Quarterly Report

(English summary with full translation of consolidated financial information)

(The Third Quarter of 65th Business Term)

From October 1, 2018 to December 31, 2018

KYOCERA CORPORATION

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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 nine months ended December 31, 2017	For the nine months ended December 31, 2018	For the year ended March 31, 2018
Sales revenue	1,145,016	1,214,417	1,577,039
Profit before income taxes	147,262	104,100	129,992
Profit attributable to owners of the parent	93,088	79,419	79,137
Comprehensive income attributable to owners of the parent	96,240	53,306	43,131
Equity attributable to owners of the parent	2,378,766	2,297,620	2,325,791
Total assets	3,170,320	3,020,821	3,128,813
Earnings per share attributable to owners of the parent - Basic (Yen)	253.16	219.17	215.22
Earnings per share attributable to owners of the parent - Diluted (Yen)	253.16	219.00	215.20
Ratio of equity attributable to owners of the parent to total assets (%)	75.0	76.1	74.3
Cash flows from operating activities	112,743	158,551	158,905
Cash flows from investing activities	(95,325)	(84,606)	(53,128)
Cash flows from financing activities	(50,822)	(86,378)	(51,572)
Cash and cash equivalents at the end of the period (year)	349,684	416,250	424,938

	For the three months ended December 31, 2017	For the three months ended December 31, 2018
Sales revenue	406,671	413,779
Profit attributable to owners of the parent	29,647	1,025
Earnings per share attributable to owners of the parent - Basic (Yen)	80.63	2.83

(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 nine months ended December 31, 2018 (hereinafter, “the nine months”). A change in the organization of major subsidiary is as follow:

Absorption-type merger

<Industrial & Automotive Components Group>

In October 1, 2018, Kyocera Corporation conducted an absorption-type merger with Kyocera Display Corporation.

As of September 30, 2018

Name	Address	Capital (Yen in millions)	Main business	Ownership of Voting Shares (%)	Relationship with Kyocera Corporation			
					Interlocking directorate	Funding support	Business transaction	Lease of property, plant and equipment
Kyocera Display Corporation	Yasu-shi, Shiga, Japan	4,075	Development, manufacture and sale of Liquid Crystal Displays	100.00	Yes	Lending the operating capital by Kyocera Corporation	Supply of products to Kyocera Corporation	Rent factories and offices from Kyocera Corporation

Ⅱ. Business Overview

1. Risk Factors

There were no new risk factors recognized during the nine months. 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 nine months ended December 31, 2017 (hereinafter, "the previous nine months") 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 19. 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 nine months ended December 31, 2017		For the nine months ended December 31, 2018		Change	
	Amount	%*	Amount	%*	Amount	%
Sales revenue	1,145,016	100.0	1,214,417	100.0	69,401	6.1
Operating profit	108,322	9.5	60,576	5.0	(47,746)	(44.1)
Profit before income taxes	147,262	12.9	104,100	8.6	(43,162)	(29.3)
Profit attributable to owners of the parent	93,088	8.1	79,419	6.5	(13,669)	(14.7)
Average U.S. dollar exchange rate (yen)	112	−	111	−	−	−
Average Euro exchange rate (yen)	129	−	129	−	−	−

* % represents the percentage to sales revenue.

Sales revenue for the nine months increased by 69,401 million yen, or 6.1%, to 1,214,417 million yen, compared with the previous nine months, marking record highs in sales for this nine-month period for two consecutive years. Sales increased in the Electronic Devices Group and the Industrial & Automotive Components Group as well as the Document Solutions Group due in part to contributions from aggressive merger and acquisition activities conducted from fiscal 2018.

Profits decreased as compared with the previous nine months, due to the recording of settlement expenses and write-down in total amount of 52,313 million yen relating to long-term purchase agreements for procurement of polysilicon material in the solar energy business and to the recording of impairment loss relating to machinery, equipment, goodwill and intangible asset in the organic materials business in the amount of 16,184 million yen, which more than offset the effects of increased sales revenue and cost reductions efforts in each division.

For this reason, operating profit decreased by 47,746 million yen, or 44.1%, to 60,576 million yen, profit before income taxes decreased by 43,162 million yen, or 29.3%, to 104,100 million yen, and profit attributable to owners of the parent decreased by 13,669 million yen, or 14.7%, to 79,419 million yen, compared with the previous nine months.

Average exchange rates for the nine months were 111 yen to the U.S. dollar, marking appreciation of 1 yen (0.9%), and 129 yen to the Euro, unchanged from the previous nine months. As a result, sales revenue in the nine months was pushed down by approximately 3 billion yen compared with the previous nine months.

Results by Reporting Segment

Sales Revenue by Reporting Segment (Yen in millions)

	For the nine months ended December 31, 2017		For the nine months ended December 31, 2018		Change	
	Amount	%*	Amount	%*	Amount	%
Industrial & Automotive Components Group	205,456	18.0	238,394	19.6	32,938	16.0
Semiconductor Components Group	196,226	17.1	193,507	16.0	(2,719)	(1.4)
Electronic Devices Group	223,451	19.5	278,091	22.9	54,640	24.5
Total Components Business	625,133	54.6	709,992	58.5	84,859	13.6
Communications Group	181,321	15.8	180,632	14.9	(689)	(0.4)
Document Solutions Group	266,902	23.3	273,835	22.5	6,933	2.6
Life & Environment Group	79,747	7.0	58,512	4.8	(21,235)	(26.6)
Total Equipment & Systems Business	527,970	46.1	512,979	42.2	(14,991)	(2.8)
Others	14,068	1.2	13,355	1.1	(713)	(5.1)
Adjustments and eliminations	(22,155)	(1.9)	(21,909)	(1.8)	246	－
Sales revenue	1,145,016	100.0	1,214,417	100.0	69,401	6.1

* % represents the component ratio.

Business Profit (Loss) by Reporting Segment (Yen in millions)

	For the nine months ended December 31, 2017		For the nine months ended December 31, 2018		Change	
	Amount	%*	Amount	%*	Amount	%
Industrial & Automotive Components Group	23,223	11.3	31,213	13.1	7,990	34.4
Semiconductor Components Group	26,191	13.3	4,836	2.5	(21,355)	(81.5)
Electronic Devices Group	35,835	16.0	52,920	19.0	17,085	47.7
Total Components Business	85,249	13.6	88,969	12.5	3,720	4.4
Communications Group	1,822	1.0	5,677	3.1	3,855	211.6
Document Solutions Group	29,088	10.9	30,081	11.0	993	3.4
Life & Environment Group	(2,597)	－	(63,894)	－	(61,297)	－
Total Equipment & Systems Business	28,313	5.4	(28,136)	－	(56,449)	－
Others	922	6.6	1,564	11.7	642	69.6
Total business profit	114,484	10.0	62,397	5.1	(52,087)	(45.5)
Corporate gains and share of net profit of investments accounted for using the equity method	34,050	－	42,971	－	8,921	26.2
Adjustments and eliminations	(1,272)	－	(1,268)	－	4	－
Profit before income taxes	147,262	12.9	104,100	8.6	(43,162)	(29.3)

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

The analysis of Reporting Segment is as follows:

a. Industrial & Automotive Components Group

Sales revenue in this reporting segment in the nine months increased by 32,938 million yen, or 16.0%, to 238,394 million yen, compared with 205,456 million yen in the previous nine months. In addition to sales of industrial tools increased as a result of merger and acquisition activities conducted during fiscal 2018, sales of fine ceramic parts for industrial equipment and automotive camera modules were also solid.

Business profit in the nine months increased by 7,990 million yen, or 34.4%, to 31,213 million yen compared with 23,223 million yen in the previous nine months, due to the sales growth and cost reductions efforts. The business profit ratio improved from 11.3% for the previous nine months to 13.1% for the nine months.

b. Semiconductor Components Group

Sales revenue in this reporting segment in the nine months decreased by 2,719 million yen, or 1.4%, to 193,507 million yen, compared with 196,226 million yen in the previous nine months. This was due primarily to a decline in sales of ceramic packages for use in smartphones and optical communications.

Business profit in the nine months decreased by 21,355 million yen, or 81.5%, to 4,836 million yen compared with 26,191 million yen in the previous nine months, due to the impact of lower sales of ceramic packages and recording of impairment loss in the amount of 16,184 million yen in the organic materials business. As a result, the business profit ratio declined from 13.3% for the previous nine months to 2.5% for the nine months.

c. Electronic Devices Group

Sales revenue in this reporting segment in the nine months increased by 54,640 million yen, or 24.5%, to 278,091 million yen, compared with 223,451 million yen in the previous nine months. In addition to contributions from merger and acquisition activities by AVX Corporation (“AVX”), a U.S. subsidiary, during fiscal 2018, demand for printing devices for industrial equipment was strong.

Business profit in the nine months increased by 17,085 million yen, or 47.7%, to 52,920 million yen compared with 35,835 million yen in the previous nine months, due to the sales growth and enhanced profitability at AVX. The business profit ratio improved from 16.0% for the previous nine months to 19.0% for the nine months.

d. Communications Group

Sales revenue in this reporting segment in the nine months decreased by 689 million yen, or 0.4%, to 180,632 million yen, compared with 181,321 million yen in the previous nine months. Sales in the information and communications services business, particularly in engineering services, increased. On the other hand, sales decreased in the telecommunications equipment business due to a decline in sales volume of mobile phone handsets as a result of a re-examination of the model line-up for market release.

In contrast, business profit in the nine months increased by 3,855 million yen, or 211.6%, to 5,677 million yen compared with 1,822 million yen in the previous nine months, due mainly to enhanced profitability in the telecommunications equipment business. The business profit ratio improved from 1.0% for the previous nine months to 3.1% for the nine months.

e. Document Solutions Group

Sales revenue in this reporting segment in the nine months increased by 6,933 million yen, or 2.6%, to 273,835 million yen, compared with 266,902 million yen in the previous nine months. This was due primarily to an increase in sales volume of multifunctional products in Japan and overseas as well as contributions from merger and acquisition activities.

Business profit in the nine months increased by 993 million yen, or 3.4%, to 30,081 million yen compared with 29,088 million yen in the previous nine months, due to the sales growth and cost reductions. The business profit ratio for the nine months was 11.0%, which was almost level with the 10.9% recorded for the previous nine months.

f. Life & Environment Group

Sales revenue in this reporting segment in the nine months decreased by 21,235 million yen, or 26.6%, to 58,512 million yen, compared with 79,747 million yen in the previous nine months, due to a decline in sales from the solar energy business.

Business loss in the nine months expanded by 61,297 million yen to 63,894 million yen compared with 2,597 million yen in the previous nine months due to the decline in sales and the recording of settlement expenses and write-down in total amount of 52,313 million yen relating to long-term purchase agreements for procurement of polysilicon material in the solar energy business.

(2) Summary of Cash Flows

(Yen in millions)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018	Change
Cash flows from operating activities	112,743	158,551	45,808
Cash flows from investing activities	(95,325)	(84,606)	10,719
Cash flows from financing activities	(50,822)	(86,378)	(35,556)
Effect of exchange rate changes on cash and cash equivalents	6,893	3,745	(3,148)
Increase (decrease) in cash and cash equivalents	(26,511)	(8,688)	17,823
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	349,684	416,250	66,566

Cash and cash equivalents at December 31, 2018 decreased by 8,688 million yen, or 2.0%, to 416,250 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 nine months increased by 45,808 million yen, or 40.6%, to 158,551 million yen from 112,743 million yen for the previous nine months. This was due mainly to a decrease in inventory for the nine months, which increased for the previous nine months.

b. Cash flows from investing activities

Net cash used in investing activities for the nine months decreased by 10,719 million yen, or 11.2%, to 84,606 million yen from 95,325 million yen for the previous nine months. This was due mainly to decreases in payments for acquisitions of business, which were partly offset by increases in payments for purchases of property, plant and equipment.

c. Cash flows from financing activities

Net cash used in financing activities for the nine months increased by 35,556 million yen, or 70.0%, to 86,378 million yen from 50,822 million yen for the previous nine months. 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 held 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 416,250 million yen in cash and cash equivalents at the end of nine months, 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 nine months. 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 nine months increased by 10,166 million yen, or 24.0%, to 52,516 million yen from 42,350 million yen for the previous nine months. 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 nine months ended December 31, 2017		For the nine months ended December 31, 2018		Change
	Amount	%*	Amount	%*	%
Industrial & Automotive Components Group	212,726	18.1	241,429	19.8	13.5
Semiconductor Components Group	199,399	17.0	192,496	15.8	(3.5)
Electronic Devices Group	233,392	19.8	290,296	23.9	24.4
Total Components Business	645,517	54.9	724,221	59.5	12.2
Communications Group	193,585	16.5	178,651	14.7	(7.7)
Document Solutions Group	267,164	22.7	272,430	22.4	2.0
Life & Environment Group	76,038	6.5	52,451	4.3	(31.0)
Total Equipment & Systems Business	536,787	45.7	503,532	41.4	(6.2)
Others	10,705	0.9	8,993	0.8	(16.0)
Adjustments and eliminations	(18,196)	(1.5)	(20,276)	(1.7)	−
Orders	1,174,813	100.0	1,216,470	100.0	3.5

* % 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

Between 2005 and 2008, Kyocera entered into 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.

On November 28, 2018, Kyocera reached to an agreement with Hemlock regarding the settlement of the LTAs. Following this settlement, Kyocera's future material purchase commitments under the LTAs will be terminated when Kyocera will complete the relinquishment of the advance payment already paid to Hemlock, the payment in goods to Hemlock with the polysilicon material Kyocera owns, and the settlement payment.

For the detail information of the impact of this settlement on Kyocera's consolidated financial position and operating results, please refer to “Note 15. Commitments (2) Long-term purchase agreements for the supply of raw materials” under “Ⅳ. Condensed Quarterly Consolidated Financial Statements and Other Information.”

Ⅲ. Corporate Information

1. Information on Kyocera’s shares and others

(1) Total number of shares and others

a. Total number of shares

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

b. Shares issued

Class	Number of shares issued as of December 31, 2018 (shares)	Number of shares issued as of the filing date (shares) (February 13, 2019)	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 October 1, 2018 to December 31, 2018	–	377,618,580	–	115,703	–	192,555

(5) Major shareholders

Not applicable

(6) Information on voting rights

Information on voting rights as of September 30, 2018 is stated in this item because Kyocera does not identify the number of voting rights as of December 31, 2018 due to the lack of information on the details entered in the shareholders registry as of December 31, 2018.

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

(Note) Kyocera Corporation held 15,864,000 shares of treasury stock as of December 31, 2018.

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 December 31, 2018
Assets				
Current assets				
Cash and cash equivalents		376,195	424,938	416,250
Short-term investments	14	297,371	196,802	179,139
Trade and other receivables	11	337,371	382,659	368,289
Other financial assets	14	7,778	12,996	11,546
Inventories		331,155	364,875	345,589
Other current assets		79,755	83,629	32,335
Total current assets		1,429,625	1,465,899	1,353,148
Non-current assets				
Debt and equity instruments	14	1,146,608	1,071,990	1,043,072
Investments accounted for using the equity method		5,863	3,874	4,328
Other financial assets	14	13,429	15,681	16,853
Property, plant and equipment	8	254,341	288,898	323,386
Goodwill	7, 8	110,470	144,268	143,384
Intangible assets	7, 8	61,235	80,186	79,476
Deferred tax assets		56,614	41,370	40,056
Other non-current assets		6,452	16,647	17,118
Total non-current assets		1,655,012	1,662,914	1,667,673
Total assets		3,084,637	3,128,813	3,020,821

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 December 31, 2018
Liabilities and Equity				
Liabilities				
Current liabilities				
Trade and other payables		190,292	216,685	186,768
Other financial liabilities	14	8,735	5,039	5,753
Income tax payables		15,707	19,436	14,769
Accrued expenses	11	108,367	114,049	102,797
Provisions	15, 16	14,225	32,302	11,196
Other current liabilities	11	27,492	31,876	43,907
Total current liabilities		364,818	419,387	365,190
Non-current liabilities				
Long-term financial liabilities	14	5,292	7,370	8,136
Retirement benefit liabilities		28,794	29,112	27,848
Deferred tax liabilities		255,281	220,950	202,376
Provisions	15, 16	6,488	19,914	8,244
Other non-current liabilities		12,286	18,781	16,333
Total non-current liabilities		308,141	296,127	262,937
Total liabilities		672,959	715,514	628,127
Equity				
Common stock		115,703	115,703	115,703
Capital surplus		165,172	165,079	165,130
Retained earnings		1,532,866	1,577,641	1,616,265
Other components of equity		545,452	499,710	472,878
Treasury stock	10	(32,309)	(32,342)	(72,356)
Total equity attributable to owners of the parent		2,326,884	2,325,791	2,297,620
Non-controlling interests		84,794	87,508	95,074
Total equity		2,411,678	2,413,299	2,392,694
Total liabilities and equity		3,084,637	3,128,813	3,020,821

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 nine months ended December 31, 2017	For the nine months ended December 31, 2018
Sales revenue	6, 11	1,145,016	1,214,417
Cost of sales	9	829,230	863,417
Gross profit		315,786	351,000
Selling, general and administrative expenses	8, 9, 15, 16	207,464	290,424
Operating profit		108,322	60,576
Finance income	14	38,589	41,576
Finance expenses		508	996
Foreign exchange gains (losses)		111	619
Share of net profit of investments accounted for using the equity method		(249)	555
Other, net		997	1,770
Profit before income taxes	6	147,262	104,100
Income taxes	12	52,810	15,799
Profit for the period		94,452	88,301

Profit attributable to:			
Owners of the parent		93,088	79,419
Non-controlling interests		1,364	8,882
Profit for the period		94,452	88,301

Per share information:	13		
Earnings per share attributable to owners of the parent			
Basic		253.16 yen	219.17 yen
Diluted		253.16 yen	219.00 yen

The accompanying notes are an integral part of these statements.

(Yen in millions except per share amounts)

	Note	For the three months ended December 31, 2017	For the three months ended December 31, 2018
Sales revenue	6, 11	406,671	413,779
Cost of sales	9	296,564	292,080
Gross profit		110,107	121,699
Selling, general and administrative expenses	8, 9, 15, 16	71,057	143,724
Operating profit (loss)		39,050	(22,025)
Finance income	14	17,647	20,201
Finance expenses		147	590
Foreign exchange gains (losses)		(39)	290
Share of net profit of investments accounted for using the equity method		(355)	(58)
Other, net		318	593
Profit (loss) before income taxes	6	56,474	(1,589)
Income taxes	12	28,901	(5,782)
Profit for the period		27,573	4,193

Profit attributable to:			
Owners of the parent		29,647	1,025
Non-controlling interests		(2,074)	3,168
Profit for the period		27,573	4,193

Per share information:	13		
Earnings per share attributable to owners of the parent			
Basic		80.63 yen	2.83 yen
Diluted		80.63 yen	2.78 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 nine months ended December 31, 2017	For the nine months ended December 31, 2018
Profit for the period		94,452	88,301
Other comprehensive income, net of taxation			
Items that will not be reclassified to profit or loss:			
Financial assets measured at fair value through other comprehensive income		–	(29,691)
Re-measurement of defined benefit plans		–	–
Total items that will not be reclassified to profit or loss		–	(29,691)
Items that may be reclassified subsequently to profit or loss:			
Net unrealized gains (losses) on securities		(15,555)	–
Net changes in fair value of cash flow hedge		(106)	17
Exchange differences on translating foreign operations		21,111	4,595
Share of other comprehensive income of investments accounted for using the equity method		72	56
Total items that may be reclassified subsequently to profit or loss		5,522	4,668
Total other comprehensive income		5,522	(25,023)
Comprehensive income for the period		99,974	63,278

Comprehensive income attributable to:			
Owners of the parent		96,240	53,306
Non-controlling interests		3,734	9,972
Comprehensive income for the period		99,974	63,278

The accompanying notes are an integral part of these statements.

(Yen in millions)

	Note	For the three months ended December 31, 2017	For the three months ended December 31, 2018
Profit for the period		27,573	4,193
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		–	(130,861)
Re-measurement of defined benefit plans		–	–
Total items that will not be reclassified to profit or loss		–	(130,861)
Items that may be reclassified subsequently to profit or loss:			
Net unrealized gains (losses) on securities		(31,554)	–
Net changes in fair value of cash flow hedge		(58)	(3)
Exchange differences on translating foreign operations		4,923	(19,290)
Share of other comprehensive income of investments accounted for using the equity method		(2)	(139)
Total items that may be reclassified subsequently to profit or loss		(26,691)	(19,432)
Total other comprehensive income		(26,691)	(150,293)
Comprehensive income for the period		882	(146,100)

Comprehensive income attributable to:			
Owners of the parent		2,423	(146,575)
Non-controlling interests		(1,541)	475
Comprehensive income for the period		882	(146,100)

The accompanying notes are an integral part of these statements.

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

For the nine months ended December 31, 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				93,088			93,088	1,364	94,452
Other comprehensive income					3,152		3,152	2,370	5,522
Total comprehensive income for the period		–	–	93,088	3,152	–	96,240	3,734	99,974
Cash dividends	10			(44,125)			(44,125)	(2,648)	(46,773)
Purchase of treasury stock						(30)	(30)		(30)
Reissuance of treasury stock			0			0	0		0
Transactions with non-controlling interests and other			(220)		17		(203)	492	289
Balance as of December 31, 2017		115,703	164,952	1,581,829	548,621	(32,339)	2,378,766	86,372	2,465,138

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

The accompanying notes are an integral part of these statements.

(5) Condensed Quarterly Consolidated Statement of Cash Flows

(Yen in millions)

	Note	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Cash flows from operating activities:			
Profit for the period		94,452	88,301
Depreciation and amortization		58,043	47,394
Finance expenses (income)		(38,081)	(40,580)
Share of net profit of investments accounted for using the equity method		249	(555)
Impairment loss	8	−	16,184
(Gains) losses from sales or disposal of property, plant and equipment		(44)	(641)
Income taxes		52,810	15,799
(Increase) decrease in trade and other receivables		12,026	14,644
(Increase) decrease in inventories		(59,572)	18,791
(Increase) decrease in other assets		(4,078)	(2,896)
Increase (decrease) in trade and other payables		5,712	(5,034)
Increase (decrease) in income tax payables		(13,020)	12,008
Increase (decrease) in other liabilities		(741)	(7,607)
Other, net		(493)	(1,193)
Subtotal		107,263	154,615
Interests and dividends received		37,542	41,900
Interests paid		(829)	(468)
Income taxes paid		(31,233)	(37,496)
Net cash provided by operating activities		112,743	158,551
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment		(56,575)	(83,603)
Payments for purchases of intangible assets		(5,433)	(6,641)
Proceeds from sales of property, plant and equipment		920	2,664
Acquisitions of business, net of cash acquired		(52,718)	(6,975)
Acquisition of time deposits and certificate of deposits		(349,019)	(287,771)
Withdrawal of time deposits and certificate of deposits		328,623	334,818
Payments for purchases of securities		(30,990)	(63,578)
Proceeds from sales and maturities of securities		69,794	27,142
Other, net		73	(662)
Net cash used in investing activities		(95,325)	(84,606)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings		(3,240)	(356)
Proceeds from long-term borrowings		2,626	3,334
Repayments of long-term borrowings		(3,146)	(2,254)
Dividends paid		(46,127)	(46,482)
Purchase of treasury stock	10	(30)	(40,015)
Other, net		(905)	(605)
Net cash used in financing activities		(50,822)	(86,378)
Effect of exchange rate changes on cash and cash equivalents		6,893	3,745
Increase (decrease) in cash and cash equivalents		(26,511)	(8,688)
Cash and cash equivalents at the beginning of the year		376,195	424,938
Cash and cash equivalents at the end of the period		349,684	416,250

The accompanying notes are an integral part of these statements.

Notes to Condensed Quarterly Consolidated Financial Statements

1. Reporting Entity

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

Condensed quarterly consolidated financial statements as of and for the nine months ended December 31, 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 financial position, operation results and cash flows are provided in "Note 19. 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 19. 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 14. 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 15,133 million yen due mainly to the decrease in depreciation expenses for the nine months ended December 31, 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 nine months ended December 31, 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 nine months ended December 31, 2017 and 2018 are as follows:

Sales revenue (Yen in millions)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Industrial & Automotive Components Group	205,456	238,394
Semiconductor Components Group	196,226	193,507
Electronic Devices Group	223,451	278,091
Communications Group	181,321	180,632
Document Solutions Group	266,902	273,835
Life & Environment Group	79,747	58,512
Other	14,068	13,355
Adjustments and eliminations	(22,155)	(21,909)
Total	1,145,016	1,214,417

Profit before income taxes (Yen in millions)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Industrial & Automotive Components Group	23,223	31,213
Semiconductor Components Group	26,191	4,836
Electronic Devices Group	35,835	52,920
Communications Group	1,822	5,677
Document Solutions Group	29,088	30,081
Life & Environment Group	(2,597)	(63,894)
Other	922	1,564
Total business profit	114,484	62,397
Corporate gains and share of net profit of investments accounted for using the equity method	34,050	42,971
Adjustments and eliminations	(1,272)	(1,268)
Total	147,262	104,100

Depreciation and amortization (Yen in millions)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Industrial & Automotive Components Group	10,375	9,985
Semiconductor Components Group	12,382	7,400
Electronic Devices Group	13,776	13,795
Communications Group	4,709	3,913
Document Solutions Group	9,538	7,336
Life & Environment Group	4,409	2,290
Other	948	992
Corporate	1,906	1,683
Total	58,043	47,394

Capital expenditures (Yen in millions)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Industrial & Automotive Components Group	13,707	24,998
Semiconductor Components Group	10,839	14,006
Electronic Devices Group	17,955	25,724
Communications Group	3,757	3,891
Document Solutions Group	4,659	5,994
Life & Environment Group	3,929	3,395
Other	754	672
Corporate	3,454	6,429
Total	59,054	85,109

The segment information for the three months ended December 31, 2017 and 2018 are as follows:

Sales revenue (Yen in millions)

	For the three months ended December 31, 2017	For the three months ended December 31, 2018
Industrial & Automotive Components Group	74,446	77,587
Semiconductor Components Group	69,345	66,038
Electronic Devices Group	86,198	94,288
Communications Group	57,384	65,761
Document Solutions Group	94,882	95,066
Life & Environment Group	26,934	17,707
Other	4,749	4,023
Adjustments and eliminations	(7,267)	(6,691)
Total	406,671	413,779

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

	For the three months ended December 31, 2017	For the three months ended December 31, 2018
Industrial & Automotive Components Group	9,035	9,963
Semiconductor Components Group	8,963	(8,321)
Electronic Devices Group	14,350	19,103
Communications Group	(96)	5,021
Document Solutions Group	9,258	10,103
Life & Environment Group	(2,005)	(57,496)
Other	602	597
Total business profit (loss)	40,107	(21,030)
Corporate gains and share of net profit of investments accounted for using the equity method	16,953	19,888
Adjustments and eliminations	(586)	(447)
Total	56,474	(1,589)

Depreciation and amortization (Yen in millions)

	For the three months ended December 31, 2017	For the three months ended December 31, 2018
Industrial & Automotive Components Group	3,964	3,682
Semiconductor Components Group	4,501	2,657
Electronic Devices Group	5,588	5,002
Communications Group	1,563	1,269
Document Solutions Group	3,346	2,578
Life & Environment Group	1,540	773
Other	325	340
Corporate	659	609
Total	21,486	16,910

Capital expenditures (Yen in millions)

	For the three months ended December 31, 2017	For the three months ended December 31, 2018
Industrial & Automotive Components Group	4,993	7,666
Semiconductor Components Group	5,337	5,503
Electronic Devices Group	6,243	8,412
Communications Group	1,282	1,164
Document Solutions Group	2,619	1,418
Life & Environment Group	1,754	1,253
Other	375	258
Corporate	1,627	2,414
Total	24,230	28,088

Information by geographic segments

The segment information for the nine months ended December 31, 2017 and 2018 are as follows:

Sales revenue (Yen in millions)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Japan	444,091	437,899
Asia	273,860	299,225
Europe	218,340	241,867
United States of America	163,967	188,989
Others	44,758	46,437
Total	1,145,016	1,214,417

The segment information for the three months ended December 31, 2017 and 2018 are as follows:

Sales revenue (Yen in millions)

	For the three months ended December 31, 2017	For the three months ended December 31, 2018
Japan	150,567	150,014
Asia	100,166	102,405
Europe	83,019	81,031
United States of America	56,594	65,331
Others	16,325	14,998
Total	406,671	413,779

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 nine months ended December 31, 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 December 31, 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 December 31, 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	1,189
Total non-current assets	9,737
Total	13,273
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)	7,499
Purchase price (Cash)	14,978
Goodwill*	7,479

* 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 nine months ended December 31, 2018 were not material.

Kyocera performed several other business combinations in the nine months ended December 31, 2018. These business combinations did not have a material impact on Kyocera's financial position, operation results and cash flows.

8. Property, plant and equipment, Goodwill and Intangible assets

Kyocera recognized an impairment loss on property, plant and equipment, goodwill and intangible assets in the amount of 16,184 million yen in the organic materials business included in the Semiconductor Components Group for the nine months ended December 31, 2018 due to that the recoverable value of the organic materials business fell below its book value. The amount of impairment loss was recognized at "Selling, general and administrative expenses" in the condensed quarterly consolidated statement of profit or loss.

The impairment loss is summarized as follows:

	For the nine months ended December 31, 2018
Property, plant and equipment	10,548
Goodwill	5,548
Intangible assets	88
Total	16,184

The recoverable amount was measured at the value in use. The value in use was calculated by discounting estimated future cash flows at a pre-tax rate of 11.2％.

9. 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 nine months ended December 31, 2017	For the nine months ended December 31, 2018
Service cost	9,499	9,036
Net interest cost	0	(53)
Total	9,499	8,983

Foreign (Yen in millions)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Service cost	552	576
Net interest cost	290	212
Total	842	788

Domestic (Yen in millions)

	For the three months ended December 31, 2017	For the three months ended December 31, 2018
Service cost	3,167	3,012
Net interest cost	0	(17)
Total	3,167	2,995

Foreign (Yen in millions)

	For the three months ended December 31, 2017	For the three months ended December 31, 2018
Service cost	186	195
Net interest cost	100	70
Total	286	265

10. Equity and Other Equity

(1) Dividends

Dividends paid are as follows:

For the nine months ended December 31, 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
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 nine months ended December 31, 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
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

11. 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 December 31, 2018
Receivables from contracts with customers	309,846	337,646	313,924
Contract assets	7,139	17,270	10,572
Contract liabilities	23,354	30,410	35,346

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.

12. Income Taxes

The effective tax rates for the nine months ended December 31, 2018 decreased to 15.2%, compared with 35.9% for the nine months ended December 31, 2017.

The income taxes for the three months ended December 31, 2018 decreased by 34,683 million yen, compared with the income taxes for the three months ended December 31, 2017.

This was due mainly to tax expenses of 13,591 million yen recorded during the nine months ended December 31, 2017 in Kyocera's U.S. subsidiaries such as AVX Corporation, primarily resulting from the Tax Cuts and Jobs Act (the “Act”) which was enacted into law in the U.S. on December 22, 2017. And Kyocera recognized deferred tax assets for the temporary differences and the carryforward of unused tax losses of Kyocera Display Corporation based on that Kyocera Corporation merged with Kyocera Display Corporation for the nine months ended December 31, 2018.

13. Earnings Per Share

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

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Profit attributable to owners of the parent (Yen in millions)	93,088	79,419
Adjustment related to dilutive potential stocks of consolidated subsidiaries (Yen in millions)	–	(61)
Diluted profit attributable to owners of the parent (Yen in millions)	93,088	79,358
Weighted average shares (Thousands of shares)	367,710	362,370
Basic earnings per share:		
Profit attributable to owners of the parent per share (Yen)	253.16	219.17
Diluted earnings per share:		
Profit attributable to owners of the parent per share (Yen)	253.16	219.00

	For the three months ended December 31, 2017	For the three months ended December 31, 2018
Profit attributable to owners of the parent (Yen in millions)	29,647	1,025
Adjustment related to dilutive potential stocks of consolidated subsidiaries (Yen in millions)	–	(19)
Diluted profit attributable to owners of the parent (Yen in millions)	29,647	1,006
Weighted average shares (Thousands of shares)	367,708	361,755
Basic earnings per share:		
Profit attributable to owners of the parent per share (Yen)	80.63	2.83
Diluted earnings per share:		
Profit attributable to owners of the parent per share (Yen)	80.63	2.78

14. 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 December 31, 2018	
	Carrying Amount	Fair Value
Assets:		
Short-term investments (including short-term instruments in debt securities)	179,026	179,124
Long-term instruments in debt securities	57,842	57,593
Other financial assets (excluding derivatives)	24,120	24,120
Total	260,988	260,837
Liabilities:		
Other financial liabilities (excluding derivatives) and Long-term financial liabilities	13,407	13,407
Total	13,407	13,407

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 December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Debt and equity instruments				
Financial assets measured at fair value through other comprehensive income	951,700	−	32,142	983,842
Financial assets measured at fair value through profit or loss	−	−	1,501	1,501
Derivatives	−	4,279	−	4,279
Total	951,700	4,279	33,643	989,622
Liabilities:				
Derivatives	−	482	−	482
Total	−	482	−	482

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 nine months ended December 31, 2018.

For financial instruments classified Level 3, there were no significant changes for the nine months ended December 31, 2018.

Kyocera received dividends from KDDI Corporation, and included them in “Finance income” in the condensed quarterly consolidated statements of profit or loss for nine months ended December 31, 2017 and 2018, and three months ended December 31, 2017 and 2018, are summarized as follows:

(Yen in millions)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Dividends from KDDI Corporation	30,159	31,834

(Yen in millions)

	For the three months ended December 31, 2017	For the three months ended December 31, 2018
Dividends from KDDI Corporation	15,079	16,755

15. 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 49,206 million yen at December 31, 2018, respectively.

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

Between 2005 and 2008, Kyocera entered into 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. 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 has continued negotiations with Hemlock regarding a modification of the contract terms of the LTAs.

On November 28, 2018, Kyocera reached to an agreement with Hemlock regarding the settlement of the LTAs. Following this settlement, Kyocera's future material purchase commitments under the LTAs will be terminated when Kyocera will complete the relinquishment of the advance payment already paid to Hemlock, the payment in goods to Hemlock with the polysilicon material Kyocera owns, and the settlement payment.

Kyocera recorded a loss related to this settlement, which was partly offset by a reversal of provision for a write-down of the future material purchase commitments under the LTAs evaluated by the lower of cost and net realizable value approach, in the total amount of 51,060 million yen at “Selling, general and administrative expenses” in the condensed quarterly consolidated statement of profit or loss for the nine months ended December 31, 2018.

16. 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 December 31, 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 2,001 million yen at December 31, 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 4,163 million yen (37.5 million dollars), which was recorded in the year ended March 31, 2016. That verdict was later vacated by the court on March 30, 2018, which resulted in a favorable accrual adjustment of 162 million yen (1.5 million dollars). In a new trial, the amount of damages (excluding interest) was determined by a jury to be 2,453 million yen (22.1 million dollars) on January 15, 2019 resulting in a favorable accrual adjustment of 1,571 million yen (13.9 million dollars) for the three month ended December 31, 2018. However, the matter is still subject to various post-trial proceedings and possible appeal which could result in a material impact to the accrual for this case in the future.

(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.

17. Subsequent Events

On January 11, 2019, Kyocera International Inc., a U.S. based subsidiary, entered into an asset purchase agreement to acquire major assets of orthopedic implants business of Renovis Surgical Technologies, Inc., a U.S. based company, in order to expand its medical business in U.S. On January 18, 2019, Kyocera International Inc. established a new company, Kyocera Medical Technologies, Inc., and the assets are expected to be transferred to this new company in March, 2019.

On February 1, 2019, Kyocera Senco Industrial Tools, Inc., a U.S. based subsidiary, entered into a stock purchase agreement to acquire all of the common stocks from the shareholders of Van Aerden Group BV, a Netherland based company of pneumatic tool in order to expand the pneumatic tool business in Europe. The transaction is expected to be made in March, 2019.

On February 1, 2019, Kyocera Fineceramics GmbH, a Germany based subsidiary, entered into a stock purchase agreement with H.C. Starck GmbH to acquire all of the common stocks from its subsidiary, H.C. Starck Ceramics GmbH, which operates ceramics business in order to expand the Fine Ceramics business in Europe. The transaction is expected to be made in April, 2019.

18. Approval of Condensed Quarterly Consolidated Financial Statements

The condensed quarterly consolidated financial statements have been approved by Hideo Tanimoto, President and Representative Director, and Shoichi Aoki, Director, Managing Executive Officer and General Manager of Corporate Management Control Group, on February 13, 2019.

19. 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 December 31, 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	349,684	−	−	349,684		Cash and cash equivalents
Short-term investments in debt securities	55,530	234,898	−	290,428		Short-term investments
Other short-term investments	234,898	(234,898)	−	−		
Trade notes receivables	24,141	326,719	−	350,860		Trade and other receivables
Trade accounts receivables	308,250	(308,250)	−	−		
Less allowances for doubtful accounts and sales returns	(5,477)	5,477	−	−	F	
	−	6,403	−	6,403		Other financial assets
Inventories	407,988	−	−	407,988		Inventories
Other current assets	127,846	(34,924)	(7,485)	85,437		Other current assets
Total current assets	1,502,860	(4,575)	(7,485)	1,490,800		Total current assets
Non-current assets						**Non-current assets**
Long-term investments in debt and equity securities	1,094,703	20,616	−	1,115,319		Debt and equity instruments
	−	5,301	−	5,301	F	Investments accounted for using the equity method
Other long-term investments	26,492	(10,786)	−	15,706		Other financial assets
Land	60,962	233,468	(12,202)	282,228	B	Property, plant and equipment
Buildings	363,324	(363,324)	−	−		
Machinery and equipment	890,882	(890,882)	−	−		
Construction in progress	22,592	(22,592)	−	−		
Less accumulated depreciation	(1,043,330)	1,043,330	−	−		
Goodwill	142,114	−	−	142,114		Goodwill
Intangible assets	68,577	−	−	68,577		Intangible assets
	−	34,950	9,739	44,689	D,F	Deferred tax assets
Other assets	72,407	(66,371)	(450)	5,586	C	Other non-current assets
Total non-current assets	1,698,723	(16,290)	(2,913)	1,679,520		Total non-current assets
Total assets	3,201,583	(20,865)	(10,398)	3,170,320		**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	155	(155)	−	−		
Current portion of long-term debt	8,916	(8,916)	−	−		
Trade notes and accounts payable	159,353	63,908	−	223,261		Trade and other payables
Other notes and accounts payable	63,937	(63,937)	−	−		
	−	10,632	−	10,632		Other financial liabilities
Accrued payroll and bonus	55,691	(55,691)	−	−		
Accrued income taxes	15,679	−	(1,947)	13,732		Income tax payables
Other accrued liabilities	53,363	45,904	420	99,687	E	Accrued expenses
	−	14,709	−	14,709	F	Provisions
Other current liabilities	49,903	(10,541)	−	39,362	F	Other current liabilities
Total current liabilities	406,997	(4,087)	(1,527)	401,383		Total current liabilities
Non-current liabilities						**Non-current liabilities**
Long-term debt	18,046	(13,053)	−	4,993		Long-term financial liabilities
Accrued pension and severance liabilities	32,165	−	(1,889)	30,276	C	Retirement benefit liabilities
Deferred income taxes	245,089	(2,291)	(39)	242,759	D	Deferred tax liabilities
	−	6,747	−	6,747	F	Provisions
Other non-current liabilities	27,205	(8,181)	−	19,024		Other non-current liabilities
Total non-current liabilities	322,505	(16,778)	(1,928)	303,799		Total non-current liabilities
Total liabilities	729,502	(20,865)	(3,455)	705,182		**Total liabilities**
Equity						**Equity**
Common stock	115,703	−	−	115,703		Common stock
Additional paid-in capital	165,000	−	(48)	164,952		Capital surplus
Retained earnings	1,684,258	−	(102,429)	1,581,829	A,B,C D,E	Retained earnings
Accumulated other comprehensive income	453,381	−	95,240	548,621	A,C,D	Other components of equity
Common stock in treasury stock, at cost	(32,339)	−	−	(32,339)		Treasury stock
Total Kyocera Corporation's shareholders' equity	2,386,003		(7,237)	2,378,766		Total equity attributable to owners of the parent
Noncontrolling interests	86,078	−	294	86,372		Non-controlling interests
Total equity	2,472,081	−	(6,943)	2,465,138		**Total equity**
Total liabilities and equity	3,201,583	(20,865)	(10,398)	3,170,320		**Total liabilities and equity**

Notes to reconciliation of equity as of December 31, 2017

The major items of the reconciliation of equity as of December 31, 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 14,036 million yen and “Other component of equity” increased by 12,997 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 339 million yen and “Retirement benefit liabilities” decreased by 1,889 million yen. As a result, “Retained earnings” decreased by 34,417 million yen and “Other components of equity” increased by 35,914 million yen, which were derived after deducting adjustments to deferred taxes of 653 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 45,183 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 420 million yen and “Retained earnings” decreased by 286 million yen, which was derived after deducting adjustments to deferred taxes of 134 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. <u>Reconciliation of equity as of March 31, 2018</u>

(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 nine month ended December 31, 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	1,145,016	–	–	1,145,016		**Sales revenue**
Cost of sales	829,709	–	(479)	829,230	A, B	Cost of sales
Gross profit	315,307	–	479	315,786		**Gross profit**
Selling, general and administrative expenses	206,323	–	1,141	207,464	A, B	Selling, general and administrative expenses
Profit from operations	108,984	–	(662)	108,322		**Operating profit**
Other income (expenses)						
Interest and dividend income	38,625	(36)	–	38,589		Finance income
Interest expense	983	(475)	–	508		Finance expenses
Foreign currency transaction gains (losses), net	111	–	–	111		Foreign exchange gains (losses)
Gains on sales of securities, net	400	(400)	–	–		
	–	(249)	–	(249)	D	Share of net loss of investments accounted for using the equity method
Other, net	(2,273)	210	3,060	997	C	Other, net
Income before income taxes	144,864	–	2,398	147,262		**Profit before income taxes**
Income taxes	53,256	–	(446)	52,810		Income taxes
Net income	91,608	–	2,844	94,452		**Profit for the period**

						Profit attributable to:
Net income attributable to Kyocera Corporation's shareholders	90,267	–	2,821	93,088		Owners of the parent
Net income attributable to noncontrolling interests	1,341	–	23	1,364		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	91,608	－	2,844	94,452		**Profit for the period**
Other comprehensive income －net of taxes						**Other comprehensive income, net of taxation**
Pension liability adjustment	(1,967)	－	1,967	－	A	Re-measurement of defined benefit plans
Net unrealized gains (losses) on securities	(15,547)	－	(8)	(15,555)		Net unrealized gains (losses) on securities
Net unrealized gains (losses) on derivative financial instruments	(52)	(54)	－	(106)		Net changes in fair value of cash flow hedge
Foreign currency translation adjustments	25,645	(18)	(4,516)	21,111	C	Exchange differences on translating foreign operations
	－	72	－	72		Share of other comprehensive income of investments accounted for using the equity method
Total other comprehensive income	8,079	－	(2,557)	5,522		**Total other comprehensive income**
Comprehensive income	99,687	－	287	99,974		**Comprehensive income for the period**

						Comprehensive income attributable to:
Comprehensive income attributable to Kyocera Corporation's shareholders	96,143	－	97	96,240		Owners of the parent
Comprehensive income attributable to noncontrolling interests	3,544	－	190	3,734		Non-controlling interests

Notes to reconciliations of profit or loss and other comprehensive income for the nine months ended December 31, 2017.

The major items of the reconciliations of profit or loss and other comprehensive income for the nine months ended December 31, 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 2,865 million yen and 1,195 million yen, respectively. As a result, “Profit before income taxes” decreased by 4,060 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 2,751 million yen and 284 million yen, respectively. As a result, “Profit before income taxes” increased by 3,035 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 3,363 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 loss 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 December 31, 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	406,671	－	－	406,671		**Sales revenue**
Cost of sales	296,518	－	46	296,564	A, B	Cost of sales
Gross profit	110,153	－	(46)	110,107		**Gross profit**
Selling, general and administrative expenses	70,674	－	383	71,057	A, B	Selling, general and administrative expenses
Profit from operations	39,479	－	(429)	39,050		**Operating profit**
Other income (expenses)						
Interest and dividend income	17,794	(147)	－	17,647		Finance income
Interest expense	327	(180)	－	147		Finance expenses
Foreign currency transaction gains (losses), net	(39)	－	－	(39)		Foreign exchange gains (losses)
Gains on sales of securities, net	11	(11)	－	－		
	－	(355)	－	(355)	D	Share of net loss of investments accounted for using the equity method
Other, net	106	333	(121)	318	C	Other, net
Income before income taxes	57,024	－	(550)	56,474		**Profit before income taxes**
Income taxes	30,213	－	(1,312)	28,901		Income taxes
Net income	26,811	－	762	27,573		**Profit for the period**

						Profit attributable to:
Net income attributable to Kyocera Corporation's shareholders	28,880	－	767	29,647		Owners of the parent
Net income attributable to noncontrolling interests	(2,069)	－	(5)	(2,074)		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	26,811	−	762	27,573		**Profit for the period**
Other comprehensive income − net of taxes						**Other comprehensive income, net of taxation**
Pension liability adjustment	(849)	−	849	−	A	Re-measurement of defined benefit plans
Net unrealized gains (losses) on securities	(31,553)	−	(1)	(31,554)		Net unrealized gains (losses) on securities
Net unrealized gains (losses) on derivative financial instruments	(60)	2	−	(58)		Net changes in fair value of cash flow hedge
Foreign currency translation adjustments	5,578	−	(655)	4,923	C	Exchange differences on translating foreign operations
	−	(2)	−	(2)		Share of other comprehensive income of investments accounted for using the equity method
Total other comprehensive income	(26,884)	−	193	(26,691)		**Total other comprehensive income**
Comprehensive income	(73)	−	955	882		**Comprehensive income for the period**

						Comprehensive income attributable to:
Comprehensive income attributable to Kyocera Corporation’s shareholders	1,611	−	812	2,423		Owners of the parent
Comprehensive income attributable to noncontrolling interests	(1,684)	−	143	(1,541)		Non-controlling interests

Notes to reconciliations of profit or loss and other comprehensive income for the three months ended December 31, 2017.

The major items of the reconciliations of profit or loss and other comprehensive income for the three months ended December 31, 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 964 million yen and 386 million yen, respectively. As a result, “Profit before income taxes” decreased by 1,350 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 685 million yen and 95 million yen, respectively. As a result, “Profit before income taxes” increased by 780 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 10 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 loss 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 nine months ended December 31, 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, December 31, 2017 and March 31, 2018 are as follows:

(Yen in millions)

	The date of transition to IFRS (April 1, 2017)	As of December 31, 2017	As of March 31, 2018
Exchange differences on translating foreign operations	(16,360)	(14,036)	(14,124)
Deemed cost	(7,648)	(7,618)	(7,618)
Retirement benefit	(31,723)	(34,417)	(25,547)
Income taxes	(46,247)	(45,183)	(47,685)
Levies	(2,370)	(286)	(2,398)
Other	(902)	(889)	(767)
Total	(105,250)	(102,429)	(98,139)

2. Others

(1) Interim dividend

For detailed information about interim dividend, please refer to “Note 10. Equity and Other Equity (1) Dividends.”

(2) Lawsuits

For detailed information about lawsuits, please refer to “Note 15. Commitments (2) Long-term purchase agreements for the supply of raw materials” and “Note 16. Contingencies (2) Patent lawsuits, (3) Environmental matters.”

Part Ⅱ. Corporate Information on Guarantors and others

Not Applicable