

Quarterly Report

(English summary with full translation of consolidated financial information)

(The Second Quarter of 66th Business Term)

From July 1, 2019 to September 30, 2019

KYOCERA CORPORATION

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[Company Name in English]	KYOCERA CORPORATION
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[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part I. Information on Kyocera

I. Overview of Kyocera

1. Selected Financial Data

(Yen in millions unless otherwise stated)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019	For the year ended March 31, 2019
Sales revenue	800,638	799,050	1,623,710
Profit before income taxes	105,689	85,213	140,610
Profit attributable to owners of the parent	78,394	59,614	103,210
Comprehensive income attributable to owners of the parent	199,881	135,520	21,514
Equity attributable to owners of the parent	2,465,801	2,377,059	2,265,919
Total assets	3,322,816	3,158,298	2,968,475
Earnings per share attributable to owners of the parent - Basic (Yen)	216.15	164.64	284.94
Earnings per share attributable to owners of the parent - Diluted (Yen)	216.04	164.58	284.70
Ratio of equity attributable to owners of the parent to total assets (%)	74.2	75.2	76.3
Cash flows from operating activities	125,952	109,962	220,025
Cash flows from investing activities	(99,165)	(99,875)	(47,121)
Cash flows from financing activities	(63,633)	(67,370)	(89,056)
Cash and cash equivalents at the end of the period	398,436	449,116	512,814

	For the three months ended September 30, 2018	For the three months ended September 30, 2019
Sales revenue	413,154	414,113
Profit attributable to owners of the parent	36,110	27,577
Earnings per share attributable to owners of the parent - Basic (Yen)	99.82	76.09

(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 prepares the condensed quarterly consolidated financial statements, the selected non-consolidated financial data is not set forth in this document.

2. Description of Business

There were no significant changes in the business and operations of Kyocera and its associates during the six months ended September 30, 2019 (hereinafter, “the first half”). A change in the organization of major subsidiary is as follow:

(1) A Resolution for a Liquidation of Significant Subsidiary

<Semiconductor Components Group>

Kyocera Corporation made a resolution for a liquidation of Shanghai Kyocera Electronics Co., Ltd. at the meeting of the Board of Directors held on May 29, 2019. The liquidation is scheduled to be conducted as soon as necessary legal procedures required in the local laws and regulations are completed after the production operation is continued by the end of June 2020.

As of June 30, 2019

Name	Address	Capital	Principle lines of Business	Ownership Ratio of Voting Rights (%)	Relationship with Kyocera Corporation			
					Interlocking Directorate	Funding Support	Business Transaction	Lease of property, plant and equipment
Shanghai Kyocera Electronics Co., Ltd.	Shanghai, China	Yen 17,321 million	Manufacture of Ceramic Packages	100.00	Yes	-	Semi-finished goods and raw materials supply from Kyocera Corporation, and finished goods supply to Kyocera Corporation	-

(2) Stock Purchase

<Industrial & Automotive Components Group>

On June 3, 2019, Kyocera Corporation acquired all of the common stocks of Fastener Topco, Inc., the holding company of SouthernCarlson, Inc., a U.S. based distributor of pneumatic power tool in order to expand the pneumatic power tool business in the U.S., and made it consolidated subsidiary and changed its name to Kyocera Industrial Tools, Inc.

As of June 30, 2019

Name	Address	Capital	Principle lines of Business	Ownership Ratio of Voting Rights (%)	Relationship with Kyocera Corporation			
					Interlocking Directorate	Funding Support	Business Transaction	Lease of property, plant and equipment
Kyocera Industrial Tools, Inc.	Omaha, Nebraska, the U.S.A	US\$ 1.00	Sale of Industrial Tools	100.00	Yes	-	-	-

II. Business Overview

1. Risk Factors

There were no new risk factors recognized for six months ended September 30, 2019. There were no significant changes in risk factors stated in the Annual Report for the year ended March 31, 2019 pursuant to the Financial Instruments and Exchange Act of Japan.

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

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

(1) Summary of Operating Results

(Yen in millions)

	For the six months ended September 30, 2018		For the six months ended September 30, 2019		Change	
	Amount	%*	Amount	%*	Amount	%
Sales revenue	800,638	100.0	799,050	100.0	(1,588)	(0.2)
Operating profit	82,601	10.3	60,320	7.5	(22,281)	(27.0)
Profit before income taxes	105,689	13.2	85,213	10.7	(20,476)	(19.4)
Profit attributable to owners of the parent	78,394	9.8	59,614	7.5	(18,780)	(24.0)
Average U.S. dollar exchange rate (yen)	110	—	109	—	—	—
Average Euro exchange rate (yen)	130	—	121	—	—	—

* % represents the percentage to sales revenue.

Sales revenue in the Equipment & Systems Business for the first half increased due mainly to increased sales of mobile phones in the Japanese market. On the other hand, sales revenue in the Components Business decreased due to a slowdown in demand in the industrial machinery and automotive-related markets caused by trade friction between the U.S. and China as well as economic slowdown in China, which more than offset the contribution from M&A.

As a result, sales revenue for the first half decreased by 1,588 million yen, or 0.2%, to 799,050 million yen, compared with the six months ended September 30, 2018 (hereinafter, "the previous first half").

Profits decreased compared with the previous first half due to the impact of the decline in sales revenue in the Components Business and the effect of currency fluctuations, as well as an increase in depreciation charge, despite the contribution from structural reforms implemented through the year ended March 31, 2019 ("fiscal 2019"). For these reason, operating profit decreased by 22,281 million yen, or 27.0%, to 60,320 million yen, profit before income taxes decreased by 20,476 million yen, or 19.4%, to 85,213 million yen, and profit attributable to owners of the parent decreased by 18,780 million yen, or 24.0%, to 59,614 million yen, compared with the previous first half. Average exchange rates for the first half were 109 yen to the U.S. dollar, marking appreciation of 1 yen, or 0.9%, and 121 yen to the Euro, marking appreciation of 9 yen, or 6.9%, compared with the previous first half. As a result, sales revenue and profit before income taxes after translation into yen for the first half were pushed down by approximately 18.5 billion yen and approximately 6.5 billion yen, respectively, compared with the previous first half.

Results by Reporting Segment

Sales Revenue by Reporting Segment

(Yen in millions)

	For the six months ended September 30, 2018		For the six months ended September 30, 2019		Change	
	Amount	%*	Amount	%*	Amount	%
Industrial & Automotive Components Group	160,807	20.1	167,152	20.9	6,345	3.9
Semiconductor Components Group	127,469	15.9	123,095	15.4	(4,374)	(3.4)
Electronic Devices Group	183,803	22.9	167,551	21.0	(16,252)	(8.8)
Total Components Business	472,079	58.9	457,798	57.3	(14,281)	(3.0)
Communications Group	114,871	14.4	126,977	15.9	12,106	10.5
Document Solutions Group	178,769	22.3	177,884	22.2	(885)	(0.5)
Life & Environment Group	40,805	5.1	42,120	5.3	1,315	3.2
Total Equipment & Systems Business	334,445	41.8	346,981	43.4	12,536	3.7
Others	9,332	1.2	7,801	1.0	(1,531)	(16.4)
Adjustments and eliminations	(15,218)	(1.9)	(13,530)	(1.7)	1,688	—
Sales revenue	800,638	100.0	799,050	100.0	(1,588)	(0.2)

* % represents the component ratio.

Business Profit (Loss) by Reporting Segment

(Yen in millions)

	For the six months ended September 30, 2018		For the six months ended September 30, 2019		Change	
	Amount	%*	Amount	%*	Amount	%
Industrial & Automotive Components Group	21,250	13.2	9,234	5.5	(12,016)	(56.5)
Semiconductor Components Group	13,157	10.3	14,490	11.8	1,333	10.1
Electronic Devices Group	33,817	18.4	24,978	14.9	(8,839)	(26.1)
Total Components Business	68,224	14.5	48,702	10.6	(19,522)	(28.6)
Communications Group	656	0.6	4,999	3.9	4,343	662.0
Document Solutions Group	19,978	11.2	18,883	10.6	(1,095)	(5.5)
Life & Environment Group	(6,398)	—	(4,996)	—	1,402	—
Total Equipment & Systems Business	14,236	4.3	18,886	5.4	4,650	32.7
Others	967	10.4	(1,920)	—	(2,887)	—
Total business profit	83,427	10.4	65,668	8.2	(17,759)	(21.3)
Corporate gains and share of net profit of investments accounted for using the equity method	23,083	—	20,075	—	(3,008)	(13.0)
Adjustments and eliminations	(821)	—	(530)	—	291	—
Profit before income taxes	105,689	13.2	85,213	10.7	(20,476)	(19.4)

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

The analysis of Reporting Segment is as follows:

a. Industrial & Automotive Components Group

Sales revenue for the first half increased by 6,345 million yen or 3.9%, to 167,152 million yen, compared with 160,807 million yen in the previous first half. Although sales of automotive parts, such as displays, and fine ceramic parts for semiconductor processing equipment decreased, sales of industrial tools increased as a result of the contribution of sales from SouthernCarlson, Inc., a U.S. based distributor of tools, which became a consolidated subsidiary in June 2019.

Business profit decreased by 12,016 million yen or 56.5%, to 9,234 million yen, compared with 21,250 million yen in the previous first half, due to decreased sales in the industrial machinery and automobile-related markets as well as an increase in depreciation charge. The business profit ratio for the first half was 5.5%.

b. Semiconductor Components Group

Sales revenue for the first half decreased by 4,374 million yen or 3.4%, to 123,095 million yen, compared with 127,469 million yen in the previous first half. Sales of ceramic packages for use in optical communications increased, however, sales of ceramic packages for crystal components and SAW devices decreased caused by economic slowdown in China.

On the other hand, business profit increased by 1,333 million yen or 10.1%, to 14,490 million yen, compared with 13,157 million yen in the previous first half. The organic materials business became profitable due to structural reforms implemented in fiscal 2019. The business profit ratio for the first half improved to 11.8% from 10.3% in the previous first half.

c. Electronic Devices Group

Sales revenue for the first half decreased by 16,252 million yen or 8.8%, to 167,551 million yen, compared with 183,803 million yen in the previous first half. Sales in AVX Corporation, a U.S. subsidiary, decreased due mainly to continued inventory adjustments in the market and lower demand caused by a weaker global economy led by trade friction between the U.S. and China.

Business profit decreased by 8,839 million yen or 26.1%, to 24,978 million yen, compared with 33,817 million yen in the previous first half due mainly to the decrease in sales at AVX Corporation. The business profit ratio for the first half was 14.9%.

d. Communications Group

Sales revenue for the first half increased by 12,106 million yen or 10.5%, to 126,977 million yen, compared with 114,871 million yen in the previous first half. This was due mainly to increased sales of mobile phones for the Japanese market in the telecommunications equipment business.

Business profit increased by 4,343 million yen or 662.0%, to 4,999 million yen, compared with 656 million yen in the previous first half, due to the increase in sales revenue and cost reductions in the telecommunications equipment business. The business profit ratio for the first half improved to 3.9% from 0.6% in the previous first half.

e. Document Solutions Group

Sales revenue for the first half decreased by 885 million yen or 0.5%, to 177,884 million yen, compared with 178,769 million yen in the previous first half. Despite the contribution from M&A conducted in fiscal 2019, sales revenue remained roughly unchanged due to the effect of the yen's appreciation against the Euro.

Business profit decreased by 1,095 million yen or 5.5%, to 18,883 million yen, compared with 19,978 million yen in the previous first half, due mainly to the effect of foreign currency fluctuations. Despite this, a double-digit business profit ratio was maintained on the back of efforts to improve productivity and reduce costs.

f. Life & Environment Group

Sales revenue for the first half increased by 1,315 million yen or 3.2%, to 42,120 million yen, compared with 40,805 million yen in the previous first half, due to increased sales in the medical devices business.

Business loss decreased by 1,402 million yen to 4,996 million yen, compared with the previous first half. The profitability of the solar energy business improved due to structural reforms implemented in fiscal 2019, which more than offset an increase in R&D expenses for storage batteries.

(2) Summary of Cash Flows

(Yen in millions)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019	Change
Cash flows from operating activities	125,952	109,962	(15,990)
Cash flows from investing activities	(99,165)	(99,875)	(710)
Cash flows from financing activities	(63,633)	(67,370)	(3,737)
Effect of exchange rate changes on cash and cash equivalents	10,344	(6,415)	(16,759)
Increase (decrease) in cash and cash equivalents	(26,502)	(63,698)	(37,196)
Cash and cash equivalents at the beginning of the year	424,938	512,814	87,876
Cash and cash equivalents at the end of the period	398,436	449,116	50,680

Cash and cash equivalents at September 30, 2019 decreased by 63,698 million yen, or 12.4%, to 449,116 million yen from 512,814 million yen at March 31, 2019.

a. Cash Flows from Operating Activities

Net cash provided by operating activities for the first half decreased by 15,990 million yen, or 12.7%, to 109,962 million yen from 125,952 million yen for the previous first half. This was due mainly to a decrease in profit for the period.

b. Cash Flows from Investing Activities

Net cash used in investing activities for the first half increased by 710 million yen, or 0.7%, to 99,875 million yen from 99,165 million yen for the previous first half. This was due mainly to an increase in payments for acquisitions of business and a decrease in withdrawal of time deposits, which were mostly offset by decreases in acquisitions of time deposits and purchases of securities.

c. Cash Flows from Financing Activities

Net cash used in financing activities for the first half increased by 3,737 million yen, or 5.9%, to 67,370 million yen from 63,633 million yen for the previous first half. This was due mainly to increases in repayments of borrowings and dividends paid, which exceeded a decrease in the purchase of treasury stock.

(3) Liquidity and Capital Resources

In the short term, Kyocera expects cash demands for funds for capital expenditures, R&D activities, merger and acquisition and payments of dividends to shareholders in addition to working capital of operational activities. Kyocera's primary source of short-term liquidity is cash generated by operations. Borrowings were mainly denominated in the U.S. dollars and Euro, but certain borrowings were denominated in other currencies.

Based on the resolution of the ordinary general meeting of shareholders held on June 25, 2019, Kyocera paid a year-end dividend totaling 28,940 million yen, or 80 yen per share including 60 yen per share of ordinary year-end dividend and 20 yen per share of commemoration dividend, on June 26, 2019, to all shareholders as of March 31, 2019.

In addition, based on the resolution of the meeting of Board of Directors held on October 31, 2019, Kyocera plans to pay an interim dividend totaling 28,995 million yen, or 80 yen per share, on December 5, 2019, to all shareholders as of September 30, 2019.

Since Kyocera has 449,116 million yen in cash and cash equivalents at September 30, 2019, Kyocera does not expect to face any liquidity issue in the foreseeable future. Any future significant deterioration in market demand for Kyocera's products, or a slump in product prices to levels substantially below those projected by Kyocera, could adversely affect Kyocera's financial position and operating results, possibly resulting in reduced liquidity.

(4) Business and Financial Tasks to be Addressed

There were no new business and financial tasks to be addressed during the first half. There were no significant changes from the content in the Annual Report for the year ended March 31, 2019 pursuant to the Financial Instruments and Exchange Act of Japan.

(5) Research and Development Activities

Research and development expenses for the first half increased by 3,327 million yen, or 9.4%, to 38,583 million yen from 35,256 million yen for the previous first half. This increase was due mainly to the establishment of Minatomirai Research Center in Yokohama with the aim of strengthening research and development organization for software and others. There were no significant changes in the status of research and development activities from the Annual Report for the year ended March 31, 2019 pursuant to the Financial Instruments and Exchange Act of Japan.

(6) Summary of Production, Orders and Sales

Orders by Reporting Segment

(Yen in millions)

	For the six months ended September 30, 2018		For the six months ended September 30, 2019		Change
	Amount	%*	Amount	%*	%
Industrial & Automotive Components Group	164,269	20.2	165,753	21.6	0.9
Semiconductor Components Group	128,907	15.9	122,513	15.9	(5.0)
Electronic Devices Group	199,524	24.6	165,532	21.6	(17.0)
Total Components Business	492,700	60.7	453,798	59.1	(7.9)
Communications Group	115,623	14.2	105,621	13.8	(8.7)
Document Solutions Group	178,079	21.9	177,387	23.1	(0.4)
Life & Environment Group	33,107	4.1	38,201	5.0	15.4
Total Equipment & Systems Business	326,809	40.2	321,209	41.9	(1.7)
Others	6,209	0.8	5,390	0.7	(13.2)
Adjustments and eliminations	(13,767)	(1.7)	(12,919)	(1.7)	—
Orders	811,951	100.0	767,478	100.0	(5.5)

* % represents the component ratio.

(Note) Kyocera flexibly produces in accordance with growing demands, customer's request and market changes.

Therefore, results of production are similar to results of sales. Summary of production and sales is correlated to the description on "(1) Summary of Operating Results Results by Reporting Segment."

3. Material Agreements

There were no material contracts relating to Kyocera's operations that were agreed upon or entered into during the three months ended September 30, 2019.

III. Corporate Information

1. Information on Kyocera's Shares and Others

(1) Total Number of Shares and Others

a. Total Number of Shares

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

b. Shares Issued

Class	Number of shares issued as of September 30, 2019 (shares)	Number of shares issued as of the filing date (shares) (November 8, 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, the Amount of Common Stock and Others

Date	Change in the total number of shares issued (shares)	Balance of the total number of shares issued (shares)	Changes in common stock (Yen in millions)	Balance of common stock (Yen in millions)	Changes in additional paid-in capital (Yen in millions)	Balance of additional paid-in capital (Yen in millions)
From July 1, 2019 to September 30, 2019	—	377,618,580	—	115,703	—	192,555

(5) Major Shareholders

As of September 30, 2019

Name	Address	Number of shares held (thousands of shares)	Ownership percentage to the total number of shares issued (Excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	54,448	15.02
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	26,324	7.26
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	One Lincoln Street, Boston Massachusetts 02111 USA (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo)	16,640	4.59
The Bank of Kyoto, Ltd.	700, Yakushimae-cho, Karasuma-dori, Matsubara-Agaru, Shimogyo-ku, Kyoto	14,436	3.98
Kazuo Inamori	Fushimi-ku, Kyoto	10,212	2.82
Inamori Foundation	620 Suiginya-cho, Shimogyo-ku, Kyoto	9,360	2.58
KI Enterprise Co., Ltd.	88, Kankoboko-cho, Shijodori-Muromachi-Higashiiru, Shimogyo-ku, Kyoto	7,099	1.96
Stock Purchase Plan for Kyocera Group Employees	6, Takeda Tobadono-cho, Fushimi-ku, Kyoto	6,371	1.76
Trust & Custody Services Bank, Ltd. (Stock Investment Trust Account)	8-12, Harumi 1-Chome, Chuo-ku, Tokyo	6,127	1.69
Japan Trustee Services Bank, Ltd. (Trust Account 5)	8-11, Harumi 1-Chome, Chuo-ku, Tokyo	5,804	1.60
Total	—	156,821	43.27

(6) Information on Voting Rights**a. Shares Issued**

As of September 30, 2019

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 15,184,400	—	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 362,093,000	3,620,930	Same as above
Shares less than one unit	Common stock 341,180	—	—
Number of shares issued	377,618,580	—	—
Total number of voting rights	—	3,620,930	—

(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, 2019

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 Tobadonocho, Fushimi-ku, Kyoto	15,184,400	—	15,184,400	4.02
Total	—	15,184,400	—	15,184,400	4.02

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	As of March 31, 2019	As of September 30, 2019
Assets			
Current assets			
Cash and cash equivalents		512,814	449,116
Short-term investments	12	99,210	74,703
Trade and other receivables	9	357,352	320,906
Other financial assets	3, 12	9,871	10,185
Inventories		343,880	368,996
Other current assets		34,637	33,135
Total current assets		1,357,764	1,257,041
Non-current assets			
Equity and debt instruments	12	963,651	1,098,865
Investments accounted for using the equity method	14	4,159	3,795
Other financial assets	3, 12	17,869	25,928
Property, plant and equipment		341,855	365,860
Right-of-use assets	3	—	26,334
Goodwill	6	149,499	207,943
Intangible assets	6	80,001	118,023
Deferred tax assets		38,558	39,807
Other non-current assets		15,119	14,702
Total non-current assets		1,610,711	1,901,257
Total assets		2,968,475	3,158,298

The accompanying notes are an integral part of these statements.

(Yen in millions)

	Note	As of March 31, 2019	As of September 30, 2019
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables		186,281	182,249
Lease liabilities	3	—	10,488
Other financial liabilities	12	6,621	6,699
Income tax payables		12,672	13,016
Accrued expenses	9	120,903	120,278
Provisions	14	11,166	10,787
Other current liabilities	9	37,105	32,665
Total current liabilities		374,748	376,182
Non-current liabilities			
Lease liabilities	3	—	25,666
Other financial liabilities	12	7,800	6,440
Retirement benefit liabilities		25,479	25,545
Deferred tax liabilities		174,823	228,084
Provisions	14	7,892	7,923
Other non-current liabilities		15,473	14,567
Total non-current liabilities		231,467	308,225
Total liabilities		606,215	684,407
Equity			
Common stock		115,703	115,703
Capital surplus		165,225	166,685
Retained earnings		1,638,709	1,669,383
Other components of equity		418,643	494,549
Treasury stock	8	(72,361)	(69,261)
Total equity attributable to owners of the parent		2,265,919	2,377,059
Non-controlling interests		96,341	96,832
Total equity		2,362,260	2,473,891
Total liabilities and equity		2,968,475	3,158,298

The accompanying notes are an integral part of these statements.

(2) Condensed Quarterly Consolidated Statement of Profit or Loss

For the six months ended September 30, 2018 and 2019

(Yen in millions except per share amounts)

	Note	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Sales revenue	5, 9	800,638	799,050
Cost of sales	7	571,337	572,416
Gross profit		229,301	226,634
Selling, general and administrative expenses	6, 7	146,700	166,314
Operating profit		82,601	60,320
Finance income	12	21,375	25,381
Finance expenses		406	789
Foreign exchange gains (losses)		329	(1,179)
Share of net profit (loss) of investments accounted for using the equity method		613	520
Other, net		1,177	960
Profit before income taxes	5	105,689	85,213
Income taxes	10	21,581	21,477
Profit for the period		84,108	63,736

Profit attributable to:			
Owners of the parent		78,394	59,614
Non-controlling interests		5,714	4,122
Profit for the period		84,108	63,736

Per share information:	11		
Earnings per share attributable to owners of the parent			
Basic		216.15 yen	164.64 yen
Diluted		216.04 yen	164.58 yen

The accompanying notes are an integral part of these statements.

For the three months ended September 30, 2018 and 2019

(Yen in millions except per share amounts)

	Note	For the three months ended September 30, 2018	For the three months ended September 30, 2019
Sales revenue	5, 9	413,154	414,113
Cost of sales	7	293,103	297,502
Gross profit		120,051	116,611
Selling, general and administrative expenses	6, 7	74,554	78,920
Operating profit		45,497	37,691
Finance income		2,938	2,317
Finance expenses		203	445
Foreign exchange gains (losses)		774	(1,067)
Share of net profit (loss) of investments accounted for using the equity method		246	253
Other, net		949	978
Profit before income taxes	5	50,201	39,727
Income taxes	10	10,894	10,330
Profit for the period		39,307	29,397

Profit attributable to:			
Owners of the parent		36,110	27,577
Non-controlling interests		3,197	1,820
Profit for the period		39,307	29,397

Per share information:	11		
Earnings per share attributable to owners of the parent			
Basic		99.82 yen	76.09 yen
Diluted		99.73 yen	76.07 yen

The accompanying notes are an integral part of these statements.

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income

For the six months ended September 30, 2018 and 2019

(Yen in millions)

	Note	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Profit for the period		84,108	63,736
Other comprehensive income, net of taxation			
Items that will not be reclassified to profit or loss:			
Financial assets measured at fair value through other comprehensive income		101,170	101,231
Re-measurement of defined benefit plans		—	—
Total items that will not be reclassified to profit or loss		101,170	101,231
Items that may be reclassified subsequently to profit or loss:			
Net changes in fair value of cash flow hedge		20	(8)
Exchange differences on translating foreign operations		23,885	(28,304)
Share of other comprehensive income of investments accounted for using the equity method		195	(13)
Total items that may be reclassified subsequently to profit or loss		24,100	(28,325)
Total other comprehensive income		125,270	72,906
Comprehensive income for the period		209,378	136,642
Comprehensive income attributable to:			
Owners of the parent		199,881	135,520
Non-controlling interests		9,497	1,122
Comprehensive income for the period		209,378	136,642

The accompanying notes are an integral part of these statements.

For the three months ended September 30, 2018 and 2019

(Yen in millions)

	Note	For the three months ended September 30, 2018	For the three months ended September 30, 2019
Profit for the period		39,307	29,397
Other comprehensive income, net of taxation			
Items that will not be reclassified to profit or loss:			
Financial assets measured at fair value through other comprehensive income		28,892	18,730
Re-measurement of defined benefit plans		—	—
Total items that will not be reclassified to profit or loss		28,892	18,730
Items that may be reclassified subsequently to profit or loss:			
Net changes in fair value of cash flow hedge		14	13
Exchange differences on translating foreign operations		13,862	(9,582)
Share of other comprehensive income of investments accounted for using the equity method		106	23
Total items that may be reclassified subsequently to profit or loss		13,982	(9,546)
Total other comprehensive income		42,874	9,184
Comprehensive income for the period		82,181	38,581
Comprehensive income attributable to:			
Owners of the parent		77,052	37,584
Non-controlling interests		5,129	997
Comprehensive income for the period		82,181	38,581

The accompanying notes are an integral part of these statements.

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

For the six months ended September 30, 2018

(Yen in millions)

	Note	Total equity attributable to owners of the parent						Non-controlling interests	Total equity
		Common Stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total		
Balance as of April 1, 2018 (Before applying new accounting standard)		115,703	165,079	1,577,641	499,710	(32,342)	2,325,791	87,508	2,413,299
Cumulative effects of new accounting standard applied				2,973	(729)		2,244		2,244
Balance as of April 1, 2018 (After applying new accounting standard)		115,703	165,079	1,580,614	498,981	(32,342)	2,328,035	87,508	2,415,543
Profit for the period				78,394			78,394	5,714	84,108
Other comprehensive income					121,487		121,487	3,783	125,270
Total comprehensive income for the period		—	—	78,394	121,487	—	199,881	9,497	209,378
Cash dividends	8			(22,062)			(22,062)	(1,826)	(23,888)
Purchase of treasury stock						(40,011)	(40,011)		(40,011)
Reissuance of treasury stock			—			—	—		—
Transactions with non-controlling interests and other			(52)		10		(42)	518	476
Balance as of September 30, 2018		115,703	165,027	1,636,946	620,478	(72,353)	2,465,801	95,697	2,561,498

For the six months ended September 30, 2019

(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, 2019		115,703	165,225	1,638,709	418,643	(72,361)	2,265,919	96,341	2,362,260
Profit for the period				59,614			59,614	4,122	63,736
Other comprehensive income					75,906		75,906	(3,000)	72,906
Total comprehensive income for the period		—	—	59,614	75,906	—	135,520	1,122	136,642
Cash dividends	8			(28,940)			(28,940)	(1,773)	(30,713)
Purchase of treasury stock						(12)	(12)		(12)
Reissuance of treasury stock	8		1,700			3,112	4,812		4,812
Transactions with non-controlling interests and other			(240)		0		(240)	1,142	902
Balance as of September 30, 2019		115,703	166,685	1,669,383	494,549	(69,261)	2,377,059	96,832	2,473,891

The accompanying notes are an integral part of these statements.

(5) Condensed Quarterly Consolidated Statement of Cash Flows

(Yen in millions)

	Note	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Cash flows from operating activities:			
Profit for the period		84,108	63,736
Depreciation and amortization		30,484	42,433
Finance expenses (income)		(20,969)	(24,592)
Share of net profit of investments accounted for using the equity method		(613)	(520)
(Gains) losses from sales or disposal of property, plant and equipment		(763)	(3,387)
Income taxes		21,581	21,477
(Increase) decrease in trade and other receivables		37,779	17,975
(Increase) decrease in inventories		(2,042)	(19,867)
(Increase) decrease in other assets		(60)	920
Increase (decrease) in trade and other payables		(11,594)	3,116
Increase (decrease) in income tax payables		(8,968)	(2,253)
Increase (decrease) in other liabilities		2,918	(11,475)
Other, net		(7,853)	369
Subtotal		124,008	87,932
Interests and dividends received		21,571	26,203
Interests paid		(276)	(631)
Income taxes refund (paid)		(19,351)	(3,542)
Net cash provided by operating activities		125,952	109,962
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment		(54,220)	(54,915)
Payments for purchases of intangible assets		(3,374)	(4,301)
Proceeds from sales of property, plant and equipment		2,597	5,677
Acquisitions of business, net of cash acquired	6	(2,495)	(78,358)
Acquisition of time deposits and certificate of deposits		(217,477)	(108,011)
Withdrawal of time deposits and certificate of deposits		192,434	115,753
Payments for purchases of securities		(38,269)	(961)
Proceeds from sales and maturities of securities		22,142	25,232
Other, net		(503)	9
Net cash used in investing activities		(99,165)	(99,875)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings		(356)	(833)
Proceeds from long-term borrowings		2,944	4,037
Repayments of long-term borrowings		(1,252)	(38,276)
Repayments of lease liabilities		—	(6,106)
Dividends paid		(24,632)	(31,522)
Purchase of treasury stock		(40,011)	(12)
Reissuance of treasury stock	8	—	4,744
Other, net		(326)	598
Net cash used in financing activities		(63,633)	(67,370)
Effect of exchange rate changes on cash and cash equivalents		10,344	(6,415)
Increase (decrease) in cash and cash equivalents		(26,502)	(63,698)
Cash and cash equivalents at the beginning of the year		424,938	512,814
Cash and cash equivalents at the end of the period		398,436	449,116

The accompanying notes are an integral part of these statements.

Notes to Condensed Quarterly Consolidated Financial Statements

1. Reporting Entity

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

Condensed quarterly consolidated financial statements as of and for the six months ended September 30, 2019 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 5. Segment Information."

2. Basis of Preparation

(1) Compliance with IFRS

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.

Condensed quarterly consolidated financial statements do not include all the information that required in the annual consolidated financial statements, therefore, condensed quarterly consolidated financial statements should be used with the consolidated financial statements for the year ended March 31, 2019.

(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.

3. Significant Accounting Policies

Significant accounting policies applied in the condensed quarterly consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended March 31, 2019 except for the following.

For the six months ended September 30, 2019, income tax expenses are accrued using the tax rate calculated based on the estimated average annual effective income tax rate.

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

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

(1) Lease as a Lessee

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

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

(2) Lease as a Lessor

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

a. Finance Leases

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

b. Operating Leases

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

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

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

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

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

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

(Yen in millions)

	Amount
Non-cancellable operating lease agreements as of March 31, 2019	19,125
Non-cancellable operating lease agreements (Discounted using incremental borrowing rate)	18,593
Finance lease obligations (As of March 31, 2019)	3,173
Short-term leases	(439)
Leases for which the underlying asset is of low value	(986)
Cancellable operating lease agreements	15,747
Others	180
Lease liabilities as of April 1, 2019	36,268

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 consolidated financial statements for the year ended March 31, 2019.

5. 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 segment are reclassified taking similarity of target market into consideration.

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, Communication Modules (Telematics, IoT) 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 (losses) and share of net profit (loss) of investments accounted for using the equity method and income taxes. Corporate gains (losses) includes income and expenses which do not belong to any reporting segments and mainly consists of finance income and expenses.

Information by reporting segment

The segment information for the six months ended September 30, 2018 and 2019 are as follows:

Sales revenue

(Yen in millions)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Industrial & Automotive Components Group	160,807	167,152
Semiconductor Components Group	127,469	123,095
Electronic Devices Group	183,803	167,551
Communications Group	114,871	126,977
Document Solutions Group	178,769	177,884
Life & Environment Group	40,805	42,120
Other	9,332	7,801
Adjustments and eliminations	(15,218)	(13,530)
Total	800,638	799,050

Profit (loss) before income taxes

(Yen in millions)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Industrial & Automotive Components Group	21,250	9,234
Semiconductor Components Group	13,157	14,490
Electronic Devices Group	33,817	24,978
Communications Group	656	4,999
Document Solutions Group	19,978	18,883
Life & Environment Group	(6,398)	(4,996)
Other	967	(1,920)
Total business profit (loss)	83,427	65,668
Corporate gains and share of net profit of investments accounted for using the equity method	23,083	20,075
Adjustments and eliminations	(821)	(530)
Total	105,689	85,213

Depreciation and amortization charge

(Yen in millions)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Industrial & Automotive Components Group	6,303	10,516
Semiconductor Components Group	4,743	4,433
Electronic Devices Group	8,793	11,113
Communications Group	2,644	3,661
Document Solutions Group	4,758	7,191
Life & Environment Group	1,517	2,302
Other	652	1,534
Corporate	1,074	1,683
Total	30,484	42,433

From the three months ended June 30, 2019, depreciation and amortization charge includes the depreciation charge of right-of-use assets.

Capital expenditures (for property, plant and equipment)

(Yen in millions)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Industrial & Automotive Components Group	17,332	11,378
Semiconductor Components Group	8,503	5,744
Electronic Devices Group	17,312	18,660
Communications Group	2,727	2,000
Document Solutions Group	4,576	3,763
Life & Environment Group	2,142	3,243
Other	414	2,241
Corporate	4,015	9,154
Total	57,021	56,183

The segment information for the three months ended September 30, 2018 and 2019 are as follows:

Sales revenue

(Yen in millions)

	For the three months ended September 30, 2018	For the three months ended September 30, 2019
Industrial & Automotive Components Group	78,851	87,822
Semiconductor Components Group	66,820	65,122
Electronic Devices Group	95,519	84,348
Communications Group	63,261	64,755
Document Solutions Group	89,973	90,754
Life & Environment Group	22,113	24,327
Other	4,400	3,691
Adjustments and eliminations	(7,783)	(6,706)
Total	413,154	414,113

Profit before income taxes

(Yen in millions)

	For the three months ended September 30, 2018	For the three months ended September 30, 2019
Industrial & Automotive Components Group	10,834	4,436
Semiconductor Components Group	7,311	9,408
Electronic Devices Group	19,420	11,560
Communications Group	2,897	2,986
Document Solutions Group	9,630	9,917
Life & Environment Group	(3,383)	(2,406)
Other	350	(1,010)
Total business profit	47,059	34,891
Corporate gains and share of net profit of investments accounted for using the equity method	3,618	5,137
Adjustments and eliminations	(476)	(301)
Total	50,201	39,727

Depreciation and amortization

(Yen in millions)

	For the three months ended September 30, 2018	For the three months ended September 30, 2019
Industrial & Automotive Components Group	3,356	5,580
Semiconductor Components Group	2,434	2,272
Electronic Devices Group	4,623	5,593
Communications Group	1,312	1,875
Document Solutions Group	2,336	3,462
Life & Environment Group	769	1,148
Other	329	917
Corporate	525	693
Total	15,684	21,540

From the three months ended June 30, 2019, depreciation and amortization charge includes the depreciation charge of right-of-use assets.

Capital expenditures

(Yen in millions)

	For the three months ended September 30, 2018	For the three months ended September 30, 2019
Industrial & Automotive Components Group	8,440	6,183
Semiconductor Components Group	3,854	3,560
Electronic Devices Group	8,459	8,988
Communications Group	1,098	1,086
Document Solutions Group	1,827	2,104
Life & Environment Group	1,595	1,451
Other	165	1,220
Corporate	1,733	5,770
Total	27,171	30,362

Information by geographic segments

The segment information for the six months ended September 30, 2018 and 2019 are as follows:

Sales revenue

(Yen in millions)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Japan	287,885	298,104
Asia	196,820	180,241
Europe	160,836	151,915
United States of America	123,658	138,931
Others	31,439	29,859
Total	800,638	799,050

There are no individually material countries with respect to revenue from external customers in Asia, Europe and Others for the six months ended September 30, 2018 and 2019.

The segment information for the three months ended September 30, 2018 and 2019 are as follows:

Sales revenue

(Yen in millions)

	For the three months ended September 30, 2018	For the three months ended September 30, 2019
Japan	150,921	154,751
Asia	103,938	93,964
Europe	78,491	75,204
United States of America	63,664	75,288
Others	16,140	14,906
Total	413,154	414,113

There are no individually material countries with respect to revenue from external customers in Asia, Europe and Others for the three months ended September 30, 2018 and 2019.

6. Business Combination

On March 1, 2019, Kyocera International, Inc., a U.S. based subsidiary, acquired major assets of orthopedic implants business from Renovis Surgical Technologies, Inc., a U.S. based company, for 10,385 million yen in cash in order to expand its medical equipment business in the U.S. Kyocera International, Inc. established a new company, Kyocera Medical Technologies, Inc. on January 18, 2019, and the assets were transferred to this new company on March 1, 2019.

The fair values of the assets acquired and the liabilities assumed, as of March 31, 2019, were provisional and subject to change. Kyocera performed additional analysis and further facts came to light for the three months ended September 30, 2019. Accordingly, the provisional fair values for certain assets acquired and the liabilities assumed, as of September 30, 2019, were adjusted as follows:

However, the allocation of purchase price is provisionally calculated based on information available at this time, and the amounts are subject to change following an additional information relating to facts and circumstances that existed at the date of acquisition.

Fair value of assets acquired and liabilities assumed as of the acquisition date (Yen in millions)

	Initial provisional fair value	Adjustments	Provisional fair value after adjustments
Assets:			
Inventories	2,536	54	2,590
Other current assets	3	—	3
Total current assets	2,539	54	2,593
Property, plant and equipment	723	—	723
Intangible assets	2,239	595	2,834
Other non-current assets	4	—	4
Total non-current assets	2,966	595	3,561
Total	5,505	649	6,154
Liabilities:			
Accrued expenses	211	—	211
Total current liabilities	211	—	211
Total	211	—	211
Total identified assets and liabilities at fair value (net amount)	5,294	649	5,943
Purchase price (cash)	10,385	—	10,385
Goodwill *	5,091	(649)	4,442

* The amount of goodwill is expected to be deductible for tax purposes.

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

(Yen in millions)

	Initial provisional fair value	Adjustments	Provisional fair value after adjustments
Intangible assets subject to amortization:			
Patents	2,239	17	2,256
Others	—	578	578
Total	2,239	595	2,834

On March 1, 2019, Kyocera Senco Industrial Tools, Inc., a U.S. based subsidiary, acquired 100% of the common stock of Van Aerden Group BV, a European pneumatic tool manufacturing and sales company, for 5,300 million yen in cash, made it consolidated subsidiary and changed its name as Kyocera Aerfast Europe BV in order to strengthen Kyocera's pneumatic tool business in Europe.

The fair values of the assets acquired and the liabilities assumed, as of March 31, 2019, were provisional and subject to change. Kyocera performed additional analysis and further facts came to light for the three months ended September 30, 2019. Accordingly, the provisional fair values for certain assets acquired and the liabilities assumed, as of September 30, 2019, were adjusted as follows:

However, the allocation of purchase price is provisionally calculated based on information available at this time, and the amounts are subject to change following an additional information relating to facts and circumstances that existed at the date of acquisition.

Fair value of assets acquired and liabilities assumed as of the acquisition date (Yen in millions)

	Initial provisional fair value	Adjustments	Provisional fair value after adjustments
Assets:			
Cash and cash equivalents	1,295	42	1,337
Trade and other receivables	1,513	(305)	1,208
Inventories	2,008	100	2,108
Other current assets	56	(34)	22
Total current assets	4,872	(197)	4,675
Property, plant and equipment	1,020	(18)	1,002
Intangible assets	584	—	584
Other non-current assets	101	—	101
Total non-current assets	1,705	(18)	1,687
Total	6,577	(215)	6,362
Liabilities:			
Trade and other payables	943	(147)	796
Other financial liabilities	118	22	140
Income tax payables	167	(23)	144
Accrued expenses	228	(6)	222
Other current liabilities	66	(61)	5
Total current liabilities	1,522	(215)	1,307
Other financial liabilities	403	—	403
Deferred tax liabilities	252	—	252
Other non-current liabilities	228	—	228
Total non-current liabilities	883	—	883
Total	2,405	(215)	2,190
Total identified assets and liabilities at fair value (net amount)	4,172	—	4,172
Purchase price (cash)	5,300	—	5,300
Goodwill *	1,128	—	1,128

* The 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)

	Initial provisional fair value	Adjustments	Provisional fair value after adjustments
Intangible assets subject to amortization:			
Customer relationships	501	—	501
Trademarks	83	—	83
Total	584	—	584

On April 12, 2019, Kyocera Fineceramics GmbH, a Germany based subsidiary, acquired all of the common stocks of H.C. Starck Ceramics GmbH, which operates ceramics business, for 12,914 million yen in order to expand the Fine Ceramics business in Europe, and made it consolidated subsidiary and changed its name to Kyocera Fineceramics Precision GmbH.

Kyocera has used the acquisition method of accounting to record assets acquired and liabilities assumed, and the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. By making consolidated subsidiary, Kyocera is expecting to acquire the fine ceramic manufacturing assets in Europe, production line up, and to further expand its fine ceramic business. Factors that contributed to the recognition of goodwill include those expected synergies and the trained workforce.

As of September 30, 2019, the allocation of the purchase price is shown in the following table. However, the allocation of purchase price is provisionally calculated based on information available at this time, and the amounts are subject to change following an additional information relating to facts and circumstances that existed at the date of acquisition.

Fair value of assets acquired and liabilities assumed as of the acquisition date (Yen in millions)

	Provisional fair value
Assets:	
Trade and other receivables	542
Inventories	1,405
Other current assets	59
Total current assets	2,006
Property, plant and equipment	3,630
Intangible assets	8,570
Other non-current assets	18
Total non-current assets	12,218
Total	14,224
Liabilities:	
Trade and other payables	443
Other financial liabilities	714
Other current liabilities	1,188
Total current liabilities	2,345
Retirement benefit liabilities	1,421
Deferred tax liabilities	2,278
Total non-current liabilities	3,699
Total	6,044
Total identified assets and liabilities at fair value (net amount)	8,180
Purchase price (cash)	12,914
Goodwill *	4,734

* The 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)

	Provisional fair value
Intangible assets subject to amortization:	
Customer relationships	7,635
Non-patent technology	674
Others	261
Total	8,570

Acquisition-related costs of 246 million yen were included in selling, general and administrative expenses in the condensed quarterly consolidated statement of profit or loss. The result of operation of the acquired business is included into Kyocera's condensed quarterly consolidated financial statements since the acquisition date. For segment reporting, it is reported in Industrial & Automotive Components Group.

The information on sales revenue and profit for the period of this business combination, as though the acquisition date had been as of the beginning of the annual reporting period, was immaterial.

On April 25, 2019, Kyocera Corporation entered into a stock purchase agreement to acquire all of the common stocks from the shareholders of Fastener Topco, Inc., the holding company of SouthernCarlson, Inc., a U.S. based distributor of pneumatic power tool in order to expand the pneumatic power tool business in the U.S. On June 3, 2019, Kyocera Corporation acquired all of the common stocks of Fastener Topco, Inc. by cash, and made it consolidated subsidiary and changed its name to Kyocera Industrial Tools, Inc. Based on this stock purchase agreement, Kyocera paid 88,732 million yen in cash, which is the total of 48,176 million yen for acquisition consideration and repayment of Fastener Topco, Inc's borrowings of 40,556 million yen. The purchase price is provisionally calculated and the amount is subject to change reflecting the adjustment of working capital based on the stock purchase agreement.

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. By making consolidated subsidiary, Kyocera is expecting to acquire sales channel and service bases, in U.S. for pneumatic power tool and its related business, and to expand pneumatic power tool business. Factors that contributed to the recognition of goodwill include expected synergies and the trained workforce.

As of September 30, 2019, the allocation of the purchase price is shown in the following table. However, the allocation of purchase price is provisionally calculated based on information available at this time, and the amounts are subject to change following an additional information relating to facts and circumstances that existed at the date of acquisition.

Fair value of assets acquired and liabilities assumed as of the acquisition date (Yen in millions)

	Provisional fair value
Assets:	
Cash and cash equivalents	144
Trade and other receivables	6,977
Inventories	11,413
Other current assets	171
Total current assets	18,705
Property, plant and equipment	1,274
Intangible assets	29,360
Other non-current assets	728
Total non-current assets	31,362
Total	50,067
Liabilities:	
Trade and other payables	5,852
Other financial liabilities	434
Accrued expenses	4,824
Total current liabilities	11,110
Other financial liabilities	35,794
Deferred tax liabilities	5,824
Other non-current liabilities	243
Total non-current liabilities	41,861
Total	52,971
Total identified assets and liabilities at fair value (net amount)	(2,904)
Purchase price (Cash)	48,176
Goodwill*	51,080

* The 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)

	Provisional fair value
Intangible assets subject to amortization :	
Customer relationships	28,818
Trademarks	542
Total	29,360

Acquisition-related costs of 1,184 million yen is included in selling, general and administrative expenses in the condensed quarterly consolidated statement of profit or loss. The result of operation of the acquired business is included into Kyocera's condensed quarterly consolidated financial statements since the acquisition date. For segment reporting, it is reported in the Industrial & Automotive Components Group.

The information on sales revenue and profit for the period of this business combination, as though the acquisition date had been as of the beginning of the annual reporting period, was immaterial.

On September 2, 2019, Kyocera Fineceramics GmbH, a Germany based subsidiary, acquired the ceramics business from Friatec GmbH, a European company, for 13,073 million yen to expand its fine ceramics business in Europe. Kyocera Fineceramics GmbH established a new company, Kyocera Fineceramics (Mannheim) GmbH on January 7, 2019, and the fine ceramics business was transferred to this new company on September 2, 2019, and changed its name to Kyocera Fineceramics Solutions GmbH.

Kyocera has used the acquisition method of accounting to record assets acquired and liabilities assumed, and the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. By making consolidated subsidiary, Kyocera will be able to offer customers comprehensive service through local production and sales in Europe, and to further expand its fine ceramic business. Factors that contributed to the recognition of goodwill include those expected synergies and the trained workforce.

As of September 30, 2019, the allocation of the purchase price is shown in the following table. However, the allocation of purchase price is provisionally calculated based on information available at this time, and the amounts are subject to change following an additional information relating to facts and circumstances that existed at the date of acquisition.

Fair value of assets acquired and liabilities assumed as of the acquisition date (Yen in millions)

	Provisional fair value
Assets:	
Inventories	1,858
Total current assets	1,858
Property, plant and equipment	2,753
Right-of-use assets	28
Intangible assets	4,602
Total non-current assets	7,383
Total	9,241
Liabilities:	
Accrued expenses	336
Provisions	22
Total current liabilities	358
Lease liabilities	23
Retirement benefit liabilities	103
Total non-current liabilities	126
Total	484
Total identified assets and liabilities at fair value (net amount)	8,757
Purchase price (cash)	13,073
Goodwill *	4,316

* The amount of goodwill is expected to be deductible for tax purposes.

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

(Yen in millions)

	Provisional fair value
Intangible assets subject to amortization:	
Customer relationships	3,085
Non-patent technology	1,115
Trademarks	367
Others	35
Total	4,602

Acquisition-related costs of 452 million yen were included in selling, general and administrative expenses in the condensed quarterly consolidated statement of profit or loss. The result of operation of the acquired business is included into Kyocera's condensed quarterly consolidated financial statements since the acquisition date. For segment reporting, it is reported in Industrial & Automotive Components Group.

The information on sales revenue and profit for the period of this business combination, as though the acquisition date had been as of the beginning of the annual reporting period, was immaterial.

Kyocera performed several other business combinations during the six months ended September 30, 2019. These business combinations do not have a material impact on Kyocera's financial position, operation results and cash flows.

7. Employee Benefits

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

Domestic (Yen in millions)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Service cost	6,024	6,064
Net interest cost	(36)	(19)
Total	5,988	6,045

Foreign (Yen in millions)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Service cost	381	370
Net interest cost	142	154
Total	523	524

Domestic (Yen in millions)

	For the three months ended September 30, 2018	For the three months ended September 30, 2019
Service cost	3,012	3,032
Net interest cost	(18)	(9)
Total	2,994	3,023

Foreign (Yen in millions)

	For the three months ended September 30, 2018	For the three months ended September 30, 2019
Service cost	192	182
Net interest cost	71	76
Total	263	258

8. Equity and Other Equity

(1) Dividends

a. Dividends Paid

For the six months ended September 30, 2018

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

For the six months ended September 30, 2019

	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 25, 2019	Common stock	28,940	80	March 31, 2019	June 26, 2019	Retained earnings

(Note) Dividends per share for the six months ended September 30, 2019 includes 60th commemoration dividends of 20.00 yen.

b. Dividends for which the Record Date Fall in the Six Months Ended September 30, 2018 and 2019 with an Effective Date in the Subsequent Period

For the six months ended September 30, 2018

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

For the six months ended September 30, 2019

	Class of shares	Total amount of dividends (Yen in millions)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
The resolution of the Board of Directors Meeting held on October 31, 2019	Common stock	28,995	80	September 30, 2019	December 5, 2019	Retained earnings

(2) Disposal of Treasury Stock

a. Disposal of Treasury Stock Through Third-party Allotment to Employees Shareholding Association

Kyocera resolved at meetings of its Board of Directors held on March 29, 2019 and June 25, 2019, to dispose of treasury stocks through the third-party allotment to Employees Shareholding Association and it granted common stocks to the employees who participate in the association on July 11, 2019. Its summary is as follows:

Class and number of shares to be disposed of	Common stock 672,600
Disposal price	7,053 yen per share
Total amount to be paid	4,743,847,800 yen
Disposal method	Third-party allotment
Subscriber	Stock Purchase Plan for Kyocera Group Employees

b. Disposal of Treasury Stock for Restricted Stock Compensation

Kyocera resolved at a meeting of its Board of Directors held on June 25, 2019, to dispose of treasury stocks as the restricted stock compensation to the Directors of Kyocera, excluding Outside Directors, and Executive Officers (hereinafter, "Eligible Officers"), and it allotted the restricted stock compensation and disposed of treasury stocks on July 25, 2019. Its summary is as follows:

Class and number of shares to be disposed of	Common stock 9,552
Disposal price	7,053 yen per share
Total amount to be paid	67,370,256 yen
Allottees and number thereof, and number of shares to be disposed of	11 Directors (excluding Outside Directors) 6,942 shares 17 Executive Officers 2,610 shares

Treasury stock decreased by 3,111 million yen as the result of this disposal of treasury stock.

9. Sales Revenue

(1) Breakdown of Revenue

Regarding to the breakdown of revenue, please refer to "Note 5. Segment Information."

Revenues recognized in accordance with IFRS 15 "Revenue from contracts with customers" as well as revenues from leases recognized in accordance with IFRS 16 are included in "Sales revenue."

(2) Contract Balance

The following table shows the components of receivables from contracts with customers, contract assets and contract liabilities. 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.

(Yen in millions)

	As of March 31, 2019	As of September 30, 2019
Receivables from contracts with customers	314,829	287,976
Contract assets	8,586	13,618
Contract liabilities	36,148	29,727

10. Income Taxes

The effective tax rates for the six months and the three months ended September 30, 2019 increased to 25.2% and 26.0% respectively, compared with the tax rates 20.4% and 21.7% for the six months and the three months ended September 30, 2018.

This increase was due mainly to that 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 resolved to merge with Kyocera Display Corporation which is a wholly-owned subsidiary of Kyocera Corporation at a meeting of its Board of Directors held for the six months ended September 30, 2018.

11. Earnings Per Share

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

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Profit attributable to owners of the parent (Yen in millions)	78,394	59,614
Adjustment related to dilutive potential stocks of consolidated subsidiaries (Yen in millions)	(43)	(21)
Diluted profit attributable to owners of the parent (Yen in millions)	78,351	59,593
Weighted average shares (Thousands of shares)	362,677	362,094
Earnings per share attributable to owners of the parent:		
- Basic (Yen)	216.15	164.64
- Diluted (Yen)	216.04	164.58

	For the three months ended September 30, 2018	For the three months ended September 30, 2019
Profit attributable to owners of the parent (Yen in millions)	36,110	27,577
Adjustment related to dilutive potential stocks of consolidated subsidiaries (Yen in millions)	(32)	(5)
Diluted profit attributable to owners of the parent (Yen in millions)	36,078	27,572
Weighted average shares (Thousands of shares)	361,755	362,434
Earnings per share attributable to owners of the parent:		
- Basic (Yen)	99.82	76.09
- Diluted (Yen)	99.73	76.07

12. 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.

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

(Yen in millions)

	As of March 31, 2019		As of September 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Short-term investments (including short-term instruments in debt securities)	99,097	99,142	74,684	74,774
Long-term instruments in debt securities	53,842	53,792	43,482	43,544
Other financial assets (excluding derivatives)	25,255	25,255	33,745	33,745
Total	178,194	178,189	151,911	152,063
Liabilities:				
Other financial liabilities (excluding derivatives)	13,033	13,033	11,283	11,283
Total	13,033	13,033	11,283	11,283

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)

	As of March 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Equity and debt instruments				
Financial assets measured at fair value through other comprehensive income	875,168	–	32,966	908,134
Financial assets measured at fair value through profit or loss	–	–	1,788	1,788
Derivatives	–	2,485	–	2,485
Total	875,168	2,485	34,754	912,407
Liabilities:				
Derivatives	–	1,388	–	1,388
Total	–	1,388	–	1,388

(Yen in millions)

	As of September 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Equity and debt instruments				
Financial assets measured at fair value through other comprehensive income	1,018,598	–	34,635	1,053,233
Financial assets measured at fair value through profit or loss	–	–	2,169	2,169
Derivatives	–	2,368	–	2,368
Total	1,018,598	2,368	36,804	1,057,770
Liabilities:				
Derivatives	–	1,856	–	1,856
Total	–	1,856	–	1,856

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 measured by discounting the value calculated using forward exchange rates current on the date of consolidated financial statements to the present value.

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, 2019 and for the six months ended September 30, 2019.

For financial instruments classified Level 3, there were no significant changes for the six months ended September 30, 2019.

Kyocera received dividends from KDDI Corporation, and recognized as “Finance income” in the condensed quarterly consolidated statement of profit or loss for the six months ended September 30, 2018 and 2019. The amounts of dividends are as follows:

(Yen in millions)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Dividends from KDDI Corporation	15,079	18,430

13. Commitments

Acquisition of property, plant and equipment

Commitments for acquisition of property, plant and equipment after the closing date was 42,658 million yen at March 31, 2019 and 39,887 million yen at September 30, 2019, respectively.

14. Contingency

(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 14,677 million yen at September 30, 2019.

The investment was accounted for using the equity method, and its book value was 2,049 million yen at March 31, 2019 and 1,931 million yen at September 30, 2019, respectively.

(2) Patent Lawsuits

On April 25, 2013, AVX Corporation 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 4,050 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 2,387 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 year ended in March 31, 2019. During the year ended March 31, 2019 AVX Corporation made a payment of 2,387 million yen (22.1 million dollars) to an escrow account. Additionally, during the three months ended September 30, 2019, AVX Corporation made a payment of 605 million yen (5.6 million dollars), representing pre-judgement interest, to an escrow account. However, the matter is now on appeal which could result in a material impact to the accrual for this case in the future.

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.

(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.

15. Subsequent Events

Not applicable.

16. Approval of Condensed Quarterly Consolidated Financial Statements

The condensed quarterly consolidated financial statements have been approved by Hideo Tanimoto, President and Representative Director, and Shoichi Aoki, Director, Managing Executive Officer and General Manager of Corporate Management Control Group, on November 8, 2019.

2. Others

(1) Interim Dividend

For detailed information about interim dividend, please refer to “Note 8. Equity and Other Equity (1) Dividends.”

(2) Lawsuits

For detailed information about lawsuits, please refer to “Note 14. Contingency (2) Patent Lawsuits.”

Part II. Information on Kyocera

Not Applicable