**Other comprehensive income, net of taxation**
Pension liability adjustment	(1,118)	−	1,118	−	A	Re-measurement of defined benefit plans
Net unrealized gains (losses) on securities	16,006	−	(7)	15,999		Net unrealized gains (losses) on securities
Net unrealized gains (losses) on derivative financial instruments	8	(56)	−	(48)		Net changes in fair value of cash flow hedge
Foreign currency translation adjustments	20,067	(18)	(3,861)	16,188	C	Exchange differences on translating foreign operations
	−	74	−	74		Share of other comprehensive income of investments accounted for using the equity method
Total other comprehensive income	34,963	−	(2,750)	32,213		**Total other comprehensive income**
Comprehensive income	99,760	−	(668)	99,092		**Comprehensive income for the period**

						Comprehensive income attributable to:
Comprehensive income attributable to Kyocera Corporation's shareholders	94,532	−	(715)	93,817		Owners of the parent
Comprehensive income attributable to noncontrolling interests	5,228	−	47	5,275		Non-controlling interests

Notes to reconciliations of profit or loss and other comprehensive income for the six months ended September 30, 2017.

The major items of the reconciliations of profit or loss and other comprehensive income for the six months ended September 30, 2017 are as follows:

A. 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.

Due to these changes, “Cost of sales” and “Selling, general and administrative expenses” increased by 1,901 million yen and 809 million yen, respectively. As a result, “Profit before income taxes” decreased by 2,710 million yen.

B. 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.
Due to this change, “Cost of sales” and “Selling, general and administrative expenses” decreased by 2,066 million yen and 189 million yen, respectively. As a result, “Profit before income taxes” increased by 2,255 million yen.

C. Exchange differences on translating 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.
Due to the liquidation of certain foreign consolidated subsidiaries, Kyocera reclassified cumulative exchange differences on translating foreign operations into profit or loss. As a result, “Other, net” increased by 3,353 million yen and “Profit before income taxes” increased by the same amount.

D. 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.

e. Reconciliations of profit or loss and other comprehensive income for three months ended September 30, 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
Net sales	393,183	–	–	393,183		**Sales revenue**
Cost of sales	284,857	–	(32)	284,825	A, B	Cost of sales
Gross profit	108,326	–	32	108,358		**Gross profit**
Selling, general and administrative expenses	69,988	–	358	70,346	A, B	Selling, general and administrative expenses
Profit from operations	38,338	–	(326)	38,012		**Operating profit**
Other income (expenses)						
Interest and dividend income	2,428	(50)	–	2,378		Finance income
Interest expense	333	(132)	–	201		Finance expenses
Foreign currency transaction gains (losses), net	740	–	–	740		Foreign exchange gains (losses)
Gains on sales of securities, net	61	(61)	–	–		
	–	81	–	81	D	Share of net profit of investments accounted for using the equity method
Other, net	(2,654)	(102)	3,181	425	C	Other, net
Income before income taxes	38,580	–	2,855	41,435		**Profit before income taxes**
Income taxes	10,311	–	827	11,138		Income taxes
Net income	28,269	–	2,028	30,297		**Profit for the period**

						Profit attributable to:
Net income attributable to Kyocera Corporation's shareholders	26,406	–	2,009	28,415		Owners of the parent
Net income attributable to noncontrolling interests	1,863	–	19	1,882		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	28,269	－	2,028	30,297		**Profit for the period**
Other comprehensive income －net of taxes						**Other comprehensive income, net of taxation**
Pension liability adjustment	(531)	－	531	－	A	Re-measurement of defined benefit plans
Net unrealized gains (losses) on securities	1,005	－	1	1,006		Net unrealized gains (losses) on securities
Net unrealized gains (losses) on derivative financial instruments	60	(30)	－	30		Net changes in fair value of cash flow hedge
Foreign currency translation adjustments	12,846	(22)	(2,653)	10,171	C	Exchange differences on translating foreign operations
	－	52	－	52		Share of other comprehensive income of investments accounted for using the equity method
Total other comprehensive income	13,380	－	(2,121)	11,259		**Total other comprehensive income**
Comprehensive income	41,649	－	(93)	41,556		**Comprehensive income for the period**

						Comprehensive income attributable to:
Comprehensive income attributable to Kyocera Corporation’s shareholders	38,632	－	(124)	38,508		Owners of the parent
Comprehensive income attributable to noncontrolling interests	3,017	－	31	3,048		Non-controlling interests

Notes to reconciliations of profit or loss and other comprehensive income for the three months ended September 30, 2017.

The major items of the reconciliations of profit or loss and other comprehensive income for the three months ended September 30, 2017 are as follows:

A. 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.

Due to these changes, “Cost of sales” and “Selling, general and administrative expenses” increased by 948 million yen and 405 million yen, respectively. As a result, “Profit before income taxes” decreased by 1,353 million yen.

B. 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.
Due to this change, “Cost of sales” and “Selling, general and administrative expenses” decreased by 796 million yen and 94 million yen, respectively. As a result, “Profit before income taxes” increased by 890 million yen.

C. Exchange differences on translating 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.
Due to the liquidation of certain foreign consolidated subsidiaries, Kyocera reclassified cumulative exchange differences on translating foreign operations into profit or loss. As a result, “Other, net” increased by 3,353 million yen and “Profit before income taxes” increased by the same amount.

D. 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.

f. Reconciliations 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	A	Cost of sales
Gross profit	376,128	–	(3,300)	372,828		**Gross profit**
Selling, general and administrative expenses	280,553	–	1,576	282,129	A	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)	C	Share of net loss of investments accounted for using the equity method
Other, net	(3,614)	2,373	3,002	1,761	B	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**

						Profit attributable to:
Net income attributable to Kyocera Corporation’s shareholders	81,789	–	(2,652)	79,137		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	A	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)	B	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:
Comprehensive income attributable to Kyocera Corporation's shareholders	46,252	−	(3,121)	43,131		Owners of the parent
Comprehensive income attributable to noncontrolling interests	2,398	−	(857)	1,541		Non-controlling interests

Notes to reconciliations of profit or loss and other comprehensive income for the year ended March 31, 2018.

The major items of the reconciliations of profit or loss and other comprehensive income for the year ended March 31, 2018 are as follows:

A. 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.

Due to these changes, “Cost of sales” and “Selling, general and administrative expenses” increased by 3,718 million yen and 1,635 million yen, respectively. As a result, “Profit before income taxes” decreased by 5,353 million yen.

B. Exchange differences on translating 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.
Due to the liquidation of certain foreign consolidated subsidiaries, Kyocera reclassified cumulative exchange differences on translating foreign operations into profit or loss. As a result, “Other, net” increased by 3,242 million yen and “Profit before income taxes” increased by the same amount.

C. Reclassifications on the consolidated statement of profit or loss
Under the presentation requirement on IAS 1, “Share of net loss of investments accounted for using the equity method” was presented separately.

g. Reconciliation of consolidated statement of cash flows for the six months ended September 30, 2017 and year ended March 31, 2018

There are no material differences between the consolidated statement of cash flows presented under U.S. GAAP and the consolidated statement of cash flows presented under IFRS.

As mentioned above, the effect of transition to IFRS on retained earnings at the date of transition to IFRS, September 30, 2017 and March 31, 2018 are as follows:

(Yen in millions)

	The date of transition to IFRS (April 1, 2017)	As of September 30, 2017	As of March 31, 2018
Exchange differences on translating foreign operations	(16,360)	(14,046)	(14,124)
Deemed cost	(7,648)	(7,618)	(7,618)
Retirement benefit	(31,723)	(33,522)	(25,547)
Income taxes	(46,247)	(46,293)	(47,685)
Levies	(2,370)	(820)	(2,398)
Other	(902)	(897)	(767)
Total	(105,250)	(103,196)	(98,139)

2. Others

(1) Interim dividend

For detailed information about interim dividend, please refer to “Notes to Condensed Quarterly Consolidated Financial Statements 9. Equity and Other Equity (1) Dividends.”

(2) Lawsuits

For detailed information about lawsuits, please refer to “Notes to Condensed Quarterly Consolidated Financial Statements 14. Commitments (2) Long-term purchase agreements for the supply of raw materials” and “15. Contingencies (2) Patent lawsuits, (3) Environmental matters.”

Part Ⅱ. Corporate Information on Guarantors and others

Not Applicable