Quarterly Report

(English summary with full translation of consolidated financial information)

(The First Quarter of 66th Business Term)

From April 1, 2019 to June 30, 2019

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 unless otherwise stated)

	For the three months ended June 30, 2018	For the three months ended June 30, 2019	For the year ended March 31, 2019
Sales revenue	387,484	384,937	1,623,710
Profit before income taxes	55,488	45,486	140,610
Profit attributable to owners of the parent	42,284	32,037	103,210
Comprehensive income attributable to owners of the parent	122,829	97,936	21,514
Equity attributable to owners of the parent	2,388,680	2,334,659	2,265,919
Total assets	3,210,051	3,104,854	2,968,475
Earnings per share attributable to owners of the parent - Basic (Yen)	116.29	88.56	284.94
Earnings per share attributable to owners of the parent - Diluted (Yen)	116.26	88.51	284.70
Ratio of equity attributable to owners of the parent to total assets (%)	74.4	75.2	76.3
Cash flows from operating activities	70,347	54,771	220,025
Cash flows from investing activities	(6,262)	(77,822)	(47,121)
Cash flows from financing activities	(61,490)	(66,647)	(89,056)
Cash and cash equivalents at the end of the period	433,047	418,572	512,814

(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 three months ended June 30, 2019 (hereinafter, “the first quarter”). 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 three months ended June 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 three months ended June 30, 2018		For the three months ended June 30, 2019		Change	
	Amount	%*	Amount	%*	Amount	%
Sales revenue	387,484	100.0	384,937	100.0	(2,547)	(0.7)
Operating profit	37,104	9.6	22,629	5.9	(14,475)	(39.0)
Profit before income taxes	55,488	14.3	45,486	11.8	(10,002)	(18.0)
Profit attributable to owners of the parent	42,284	10.9	32,037	8.3	(10,247)	(24.2)
Average U.S. dollar exchange rate (yen)	109	－	110	－	－	－
Average Euro exchange rate (yen)	130	－	123	－	－	－

* % represents the percentage to sales revenue.

Sales revenue in the Equipment & Systems Business increased as a result of higher sales of mobile phones in the Japanese market, while sales revenue in the Components Business decreased due to sluggish growth mainly in the smartphone and semiconductor-related markets and increasing uncertainty toward the future caused by trade friction between the United States and China.
As a result, sales revenue for the first quarter decreased by 2,547 million yen, or 0.7%, to 384,937 million yen, compared with the three months ended June 30, 2018 (hereinafter, "the previous first quarter").
Profits decreased as compared with the previous three months, due to the impact of the decline in sales revenue in the Components Business, an increase in depreciation charge and research and development expenses as well as the recording of approximately 5,364 million yen in costs incurred for celebrations of the Company's 60th anniversary (please refer to "Ⅳ. Condensed Quarterly Consolidated Financial Statements and Other Information 1. Condensed Quarterly Consolidated Financial Statements Notes to Condensed Quarterly Consolidated Financial Statements 15. Subsequent Events" for the detail), despite growth in profit in the Equipment & Systems Business due to increased sales and improved profitability in the Communications Group.
For these reason, operating profit decreased by 14,475 million yen, or 39.0%, to 22,629 million yen, profit before income taxes decreased by 10,002 million yen, or 18.0%, to 45,486 million yen, and profit attributable to owners of the parent decreased by 10,247 million yen, or 24.2%, to 32,037 million yen, compared with the previous three months.
Average exchange rates for the three months were 110 yen to the U.S. dollar, marking depreciation of 1 yen (0.9%), and 123 yen to the Euro, marking appreciation of 7 yen (5.4%), compared with the previous three months.
As a result, sales revenue and profit before income taxes after translation into yen for the three months were pushed down by approximately 4.5 billion yen and approximately 2 billion yen, respectively, compared with the previous three months.

Results by Reporting Segment

Sales Revenue by Reporting Segment (Yen in millions)

	For the three months ended June 30, 2018		For the three months ended June 30, 2019		Change	
	Amount	%*	Amount	%*	Amount	%
Industrial & Automotive Components Group	81,956	21.1	79,330	20.6	(2,626)	(3.2)
Semiconductor Components Group	60,649	15.7	57,973	15.1	(2,676)	(4.4)
Electronic Devices Group	88,284	22.8	83,203	21.6	(5,081)	(5.8)
Total Components Business	230,889	59.6	220,506	57.3	(10,383)	(4.5)
Communications Group	51,610	13.3	62,222	16.2	10,612	20.6
Document Solutions Group	88,796	22.9	87,130	22.6	(1,666)	(1.9)
Life & Environment Group	18,692	4.8	17,793	4.6	(899)	(4.8)
Total Equipment & Systems Business	159,098	41.0	167,145	43.4	8,047	5.1
Others	4,932	1.3	4,110	1.1	(822)	(16.7)
Adjustments and eliminations	(7,435)	(1.9)	(6,824)	(1.8)	611	−
Sales revenue	387,484	100.0	384,937	100.0	(2,547)	(0.7)

* % represents the component ratio.

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

	For the three months ended June 30, 2018		For the three months ended June 30, 2019		Change	
	Amount	%*	Amount	%*	Amount	%
Industrial & Automotive Components Group	10,416	12.7	4,798	6.0	(5,618)	(53.9)
Semiconductor Components Group	5,846	9.6	5,082	8.8	(764)	(13.1)
Electronic Devices Group	14,397	16.3	13,418	16.1	(979)	(6.8)
Total Components Business	30,659	13.3	23,298	10.6	(7,361)	(24.0)
Communications Group	(2,241)	−	2,013	3.2	4,254	−
Document Solutions Group	10,348	11.7	8,966	10.3	(1,382)	(13.4)
Life & Environment Group	(3,015)	−	(2,590)	−	425	−
Total Equipment & Systems Business	5,092	3.2	8,389	5.0	3,297	64.7
Others	617	12.5	(910)	−	(1,527)	−
Total business profit	36,368	9.4	30,777	8.0	(5,591)	(15.4)
Corporate gains and share of net profit of investments accounted for using the equity method	19,465	−	14,938	−	(4,527)	(23.3)
Adjustments and eliminations	(345)	−	(229)	−	116	−
Profit before income taxes	55,488	14.3	45,486	11.8	(10,002)	(18.0)

* % 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 for the first quarter decreased by 2,626 million yen, or 3.2%, to 79,330 million yen compared with 81,956 million yen for the previous first quarter. Sales of industrial tools increased as a result of the contribution from merger and acquisition activities closed for the first quarter, while sales of other products, such as automotive displays and fine ceramic parts for semiconductor processing equipment decreased.
Business profit decreased by 5,618 million yen, or 53.9%, to 4,798 million yen compared with 10,416 million yen for the previous first quarter due to the impact of the decline in sales revenue coupled with an increase in depreciation charge. The business profit ratio for the first quarter was 6.0%.

b. Semiconductor Components Group

Sales revenue in this reporting segment for the first quarter decreased by 2,676 million yen, or 4.4%, to 57,973 million yen compared with 60,649 million yen for the first quarter. This was due mainly to a decline in sales of ceramic packages for smartphones.
Business profit decreased due to a decline in sales revenue in the ceramic materials business, even though profitability improved in the organic materials business due to a cost reduction as a result of structural reforms conducted in the year ended March 31, 2019 ("the previous fiscal year"). As a result, business profit for the first quarter decreased by 764 million yen, or 13.1%, to 5,082 million yen compared with 5,846 million yen for the previous first quarter. The business profit ratio for the first quarter was 8.8%.

c. Electronic Devices Group

Sales revenue in this reporting segment for the first quarter decreased by 5,081 million yen, or 5.8%, to 83,203 million yen compared with 88,284 million yen for the previous first quarter. Sales in AVX Corporation ("AVX"), a U.S. subsidiary, decreased due to lower demand caused by higher than normal inventory levels in the sales channel, particularly on commodity products, and trade friction between the U.S. and China.
Business profit decreased by 979 million yen, or 6.8%, to 13,418 million yen compared with 14,397 million yen for the previous first quarter due mainly to a decrease in sales revenue at AVX. Despite this, the business profit ratio remained roughly the same as the 16.3% recorded for the previous first quarter, with a result of 16.1% due primarily to cost reduction efforts.

d. Communications Group

Sales revenue in this reporting segment for the first quarter increased by 10,612 million yen, or 20.6%, to 62,222 million yen compared with 51,610 million yen for the previous first quarter. This was due mainly to increased sales of mobile phones for the Japanese market in the telecommunication business.
Business profit improved by 4,254 million yen to 2,013 million yen compared with a loss for the previous first quarter due to the increase in sales revenue and cost reductions. The business profit ratio for the first quarter was 3.2%.

e. Document Solutions Group

Sales revenue in this reporting segment for the first quarter decreased by 1,666 million yen, or 1.9%, to 87,130 million yen compared with 88,796 million yen for the previous first quarter due mainly to the effect of currency fluctuation.

Business profit decreased by 1,382 million yen, or 13.4%, to 8,966 million yen compared with 10,348 million yen for the previous first quarter also due mainly to the effect of currency fluctuation. Despite this, a double-digit business profit ratio was maintained on the back of efforts to enhance productivity and cost reductions.

f. Life & Environment Group

Sales revenue in this reporting segment for the first quarter decreased by 899 million yen, or 4.8%, to 17,793 million yen compared with 18,692 million yen for the previous first quarter.

Business loss, however, decreased by 425 million yen to 2,590 million. This was due to continued efforts to reduce costs in the solar energy business by means of structural reforms conducted through the previous fiscal year, which more than offset the decrease in sales in this business.

(2) Summary of Cash Flows

(Yen in millions)

	For the three months ended June 30, 2018	For the three months ended June 30, 2019	Change
Cash flows from operating activities	70,347	54,771	(15,576)
Cash flows from investing activities	(6,262)	(77,822)	(71,560)
Cash flows from financing activities	(61,490)	(66,647)	(5,157)
Effect of exchange rate changes on cash and cash equivalents	5,514	(4,544)	(10,058)
Increase (decrease) in cash and cash equivalents	8,109	(94,242)	(102,351)
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	433,047	418,572	(14,475)

Cash and cash equivalents at June 30, 2019 decreased by 94,242 million yen, or 18.4%, to 418,572 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 quarter decreased by 15,576 million yen, or 22.1%, to 54,771 million yen from 70,347 million yen for the previous first quarter. 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 quarter increased by 71,560 million yen to 77,822 million yen from 6,262 million yen for the previous first quarter. This was due mainly to an increase in payments for acquisitions of business.

c. Cash Flows from Financing Activities

Net cash used in financing activities for the first quarter increased by 5,157 million yen, or 8.4%, to 66,647 million yen from 61,490 million yen for the previous first quarter. This was due mainly to increases in repayments of borrowings and dividends paid, which were partly offset by 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 Euro and U.S. dollars, 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.

Since Kyocera has 418,572 million yen in cash and cash equivalents at June 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 quarter. 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 quarter increased by 2,153 million yen, or 12.9%, to 18,866 million yen from 16,713 million yen for the previous first quarter. This increase was due mainly to the establishment of Minatomirai Research Center in Yokohama with the aim of strengthening research and development organization. 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 three months ended June 30, 2018		For the three months ended June 30, 2019		Change
	Amount	%*	Amount	%*	%
Industrial & Automotive Components Group	85,096	21.1	77,940	20.6	(8.4)
Semiconductor Components Group	62,317	15.5	58,118	15.4	(6.7)
Electronic Devices Group	100,423	24.9	85,360	22.6	(15.0)
Total Components Business	247,836	61.5	221,418	58.6	(10.7)
Communications Group	53,408	13.3	57,182	15.1	7.1
Document Solutions Group	88,449	21.9	87,050	23.1	(1.6)
Life & Environment Group	16,957	4.2	16,210	4.3	(4.4)
Total Equipment & Systems Business	158,814	39.4	160,442	42.5	1.0
Others	3,205	0.8	2,841	0.8	(11.4)
Adjustments and eliminations	(6,821)	(1.7)	(7,092)	(1.9)	－
Orders	403,034	100.0	377,609	100.0	(6.3)

* % 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

(1) Stock Purchase Agreement

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. and made it consolidated subsidiary and changed its name to Kyocera Industrial Tools, Inc.

(2) Asset Purchase Agreement

On May 29, 2019, Kyocera Fineceramics GmbH entered into an agreement to acquire fine ceramics business of Friatec GmbH. This business acquisition is anticipated to close in September 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 June 30, 2019 (shares)	Number of shares issued as of the filing date (shares) (August 9, 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 April 1, 2019 to June 30, 2019	−	377,618,580	−	115,703	−	192,555

(5) Major Shareholders

Not applicable

(6) Information on Voting Rights

Information on voting rights as of March 31, 2019 is stated in this item because Kyocera does not identify the number of voting rights as of June 30, 2019 due to the lack of information on the details entered in the shareholders registry as of June 30, 2019.

a. Shares Issued

As of March 31, 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 15,864,900	–	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 361,403,800	3,614,038	Same as above
Shares less than one unit	Common stock 349,880	–	–
Number of shares issued	377,618,580	–	–
Total number of voting rights	–	3,614,038	–

(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 March 31, 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 Tobadono-cho, Fushimi-ku, Kyoto	15,864,900	–	15,864,900	4.20
Total	–	15,864,900	–	15,864,900	4.20

(Notes) 1. Kyocera Corporation held 15,865,700 shares of treasury stock as of June 30, 2019.

2. Treasury stocks decreased by 672,600 shares due to the disposition of treasury stocks through the third-party allotment completed on July 11, 2019. Treasury stocks decreased by 9,552 shares due to the disposition of treasury stocks as a restricted stock compensation completed on July 25, 2019. Please refer to "Ⅳ. Condensed Quarterly Consolidated Financial Statements and Other Information 1. Condensed Quarterly Consolidated Financial Statements Notes to Condensed Quarterly Consolidated Financial Statements 15. Subsequent Events (1) Disposal of Treasury Stock through Third-Party Allotment to Employees Shareholding Association and (2) Disposal of Treasury Stock for Restricted Stock Compensation" for further details.

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 June 30, 2019
Assets			
Current assets			
Cash and cash equivalents		512,814	418,572
Short-term investments	12	99,210	79,388
Trade and other receivables	9	357,352	329,467
Other financial assets	3, 12	9,871	10,695
Inventories		343,880	368,079
Other current assets		34,637	34,948
Total current assets		1,357,764	1,241,149
Non-current assets			
Equity and debt instruments	12	963,651	1,081,869
Investments accounted for using the equity method	14	4,159	3,580
Other financial assets	3, 12	17,869	25,935
Property, plant and equipment		341,855	351,769
Right-of-use assets	3	–	27,136
Goodwill	6	149,499	204,657
Intangible assets	6	80,001	114,958
Deferred tax assets		38,558	39,195
Other non-current assets		15,119	14,606
Total non-current assets		1,610,711	1,863,705
Total assets		2,968,475	3,104,854

The accompanying notes are an integral part of these statements.

(Yen in millions)

	Note	As of March 31, 2019	As of June 30, 2019
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables		186,281	185,618
Lease liabilities	3	−	9,751
Other financial liabilities	12	6,621	5,586
Income tax payables		12,672	8,358
Accrued expenses	9	120,903	104,132
Provisions	14	11,166	11,020
Other current liabilities	9	37,105	47,095
Total current liabilities		374,748	371,560
Non-current liabilities			
Lease liabilities	3	−	26,111
Long-term financial liabilities	12	7,800	7,001
Retirement benefit liabilities		25,479	26,241
Deferred tax liabilities		174,823	220,666
Provisions	14	7,892	7,846
Other non-current liabilities		15,473	15,167
Total non-current liabilities		231,467	303,032
Total liabilities		606,215	674,592
Equity			
Common stock		115,703	115,703
Capital surplus		165,225	164,952
Retained earnings		1,638,709	1,641,806
Other components of equity		418,643	484,565
Treasury stock		(72,361)	(72,367)
Total equity attributable to owners of the parent		2,265,919	2,334,659
Non-controlling interests		96,341	95,603
Total equity		2,362,260	2,430,262
Total liabilities and equity		2,968,475	3,104,854

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 three months ended June 30, 2018	For the three months ended June 30, 2019
Sales revenue	5, 9	387,484	384,937
Cost of sales	7	278,234	274,914
Gross profit		109,250	110,023
Selling, general and administrative expenses	6, 7	72,146	87,394
Operating profit		37,104	22,629
Finance income	12	18,437	23,064
Finance expenses		203	344
Foreign exchange gains (losses)		(445)	(112)
Share of net profit of investments accounted for using the equity method		367	267
Other, net		228	(18)
Profit before income taxes	5	55,488	45,486
Income taxes	10	10,687	11,147
Profit for the period		44,801	34,339

Profit attributable to:			
Owners of the parent		42,284	32,037
Non-controlling interests		2,517	2,302
Profit for the period		44,801	34,339

Per share information:	11		
Earnings per share attributable to owners of the parent			
Basic		116.29 yen	88.56 yen
Diluted		116.26 yen	88.51 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 three months ended June 30, 2018	For the three months ended June 30, 2019
Profit for the period		44,801	34,339
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		72,278	82,501
Re-measurement of defined benefit plans		—	—
Total items that will not be reclassified to profit or loss		72,278	82,501
Items that may be reclassified subsequently to profit or loss:			
Net changes in fair value of cash flow hedge		6	(21)
Exchange differences on translating foreign operations		10,023	(18,722)
Share of other comprehensive income of investments accounted for using the equity method		89	(36)
Total items that may be reclassified subsequently to profit or loss		10,118	(18,779)
Total other comprehensive income		82,396	63,722
Comprehensive income for the period		127,197	98,061

Comprehensive income attributable to:			
Owners of the parent		122,829	97,936
Non-controlling interests		4,368	125
Comprehensive income for the period		127,197	98,061

The accompanying notes are an integral part of these statements.

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

For the three months ended June 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				42,284			42,284	2,517	44,801
Other comprehensive income					80,545		80,545	1,851	82,396
Total comprehensive income for the period		–	–	42,284	80,545	–	122,829	4,368	127,197
Cash dividends	8			(22,062)			(22,062)	(1,219)	(23,281)
Purchase of treasury stock						(40,002)	(40,002)		(40,002)
Reissuance of treasury stock			–			–	–		–
Transactions with non-controlling interests and other			(124)		4		(120)	93	(27)
Balance as of June 30, 2018		115,703	164,955	1,600,836	579,530	(72,344)	2,388,680	90,750	2,479,430

For the three months ended June 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				32,037			32,037	2,302	34,339
Other comprehensive income					65,899		65,899	(2,177)	63,722
Total comprehensive income for the period		–	–	32,037	65,899	–	97,936	125	98,061
Cash dividends	8			(28,940)			(28,940)	(1,190)	(30,130)
Purchase of treasury stock						(6)	(6)		(6)
Reissuance of treasury stock			–			–	–		–
Transactions with non-controlling interests and other			(273)		23		(250)	327	77
Balance as of June 30, 2019		115,703	164,952	1,641,806	484,565	(72,367)	2,334,659	95,603	2,430,262

The accompanying notes are an integral part of these statements.

(5) Condensed Quarterly Consolidated Statement of Cash Flows

(Yen in millions)

	Note	For the three months ended June 30, 2018	For the three months ended June 30, 2019
Cash flows from operating activities:			
Profit for the period		44,801	34,339
Depreciation and amortization		14,800	20,893
Finance expenses (income)		(18,234)	(22,720)
Share of net profit of investments accounted for using the equity method		(367)	(267)
(Gains) losses from sales or disposal of property, plant and equipment		(778)	(56)
Income taxes		10,687	11,147
(Increase) decrease in trade and other receivables		45,666	28,354
(Increase) decrease in inventories		(2,601)	(17,312)
(Increase) decrease in other assets		316	741
Increase (decrease) in trade and other payables		(10,762)	3,344
Increase (decrease) in income tax payables		(6,273)	(3,279)
Increase (decrease) in other liabilities		(3,406)	(12,169)
Other, net		(4,761)	413
Subtotal		69,088	43,428
Interests and dividends received		18,223	22,760
Interests paid		(102)	(306)
Income taxes paid		(16,862)	(11,111)
Net cash provided by operating activities		70,347	54,771
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment		(27,234)	(27,887)
Payments for purchases of intangible assets		(1,324)	(2,820)
Proceeds from sales of property, plant and equipment		2,321	170
Acquisitions of business, net of cash acquired	6	(1,742)	(62,757)
Acquisition of time deposits and certificate of deposits		(71,314)	(60,423)
Withdrawal of time deposits and certificate of deposits		86,381	61,500
Payments for purchases of securities		(9,486)	(311)
Proceeds from sales and maturities of securities		16,071	17,147
Other, net		65	(2,441)
Net cash used in investing activities		(6,262)	(77,822)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings		(356)	(684)
Proceeds from long-term borrowings		2,562	3,566
Repayments of long-term borrowings		(718)	(37,238)
Repayments of lease liabilities		–	(3,006)
Dividends paid		(22,530)	(29,120)
Purchase of treasury stock		(40,002)	(6)
Other, net		(446)	(159)
Net cash used in financing activities		(61,490)	(66,647)
Effect of exchange rate changes on cash and cash equivalents		5,514	(4,544)
Increase (decrease) in cash and cash equivalents		8,109	(94,242)
Cash and cash equivalents at the beginning of the year		424,938	512,814
Cash and cash equivalents at the end of the period		433,047	418,572

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 three months ended June 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 consolidated financial statements do not include all the information that required in the annual consolidated financial statements, therefore, condensed 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 three months ended June 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 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 three months ended June 30, 2018 and 2019 are as follows:

Sales revenue (Yen in millions)

	For the three months ended June 30, 2018	For the three months ended June 30, 2019
Industrial & Automotive Components Group	81,956	79,330
Semiconductor Components Group	60,649	57,973
Electronic Devices Group	88,284	83,203
Communications Group	51,610	62,222
Document Solutions Group	88,796	87,130
Life & Environment Group	18,692	17,793
Other	4,932	4,110
Adjustments and eliminations	(7,435)	(6,824)
Total	387,484	384,937

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

	For the three months ended June 30, 2018	For the three months ended June 30, 2019
Industrial & Automotive Components Group	10,416	4,798
Semiconductor Components Group	5,846	5,082
Electronic Devices Group	14,397	13,418
Communications Group	(2,241)	2,013
Document Solutions Group	10,348	8,966
Life & Environment Group	(3,015)	(2,590)
Other	617	(910)
Total business profit (loss)	36,368	30,777
Corporate gains and share of net profit of investments accounted for using the equity method	19,465	14,938
Adjustments and eliminations	(345)	(229)
Total	55,488	45,486

Depreciation and amortization charge (Yen in millions)

	For the three months ended June 30, 2018	For the three months ended June 30, 2019
Industrial & Automotive Components Group	2,947	4,936
Semiconductor Components Group	2,309	2,161
Electronic Devices Group	4,170	5,520
Communications Group	1,332	1,786
Document Solutions Group	2,422	3,729
Life & Environment Group	748	1,154
Other	323	617
Corporate	549	990
Total	14,800	20,893

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 three months ended June 30, 2018	For the three months ended June 30, 2019
Industrial & Automotive Components Group	8,892	5,195
Semiconductor Components Group	4,649	2,184
Electronic Devices Group	8,853	9,672
Communications Group	1,629	914
Document Solutions Group	2,749	1,659
Life & Environment Group	547	1,792
Other	249	1,021
Corporate	2,282	3,384
Total	29,850	25,821

Information by geographic segments

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

Sales revenue (Yen in millions)

	For the three months ended June 30, 2018	For the three months ended June 30, 2019
Japan	136,964	143,353
Asia	92,882	86,277
Europe	82,345	76,711
The United States of America	59,994	63,643
Other Areas	15,299	14,953
Total	387,484	384,937

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

6. Business Combination

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 June 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.

(Yen in millions)

	As of April 12, 2019
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 total 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)

	As of April 12, 2019
Intangible assets subject to amortization:	
Customer relationships	7,635
Non-patent technology	674
Others	261
Total	8,570

Acquisition-related costs of 233 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 consolidated financial statements since the acquisition date. For segment reporting, it is reported in Industrial & Automotive Components Group.

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 payed 88,355 million yen in cash, which is the total of 49,987 million yen for acquisition consideration and repayment of Fastener Topco, Inc's borrowings of 38,368 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 June 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.

(Yen in millions)

	As of June 3, 2019
Assets:	
Cash and cash equivalents	144
Trade and other receivables	6,849
Inventories	11,413
Other current assets	170
Total current assets	18,576
Property, plant and equipment	1,274
Intangible assets	29,360
Other non-current assets	728
Total non-current assets	31,362
Total	49,938
Liabilities:	
Trade and other payables	5,850
Other financial liabilities	434
Accrued expenses	2,730
Total current liabilities	9,014
Long-term financial liabilities	35,794
Deferred tax liabilities	8,013
Other non-current liabilities	243
Total non-current liabilities	44,050
Total	53,064
Total identified assets and liabilities at fair value (net amount)	(3,126)
Purchase price (Cash)	49,987
Goodwill*	53,113

* 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 June 3, 2019
Intangible assets subject to amortization:	
Customer relationships	28,818
Trademarks	542
Total	29,360

Acquisition-related costs of 999 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.
Sales revenue and profit for the period of Kyocera Industrial Tools, Inc. that are included in the condensed quarterly consolidated statement of profit or loss for the three months ended June 30, 2019 were not material.

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 three months ended June 30, 2018	For the three months ended June 30, 2019
Service cost	3,012	3,032
Net interest cost	(18)	(10)
Total	2,994	3,022

Foreign (Yen in millions)

	For the three months ended June 30, 2018	For the three months ended June 30, 2019
Service cost	189	188
Net interest cost	71	78
Total	260	266

8. Equity and Other Equity

(1) Dividends

Dividends paid are as follows:

For the three months ended June 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 three months ended June 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 three months ended June 30, 2019 includes 60th commemoration dividends of 20.00yen.

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 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 June 30, 2019
Receivables from contracts with customers	314,829	291,747
Contract assets	8,586	8,996
Contract liabilities	36,148	30,478

10. Income Taxes

The effective tax rate for the three months ended June 30, 2019 increased to 24.5% compared to the rate for the three months ended June 30, 2018 of 19.3%.

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 three months ended June 30, 2018.

11. Earnings Per Share

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

	For the three months ended June 30, 2018	For the three months ended June 30, 2019
Profit attributable to owners of the parent (Yen in millions)	42,284	32,037
Adjustment related to dilutive potential stocks of consolidated subsidiaries (Yen in millions)	(13)	(17)
Diluted profit attributable to owners of the parent (Yen in millions)	42,271	32,020
Weighted average shares (Thousands of shares)	363,600	361,753
Earnings per share attributable to owners of the parent:		
- Basic (Yen)	116.29	88.56
- Diluted (Yen)	116.26	88.51

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 June 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	79,318	79,376
Long-term instruments in debt securities	53,842	53,792	53,843	53,915
Other financial assets (excluding derivatives)	25,255	25,255	33,820	33,820
Total	178,194	178,189	166,981	167,111
Liabilities:				
Other financial liabilities (excluding derivatives)	13,033	13,033	12,059	12,059
Total	13,033	13,033	12,059	12,059

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 June 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Equity and debt instruments				
Financial assets measured at fair value through other comprehensive income	991,848	－	34,168	1,026,016
Financial assets measured at fair value through profit or loss	－	－	2,080	2,080
Derivatives	－	2,810	－	2,810
Total	991,848	2,810	36,248	1,030,906
Liabilities:				
Derivatives	－	528	－	528
Total	－	528	－	528

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 three months ended June 30, 2019.

For financial instruments classified Level 3, there were no significant changes for the three months ended June 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 three months ended June 30, 2018 and 2019. The amounts of dividends are as follows:

(Yen in millions)

	For the three months ended June 30, 2018	For the three months ended June 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 41,991 million yen at June 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 15,424 million yen at June 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 1,790 million yen at June 30, 2019, 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 4,050 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 the company made a payment of 2,387 million yen (22.1 million dollars) to an escrow account. 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.

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

(1) 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. This third-party allotment was implemented as a part of Kyocera's 60th anniversary project in order to motivate employees to further increase corporate value and 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
Disposal date	July 11, 2019

Kyocera paid incentives to the employees for contribution to Employees Shareholding Association on June 27, 2019 and it recorded 5,364 million yen of the total disposal amount of treasury stocks with social insurance premium in selling, general and administrative expenses in the condensed quarterly consolidated statement of profit or loss for the three months ended June 30, 2019.

(2) 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 the Company, 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.

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) 17 Executive Officers	6,942 shares 2,610 shares
Disposal date	July 25, 2019	

The Company resolved at a meeting of Board of Directors held on March 29, 2019, to introduce a Restricted Stock Compensation Plan (hereinafter, “Plan”) to Eligible Officers for the purpose of providing a mid- to long-term incentives for Directors of the Company to continuously improve the Company’s corporate value and shareholder value, and promoting further shared value with shareholders. At the 65th Ordinary General Meeting of Shareholders held on June 25, 2019, it was approved that pursuant to the Plan, the Company grants monetary compensation claims which shall be no more than 100 million yen per year as well as no more than 0.1% of the profit attributable to owners of the parent to the Directors of the Company as the property to be contributed in-kind, separate from the current Directors’ remuneration limitation, and the transfer restriction period for the restricted stock shall be the period specified by the Board of Directors of the Company which shall be the period between 10 years to 30 years.

The overview of the Plan is as follows.
Eligible Officers will receive its common stocks to be issued or disposed of by Kyocera in exchange for in-kind contribution of all monetary remuneration claims granted by its pursuant to the Plan.
The total number of its common stocks to be issued or disposed of under the Plan will be 25,000 stocks or less per year for the Directors of it and the disposal price shall be decided by the Board of Directors based on the closing price of the its common stocks on the Tokyo Stock Exchange on the business day preceding the date of the resolution of the Board of Directors (if its stocks are not traded on said date, then the closing price of the most recent trading day preceding said date) to the extent that it will not be excessively advantageous for the Eligible Officers to receive the allotted its common stocks.
Furthermore, upon the issuance or disposal of its common stocks pursuant to the Plan, Kyocera and the Eligible Officers will execute a restricted stock allocation agreement, which includes following matters:

(a) Eligible Officers shall not transfer, create security interest on, or otherwise dispose of the its common stock allocated under the Allocation Agreement for the period prescribed in advance; and

(b) If the certain event occurs, the Company shall acquire the allocated shares without consideration.

In light of the above, Kyocera resolved at a meeting of Board of Directors held today to grant monetary remuneration claims in a total amount of 67,370,256 yen and consequently 9,552 stocks of its common stocks to Eligible Officers taking into consideration the purpose of the Plan, the business performance, the scope of the work responsibility of each Eligible Officer and other circumstances. For the purpose of providing a mid- to long-term incentives for Eligible Officers to improve its corporate value, the transfer restriction period relating to conditions for cancelling transfer restriction has been set 30 years.

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 August 9, 2019.

2. Others

Lawsuits

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

Part Ⅱ. Information on Kyocera

Not Applicable