Financial Report

10-Year Financial Summary

Konica Minolta, Inc. and subsidiaries
Fiscal year ended March 31

	Fiscal 2007	Fiscal 2008	Fiscal 2009
Consolidated Financial Highlights			
Net sales, Revenue (millions of yen)	1,071,568	947,843	804,465
Operating income, Operating profit (millions of yen)	119,606	56,260	43,988
Operating income ratio, Operating profit ratio (%) *1	11.2	5.9	5.5
Ordinary income, Ordinary profit (millions of yen)	104,227	45,403	40,818
Ordinary income ratio, Ordinary profit ratio (%) *2	9.7	4.8	5.1
Profit before tax (millions of yen)	-	-	-
Profit before tax ratio (%)	-	-	-
Net income, Profit for the year (millions of yen)	68,829	15,179	16,931
Net income ratio, Profit for the year ratio (%) *3	6.4	1.6	2.1
Profit attributable to owners of the company (millions of yen)	-	-	-
Profit attributable to owners of the company ratio (%)	-	-	-
Earnings per share, Basic earnings per share attributable to owners of the company (EPS) (yen) *4	129.71	28.62	31.93
Equity per share attributable to owners of the company (yen)	786.20	779.53	791.28
Cash dividends per share (yen)	15	20	15
Dividend payout ratio (%) *5	11.6	70.0	47.0
R&D expenses (millions of yen)	81,272	81,778	68,475
R&D expense ratio (%) *6	7.6	8.6	8.5
Net cash flows from operating activities (millions of yen)	123,014	107,563	113,377
Net cash flows from investing activities (millions of yen)	-76,815	-90,169	-40,457
Free cash flows (millions of yen)	46,198	17,394	72,920
Profitability			
ROE (J-GAAP) (%) *7	17.5	3.7	4.1
ROE (IFRS) (%) *8	-	-	-
ROA (%) *9	7.2	1.6	1.9
ROIC (%) *10	14.1	6.5	5.3
Efficiency			
Total assets (millions of yen)	970,538	918,058	865,797
Total assets turnover (times) *11	1.12	1.00	0.90
Property, plant and equipment (millions of yen)	245,989	227,860	205,057
Property, plant and equipment turnover (times) *12	4.50	4.00	3.72
Inventories (millions of yen)	132,936	129,160	98,263
Inventory turnover period (months) *13	2.96	3.21	2.68
Trade receivables (millions of yen)	234,862	171,835	177,720
Trade receivables turnover (months) *14	2.76	2.56	2.47
Stability			
Equity, Equity attributable to owners of the company (millions of yen)	417,166	413,380	419,535
Equity ratio, Equity ratio attributable to owners of the company (%)	43.0	45.0	48.5
Current assets (millions of yen)	557,110	504,919	489,253
Current ratio (%) *15	152.39	162.41	183.03
D/E ratio (times) *16	0.54	0.56	0.47
Net D/E ratio (times) *17	0.25	0.23	0.08
Investment Indicators			
Price-to-earnings ratio (PER) (times) *18	10.44	29.28	34.17
Price-book value ratio (PBR) (times) *19	0.58	0.93	0.73

*1. Operating income ratio = Operating income / Net sales ∗ 100 (%)
Operating profit ratio = Operating profit / Revenue ∗ 100 (%)
*2. Ordinary income ratio = Ordinary income / Net sales ∗ 100 (%)
Ordinary profit ratio = Ordinary profit / Revenue ∗ 100 (%)
*3. Net income ratio = Net income / Net sales ∗ 100 (%)
Profit for the year ratio = Profit for the year / Revenue ∗ 100 (%)
*4. EPS = Profit attributable to owners of the company / Average number of outstanding shares during the period
*5. Dividend payout ratio = Total dividends / Net income ∗ 100 (%)
Dividend payout ratio = Total dividends / Profit for the year ∗ 100 (%)
*6. R&D expense ratio = R&D expenses / Net sales ∗ 100 (%)
R&D expense ratio = R&D expenses / Revenue ∗ 100 (%)
*7. ROE (J-GAAP) = Net income / Average shareholders' equity
*8. ROE (IFRS) = Profit attributable to owners of the company / (Share capital + Share premium + Retained earnings + Treasury shares (average at start of fiscal year and end of fiscal year))
*9. ROA = Net income / Average total assets
ROA = Profit attributable to owners of the company / Average total assets
*10. ROIC = Operating profit after tax/(Share capital + Share premium + Retained earnings + Treasury shares + Interest-bearing debt - Cash and cash equivalents (yearly average))

Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2013 (IFRS)	Fiscal 2014 (IFRS)	Fiscal 2015 (IFRS)	Fiscal 2016 (IFRS)
777,953	767,879	813,073	943,759	935,214	1,002,758	1,031,740	**962,555**
40,022	40,346	40,659	58,144	39,859	65,762	60,069	**50,135**
5.1	5.3	5.0	6.2	4.3	6.6	5.8	**5.2**
33,155	34,758	38,901	54,621	-	-	-	**-**
4.3	4.5	4.8	5.8	-	-	-	**-**
-	-	-	-	37,736	65,491	58,029	**49,341**
-	-	-	-	4.0	6.5	5.6	**5.1**
25,896	20,424	15,124	21,861	28,431	40,969	32,000	**31,485**
3.3	2.7	1.9	2.3	3.0	4.1	3.1	**3.3**
-	-	-	-	28,354	40,934	31,973	**31,542**
-	-	-	-	3.0	4.1	3.1	**3.3**
48.84	38.52	28.52	41.38	53.67	81.01	64.39	**63.65**
806.53	817.81	876.65	929.04	968.15	1,067.97	1,037.96	**1,057.92**
15	15	15	17.5	17.5	20.0	30.0	**30.0**
30.7	38.9	52.6	42.3	32.6	24.7	46.6	**47.1**
72,617	72,530	71,533	71,184	69,599	74,295	76,292	**73,275**
9.3	9.4	8.8	7.5	7.4	7.4	7.4	**7.6**
67,957	72,367	66,467	89,945	90,058	101,989	59,244	**68,659**
-44,738	-42,757	-63,442	-55,776	-54,143	-54,014	-110,788	**-70,594**
23,219	29,610	3,025	34,169	35,914	47,975	-51,544	**-1,935**
6.1	4.7	3.4	4.6	-	-	-	**-**
-	-	-	-	6.1	8.6	6.5	**6.3**
3.0	2.3	1.6	2.3	2.9	4.1	3.2	**3.2**
5.1	5.2	5.2	7.3	5.0	8.3	7.0	**4.5**
845,453	902,052	940,553	966,060	991,700	1,001,800	976,370	**1,005,435**
0.91	0.88	0.88	0.99	0.96	1.01	1.04	**0.97**
190,701	178,999	179,903	173,362	177,056	181,641	187,322	**190,580**
3.93	4.15	4.53	5.34	5.23	5.59	5.59	**5.09**
100,243	105,080	112,479	115,275	115,175	120,803	121,361	**136,020**
2.67	2.81	2.60	2.52	2.82	2.54	2.58	**2.87**
163,363	174,193	194,038	220,120	240,459	248,827	245,047	**236,722**
2.42	2.52	2.47	2.53	3.09	2.72	2.73	**2.70**
427,647	433,669	464,904	478,404	498,542	535,976	514,285	**524,331**
50.6	48.1	49.4	49.5	50.3	53.5	52.7	**52.1**
501,876	565,923	579,593	589,331	569,552	570,640	496,216	**499,446**
206.98	247.17	205.04	206.62	200.83	202.43	194.40	**199.58**
0.45	0.53	0.48	0.41	0.41	0.31	0.33	**0.35**
0.04	-0.01	0.02	0.02	0.03	-0.02	0.13	**0.18**
14.27	18.77	24.12	23.27	17.94	15.07	14.85	**15.65**
1.16	1.13	1.27	0.96	0.99	0.86	0.90	**0.94**

*11. Total assets turnover = Net sales / Average total assets (times)
Total assets turnover = Revenue / Average total assets (times)
*12. Tangible fixed assets turnover = Net sales / Average tangible fixed assets (times)
Tangible fixed assets turnover = Revenue / Average tangible fixed assets (times)
*13. Inventory turnover period = Inventory balance at fiscal year end / Average cost of sales for most recent three months
*14. Receivables turnover = Net sales / Average receivables (times)
Receivables turnover = Revenue / Average receivables (times)
*15. Current ratio = Current assets / Current liabilities (%)
*16. D/E ratio = Interest-bearing debt / Shareholders' equity (times)
*17. Net D/E ratio = (Interest-bearing debt – Cash on hand) / Shareholders' equity (times)
*18. Price-earnings ratio (PER) = Year-end stock price / EPS
*19. PBR (J-GAAP) = Year-end stock price / Net assets per share
PBR (IFRS) = Year-end stock price / Equity per share attributable to owners of the company

Management's Discussion and Analysis

Operating Environment

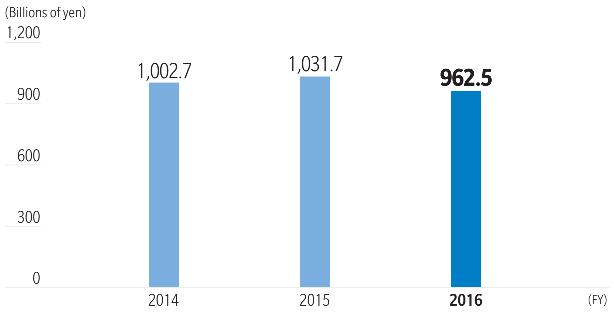
Looking back at the economic situation during the fiscal year ended March 31, 2017 (hereafter, the fiscal year under review"), it was a year in which foreign exchange markets were significantly affected by political events such as the UK referendum on exiting the EU in the first half, and the US presidential election in the second half. Against a background of solid personal consumption in the US there was overall a continuation of moderate economic growth in Europe, centered on Germany, but in China and emerging countries the economy continued to decelerate. In Japan, although the political management of the country remained stable and employment conditions continue to improve, there was no upturn in personal consumption and the economy remained weak.

Operating Results

Revenue

Despite increased sales of core products and the impact of corporate acquisitions, net sales for the fiscal year under review dropped 6.7% year on year to ¥962.5 billion due to the effects of a much stronger yen. If the ¥91.8 billion revenue decline owing to the effects of a stronger yen are excluded, revenue increased 2.2% year on year.

Revenue



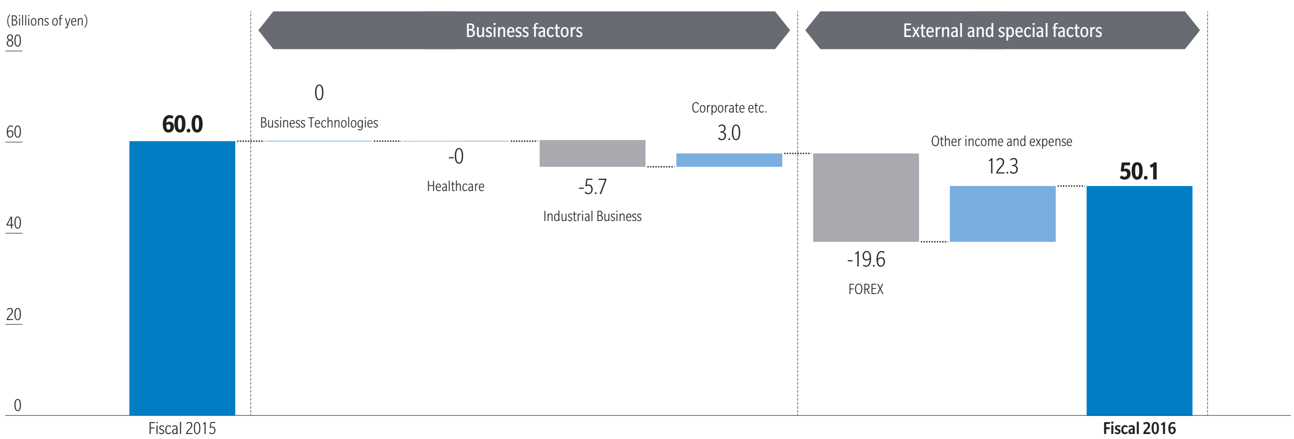
Gross profit

Although sales increased for core products, the effects of a stronger yen led to decreased sales and a decline in the profit ratio. As a result, gross profit dropped 7.2% year on year to ¥459.9 billion. The gross profit margin declined 0.2 percentage points year on year to 47.8% (but rose 0.2 percentage points if exchange rate effects are excluded).

Operating profit

Other revenue was ¥14.1 billion, up ¥6.3 billion year-on-year owing to ¥7.7 billion in patent-related revenue posted. Selling, general and administrative expenses amounted to ¥416.6 billion, down ¥13.2 billion year on year. This owed to decreased costs from the effects of a stronger yen, and came in spite of increased costs associated with corporate acquisitions. Other expenses were down ¥6.0 billion to ¥7.3 billion, the result of decreases in categories other than a loss on disposal of mass-production prototypes (¥2.1 billion) and business structure improvement expenses (¥1.4 billion), among others. As a result, operating profit for the fiscal year under review declined 16.5% year on year to ¥50.1 billion, while the operating profit ratio dropped 0.6 percentage points to 5.2%. A ¥19.6 billion operating profit decrease was posted owing to the effects of a stronger yen. Operating profit would have increased by 16.1% if exchange rate effects are excluded.

Fiscal 2016 operating profit analysis



FOREX impact to revenue and operating profit

	Fiscal 2015	Fiscal 2016	Impact to Fiscal 2015		FX Sensitivity*2	
			Revenue (¥billions)	OP (¥billions)	Revenue (¥billions)	OP (¥billions)
USD	120.14	**108.38**	-34.7	+1.1	+3.0	-0.1
EUR	132.58	**118.79**	-23.2	-17.2	+1.9	+0.8
GBP	181.31	**141.60**	-13.8	-0.5	+0.4	+0.1
European Currencies*1	-	**-**	-42.5	-17.9	+2.7	+1.2
CNY	18.85	**16.11**	-6.9	-0.9	+2.5	+0.5
AUD	88.44	**81.56**	-2.9	-0.7	+0.4	+0.1
Other	-	**-**	-4.9	-1.1	-	-
Total Impact from FY2015	-	**-**	**-91.8**	**-19.6**	-	-

*1 European currencies: Currencies in Europe except EUR/GBP
*2 FOREX Sensitivity: FOREX impact at ¥1 change (Annual)

Profit before tax

Financial revenue climbed ¥0.5 billion year on year to ¥2.7 billion, attributable to, among other things, the effects of a ¥1.2 billion improvement owing to a foreign exchange loss improvement and other factors. Profit before tax for the fiscal year under review declined 15.0% to ¥49.3 billion.

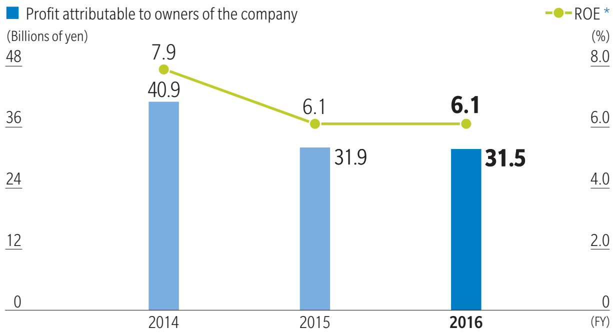
Profit attributable to owners of the company

Profit attributable to owners of the company decreased 1.3% year on year to ¥31.5 billion.

Basic earnings per share for the fiscal year under review were ¥63.65, a 1.1% decrease.

Return on equity (profit ratio attributable to owners of the company) for the period was 6.1%, on par with the previous period.

Profit attributable to owners of the company



* ROE = Profit attributable to owners of the company divided by equity attributable to owners of the company (average at beginning and end of period)

Operating Results by Segment

Business Technologies Business

Office services

Sales of mainstay "bizhub" series A3 color MFPs (Multi-functional peripherals) also remained strong during the period under review, and sales volumes exceeded previous-year levels in all regions. The high rates of growth were shown by high-end models in terms of product segment and by the European and Chinese markets in terms of sales region.

The competitive environment in the MFP market continues to be severe, but Konica Minolta's unique hybrid-type sales approach that combines document solutions centered around MFPs with managed IT services (services that provide integrated deployment, operation, administration, and maintenance, etc. of IT equipment and systems) is penetrating markets, primarily in North America and Western Europe, and contributing to an increase in revenues and profitability by customer.

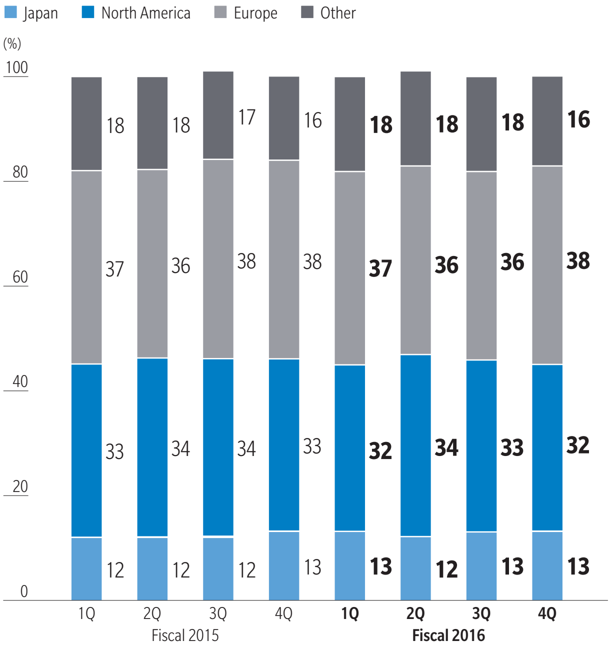
Commercial and industrial printing

In production print, the top-of-the-line "bizhub PRESS C1100" digital color printing system continued to post solid sales. Growth was particularly noticeable in markets in North America, China, and Asia. In the light production area that is one of our strengths, while competition is intensifying and sales have been stagnating, the new "AccurioPress C2070" series product that was launched in the second half of the fiscal year under review has had a positive reception from customers, and sales discussions are rising steadily.

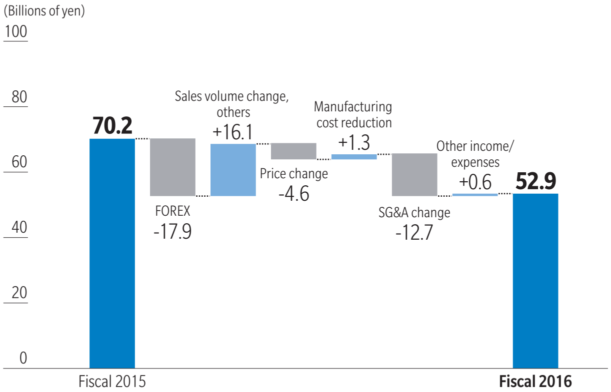
In industrial inkjet printers, the area of components such as inkjet printheads saw a slowing of sales due to deteriorating market conditions, but in the area of textile print machinery the "NASSENGER SP-1," which achieves high productivity through the use of a single pass system, won orders in France and Turkey and contributed to a rise in revenue. In the field of industrial printing, we have begun full-scale marketing activities in every region and prepared a strategy for the high-end market based around the new "AccurioJet KM-1" digital inkjet press and digital decoration printing equipment made by subsidiary MGI.

As a result of the above, revenue for this business came in at ¥771.7 billion (down 7.3% year on year), while operating profit was ¥52.9 billion (down 24.6% year on year). Excluding the impact of exchange rates, revenue rose 2.7% year on year and operating profit rose 1.0% year on year.

Composition of Revenue by region (in yen)



Operating profit analysis



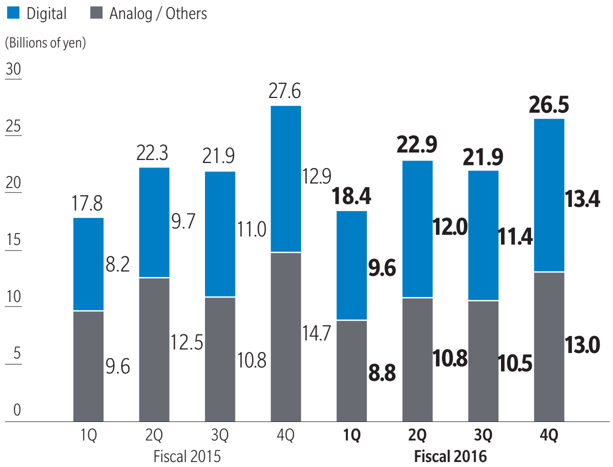
Healthcare Business

In the fiscal year under review, on a regional basis, sales in the US were favorable, while sales in Japan remained strong.

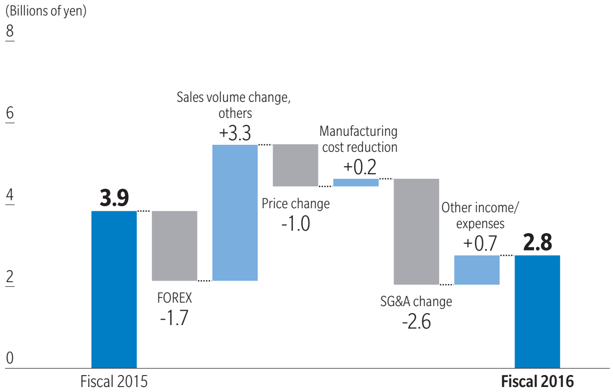
In terms of products, in the US, in addition to significant growth in Digital Radiography (DR), sales of solution products for the primary care market also contributed to the expansion of the business. In Japan, sales of digital products were strong overall. The "AeroDR" cassette-type digital X-ray diagnostics imaging systems maintained their solid performance both in Japan and overseas, while for the "SONIMAGE HS1" diagnostic ultrasound systems, in addition to Japan and the US, China also contributed to sales. On the other hand, Computed Radiography (CR) digital X-ray diagnostics imaging systems were hit by amendments to the payment system for medical services in the US, and sales volumes declined.

As a result of the above, revenue for the business came in at ¥89.9 billion (up 0.1% year on year), while operating profit was ¥2.8 billion (down 26.7% year on year). Excluding the impact of exchange rates, revenue rose 5.7% year on year and operating profit rose 18.8% year on year.

Composition of Revenue



Operating profit analysis



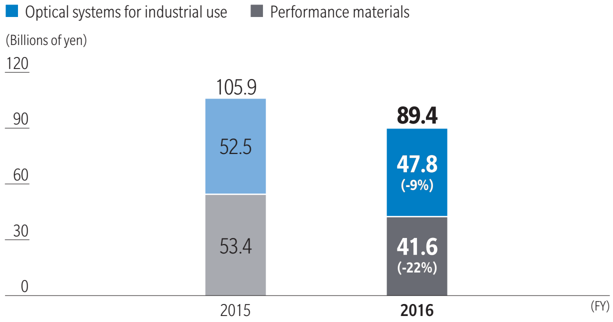
Industrial Business

In the field of performance materials, price pressure is becoming more intense and, although we promoted a shift towards high value-added products such as phase difference film for VA and IPS panels, and ultra-thin TAC film, both sales volume and sales value fell below previous-year levels.

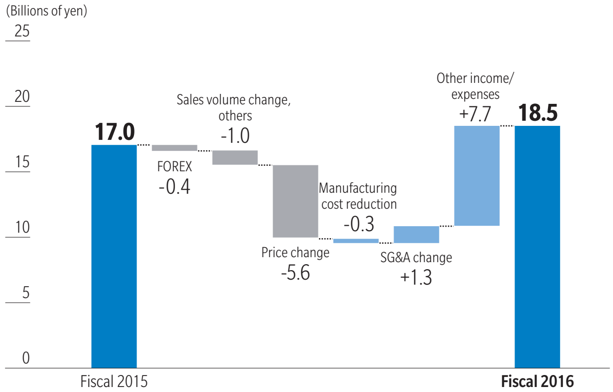
In the optical systems for industrial use field, measuring instrument revenue increased, helped by the commencement of shipments related to a major order in the final stages of the fiscal year under review. Lenses for industrial and professional use were affected by lower sales in their end product markets, and posted a decline in revenue.

As a result of the above, revenue for the business came in at ¥89.4 billion (down 15.6% year on year). Operating profit, including ¥7.7 billion of patent-related income, was ¥18.5 billion (up 9.1% year on year).

Revenue



Operating profit analysis



Cash Flows

Cash flows from operating activities

Net cash provided by operating activities was ¥68.6 billion, a result largely of cash inflow due to profit before tax of ¥49.3 billion, depreciation and amortization expenses of ¥51.8 billion, and a decrease in trade and other receivables of ¥1.8 billion on the one hand, and cash outflow attributable largely to an increase in inventories of ¥12.4 billion and payment of income taxes of ¥8.3 billion.

Cash flows from investing activities

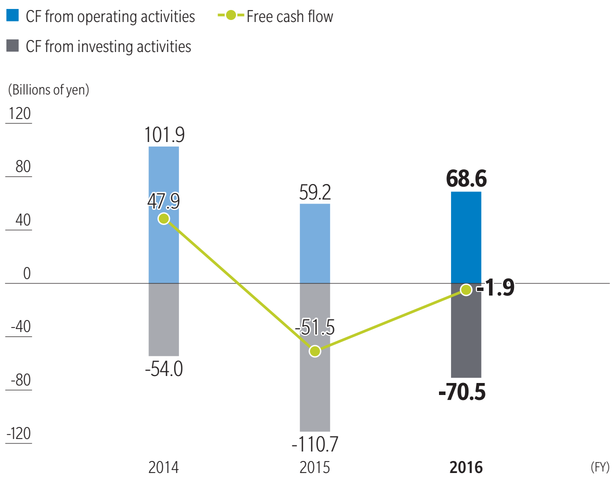
Net cash used in investing activities was ¥70.5 billion, due mainly to purchases of property, plant and equipment of ¥32.7 billion, purchases of intangible assets of ¥8.7 billion, and purchases of investments in subsidiaries of ¥25.4 billion.

As a result, free cash flow (the sum of operating and investing activities) was an outflow of ¥1.9 billion, compared to net cash used of ¥51.5 billion in the same period of the previous fiscal year.

Cash flows from financing activities

Net cash used in financing activities was ¥2.3 billion, compared to net cash used of ¥20.5 billion in the same period of the previous fiscal year, reflecting mainly an increase in short-term loans payable of ¥3.1 billion and proceeds from bonds issuance and long-term loans payable of ¥36.8 billion, while expenditures included redemption of bonds and repayments of long-term loans payable of ¥27.8 billion and cash dividends paid of ¥14.8 billion.

Cash flows

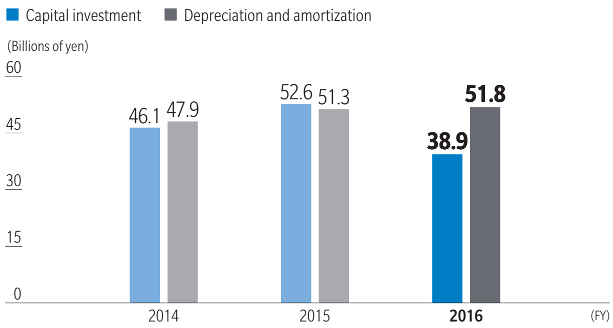


Capital Expenditure, etc.

Capital investment within the Group for the period focused on the Group's core Business Technologies Business and Industrial Business, aimed mainly at support for new product development and increasing production capacity, as well as rationalization and power saving. The total amount of capital investment made for the fiscal year stood at ¥38.944 billion.

Principal investments included machinery and equipment, tools and furniture, and molds for the Business Technologies Business, machinery and equipment for the Industrial Business, and buildings and R&D facilities for the entire Group.

Capital investment/Depreciation and amortization



Research and Development Expenses

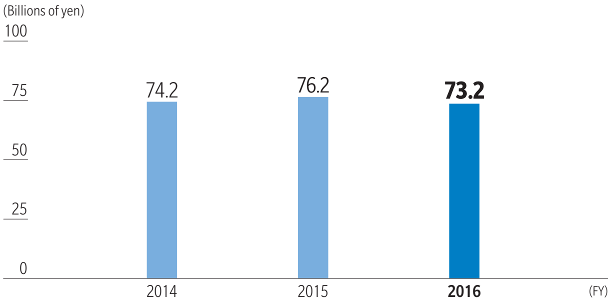
In line with the basic policy for medium-term business strategy—which is focused on realizing sustainable profit growth, transforming into a customer-centric company, and establishing a strong corporate structure—based on its TRANSFORM 2016 Medium-Term Business Plan, the Group has conducted all of its research and development activities under three basic policies concerning technological strategies. These are "accelerate incubation aimed at sustainable growth," "build in differentiated technologies to create customer value," and "develop first-class technical personnel and strengthen organizational development capabilities."

In the existing commercial and industrial printing segment, Konica Minolta is expanding its business portfolio by moving into providing unique services related to heavy production printing, which involves large print volumes and requires a high level of productivity and the ability to accommodate a variety of paper types. In addition, France-based MGI, a leading manufacturer of digital decorative printing equipment, became a consolidated subsidiary of the Group. This gives Konica Minolta a strategic base for industrial printing in France, a country home to numerous leading industrial printing companies and a wide range of related equipment manufacturers. This will help us expand our lineup of products aimed at speeding up digitalization of the labeling and packaging industry and thereby strengthen our foothold in industrial printing. In the field of optical systems for industrial use, we have acquired as a consolidated subsidiary Germany-based MOBOTIX, a company with decentralized processing IP network camera systems featuring built-in DVR. By combining decentralized processing IP cameras and video management software (VMS) from MOBOTIX with Konica Minolta's proprietary 3D laser radar technology, which unfailingly detects objects in a wide field of view with high precision, we will provide next-generation decentralized network security solutions. And in the biohealthcare business, Konica Minolta has begun joint research with the Pasteur Institute and BioAxial in France. This research involves directly observing the movement and distribution of drugs within mice and observing the effects that drugs reaching organs and cells have on the workings of those cells—a process known as live cell imaging. Observing the effects of drugs and their mechanisms of action may help in accurately evaluating drug efficacy. We will quicken the pace of R&D for the field of in vitro diagnostics by leveraging a core technology for Konica Minolta, nanotechnology, and, starting with this service, we will be working to solve social problems in the life sciences through advanced technologies.

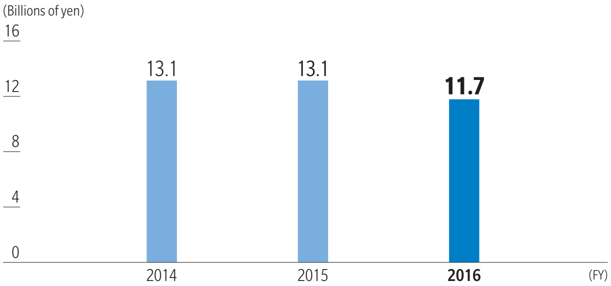
As a new business model, we are providing customers with solution-based services in the form of Konica Minolta's cyber physical systems, which integrate hardware (input/output) and software (processes) differentiated from competitors' offerings through our core technologies. One example of this has been our development of "care support solutions," which improve nursing care workflows using ICT. This service involves using non-contact sensors to detect nursing care facility residents' movements and inform nursing staff via smartphone. A special smartphone application allows for keeping a nursing care log and sharing information, among other functions. Through solutions such as these, we are working to help solve major social issues in Japan, namely an increasing number of nursing care patients in the country's graying society and a shortage of nursing care staff as the working-age population declines.

Groupwide research and development expenditure for the fiscal year under review decreased ¥3.0 billion, or 4.0%, year on year to ¥73.2 billion. R&D expenditures include amounts not included in figures posted by the business units, as well as ¥11.7 billion—an 11.3% decrease year on year—in basic research expenditure.

Research and development expenses



R&D expenditure for common fundamental technologies and advanced technologies

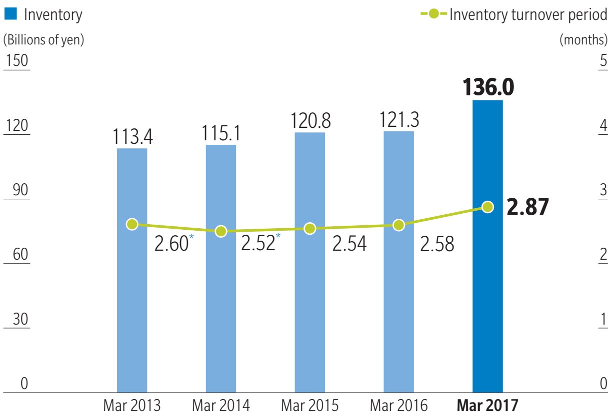


Financial Position and Liquidity

Assets

Total assets at March 31, 2017 were ¥1,005.4 billion, an increase of ¥29.0 billion (3.0%) from the previous fiscal year-end. This is primarily attributed to an increase of ¥31.1 billion in goodwill and intangible assets, an increase of ¥14.6 billion in inventories, an increase of ¥12.4 billion in other financial assets, a decrease of ¥10.9 billion in deferred tax assets, a decrease of ¥7.3 billion in cash and cash equivalents, and a decrease of ¥6.3 billion in trade and other receivables.

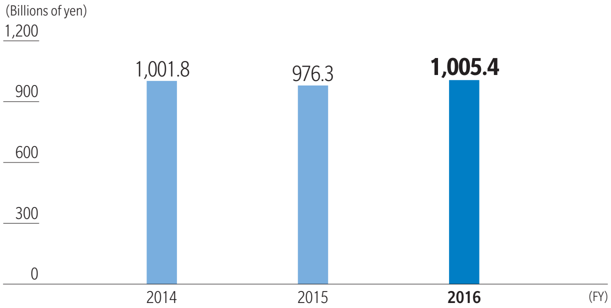
Inventory/Inventory turnover period



* Inventory turnover period = Inventory balance at fiscal year end / Average cost of sales for most recent three months

* Inventory turnover period in March 2013 and in March 2014 conform to Japanese accounting standards

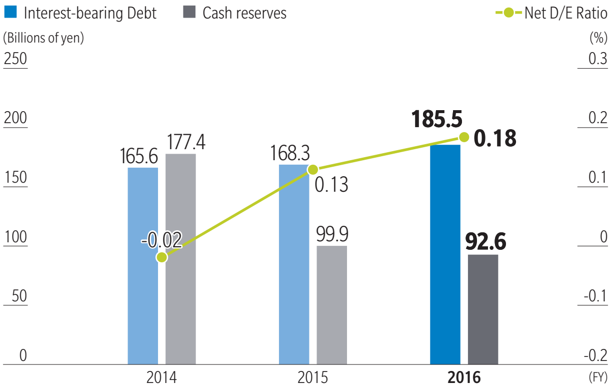
Total assets



Liabilities

Total liabilities at March 31, 2017 were ¥471.2 billion, an increase of ¥9.8 billion (2.1%) from the previous fiscal year-end. This is primarily attributed to an increase of ¥17.2 billion in bonds and borrowings, and a decrease of ¥6.8 billion in trade and other payables.

Interest-bearing debt, Cash reserves, Net D/E ratio



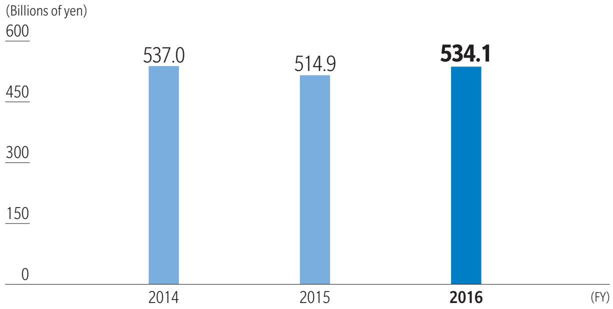
Equity

Total equity at March 31, 2017 amounted to ¥534.1 billion, an increase of ¥19.1 billion (3.7%) from the previous fiscal year-end.

Equity attributable to owners of the company totaled ¥524.3 billion at March 31, 2017, an increase of ¥10.0 billion (2.0%) from the previous fiscal year-end. This is primarily attributed to ¥31.5 billion in profit for the period attributable to owners of the company, a decrease of ¥14.8 billion in retained earnings due to cash dividends, and a decrease of ¥7.5 billion in other components of equity (mainly exchange differences on translation of foreign operations).

As a result of the above, equity per share attributable to owners of the company came to ¥1,057.92, and the equity ratio attributable to owners of the company decreased 0.6 percentage points to 52.1%.

Equity



Dividend Policy

Basic dividend policy

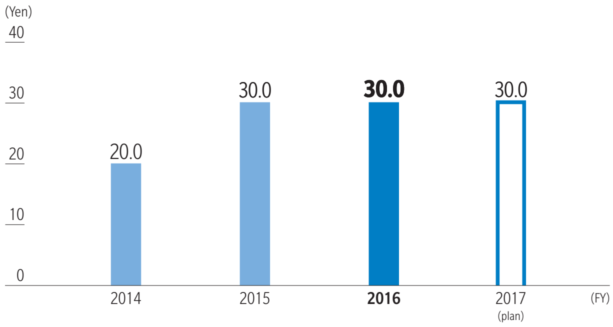
The policy regarding the payment of dividends from retained earnings, etc. calls for the basic approach of making a comprehensive evaluation of consolidated performance and funding requirements to promote strategic investments in growth fields while seeking to implement proactive shareholder returns. The Company strives to enhance shareholder returns through higher dividends as well as a flexible acquisition of the Company's own shares.

Dividends for the fiscal year ended March 31, 2017 and projected dividends for the fiscal year ending March 31, 2018

With respect to dividends from retained earnings for the fiscal year ended March 31, 2017, the Company distributed a year-end dividend of 15 yen per share. Combined with the dividend of 15 yen per share already paid at the end of the second quarter, the total annual dividend will be 30 yen per share.

Regarding ordinary dividends for the fiscal year ending March 31, 2018, the Company plans to distribute a total annual dividend of 30 yen per share, assuming we achieve the results forecasts outlined below.

Dividend per share



Outlook for the Fiscal Year Ending March 31, 2018

With regard to the global economic situation in which the Group operates, the current recovery trend in the US is expected to continue, bolstered by the improving employment environment and by anticipated changes in fiscal policy, but there is also concern that the uncertainty regarding the ability of the new administration to implement policy could affect the economy going forward. With the centripetal force of the EU weakened by the impending departure of the UK, elections to select governments are scheduled for some of the major countries, and there is an increased sense of uncertainty regarding the outlook for the economy. Although signs of recovery can be seen in some emerging countries, economic growth in China is forecast to continue to decelerate. As for the Japanese economy, although the tone of recovery in the employment environment is expected to continue, personal consumption is seen stagnating, and economic growth is forecast to be modest.

With regard to the demand outlook for the main markets in which Konica Minolta operates, in the Business Technologies Business we assume that in overseas markets the ratio of color MFPs for office use will continue to trend upwards and also that demand from small- and medium-sized enterprises for IT services will continue. In the field of commercial and industrial printing, we expect growing demand for digital printers as a result of the evolution of digital marketing. In the Healthcare Business, we expect further development in the sharing of medical information and collaboration between multiple medical institutions as a consequence of the digitalization of medical diagnostic equipment will lead to an increase in demand. For the Industrial Business, as a result of the diversification of display products there have been changes in the structure of the supply chain and in the balance of power between various players, so while we expect new demand for our measuring instrument products, we also see the risk that current products for performance materials will be affected by falling demand and a further step-up in price pressure.

In consideration of the situation described above, we have predicated our forecasts for the fiscal year ending March 31, 2018 on exchange rates of 105 yen against the US dollar and 115 yen against the euro, as shown below.

Forecast for the fiscal year ending March 31, 2018

Published May 11, 2017

	Fiscal 2017 forecast	Fiscal 2016 results
Revenue (Billions of yen)	**980.0**	962.5
Operating profit (Billions of yen)	**46.0**	50.1
Operating profit ratio	**4.7%**	5.2%
Net profit attributable to owners of the company (Billions of yen)	**30.0**	31.5
Capital investment (Billions of yen)	**55.0**	38.9
Depreciation and amortization (Billions of yen)	**55.0**	51.8
Free cash flow* (Billions of yen)	**45.0**	-1.9
Investment and financing (Billions of yen)	**40.0**	36.7
U.S. dollar (yen)	**105.00**	108.38
Euro (yen)	**115.00**	118.79

* Fiscal 2017 forecasts do not include investment and loan figures

Consolidated Statement of Financial Position

Konica Minolta, Inc. and Subsidiaries
As of March 31, 2017 and 2016

		Millions of yen		Thousands of U.S. dollars
Assets	Note	**2017**	2016	**2017**
Current assets				
Cash and cash equivalents	32	¥ 92,628	¥ 99,937	$ 825,635
Trade and other receivables	7, 15, 32	243,195	249,498	2,167,707
Inventories	8	136,020	121,361	1,212,408
Income tax receivables		1,878	3,210	16,739
Other financial assets	9, 32	6,924	3,327	61,717
Other current assets		18,799	18,249	167,564
Subtotal		499,446	495,585	4,451,787
Assets held for sale	10	–	630	–
Total current assets		499,446	496,216	4,451,787
Non-current assets				
Property, plant and equipment	11, 13	190,580	187,322	1,698,725
Goodwill and intangible assets	12, 13	209,577	178,390	1,868,054
Investments accounted for using the equity method	14	3,489	3,614	31,099
Other financial assets	9, 32	47,542	38,646	423,763
Deferred tax assets	16	48,129	59,052	428,995
Other non-current assets		6,668	13,128	59,435
Total non-current assets	5	505,988	480,154	4,510,099
Total assets	5	¥1,005,435	¥976,370	$8,961,895

Liabilities	Note	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Current liabilities				
Trade and other payables	17, 32	¥ 156,090	¥162,907	$1,391,300
Bonds and borrowings	15, 18, 32	41,294	42,624	368,072
Income tax payables		5,554	3,317	49,505
Provisions	19	5,659	6,821	50,441
Other financial liabilities	20, 32	372	200	3,316
Other current liabilities		41,275	39,379	367,903
Total current liabilities		250,246	255,251	2,230,555
Non-current liabilities				
Bonds and borrowings	15, 18, 32	144,218	125,653	1,285,480
Retirement benefit liabilities	21	61,267	67,913	546,100
Provisions	19	1,136	1,227	10,126
Other financial liabilities	20, 32	4,362	3,611	38,880
Deferred tax liabilities	16	5,222	3,443	46,546
Other non-current liabilities		4,833	4,286	43,079
Total non-current liabilities		221,040	206,137	1,970,229
Total liabilities	5	471,286	461,389	4,200,784
Equity				
Share capital	22	37,519	37,519	334,424
Share premium	22	202,631	203,397	1,806,141
Retained earnings	22	276,709	258,562	2,466,432
Treasury shares	22	(9,214)	(9,408)	(82,129)
Subscription rights to shares	31	998	1,009	8,896
Other components of equity	22	15,685	23,204	139,807
Equity attributable to owners of the Company		524,331	514,285	4,673,598
Non-controlling interests		9,818	696	87,512
Total equity		534,149	514,981	4,761,111
Total liabilities and equity		¥1,005,435	¥976,370	$8,961,895

Consolidated Statement of Profit or Loss

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2017 and 2016

		Millions of yen		Thousands of U.S. dollars
	Note	2017	2016	2017
Revenue	5, 24	¥962,555	¥1,031,740	$8,579,686
Cost of sales	27	502,616	536,226	4,480,043
Gross profit		459,938	495,514	4,099,635
Other income	25	14,147	7,786	126,099
Selling, general and administrative expenses	27	416,622	429,891	3,713,540
Other expenses	13, 26, 27	7,328	13,339	65,318
Operating profit	5	50,135	60,069	446,876
Finance income	28	2,724	2,155	24,280
Finance costs	28	3,451	4,179	30,760
Share of profit or loss of investments accounted for using the equity method	14	(66)	(16)	(588)
Profit before tax		49,341	58,029	439,799
Income tax expense	16	17,856	26,029	159,159
Profit for the year		31,485	32,000	280,640
Profit for the year attributable to:				
Owners of the Company		¥ 31,542	¥ 31,973	$ 281,148
Non-controlling interests		(56)	26	(499)

		Yen		U.S. dollars
Earnings per share	29			
Basic		¥63.65	¥64.39	$0.57
Diluted		63.47	64.21	0.57

Consolidated Statement of Comprehensive Income

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2017 and 2016

	Note	Millions of yen		Thousands of U.S. dollars
		2017	2016	2017
Profit for the year		¥31,485	¥32,000	$280,640
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit pension plans (net of tax)	30	1,519	(6,974)	13,540
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	30	3,958	(3,851)	35,279
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	14, 30	(0)	6	(0)
Total items that will not be reclassified to profit or loss		5,477	(10,819)	48,819
Items that may be subsequently reclassified to profit or loss				
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	30	697	(742)	6,213
Exchange differences on translation of foreign operations (net of tax)	30	(12,324)	(20,086)	(109,849)
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	14, 30	(18)	–	(160)
Total items that may be subsequently reclassified to profit or loss		(11,645)	(20,828)	(103,797)
Total other comprehensive income		(6,168)	(31,648)	(54,978)
Total comprehensive income for the year		¥25,317	¥ 351	$225,662
Total comprehensive income for the year attributable to:				
Owners of the Company		¥25,556	¥ 622	$227,792
Non-controlling interests		(239)	(270)	(2,130)

Consolidated Statement of Changes in Equity

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2017 and 2016

		Millions of yen								
	Note	Share capital	Share premium	Retained earnings	Treasury shares	Subscription rights to shares	Other components of equity	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Previous balance reported at April 1, 2015		¥37,519	¥203,395	¥257,227	(¥10,727)	¥1,016	¥ 47,545	¥535,976	¥1,071	¥537,048
Profit for the year		–	–	31,973	–	–	–	31,973	26	32,000
Other comprehensive income (loss)	30	–	–	–	–	–	(31,351)	(31,351)	(297)	(31,648)
Total comprehensive income for the year		–	–	31,973	–	–	(31,351)	622	(270)	351
Dividends	23	–	–	(12,448)	–	–	–	(12,448)	–	(12,448)
Acquisition and disposal of treasury shares	22	–	–	(92)	(9,767)	–	–	(9,860)	–	(9,860)
Cancellation of the treasury shares	22	–	–	(11,086)	11,086	–	–	–	–	–
Share-based payments	31	–	–	–	–	(6)	–	(6)	–	(6)
Equity transactions, etc. with non-controlling shareholders		–	2	–	–	–	–	2	(104)	(102)
Transfer from other components of equity to retained earnings	22	–	–	(7,010)	–	–	7,010	–	–	–
Total transactions, etc. with owners		–	2	(30,638)	1,318	(6)	7,010	(22,313)	(104)	(22,418)
Balance at March 31, 2016		37,519	203,397	258,562	(9,408)	1,009	23,204	514,285	696	514,981
Profit for the year		–	–	31,542	–	–	–	31,542	(56)	31,485
Other comprehensive income (loss)	30	–	–	–	–	–	(5,985)	(5,985)	(182)	(6,168)
Total comprehensive income for the year		–	–	31,542	–	–	(5,985)	25,556	(239)	25,317
Dividends	23	–	–	(14,865)	–	–	–	(14,865)	–	(14,865)
Acquisition and disposal of treasury shares	22	–	–	(62)	194	–	–	131	–	131
Share-based payments	31	–	–	–	–	(10)	–	(10)	–	(10)
Changes in non-controlling interests due to changes in subsidiaries		–	–	–	–	–	–	–	9,805	9,805
Equity transactions, etc. with non-controlling shareholders		–	177	–	–	–	–	177	340	517
Put options written on non-controlling interests	22	–	(943)	–	–	–	–	(943)	(784)	(1,728)
Transfer from other components of equity to retained earnings	22	–	–	1,533	–	–	(1,533)	–	–	–
Total transactions, etc. with owners		–	(765)	(13,395)	194	(10)	(1,533)	(15,510)	9,361	(6,149)
Balance at March 31, 2017		¥37,519	¥202,631	¥276,709	(¥9,214)	¥ 998	¥15,685	¥524,331	¥9,818	¥534,149

	Thousands of U.S. dollars								
	Share capital	Share premium	Retained earnings	Treasury shares	Subscription rights to shares	Other components of equity	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at March 31, 2016	$334,424	$1,812,951	$2,304,680	($83,858)	$8,994	$206,828	$4,584,054	$ 6,204	$4,590,258
Profit for the year	–	–	**281,148**	–	–	–	**281,148**	**(499)**	**280,640**
Other comprehensive income (loss)	–	–	–	–	–	**(53,347)**	**(53,347)**	**(1,622)**	**(54,978)**
Total comprehensive income for the year	–	–	**281,148**	–	–	**(53,347)**	**227,792**	**(2,130)**	**225,662**
Dividends	–	–	**(132,498)**	–	–	–	**(132,498)**	–	**(132,498)**
Acquisition and disposal of treasury shares	–	–	**(553)**	**1,729**	–	–	**1,168**	–	**1,168**
Share-based payments	–	–	–	–	**(89)**	–	**(89)**	–	**(89)**
Changes in non-controlling interests due to changes in subsidiaries	–	–	–	–	–	–	–	**87,396**	**87,396**
Equity transactions, etc. with non-controlling shareholders	–	**1,578**	–	–	–	–	**1,578**	**3,031**	**4,608**
Put options written on non-controlling interests	–	**(8,405)**	–	–	–	–	**(8,405)**	**(6,988)**	**(15,402)**
Transfer from other components of equity to retained earnings	–	–	**13,664**	–	–	**(13,664)**	–	–	–
Total transactions, etc. with owners	–	**(6,819)**	**(119,396)**	**1,729**	**(89)**	**(13,664)**	**(138,248)**	**83,439**	**(54,809)**
Balance at March 31, 2017	**$334,424**	**$1,806,141**	**$2,466,432**	**($82,129)**	**$8,896**	**$139,807**	**$4,673,598**	**$87,512**	**$4,761,111**

Consolidated Statement of Cash Flows

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2017 and 2016

	Note	Millions of yen		Thousands of U.S. dollars
		2017	2016	**2017**
Cash flows from operating activities				
Profit before tax		**¥49,341**	¥ 58,029	**$439,799**
Depreciation and amortization expenses		**51,804**	51,333	**461,752**
Impairment losses and reversal of impairment losses		**379**	51	**3,378**
Share of profit or loss in investments accounted for using the equity method		**66**	16	**588**
Interest and dividend income		**(2,688)**	(1,919)	**(23,959)**
Interest expenses		**2,848**	2,243	**25,386**
Loss (gain) on sales and disposals of property, plant and equipment and intangible assets		**1**	(2,329)	**9**
Decrease (increase) in trade and other receivables		**1,806**	(6,212)	**16,098**
Increase in inventories		**(12,446)**	(4,780)	**(110,937)**
Increase (decrease) in trade and other payables		**1,171**	(10,300)	**10,438**
Decrease on transfer of lease assets		**(6,831)**	(7,529)	**(60,888)**
Decrease in retirement benefit liabilities		**(3,045)**	(3,646)	**(27,141)**
Others		**(5,145)**	1,460	**(45,860)**
Subtotal		**77,263**	76,415	**688,680**
Dividends received		**525**	546	**4,680**
Interest received		**2,007**	1,416	**17,889**
Interest paid		**(2,792)**	(2,191)	**(24,886)**
Income taxes paid		**(8,343)**	(16,942)	**(74,365)**
Net cash flows from operating activities		**68,659**	59,244	**611,989**
Cash flows from investing activities				
Purchase of property, plant and equipment		**(32,731)**	(38,313)	**(291,746)**
Proceeds from sales of property, plant and equipment		**1,736**	9,541	**15,474**
Purchase of intangible assets		**(8,733)**	(11,952)	**(77,841)**
Purchase of investments in subsidiaries		**(25,453)**	(57,543)	**(226,874)**
Purchase of investments accounted for using the equity method		**–**	(2,644)	**–**
Purchase of investment securities		**(178)**	(148)	**(1,587)**
Proceeds from sales of investment securities		**111**	287	**989**
Payments for loans receivable		**(123)**	(184)	**(1,096)**
Collection of loans receivable		**139**	131	**1,239**
Payments for transfer of business		**(3,845)**	(3,324)	**(34,272)**
Others		**(1,514)**	(6,639)	**(13,495)**
Net cash flows from investing activities		**(70,594)**	(110,788)	**(629,236)**
Cash flows from financing activities				
Increase (decrease) in short-term loans payable		**3,140**	(9,414)	**27,988**
Proceeds from bonds issuance and long-term loans payable		**36,833**	38,704	**328,309**
Redemption of bonds and repayments of long-term loans payable		**(27,829)**	(27,772)	**(248,052)**
Purchase of treasury shares		**(3)**	(10,014)	**(27)**
Cash dividends paid	23	**(14,858)**	(12,447)	**(132,436)**
Payments for acquisition of interests in subsidiaries from non-controlling interests		**–**	(102)	**–**
Others		**370**	475	**3,298**
Net cash flows from financing activities		**(2,347)**	(20,571)	**(20,920)**
Effect of exchange rate changes on cash and cash equivalents		**(3,029)**	(5,442)	**(26,999)**
Net decrease in cash and cash equivalents		**(7,309)**	(77,559)	**(65,148)**
Cash and cash equivalents at the beginning of the year		**99,937**	177,496	**890,783**
Cash and cash equivalents at the end of the year		**¥92,628**	¥ 99,937	**$825,635**

Notes to the Consolidated Financial Statements

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2017 and 2016

1. Reporting company

Konica Minolta, Inc. (the "Company") is a company incorporated and located in Japan and listed on the First Section of the Tokyo Stock Exchange. The consolidated financial statements of the Konica Minolta Group (the "Group") as of and for the fiscal year ended March 31, 2017 comprise the Company and its subsidiaries and the Group's interest in associates. The principal businesses of the Group are those related to Business Technologies Business, Healthcare Business and Industrial Business. Information regarding the activities of each business is described in note 5 "Operating segments".

Shoei Yamana, Director, President and CEO, and Representative Executive Officer of the Company authorized the consolidated financial statements for the fiscal year ended March 31, 2017 for issue on August 9, 2017.

2. Basis of preparation

(1) Statement of compliance

As the Company satisfies all conditions stipulated for a "Specified Company under Designated International Accounting Standards" as provided in Article 1-2 of the "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements", the Company has prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as provided in Article 93 of the same ordinance.

(2) Basis of measurement

The consolidated financial statements of the Group are prepared on the basis of historical cost, except for financial instruments measured at fair value, post-retirement benefit plan liabilities and post-retirement benefit plan assets, etc. as described in note 3 "Significant accounting policies".

(3) Functional and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company. All financial information presented in Japanese yen has been rounded down to the million.

Financial information in United States (U.S.) dollars is included solely for the convenience of readers, and are translated from the corresponding Japanese yen amounts using the exchange rate on March 31, 2017, which is ¥112.19 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other exchange rate.

(4) Changes in accounting policies

The Group applied the same accounting policies that were applied in the consolidated financial statements of the previous fiscal year.

There were minor changes in some standards; however, they do not have a material impact on the Group's results of operations and financial position.

(5) Standards and interpretations announced but not adopted

Standards and interpretations that had been announced as of the approval date of the consolidated financial statements of the Group are described below.

As of the fiscal year end, the Group had not adopted these standards, etc. None of these are expected to have a significant effect on the consolidated financial statements of the Group for the fiscal year ending March 31, 2018. The Group is considering the impact of these standards, etc. on the consolidated financial statements in or after the fiscal year ending March 31, 2019.

Standards and interpretations	Title	Mandatory adoption (From fiscal years beginning on or after)	Fiscal year in which Company will adopt standard	Summary
IAS 12	Income Taxes	January 1, 2017	Fiscal year ending March 31, 2018	Clarification of accounting for deferred tax assets for unrealized losses
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Fiscal year ending March 31, 2019	Revisions to accounting for revenue recognition
IFRS 9	Financial Instruments	January 1, 2018	Fiscal year ending March 31, 2019	Revisions to impairment and hedge accounting
IFRS 2	Share-based Payment	January 1, 2018	Fiscal year ending March 31, 2019	Clarification of classification and measurement of share-based payments
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Revisions to accounting for leases

3. Significant accounting policies

Significant accounting policies of the Group are described below. These policies have been applied consistently to all fiscal years presented in the consolidated financial statements.

(1) Basis of consolidation

The consolidated financial statements of the Group have been prepared based on the financial statements of the Company and its subsidiaries and associates, which applied the accounting policies consistently.

The financial statements of subsidiaries and associates have been adjusted when necessary for them to align with the Group accounting policies.

1) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when, it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that the control commences until the date that the control ceases. In the event that the control continues after the Company has relinquished a portion of its interest in subsidiaries, this change is accounted for as a transaction with owners. Adjustments to non-controlling interests (NCI) and differences with the fair value of consideration are recognized directly in equity as equity attributable to owners of the Company.

Balances and transactions within the Group and any unrealized income and expenses arising from these transactions are eliminated in preparing the consolidated financial statements.

With regard to the comprehensive income of subsidiaries, even if the balance of NCI is negative, this income is attributed to owners of the Company and NCI respectively based on their proportional ownership.

2) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies of these entities. Investments in associates are accounted for using the equity method.

Investments in associates are initially recognized at cost. Subsequent to initial recognition, the Group's share in the profit or loss and other comprehensive income (OCI) of associates, is recognized as changes in the Group's investment in associates from the day that significant influence commences until the date that significant influence ceases.

(2) Business combinations

The Group accounts for business combinations using the acquisition method, recording as historical cost the total amount of the fair value of the consideration transferred on the acquisition date and the recognized amount of any NCI in the acquiree. NCI are measured based on the proportional ownership of their fair value or the fair value of the recognized amount of the identifiable assets acquired and liabilities assumed.

In the event the total amount of the fair value of consideration transferred, the recognized amount of NCI and the fair value of the pre-existing interest in the acquiree as of the date on which control was acquired exceeds the net recognized amount of the identifiable assets acquired and liabilities assumed on the date of acquisition, this excess is recognized as goodwill. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Additional acquisitions of NCI subsequent to the initial acquisition are treated as capital transactions, and no goodwill is recognized on these transactions.

Intermediary fees, attorneys' fees, due diligence fees and other specialist remuneration, consulting fees and any similar costs are expensed as incurred.

If the initial accounting for a business combination is not completed by the end of the fiscal year in which that business combination occurred, uncompleted items are recognized at their provisional amounts. If information pertaining to the reality and conditions likely to affect the measurement of amounts recognized on the acquisition date and information on the determined period (the "measurement period") exist and are known on the acquisition date, that information is reflected and the provisionally recognized amounts are retroactively adjusted on the acquisition date. This additional information may be recognized as additional assets and liabilities. The maximum measurement period is one year.

(3) Foreign currency translation

1) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company. The foreign operations of the Group principally use local currencies as their functional currencies. However, if the currency of the primary economic environment in which an entity operates is other than its local currency, the functional currency other than the local currency is used.

2) Foreign currency transactions

Foreign currency transactions, or transactions that occur in currencies other than entities' functional currencies, are translated to the respective functional currencies of the Group entities at exchange rates at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate on the fiscal year-end date, and foreign currency differences are recognized in profit or loss.

However, foreign currency differences resulting from financial instruments measured at fair value through OCI, cash flow hedges and a hedge of the net investment in a foreign operation are recognized in OCI. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

3) Foreign operations

The assets and liabilities of foreign operations employing functional currencies other than Japanese yen are translated to Japanese yen at the exchange rates as of the fiscal year-end date, while income, expenses and cash flows are translated to Japanese yen at the exchange rates on their transaction dates or at the average exchange rates for the fiscal period that approximates the exchange rates on their transaction dates. Resulting foreign currency differences are recognized in OCI, and their cumulative amount is presented in other components of equity.

In the event all interests in a foreign operation are disposed or a portion of the interest is disposed such that the control is lost, these cumulative amount in the other components of equity is reclassified in whole or in part, from OCI to profit or loss in the period of disposal.

4) Hedge of a net investment in a foreign operation

The Group uses financial instruments to hedge a portion of its foreign exchange exposure in equity investments in foreign operations, adopting hedge accounting for this purpose.

Foreign currency differences arising from translation of the financial instruments designated as a hedge of a net investment in a foreign operation are recognized in OCI to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognized in profit or loss. Concerning the effective portion of the hedge that is recognized as OCI, in the event all interests in a foreign operation are disposed or a portion of the interest is disposed such that the control is lost, the relevant amount is transferred from OCI to profit or loss in the period of disposal.

(4) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, deposits that can be withdrawn as needed, and short-term investments that are easily converted into cash with little risk from a change in value.

(5) Financial instruments

The Group initially recognizes financial instruments as financial assets and liabilities on the transaction date on which the Group becomes a party to the contractual provisions of these financial instruments.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the contractual rights to receive the cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group only sets off the balances of financial assets and financial liabilities and presents their net amount in the consolidated statement of financial position if the Group has the legal right to set off these balances and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fair value of financial instruments that are traded in active financial markets at the fiscal year-end makes reference to quoted market prices of identical assets and liabilities. If there is no active market, fair value of financial instruments is determined using appropriate valuation techniques.

1) Non-derivative financial assets

The Group holds as non-derivative financial assets: financial assets measured at amortized cost, financial assets measured at fair value through profit or loss (FVTPL) and financial assets measured at fair value through other comprehensive income (FVTOCI).

(a) Financial assets measured at amortized cost

The Group classifies financial assets as financial assets measured at amortized cost only if the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and if the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are recognized initially at fair value plus any directly attributable transaction costs. After initial recognition, these financial assets are measured at amortized cost using the effective interest method. On a quarterly basis, the Group assesses whether there is any objective evidence that financial assets measured at amortized cost are impaired. Objective evidence of impairment includes significant worsening in the financial condition of the borrower or a group of borrowers, a default or delinquency in interest or principal payments, and bankruptcy of the borrower.

Impairment losses are recognized if there is objective evidence that a loss event has occurred after the initial recognition and that the loss event has a negative impact on the estimated future cash flows of the financial assets that can be estimated reliably.

Specific impairment is assessed on individually significant financial assets. Financial assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar risk characteristics. The Group makes reference to historical trends, including past losses when assessing overall impairment.

When impairment losses on financial assets measured at amortized cost are recognized, the carrying amount of the financial asset is reduced by the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate through an allowance for doubtful accounts, and impairment losses are recognized in profit or loss. The carrying amount of these financial assets is directly reduced for the impairment when they are expected to become non-recoverable in the future, offsetting the carrying amount by the allowance for doubtful accounts. If the impairment amount decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, impairment losses are reversed through profit or loss. An impairment loss is reversed only to the extent that the asset's amortized cost that would have been determined if no impairment loss had been recognized.

(b) Financial assets measured at FVTPL

The Group measures a financial asset at fair value and recognizes any changes in profit or loss if it is a non-derivative financial asset other than an equity instrument that does not satisfy the criteria for classification for measurement at amortized cost described in (a) above, and if it is an equity instrument other than those designated as financial assets initially measured at fair value through OCI.

Financial assets measured at FVTPL are initially recognized at fair value, with transaction expenses recognized in profit or loss as they occur.

(c) Financial assets measured at FVTOCI

Upon initial recognition, the Group elects irrevocably to recognize the valuation differences of those equity instruments held to expand its revenue base by maintaining or strengthening relations with business partners in OCI.

Financial assets measured at FVTOCI are initially recognized at their fair value plus any directly attributable transaction costs. After initial recognition, fair value is measured, and any changes in fair value are recognized in OCI. Upon derecognition of these financial assets or when they fall substantially below their fair value, the cumulative amounts recognized in OCI are transferred to retained earnings.

Dividends on financial assets measured at FVTOCI are recognized as finance income in profit or loss.

2) Non-derivative financial liabilities

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these liabilities are measured at amortized cost using the effective interest method. However, contingent consideration on recognition as a financial liability is remeasured at fair value and any changes are recognized in profit or loss.

3) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge exchange rate risk exposures and interest rate risk exposures. The Group limits its transactions in these instruments to those actually required for hedging purposes and not for speculation purposes.

Derivative financial instruments are initially recognized at fair value, with any attributable transaction costs recognized in profit or loss as they occur. After initial recognition, fair value is remeasured, and the following accounting policies are applied for changes depending on whether the derivative financial instruments specified as the hedging instrument satisfy the conditions for hedge accounting. The Group specifies those derivative financial instruments that satisfy the conditions for hedge accounting as hedging instruments and applies hedge accounting on them.

(a) Derivative financial instruments that do not satisfy the conditions for hedge accounting

The Group recognizes changes in fair value of derivative financial instruments that do not satisfy the conditions for hedge accounting in profit or loss. However, the changes in fair value of put options written on non-controlling interests are recognized in share premium.

(b) Derivative financial instruments that satisfy the conditions for hedge accounting

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, and the objectives and strategies of risk management for undertaking the hedge, as well as the method for assessing the effectiveness of the hedge. At the inception of the hedge and on an ongoing basis thereafter, hedges are assessed as to whether the derivative specified as the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the fair value of the hedging instrument is recognized in OCI, while the ineffective portion is recognized immediately in profit or loss. The cumulative profits or losses recognized through OCI are reclassified from OCI to profit or loss in the consolidated statement of comprehensive income in the same period during which the cash flows of the hedged item affects profit and loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, or if the forecast transaction is no longer expected to occur, then hedge accounting is discontinued prospectively.

(6) Inventories

The cost of inventories includes purchase costs, processing costs and all other costs incurred to bring inventories to their present location and condition.

Inventories are measured at the lower of cost or net realizable value. The weighted average method is used to calculate cost. If net realizable value is less than the cost, that difference is accounted for as a write off and recognized as an expense. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and estimated costs necessary to make the sale.

(7) Property, plant and equipment
The cost of property, plant and equipment includes any costs directly attributable to the acquisition of the asset and dismantlement, removal and restoration costs, as well as borrowing costs that satisfy the conditions for capitalization.

When measuring property, plant and equipment after initial recognition, the cost model is adopted, whereby such items are measured at cost less accumulated depreciation and accumulated impairment losses.

Except for land (with certain exceptions) and construction in progress, the cost less residual value of each asset is depreciated on a straight-line basis over its estimated useful life.

Estimated useful life, residual value or depreciation method are reviewed at the fiscal year-end date, and the effect of any changes in estimate are accounted for during the period in which the change occurred and on a prospective basis. The effect of any changes in estimates is recognized in the period in which the change occurs.

The estimated useful lives of major assets are as follows:

Buildings and structures:	3–50 years
Machinery and vehicles:	2–15 years
Tools and equipment:	2–20 years
Lease assets:	3–5 years

(8) Goodwill
Goodwill indicates the amount by which the cost of the NCI acquired in a business combination exceeds the net recognized amount of identifiable assets acquired and liabilities assumed at the time of acquisition. Details on the measurement of goodwill at initial recognition are described in (2) Business Combinations.

Goodwill is not amortized. It is allocated to an asset, cash-generating unit (CGU) or group of CGUs that are identified according to locations and types of business and tested for impairment annually or when there is any indication of impairment. Impairment losses on goodwill are recognized in profit or loss, and no subsequent reversal is made.

After initial recognition, goodwill is presented at cost less accumulated impairment losses.

(9) Intangible assets
Intangible assets acquired separately are measured at cost at the initial recognition, and the cost of intangible assets acquired through business combinations are recognized at fair value at the acquisition date.

Expenditures on internally generated intangible assets are recognized as expenses in the period when incurred, except for those that satisfy the criteria for recognition as assets. Internally generated intangible assets that satisfy the criteria for recognition as assets are stated at cost in the total amount of spending that is incurred after the assets first met recognition standards.

When performing subsequent measurement of intangible assets, the cost model is adopted and such items are measured at cost less accumulated amortization and accumulated impairment losses.

1) Intangible assets with finite useful lives
Intangible assets for which useful lives can be determined are amortized on a straight-line basis over their estimated useful lives from the date the assets are available for use. These assets are also tested for impairment whenever there is any indication of impairment.

Estimated useful lives, residual values and amortization methods are reviewed at fiscal year-end date, and the effect of any changes in estimate are accounted for during the period in which the change occurred and on a prospective basis. The effect of any changes in estimate is recognized in the period in which the change occurs.

The estimated useful lives of major assets are as follows:

Customer relationships:	3–15 years
Software:	3–10 years
Others:	3–10 years

2) Intangible assets with infinite useful lives
Intangible assets for which useful life cannot be determined are not amortized. These assets are tested for impairment each fiscal year.

(10) Research and development expense
Research-related expenditures are recognized as expenses when incurred. Development-related expenditures are recorded as assets only when they can be reliably measured, when they are technologically and commercially realizable as products or processes, when they are highly likely to generate future economic benefits, and when the Group intends to complete development and use or sell the assets and has sufficient resources to do so. Other expenditures are recognized as expenses when incurred.

(11) Leases
The Group classifies leases as finance leases when lease agreements transfer substantially all the risks and rewards of ownership to the lessee. All other leases agreements are classified as operating leases.

1) Lessees

Finance lease transactions are recorded in the consolidated statement of financial position as property, plant and equipment, or intangible assets, and bonds and borrowings at the lower of the fair value of the leased property or the present value of the minimum lease payments, each determined at the inception of the lease. Assets used in leases are depreciated on a straight-line basis over their estimated useful lives or lease terms, whichever is shorter. Lease payments are apportioned between the reduction of the lease obligation and the finance costs based on the effective interest method. Finance costs are recognized in the consolidated statement of profit or loss.

In operating lease transactions, lease payments are recognized as expenses using the straight-line method over the lease terms in the consolidated statement of profit or loss. Contingent rents are recognized as expenses in the period when they are incurred.

2) Lessors

In finance lease transactions, investment in the lease is recognized in the consolidated statement of financial position as trade and other receivables. Unearned finance income is apportioned at a constant rate against net investment over the lease period and recognized as revenue in the period to which it is attributable.

Lease receivables in operating lease transactions are recognized as revenue in the consolidated statement of profit or loss on a straight-line basis over the lease term.

(12) Impairment of non-financial assets

The Group assesses for at each fiscal year-end whether there is any indication that a non-financial asset (excluding inventories, deferred tax assets and post-retirement benefit plan assets) may be impaired. If any such indication exists, then an impairment test is performed. For goodwill and intangible assets with infinite useful lives or that are not yet in use, an impairment test is performed each year and whenever there is any indication of impairment.

In an impairment test, the recoverable amount is estimated, and the carrying amount and recoverable amount are compared. The recoverable amount of an asset, CGU or group of CGUs is determined at the higher of its fair value less costs of disposal or its value in use. In determining the value in use, estimated future cash flows are discounted to the present value, using discount rates that reflect current market assessments of the time value of money and the risks specific to the asset.

If as the result of the impairment test, the recoverable amount of an asset, CGU or group of CGUs is below its carrying amount, an impairment loss is recognized. In recognizing impairment losses on CGUs, including goodwill, first the carrying amount of goodwill allocated to the CGUs is reduced. Next, the carrying amounts of other assets within the CGUs are reduced proportionally.

If there is any indication that an impairment loss recognized in previous periods may be reversed, the impairment loss is reversed if the recoverable amount exceeds the carrying amount as a result of estimating the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Impairment losses on goodwill are not reversed.

(13) Non-current assets or disposal groups classified as held for sale

For assets or asset groups that are not in continuing use and for which recovery through sale is expected, that are highly likely to be sold within one year, and that can be quickly sold in their current condition, assets held for sale and liabilities directly related to assets held for sale are classified into disposal groups separately from other assets and liabilities and recorded in the consolidated statement of financial position.

(14) Employee benefits

1) Post-retirement benefits

The Group employs defined benefit plans and defined contribution plans as post-retirement benefit plans for employees.

(a) Defined benefit plans

The Group calculates the present value of the defined benefit obligations, related current service cost and past service cost using the projected unit credit method.

For a discount rate, a discount period is determined based on the period until the expected date of benefit payment in each fiscal year, and the discount rate is determined by reference to market yields for the period corresponding to the discount period at the end of the fiscal year on high-quality corporate bonds.

Assets and liabilities related to the post-retirement benefit plans are calculated by the present value of the defined benefit obligation, deducting the fair value of any plan assets, and their amounts are recognized in the consolidated statement of financial position. The net amount of interest income related to plan assets in the post-retirement benefit plans, interest costs related to defined benefit obligation, and current service cost is recognized as profit or loss.

Differences arising from remeasurements of defined benefit plans are recognized in full in OCI in the period when they are incurred and transferred to retained earnings immediately. The entire amount of past service costs is recognized as profit or loss in the period when incurred.

(b) Defined contribution plans

The cost for defined-contribution post-retirement benefit plans is recognized as an expense when related services are provided by the employee.

2) Short-term employee benefits

Short-term employee benefits are not discounted, but are recognized as expenses when related services are provided by the employee.

If the Group has a present legal or constructive obligation to pay bonuses and paid vacation expenses and the obligation can be estimated reliably, a liability is recognized for the estimated payment amounts.

(15) Share-based payment

The Group has in place for directors (excluding outside directors), executive officers and group executives of the Company a share option plan as an equity- settled share-based payment plan. Share options are estimated at fair value at grant date and are recognized as an expense over the vesting period after considering the number of share options that are expected to be eventually vested. The corresponding amount is recognized as an increase in equity.

(16) Provisions

The Group has present legal or constructive obligations resulting from past events and recognizes provisions when it is probable that the obligations are required to be settled and the amount of the obligations can be estimated reliably.

Where the effect of the time value of money is material to the provisions, the amount of provisions is measured at the present value of the estimated future cash flows discounted to present value using the pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the liability. Reversals of discounts to reflect the passage of time are recognized as finance costs.

(17) Revenue

Revenue from the sale of goods in the course of ordinary business activities is measured at the fair value of the consideration received or receivable, less returns, discounts and rebates. The Group recognizes revenue from the sale of goods when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, the Group does not retain continuing managerial involvement over the goods sold, the amount of revenue can be estimated reliably, the recoverability of consideration is high and related costs of sales can be estimated reasonably.

The Group recognizes revenue from the provision of services, based on stage of completion of transactions at the fiscal year-end when the amount of revenue can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the Group; the stage of completion of transactions can be reliably measured at the fiscal year-end, and the expenses to be incurred in association with the transactions and the expenses required to conclude the transactions can be reliably measured.

Standards for recognizing revenue from the sale of goods and the provision of services are typically applied on a per- transaction basis. However, if individual transactions contain multiple recognizable elements, revenue may be recognized for each elemental unit in order to reflect the economic reality of the transactions.

(18) Government grants

The Group initially recognizes government grant as deferred income at fair value when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attached to it.

After initial recognition, grants associated with assets are recognized in profit or loss on a systematic basis over the useful lives of the assets. For grants associated with revenue, revenue is recognized as other income in profit or loss in the periods when related expenses are recognized.

(19) Income taxes

Current and deferred taxes are stated as income tax expense in the consolidated statement of profit or loss except when they relate to business combinations or on items recognized in OCI or directly in equity.

The current and deferred taxes relating to items recognized in OCI are recognized as OCI.

1) Current taxes

Current income taxes are measured at the amount that is expected to be paid to or refunded from the tax authorities. For the calculation of the tax amount, the Group uses the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year.

2) Deferred taxes

Deferred income taxes are calculated based on the temporary differences between the amounts used for tax purpose and the carrying amount for assets and liabilities at the fiscal year end. Deferred tax assets are recognized for deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax liabilities are recognized for taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the fiscal year when the asset is realized or the liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted by the fiscal year end.

Deferred tax assets and deferred tax liabilities are not recognized for the following temporary differences:

- taxable temporary differences on initially recognized goodwill
- temporary differences arising from the initial recognition of assets or liabilities in transactions that are not business combinations and at the time of transaction affect neither accounting profit nor taxable profit or tax loss
- taxable temporary differences on investments in subsidiaries and associates to the extent that the timing of the reversal of the temporary difference is controlled and that it is probable the temporary difference will not reverse in the foreseeable future
- deductible temporary differences on investments in subsidiaries and associates to the extent that it is not probable the temporary differences will reverse in the foreseeable future

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority on the same taxable entity (including consolidated tax payments).

4. Critical accounting estimates and determining estimates

(1) Estimation and determination

The consolidated financial statements for the Group incorporate management's estimates and judgments.

The assumptions serving as bases for estimation are reviewed on an ongoing basis. Effects due to changes in estimates are recognized in the period when the estimate is changed and for future fiscal periods.

Actual results may differ from accounting estimates and the assumptions forming their basis.

(2) Estimates and determinations that have significant effects on the amounts recognized in the consolidated financial statements of the Group are as follows.

1) Impairment of non-financial assets

The Group conducts impairment tests whenever there is any indication that the recoverable amount of a non-financial asset (excluding inventories, deferred tax assets and post-retirement benefit plan assets) may fall below its carrying amount. For goodwill and intangible assets with infinite useful lives or that are not yet in use, an impairment test is performed each year and whenever there is any indication of impairment.

When conducting an impairment test, principal factors indicating that impairment may have occurred include a substantial worsening of business performance compared with past or estimated operating performance, significant changes in the uses of acquired assets or changes in overall strategy, or a substantial worsening of industry or economic trends.

Goodwill is allocated to an assets CGU or groups of CGUs based on the region where business is conducted and business category, and impairment tests are conducted on goodwill once each year or when there is an indication of impairment.

Calculations of recoverable amounts used in impairment tests are based on assumptions set using such factors as an asset's useful life, future cash flows, discount rates that reflect the risks specific to the asset, and long-term growth rates. These assumptions are based on the best estimates and judgments made by management. However, these assumptions may be affected by changes in uncertain future economic conditions, which may have a material impact on the consolidated financial statements in future periods.

The method for calculating recoverable amounts is described in note 3. (12) "Impairment of non-financial assets".

2) Provisions

The Group records various provisions in the consolidated statement of financial position, including provision for product warranties and provision for restructuring.

These provisions are recognized based on the best estimates of the expenditures required to settle the obligations taking into consideration of risks and the uncertainty related to the obligations as of the fiscal year-end date.

Expenditures required to settle the obligations are calculated by taking possible results into account comprehensively. However, they may be affected by the occurrence of unexpected events or changes in conditions which may have a material impact on the consolidated financial statements in future periods.

The nature and amount of provisions are described in note 19 "Provisions".

3) Employee benefits

The Group has in place various post-retirement benefit plans, including defined benefits plans. The present value of defined benefit obligations on each of these plans and the service costs are calculated based on actuarial assumptions. These actuarial assumptions require estimates and judgments on variables, such as discount rates. The Group obtains advice from external pension actuaries with respect to the appropriateness of these actuarial assumptions including these variables.

The actuarial assumptions are determined based on the best estimates and judgments made by management. However, there is the possibility that these assumptions may be affected by changes in uncertain future economic conditions, or by the publication or the amendment of related laws, which may have a material impact on the consolidated financial statements in future periods.

These actuarial assumptions and related sensitivity analysis are described in note 21 "Employee benefits".

4) Recoverability of deferred tax assets

In recognizing deferred tax assets, when judging the possibility of the future taxable income, the Group estimates the timing and amount of future taxable income based on the business plan.

The timing when taxable income arises and the amount of such income may be affected by changes in uncertain future economic conditions. Therefore, this may have a material impact on the consolidated financial statements in future periods.

The content and amount related to deferred tax assets are described in note 16 "Income taxes".

5. Operating segments

(1) Reportable segments

Reportable segments of the Group are the constituent business units of the Group for which separate financial data is available and that are examined on a regular basis for the purpose of enabling the Group's management to decide on the allocation of resources and evaluate results of operations. The Group establishes business segments by product and service category and formulates comprehensive strategies and conducts business activities in Japan and overseas for the products and services of each business category. Consequently, the operations of the Group are divided into business segments based on products and services of each business category. This results in three reportable business segments: "Business Technologies Business," "Healthcare Business," and "Industrial Business." "Others" includes businesses involving IP video surveillance cameras, planetariums, etc. that are not included in the three reportable segments.

The business content of each reportable segment is as follows:

	Business content	
Business Technologies Business	<Office Services> Development, manufacture, and sales of MFPs and IT services; the provision of related consumables, solutions, and services	<Commercial and Industrial Printing> Development, manufacture, and sales of digital printing systems, various printing services, and industrial inkjet printers; the provision of related consumables, solutions, and services
Healthcare Business	Development, manufacture, sales, and provision of services for diagnostic imaging systems (digital X-ray diagnostic imaging systems, diagnostic ultrasound systems, etc.)	
Industrial Business	<Optical Systems for Industrial Use> Development, manufacture, and sales of measuring instruments, lenses for industrial and professional use, etc.	<Performance Materials> Development, manufacture, and sales of TAC films used in liquid crystal displays, organic light-emitting diode (OLED) lighting, functional films, etc.

(2) Financial information on reportable segments

Methods of accounting for reportable statements are described in note 3 "Significant accounting policies" and are consistent with the accounting policies of the Group.

Financial information on reportable segments is provided below. Segment profit refers to operating profit.

Previous fiscal year (From April 1, 2015 to March 31, 2016)

	Millions of yen					
	2016					
	Business Technologies Business	Healthcare Business	Industrial Business	Subtotal	Others	Total
Revenue						
External	¥832,187	¥89,855	¥105,975	¥1,028,018	¥ 3,721	¥1,031,740
Inter-segment (Note)	2,260	725	4,552	7,537	23,033	30,571
Total	834,447	90,581	110,527	1,035,556	26,755	1,062,311
Segment profit	70,210	3,907	17,050	91,167	1,648	92,815
Segment assets	636,716	80,806	190,204	907,726	31,988	939,715
Segment liabilities	309,507	59,714	116,926	486,148	11,133	497,281
Other items						
Depreciation and amortization expenses	32,847	3,920	7,127	43,896	412	44,308
Impairment losses on non-financial assets	50	–	–	50	–	50
Investments accounted for using the equity method	2,321	517	774	3,614	–	3,614
Capital expenditures on property, plant and equipment and intangible assets	¥ 36,754	¥ 1,325	¥ 8,924	¥ 47,004	¥ 597	¥ 47,601

(Note) Inter-segment revenue is based on market prices, etc.

Current fiscal year (From April 1, 2016 to March 31, 2017)

	Millions of yen					
	2017					
	Business Technologies Business	Healthcare Business	Industrial Business	Subtotal	Others	Total
Revenue						
External	¥771,735	¥89,940	¥89,425	¥951,101	¥11,454	¥962,555
Inter-segment (Note)	4,323	873	4,337	9,534	22,971	32,505
Total	776,059	90,814	93,762	960,635	34,425	995,061
Segment profit (loss)	52,962	2,863	18,597	74,423	(798)	73,625
Segment assets	639,055	82,225	173,389	894,670	54,621	949,291
Segment liabilities	304,819	60,108	99,190	464,118	34,620	498,738
Other items						
Depreciation and amortization expenses	33,247	4,000	8,036	45,285	386	45,671
Impairment losses on non-financial assets	167	0	124	292	–	292
Investments accounted for using the equity method	2,204	523	761	3,489	–	3,489
Capital expenditures on property, plant and equipment and intangible assets	¥ 24,343	¥ 1,684	¥ 7,789	¥ 33,817	¥ 423	¥ 34,241

(Note) Inter-segment revenue is based on market prices, etc.

	Thousands of U.S. dollars					
	2017					
	Business Technologies Business	Healthcare Business	Industrial Business	Subtotal	Others	Total
Revenue						
External	$6,878,822	$801,676	$ 797,085	$8,477,592	$102,095	$8,579,686
Inter-segment	38,533	7,781	38,658	84,981	204,751	289,732
Total	6,917,363	809,466	835,743	8,562,572	306,846	8,869,427
Segment profit (loss)	472,074	25,519	165,763	663,366	(7,113)	656,253
Segment assets	5,696,185	732,908	1,545,494	7,974,597	486,862	8,461,458
Segment liabilities	2,716,989	535,770	884,125	4,136,893	308,584	4,445,476
Other items						
Depreciation and amortization expenses	296,345	35,654	71,628	403,646	3,441	407,086
Impairment losses on non-financial assets	1,489	0	1,105	2,603	–	2,603
Investments accounted for using the equity method	19,645	4,662	6,783	31,099	–	31,099
Capital expenditures on property, plant and equipment and intangible assets	$ 216,980	$ 15,010	$ 69,427	$ 301,426	$ 3,770	$ 305,205

Differences between totals for reportable segments and the financial information in the consolidated financial statements are itemized and presented as below.

	Millions of yen		Thousands of U.S. dollars
Revenue	2017	2016	2017
Total revenue of reportable segments	¥960,635	¥1,035,556	$8,562,572
Revenue categorized in "Others"	34,425	26,755	306,846
Total of reportable and Others segments	995,061	1,062,311	8,869,427
Adjustments (Note)	(32,505)	(30,571)	(289,732)
Revenue reported in consolidated statement of profit or loss	¥962,555	¥1,031,740	$8,579,686

(Note) Adjustments are due to eliminations for inter-segment transactions.

Profit	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Total profit of reportable segments	¥74,423	¥91,167	$663,366
Segment profit (loss) categorized in "Others"	(798)	1,648	(7,113)
Total of reportable and Others segments	73,625	92,815	656,253
Adjustments (Note)	(23,490)	(32,745)	(209,377)
Operating profit reported in consolidated statement of profit or loss	¥50,135	¥60,069	$446,876

(Note) Adjustments include eliminations for inter-segment transactions and corporate expenses, which are mainly general administration expenses and basic research expenses not attributed to any reportable segment.

Assets	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Total assets of reportable segments	¥ 894,670	¥907,726	$ 7,974,597
Assets categorized in "Others"	54,621	31,988	486,862
Total of reportable and Others segments	949,291	939,715	8,461,458
Adjustments (Note)	56,144	36,655	500,437
Assets reported in consolidated statement of financial position	¥1,005,435	¥976,370	$8,961,895

(Note) Adjustments include eliminations for inter-segment transactions and corporate assets that are not attributed to any reportable segment. These corporate assets mainly comprise short-term investments (cash and deposits, and securities), long-term investments (investment securities), property, plant and equipment and intangible assets, etc.

Liabilities	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Total liabilities of reportable segments	¥464,118	¥486,148	$4,136,893
Liabilities categorized in "Others"	34,620	11,133	308,584
Total of reportable and Others segments	498,738	497,281	4,445,476
Adjustments (Note)	(27,452)	(35,892)	(244,692)
Liabilities reported in consolidated statement of financial position	¥471,286	¥461,389	$4,200,784

(Note) Adjustments include eliminations for inter-segment transactions and corporate liabilities, which are mainly interest-bearing debts (bonds and borrowings, etc.) not attributed to any reportable segment.

	Millions of yen							
	Total of reportable segments		Others		Adjustments (Note)		Reported in consolidated financial statements	
Other items	2017	2016	2017	2016	2017	2016	2017	2016
Depreciation and amortization expenses	¥45,285	¥43,896	¥386	¥412	¥6,133	¥7,024	¥51,804	¥51,333
Impairment losses on non-financial assets	292	50	–	–	89	1	382	51
Investments accounted for using the equity method	3,489	3,614	–	–	–	–	3,489	3,614
Capital expenditures on property, plant and equipment and intangible assets	¥33,817	¥47,004	¥423	¥597	¥4,703	¥5,003	¥38,944	¥52,605

(Note) Adjustments for depreciation and amortization expenses and impairment losses are mainly for facilities that are not attributed to any reportable segment.
In relation to other items, adjustments to capital expenditures are mainly for capital expenditures for buildings that are not attributed to any reportable segment.

	Thousands of U.S. dollars			
	Total of reportable segments	Others	Adjustments	Reported in consolidated financial statements
Other items	2017			
Depreciation and amortization expenses	$403,646	$3,441	$54,666	$461,752
Impairment losses on non-financial assets	2,603	–	793	3,405
Investments accounted for using the equity method	31,099	–	–	31,099
Capital expenditures on property, plant and equipment and intangible assets	$301,426	$3,770	$41,920	$347,125

(3) Financial information by geographical region

External revenue by geographical area is as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Japan	¥192,297	¥ 200,172	$1,714,030
United States	249,669	267,503	2,225,412
European countries	299,902	319,731	2,673,162
China	73,211	76,363	652,563
Asia, excluding Japan and China	72,114	81,288	642,785
Others	75,359	86,680	671,709
Total	¥962,555	¥1,031,740	$8,579,686

(Note) Revenue classifications are based on customers' geographical regions. There are no key countries presented separately other than the ones in the above table.

Summary by geographical region of the carrying amounts of non-current assets (excluding financial assets, deferred tax assets and post-retirement benefit assets) is set out as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Japan	¥205,495	¥210,244	$1,831,669
United States	73,310	73,048	653,445
European countries	95,391	61,548	850,263
China	17,109	19,312	152,500
Asia, excluding Japan and China	14,059	13,064	125,314
Others	4,768	5,042	42,499
Total	¥410,135	¥382,261	$3,655,718

(4) Information on principal customers

No single external customer contributed to 10% of revenue or more.

6. Business Combinations

Previous fiscal year (From April 1, 2015 to March 31, 2016)

(Acquisition of shareholding of Radiant Vision Systems, LLC)

(1) Description of the business combination

As of August 3, 2015, the Group acquired, in cash, 100% of shareholding of Radiant Vision Systems, LLC (hereafter, "Radiant"), a US-based leading provider of testing and measurement systems for flat panel displays. Radiant develops and offers fully integrated testing and measurement systems precisely engineered to meet specific customer requirements in the global display testing and measurement industry.

Through the acquisition of Radiant, the Group will solidify the foundation of its business of optical systems for industrial use within the Industrial Business by integrating Radiant's products and solutions with the existing business of light-source color measurement.

Furthermore, to pursue its future growth, the Group will gain the technological strength necessary to enter the field of manufacturing inspection systems, including visual surface inspections, where automation and integration will improve productivity.

(2) Fair value of the consideration for acquisition and recognized value of assets acquired and liabilities assumed as of the acquisition date

	Millions of yen	Thousands of U.S. dollars
Fair value of the consideration for acquisition	¥29,056	$258,989
Recognized value of assets acquired and liabilities assumed		
Cash and cash equivalents	921	8,209
Trade and other receivables	1,199	10,687
Inventories	678	6,043
Property, plant and equipment	351	3,129
Intangible assets	8,622	76,852
Other assets	58	517
Liabilities	(722)	(6,436)
Goodwill (Note 2)	17,948	159,979
Total	¥29,056	$258,989

(Note 1) There was no contingent consideration.
(Note 2) Goodwill largely represents an excess earning power of Radiant, and the total sum is posted as losses over a certain period for tax purposes.

Acquisition–related costs of ¥618 million incurred in the business combination were recognized in "Selling, general and administrative expenses".

(3) Performance after the acquisition date
Information is not disclosed because the business combination of Radiant has no material effect on the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the fiscal year ended March 31, 2016.

(4) Pro-forma information
Because pro forma information (unaudited information) based on the assumption that the business combination of Radiant took place at the beginning of the fiscal year, on April 1, 2015, has no material effect on the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the fiscal year ended March 31, 2016, it is not disclosed here.

(Acquisition of shareholding of 20/20 Healthcare LLC)
(1) Description of the business combination
As of October 1, 2015, the Group acquired, in cash, 100% of shareholding of 20/20 Healthcare LLC, a US-based company, which led to the acquisition of its subsidiaries, Viztek LLC (hereafter, "Viztek") and 20/20 Imaging LLC. Viztek is a provider of healthcare products and IT solutions.

Through this acquisition, the Group will strengthen its capabilities to provide value in the primary care market with a high growth potential in the U.S., the world's largest healthcare market. The synergy with Viztek will enhance the Group's healthcare IT solutions services centered on digital X-ray diagnostic imaging, low-invasive diagnostic ultrasound imaging, and picture archiving and communication systems (PACS).

(2) Fair value of the consideration for acquisition and recognized value of assets acquired and liabilities assumed as of the acquisition date

	Millions of yen	Thousands of U.S. dollars
Fair value of the consideration for acquisition	¥9,124	$81,326
Recognized value of assets acquired and liabilities assumed		
Cash and cash equivalents	15	134
Trade and other receivables	1,042	9,288
Inventories	1,060	9,448
Property, plant and equipment	78	695
Intangible assets	2,478	22,088
Other current assets	8	71
Liabilities	(2,236)	(19,930)
Goodwill (Note 2)	6,676	59,506
Total	¥9,124	$81,326

(Note 1) There was no contingent consideration.
(Note 2) Goodwill largely represents an excess earning power of the acquired companies, and the total sum will be deductible over a certain period for tax purposes.

Acquisition–related costs of ¥273 million incurred in the business combination were recognized in "Selling, general and administrative expenses."

(3) Performance after the acquisition date

Information is not disclosed because the business combination of 20/20 Healthcare LLC has no material effect on the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the fiscal year ended March 31, 2016.

(4) Pro-forma information

Because pro forma information (unaudited information) based on the assumption that the business combination of 20/20 Healthcare LLC took place at the beginning of the fiscal year, on April 1, 2015, has no material effect on the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the fiscal year ended March 31, 2016, it is not disclosed here.

(Acquisition of shares of Dactyl Buro du Centre and OMR Impressions)

The following amounts in (2) reflect the amounts after modification was made to the provisional estimates once the allocation of acquisition costs was completed after the end of this fiscal year.

(1) Description of the business combination

On February 15, 2016, the Group acquired, in cash, 100% shares of two major French MFP sales companies, French Dactyl Buro du Centre and OMR Impressions.

As well as boosting MFP sales by establishing a direct sales network that covers all of France's major cities, this acquisition will enable the Group to strengthen its digital printing systems and IT service offerings in the Business Technologies Business.

(2) Fair value of the consideration for acquisition and recognized value of assets acquired and liabilities assumed as of the acquisition date

	Millions of yen	Thousands of U.S. dollars
Fair value of the consideration for acquisition	¥10,856	$96,764
Recognized value of assets acquired and liabilities assumed		
Cash and cash equivalents	966	8,610
Trade and other receivables	2,112	18,825
Inventories	452	4,029
Property, plant and equipment	2,117	18,870
Intangible assets	1,227	10,937
Other assets	680	6,061
Bonds and borrowings	(3,061)	(27,284)
Deferred tax liabilities	(16)	(143)
Other liabilities	(2,566)	(22,872)
Goodwill (Note 2)	8,944	79,722
Total	¥10,856	$96,764

(Note 1) There was no contingent consideration.
(Note 2) Goodwill largely represents an excess earning power of the acquired companies and will not be deductible for tax purposes.

Acquisition–related costs of ¥147 million incurred in the business combination were recognized in "Selling, general and administrative expenses."

(3) Performance after the acquisition date

Information is not disclosed because the business combination of French Dactyl Buro du Centre and OMR Impressions has no material effect on the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the fiscal year ended March 31, 2016.

(4) Pro-forma information

Because pro forma information (unaudited information) based on the assumption that the business combination of French Dactyl Buro du Centre and OMR Impressions took place at the beginning of the fiscal year, on April 1, 2015, has no material effect on the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the fiscal year ended March 31, 2016, it is not disclosed here.

Current fiscal year (From April 1, 2016 to March 31, 2017)

(Acquisition of shares of MOBOTIX AG)
(1) Description of the business combination
As of May 10, 2016, the Group acquired 65.5% of shares (65.5% of voting rights) of MOBOTIX AG (hereafter, "MOBOTIX"), a German manufacturer of IP video surveillance cameras and video management software, in an all-cash transaction.

Through the acquisition of MOBOTIX, the Group intends to acquire MOBOTIX's technologies including decentralized processing (edge computing) IP cameras, image data compression and analytics technologies.

(2) Fair value of the consideration for acquisition and recognized value of assets acquired and liabilities assumed as of the acquisition date

	Millions of yen	Thousands of U.S. dollars
Fair value of the consideration for acquisition	¥21,568	$192,245
Non-controlling interests (Note 2)	3,198	28,505
Recognized value of assets acquired and liabilities assumed		
Cash and cash equivalents	219	1,952
Trade and other receivables	2,123	18,923
Inventories	1,847	16,463
Property, plant and equipment	2,451	21,847
Intangible assets	7,381	65,790
Other assets	526	4,688
Trade and other payables	(1,150)	(10,250)
Bonds and borrowings	(1,449)	(12,916)
Deferred tax liabilities	(2,182)	(19,449)
Other liabilities	(495)	(4,412)
Goodwill (Note 3)	15,495	138,114
Total	¥24,767	$220,759

(Note 1) There was no contingent consideration.
(Note 2) Non-controlling interests are measured using the ratio of equity attributable to non-controlling interest shareholders to the fair value of the identifiable net assets of the acquired company.
(Note 3) Goodwill largely represents an excess earning power of the acquired company and will not be deductible for tax purposes.

Acquisition–related costs of ¥521 million for the business combination (of which ¥79 million was incurred in the previous fiscal year) were recognized in "Selling, general and administrative expenses."

(3) Performance after the acquisition date
Information is not disclosed because the business combination of MOBOTIX has no material effect on the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the fiscal year ended March 31, 2017.

(4) Pro-forma information
Because pro forma information (unaudited information) based on the assumption that the business combination of MOBOTIX took place at the beginning of the current fiscal year, on April 1, 2016, has no material effect on the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the fiscal year ended March 31, 2017, it is not disclosed here.

7. Trade and other receivables

The components of trade and other receivables as of March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Notes and accounts receivable–trade	¥204,564	¥221,716	$1,823,371
Finance lease receivables	32,156	23,330	286,621
Others	12,006	10,713	107,015
Allowance for doubtful accounts	(5,533)	(6,261)	(49,318)
Total	¥243,195	¥249,498	$2,167,707

8. Inventories

The components of inventories as of March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Merchandise and finished goods	¥104,700	¥ 93,269	$ 933,238
Work in progress	10,691	9,766	95,294
Materials and supplies (Note 1)	20,629	18,325	183,876
Total	¥136,020	¥121,361	$1,212,408

(Note 1) Materials include spare parts for maintenance purpose to be used after 12 months from each fiscal year-end. They are included as inventories as they are held within the ordinary course of business.
(Note 2) The acquisition costs of inventories recognized as expenses during the current fiscal year is primarily included in "cost of sales".
(Note 3) The amount of inventories written down to their net realizable value in the current fiscal year is ¥2,220 million (previous fiscal year: ¥2,902 million), which is included in "cost of sales".

9. Other financial assets

The components of other financial assets as of March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Loans receivable	¥ 165	¥ 219	$ 1,471
Investment securities	27,872	24,163	248,436
Lease and guarantee deposits	6,522	6,899	58,134
Derivative financial assets	7,764	5,946	69,204
Others	12,806	5,587	114,146
Allowance for doubtful accounts	(665)	(841)	(5,927)
Total	54,466	41,974	485,480
Current	6,924	3,327	61,717
Non-current	¥47,542	¥38,646	$423,763

10. Non-current assets held-for-sale and disposal groups

For fiscal year ended March 31, 2016, in line with the mid-term management plan to improve asset efficiency, the Group resolved to sell land in North America that is not attributable to reportable segments.

For fiscal year ended March 31, 2017, in regard to the land classified non-current assets held for sale as of March 31 2016, the Group ceased to classify it as held for sale, and transferred it to property, plant and equipment as of March 31 2017.

11. Property, plant and equipment

Changes in the carrying amounts of property, plant and equipment for fiscal years ended March 31, 2017 and 2016, are as follows:

(Cost)

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at April 1, 2015	¥192,428	¥239,275	¥160,849	¥43,957	¥33,296	¥ 4,236	¥674,043
Acquisitions	1,440	1,763	16,228	8,073	–	22,604	50,110
Acquisitions through business combinations	264	78	1,753	2,087	2	–	4,186
Transfer from construction in progress to other account	5,775	7,736	5,955	–	–	(19,467)	–
Disposals	(9,460)	(35,179)	(12,648)	(3,622)	(1,852)	(20)	(62,784)
Others	(82)	(36)	(857)	(3,525)	240	1,151	(3,109)
Effect of foreign currency exchange differences	(2,511)	(2,220)	(4,787)	(1,971)	(114)	(96)	(11,702)
Balance at March 31, 2016	187,854	211,416	166,492	44,997	31,572	8,408	650,743
Acquisitions	**785**	**1,939**	**10,325**	**7,353**	**3**	**18,429**	**38,837**
Acquisitions through business combinations	**1,694**	**1,255**	**796**	**13**	**102**	**23**	**3,884**
Transfer from construction in progress to other account	**7,009**	**11,202**	**4,472**	**5**	**–**	**(22,690)**	**–**
Disposals	**(1,554)**	**(6,791)**	**(9,130)**	**(6,648)**	**(421)**	**(271)**	**(24,817)**
Others	**1,130**	**1,742**	**1,579**	**(1,993)**	**632**	**(230)**	**2,860**
Effect of foreign currency exchange differences	**(1,512)**	**(1,212)**	**(2,633)**	**(1,703)**	**(101)**	**(18)**	**(7,181)**
Balance at March 31, 2017	**¥195,408**	**¥219,553**	**¥171,902**	**¥42,024**	**¥31,788**	**¥ 3,650**	**¥664,327**

(Note) Others includes transfer to other account.

	Thousands of U.S. dollars						
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at March 31, 2016	$1,674,427	$1,884,446	$1,484,018	$401,079	$281,415	$ 74,944	$5,800,365
Acquisitions	**6,997**	**17,283**	**92,031**	**65,541**	**27**	**164,266**	**346,172**
Acquisitions through business combinations	**15,099**	**11,186**	**7,095**	**116**	**909**	**205**	**34,620**
Transfer from construction in progress to other account	**62,474**	**99,848**	**39,861**	**45**	**–**	**(202,246)**	**–**
Disposals	**(13,852)**	**(60,531)**	**(81,380)**	**(59,257)**	**(3,753)**	**(2,416)**	**(221,205)**
Others	**10,072**	**15,527**	**14,074**	**(17,765)**	**5,633**	**(2,050)**	**25,492**
Effect of foreign currency exchange differences	**(13,477)**	**(10,803)**	**(23,469)**	**(15,180)**	**(900)**	**(160)**	**(64,007)**
Balance at March 31, 2017	**$1,741,760**	**$1,956,975**	**$1,532,240**	**$374,579**	**$283,341**	**$ 32,534**	**$5,921,446**

(Accumulated depreciation and impairment losses)

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at April 1, 2015	(¥123,623)	(¥206,554)	(¥130,120)	(¥30,717)	(¥1,304)	(¥82)	(¥492,402)
Depreciation expenses	(5,765)	(8,638)	(14,692)	(7,026)	(11)	–	(36,135)
Impairment losses	(1)	(38)	(2)	(9)	–	–	(51)
Disposals	8,084	34,913	9,683	3,237	100	–	56,018
Others	(182)	131	(535)	2,820	(221)	–	2,011
Effect of foreign currency exchange differences	1,089	1,456	3,326	1,260	3	–	7,136
Balance at March 31, 2016	(120,399)	(178,730)	(132,340)	(30,433)	(1,434)	(82)	(463,421)
Depreciation expenses	**(5,629)**	**(9,061)**	**(14,946)**	**(5,435)**	**(10)**	**–**	**(35,082)**
Impairment losses	**(109)**	**(211)**	**(17)**	**(42)**	**–**	**–**	**(382)**
Disposals	**1,361**	**6,057**	**8,399**	**6,315**	**42**	**–**	**22,176**
Others	**(415)**	**(1,544)**	**(1,062)**	**1,390**	**(0)**	**59**	**(1,572)**
Effect of foreign currency exchange differences	**874**	**832**	**1,819**	**1,003**	**6**	**–**	**4,536**
Balance at March 31, 2017	**(¥124,318)**	**(¥182,658)**	**(¥138,149)**	**(¥27,201)**	**(¥1,395)**	**(¥23)**	**(¥473,746)**

(Note) Others includes transfer to other account.

Thousands of U.S. dollars

	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at March 31, 2016	($1,073,171)	($1,593,101)	($1,179,606)	($271,263)	($12,782)	($731)	($4,130,680)
Depreciation expenses	**(50,174)**	**(80,765)**	**(133,220)**	**(48,445)**	**(89)**	**–**	**(312,702)**
Impairment losses	**(972)**	**(1,881)**	**(152)**	**(374)**	**–**	**–**	**(3,405)**
Disposals	**12,131**	**53,989**	**74,864**	**56,288**	**374**	**–**	**197,665**
Others	**(3,699)**	**(13,762)**	**(9,466)**	**12,390**	**(0)**	**526**	**(14,012)**
Effect of foreign currency exchange differences	**7,790**	**7,416**	**16,214**	**8,940**	**53**	**–**	**40,431**
Balance at March 31, 2017	**($1,108,102)**	**($1,628,113)**	**($1,231,384)**	**($242,455)**	**($12,434)**	**($205)**	**($4,222,711)**

(Carrying amount)

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at March 31, 2016	¥67,455	¥32,686	¥34,151	¥14,564	¥30,138	¥8,325	¥187,322
Balance at March 31, 2017	**¥71,090**	**¥36,894**	**¥33,753**	**¥14,822**	**¥30,392**	**¥3,627**	**¥190,580**

Thousands of U.S. dollars

	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at March 31, 2017	**$633,657**	**$328,853**	**$300,856**	**$132,115**	**$270,898**	**$32,329**	**$1,698,725**

The carrying amount of property, plant and equipment as of March 31, 2017 and 2016 includes the carrying amount of the following leased assets:

(Carrying amount of lease assets)

	Millions of yen				
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land
Balance at March 31, 2016	¥384	¥195	¥639	¥3,437	¥895
Balance at March 31, 2017	**¥266**	**¥478**	**¥595**	**¥2,053**	**¥891**

	Thousands of U.S. dollars				
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land
Balance at March 31, 2017	**$2,371**	**$4,261**	**$5,304**	**$18,299**	**$7,942**

12. Goodwill and intangible assets

The changes in the carrying amounts of goodwill and intangible assets for fiscal years ended March 31, 2017 and 2016 are set out as follows:

(Cost)

	Millions of yen				
	Goodwill	Customer relationships	Software	Others (Note)	Total
Balance at April 1, 2015	¥ 77,843	¥36,292	¥61,521	¥18,366	¥194,023
Acquisitions	–	–	2,024	10,029	12,054
Acquisitions through business combinations	41,487	14,426	504	4,994	61,413
Disposal	–	–	(10,650)	(321)	(10,971)
Others	–	367	5,455	(5,725)	96
Effect of foreign currency exchange differences	(4,232)	(3,081)	(1,300)	(767)	(9,381)
Balance at March 31, 2016	115,098	48,005	57,554	26,577	247,235
Acquisitions	**–**	**–**	**1,910**	**6,859**	**8,770**
Acquisitions through business combinations	**25,939**	**4,356**	**355**	**13,979**	**44,631**
Disposal	**–**	**–**	**(5,055)**	**(38)**	**(5,093)**
Others	**2,142**	**(1,666)**	**7,308**	**(6,285)**	**1,498**
Effect of foreign currency exchange differences	**(2,386)**	**(1,132)**	**(983)**	**(1,898)**	**(6,400)**
Balance at March 31, 2017	**¥140,792**	**¥49,562**	**¥61,090**	**¥39,195**	**¥290,641**

(Note) Software in progress is included in "Others" within intangible assets.

	Thousands of U.S. dollars				
	Goodwill	Customer relationships	Software	Others	Total
Balance at March 31, 2016	$1,025,920	$427,890	$513,005	$236,893	$2,203,717
Acquisitions	**–**	**–**	**17,025**	**61,137**	**78,171**
Acquisitions through business combinations	**231,206**	**38,827**	**3,164**	**124,601**	**397,816**
Disposal	**–**	**–**	**(45,057)**	**(339)**	**(45,396)**
Others	**19,093**	**(14,850)**	**65,139**	**(56,021)**	**13,352**
Effect of foreign currency exchange differences	**(21,267)**	**(10,090)**	**(8,762)**	**(16,918)**	**(57,046)**
Balance at March 31, 2017	**$1,254,943**	**$441,768**	**$544,523**	**$349,363**	**$2,590,614**

(Accumulated amortization and accumulated impairment losses)

	Millions of yen				
	Goodwill	Customer relationships	Software	Others (Note 1)	Total
Balance at April 1, 2015	¥ –	(¥19,416)	(¥41,828)	(¥ 6,646)	(¥67,891)
Amortization expenses (Note 2)	–	(4,486)	(8,726)	(1,984)	(15,197)
Disposals	–	–	10,586	259	10,846
Others	–	(605)	1,275	(29)	639
Effect of foreign currency exchange differences	–	1,474	994	288	2,757
Balance at March 31, 2016	–	(23,034)	(37,697)	(8,112)	(68,844)
Amortization expenses (Note 2)	**–**	**(4,842)**	**(9,040)**	**(2,838)**	**(16,721)**
Disposals	**–**	**–**	**4,953**	**18**	**4,972**
Others	**–**	**(28)**	**(275)**	**(893)**	**(1,197)**
Effect of foreign currency exchange differences	**–**	**407**	**642**	**(322)**	**727**
Balance at March 31, 2017	**¥ –**	**(¥27,497)**	**(¥41,417)**	**(¥12,149)**	**(¥81,063)**

(Note 1) Software in progress is included in "Others" within intangible assets.
(Note 2) Amortization expenses on intangible assets are included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statements of profit or loss.

	Thousands of U.S. dollars				
	Goodwill	Customer relationships	Software	Others	Total
Balance at March 31, 2016	$ –	($205,312)	($336,010)	($72,306)	($613,638)
Amortization expenses	**–**	**(43,159)**	**(80,578)**	**(25,296)**	**(149,042)**
Disposals	**–**	**–**	**44,148**	**160**	**44,318**
Others	**–**	**(250)**	**(2,451)**	**(7,960)**	**(10,669)**
Effect of foreign currency exchange differences	**–**	**3,628**	**5,722**	**(2,870)**	**6,480**
Balance at March 31, 2017	**$ –**	**($245,093)**	**($369,168)**	**($108,290)**	**($722,551)**

(Carrying amount)

	Millions of yen				
	Goodwill	Customer relationships	Software	Others (Note 1)	Total
Balance at March 31, 2016	¥115,098	¥24,971	¥19,856	¥18,464	¥178,390
Balance at March 31, 2017	**¥140,792**	**¥22,065**	**¥19,673**	**¥27,046**	**¥209,577**

(Note 1) Software in progress is included in "Others" within intangible assets.
(Note 2) The carrying amount of intangible assets in the current fiscal year includes ¥269 million of internally generated intangible assets.

	Thousands of U.S. dollars				
	Goodwill	Customer relationships	Software	Others	Total
Balance at March 31, 2017	**$1,254,943**	**$196,675**	**$175,354**	**$241,073**	**$1,868,054**

13. Impairment losses on non-financial assets

The Group recognizes impairment losses when the recoverable amount of assets falls below their carrying amount. Impairment losses are included in other expenses in the consolidated statements of profit or loss.

Impairment losses on property, plant and equipment and goodwill and intangible assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Property, plant and equipment	**¥382**	¥51	**$3,405**
Total	**¥382**	¥51	**$3,405**

Goodwill impairment tests

For the previous fiscal year and current fiscal year, among the goodwill allocated to each CGU, goodwill of ¥46,208 million was generated during management integration with Minolta Co., Ltd. Among the aforementioned goodwill, goodwill of ¥41,613 million is allocated to the Business Technologies Business. The Group considered goodwill allocated to the businesses other than the Business Technologies Business is no material compared to the amount of goodwill in the consolidated statement of financial position.

Calculation of the recoverable amount for CGU to which the goodwill on the Business Technologies Business has been allocated is based on value in use. Value in use is calculated as estimated future cash flows discounted to the present value, based on business plans for three years and a growth rate approved by the Board of Directors. The growth rate used to estimate future cash flows for periods subsequent to approved business plans is determined based on the long-term average rate of growth for markets to which the CGU belongs. The growth rate and the discount rate used during the current fiscal year were 1.0% and 6.3%, respectively. As a result of impairment tests, impairment losses on the goodwill were not recognized.

In the event of changes in principal assumptions used in the impairment tests within the scope of rational forecasting possibility, management judges that the likelihood that significant impairment losses will be generated for these CGUs is low.

14. Investments accounted for using the equity method

Information related to associates is below. The Group has no material associates.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Carrying amount of investments accounted for using the equity method	**¥3,489**	¥3,614	**$31,099**

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Share of profit in investments accounted for using the equity method	**(¥66)**	(¥16)	**($588)**
Share of other comprehensive income of investments accounted for using the equity method	**(18)**	6	**(160)**
Total share of comprehensive income for the year	**(¥84)**	(¥10)	**($749)**

15. Leases

(1) As lessee

1) Finance leases

The Group leases a variety of property, plant and equipment under finance lease agreements. Some of these lease agreements include a renewal-or-purchase option. The Group does not engage in sublease agreements, escalation clauses or restrictions imposed by lease agreement (such as limitations on dividend, additional borrowing or additional leases).

Future minimum lease payments and their present values based on finance lease agreements are as follows:

	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	Minimum lease payments			Present value of minimum lease payments		
	2017	2016	**2017**	**2017**	2016	**2017**
1 year or less	**¥2,735**	¥2,967	**$24,378**	**¥2,578**	¥2,726	**$22,979**
More than 1 year, 5 years or less	**4,237**	4,780	**37,766**	**3,964**	4,451	**35,333**
More than 5 years	**61**	95	**544**	**58**	89	**517**
Total	**7,034**	7,843	**62,697**	**¥6,601**	¥7,266	**$58,838**
Less: Future finance costs	**432**	577	**3,851**			
Present value of minimum lease payments	**¥6,601**	¥7,266	**$58,838**			

2) Operating leases

The Group uses a variety of property, plant and equipment under non-cancellable operating lease agreements.

Lease expenses presented in the consolidated statements of profit or loss for the current fiscal year is ¥10,637 million (previous fiscal year: ¥9,738 million).

Future minimum lease payments under non-cancellable operating leases are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
1 year or less	¥10,327	¥ 8,373	$ 92,049
More than 1 year, 5 years or less	20,670	15,548	184,241
More than 5 years	2,177	2,295	19,405
Total	¥33,175	¥26,217	$295,704

(2) As lessor

1) Finance leases

The Group primarily leases business technologies equipment based on finance lease agreements. Gross investment in leases under finance lease agreements and the present value of minimum lease receivables are as follows:

	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	Gross investment in the lease			Present value of minimum lease receivables		
	2017	2016	2017	2017	2016	2017
1 year or less	¥13,499	¥ 9,281	$120,323	¥12,438	¥ 8,651	$110,865
More than 1 year, 5 years or less	21,551	15,553	192,094	19,626	14,577	174,935
More than 5 years	94	107	838	91	102	811
Total	35,144	24,941	313,254	¥32,156	¥23,330	$286,621
Less: Unearned finance income	2,987	1,610	26,624			
Present value of minimum lease receivables	¥32,156	¥23,330	$286,621			

(Note 1) No material unguaranteed residual values are set for the lease transactions stated above.
(Note 2) No material allowance for doubtful accounts is recorded for finance lease receivables.

2) Operating leases

The Group principally leases business information equipment under non-cancellable operating lease agreements.

Future minimum lease receivables under non-cancellable operating leases are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
1 year or less	¥4,143	¥ 5,144	$36,928
More than 1 year, 5 years or less	5,185	6,452	46,216
More than 5 years	0	3	0
Total	¥9,329	¥11,601	$83,154

16. Income taxes

(1) Deferred tax assets and deferred tax liabilities

1) Recognized deferred tax assets and deferred tax liabilities

The major components giving rise to deferred tax assets and liabilities are as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Retirement benefits	¥25,984	¥28,470	$231,607
Property, plant and equipment	4,249	4,286	37,873
Goodwill and intangible assets	(533)	2,007	(4,751)
Inventories	10,494	10,373	93,538
Others	254	3,061	2,264
Net losses carried forward	20,840	22,773	185,756
Valuation allowance	(18,381)	(15,363)	(163,838)
Total	42,907	55,609	382,449
Deferred tax assets	48,129	59,052	428,995
Deferred tax liabilities	¥ 5,222	¥ 3,443	$ 46,546

The changes in net deferred tax assets are as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance, beginning of the year	¥55,609	¥68,891	$495,668
Recognized in profit or loss	(5,797)	(15,073)	(51,671)
Recognized in other comprehensive income	(3,941)	3,817	(35,128)
Business combinations	(3,753)	(1,141)	(33,452)
Others	790	(884)	7,042
Balance, end of the year	¥42,907	¥55,609	$382,449

2) Temporary differences not recognized as deferred tax assets

The Group recognizes deferred tax assets after taking into consideration deductible temporary differences, the forecasted future taxable profits and tax planning. Deductible temporary differences and net losses carried forward that are not recognized for deferred tax assets on this basis are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deductible temporary differences	¥ 5,184	¥ 6,711	$ 46,207
Net losses carried forward	¥52,692	¥41,506	$469,668

Presentation by carried forward accounting term of net losses carried forward that are not expected to recognized for deferred tax assets, as of the end of the current fiscal year is as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
5 years or less	¥37,470	¥24,148	$333,987
More than 5 years	15,222	17,357	135,681
Total	¥52,692	¥41,506	$469,668

(2) Income tax expense

1) Income tax expense recognized in profit or loss

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Current income tax expense	¥12,058	¥10,955	$107,478
Deferred income tax expense			
(Increase) Decrease in temporary differences	835	8,893	7,443
(Increase) Decrease in net losses carried forward	1,944	(3,271)	17,328
Increase (Decrease) in valuation allowance	3,017	9,451	26,892
Subtotal	5,797	15,073	51,671
Total	¥17,856	¥26,029	$159,159

2) Income tax expense recognized in OCI

Income tax expense recognized in OCI is indicated in note 30 "Other Comprehensive Income".

3) Reconciliation of the effective tax rate

The Company and its domestic subsidiaries are subject to mainly corporate tax and inhabitant tax as well as business tax, which is deductible. The statutory income tax rate calculated based on such taxes was and will be 30.86% for the fiscal year ended March 31, 2017 and the fiscal year ending March 31, 2018 and will be 30.62% for the years ending March 31, 2019 and thereafter. Changes in the statutory income tax rate are due to a reduction in the corporate tax rate as a result of the tax reform during the fiscal year ended March 31, 2016.

Income taxes for foreign operations are based on the tax laws of the respective jurisdictions.

Differences in the statutory income tax rate and average effective tax rate are attributable to the following.

	%	
	2017	2016
Statutory income tax rate	**30.9**	33.1
Valuation allowance	**7.2**	2.1
Non-taxable revenue	**(0.5)**	(0.5)
Non-deductible expenses	**2.0**	2.2
Difference in statutory tax rate of foreign subsidiaries	**(1.0)**	(2.7)
Tax credits for research and development cost and others	**(2.3)**	(0.3)
Year-end adjustment to deferred tax assets due to tax rate revisions	**–**	6.6
Others	**(0.2)**	4.5
Average effective tax rate after application of tax effect accounting	**36.2**	44.9

17. Trade and other payables

The components of trade and other payables as of March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Notes and accounts payable-trade	**¥ 95,703**	¥ 92,686	**$ 853,044**
Accounts payable-capital expenditure	**4,947**	7,467	**44,095**
Accounts payable-others	**54,931**	62,297	**489,625**
Others	**508**	456	**4,528**
Total	**¥156,090**	¥162,907	**$1,391,300**

18. Bonds and borrowings

Summary of bonds and borrowings is as follows:

	Millions of yen				Millions of U.S. dollars
	2017	2016	Interest rate (%) (Note 1)	Repayment date	**2017**
Short-term loans payable	**¥ 19,513**	¥ 15,896	1.408	–	**$ 173,928**
Current portion of bonds (Note 3)	**10,000**	20,000	0.956	–	**89,135**
Current portion of long-term loans payable	**9,202**	4,001	0.458	–	**82,022**
Current portion of lease obligations	**2,578**	2,726	–	–	**22,979**
Non-current portion of bonds (Note 2) (Note 3)	**20,000**	30,000	0.902	–	**178,269**
Non-current portion of long-term loans payable (Note 2)	**120,195**	91,113	0.993	May 2018 to June 2023	**1,071,352**
Non-current portion of lease obligations (Note 2)	**4,023**	4,540	–	April 2018 to September 2026	**35,859**
Total	**185,512**	168,277			**1,653,552**
Current	**41,294**	42,624			**368,072**
Non-current	**¥144,218**	¥125,653			**$1,285,480**

(Note 1) Interest rates indicated are weighted average interest rates at the end of the fiscal year.
(Note 2) Expected repayments for bonds, long-term borrowings and lease obligations for each year in the period within five years after the fiscal year-end date are listed in note 32 "Financial instruments".
(Note 3) The carrying amounts of bonds by issuance name are as follows:

			Millions of yen				Millions of U.S. dollars
Company	Name	Issue date	**2017**	2016	Interest rate (%)	Redemption date	**2017**
Konica Minolta	No. 2 Unsecured Bonds	December 2, 2010	**¥10,000**	¥10,000	0.956	December 1, 2017	**$ 89,135**
Konica Minolta	No. 3 Unsecured Bonds	December 2, 2011	**–**	20,000	0.610	December 2, 2016	**–**
Konica Minolta	No. 4 Unsecured Bonds	December 2, 2011	**20,000**	20,000	0.902	November 30, 2018	**178,269**
Total	–	–	**¥30,000**	¥50,000	–	–	**$267,404**

19. Provisions

Summary of provisions and the changes are as follows:

	Millions of yen				
	Provision for product warranties (Note 1)	Provision for restructuring (Note 2)	Asset retirement obligations (Note 3)	Other provisions (Note 4)	Total
Balance at March 31, 2016	¥1,469	¥2,608	¥1,105	¥2,865	¥8,049
Provisions made	757	704	51	1,736	3,249
Provisions utilized	(560)	(2,005)	(262)	(948)	(3,777)
Provisions reversed	(64)	(111)	–	(286)	(462)
Effects of changes in foreign exchange rates	(49)	(119)	(1)	(93)	(263)
Balance at March 31, 2017	**1,552**	**1,077**	**892**	**3,273**	**6,795**
Current	1,552	1,077	28	3,001	5,659
Non-current	¥ –	¥ –	¥ 864	¥ 271	¥1,136

(Note 1) The provision for product warranties is the amount set by the Group to guarantee the reliability and functionality of its products. This provision is calculated based on the historical occurrence of customer claims. Future occurrence of such claims may differ from past experience. However, the Company is of the opinion that the provision amounts will not be significantly different should the assumptions and estimates change.

(Note 2) The provision for restructuring is corresponding to expenses recognized for rationalization or business restructuring to improve the profitability of the Group's businesses. Payment periods are affected by future business plans and other factors.

(Note 3) Asset retirement obligations are provided for the Group's obligation to restore leased offices, buildings and other facilities to their original condition. Recognized amounts are future payments estimated based on past experience with restoring properties to their original condition. In principle, these obligations are paid more than one year after incurred. However, they may be affected by future business plans and other factors.

(Note 4) Other provisions include a provision for loss on litigation.

	Thousands of U.S. dollars				
	Provision for product warranties	Provision for restructuring	Asset retirement obligations	Other provisions	Total
Balance at March 31, 2016	$13,094	$23,246	$9,849	$25,537	$71,744
Provisions made	6,747	6,275	455	15,474	28,960
Provisions utilized	(4,992)	(17,871)	(2,335)	(8,450)	(33,666)
Provisions reversed	(570)	(989)	–	(2,549)	(4,118)
Effects of changes in foreign exchange rates	(437)	(1,061)	(9)	(829)	(2,344)
Balance at March 31, 2017	**13,834**	**9,600**	**7,951**	**29,174**	**60,567**
Current	13,834	9,600	250	26,749	50,441
Non-current	$ –	$ –	$7,701	$ 2,416	$10,126

20. Other financial liabilities

The components of other financial liabilities as of March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Derivative financial liabilities	**¥4,672**	¥3,754	**$41,644**
Contingent consideration	**–**	34	**–**
Others	**61**	24	**544**
Total	**4,734**	3,812	**42,196**
Current	**372**	200	**3,316**
Non-current	**¥4,362**	¥3,611	**$38,880**

21. Employee benefits

The Group has in place a corporate pension plan and lump-sum payments on retirement plan as defined benefit pension plans, and a defined contribution-type corporate pension plan as a defined contribution pension plan.

In some cases, the Group pays additional severance benefits to retiring employees.

An employee pension trust has been established for the Company's plan assets.

Funding standards, fiduciary responsibility, disclosure and other matters are consistent for domestic corporate pension plans, and the officer in charge and responsible departments hold a meeting on the investment policy and results in a timely manner, based on the basic policy regarding investment of plan assets. An actuarial review is conducted every three years based on the Company's financial condition and asset investment forecast. If funding standards are not satisfied, premiums are increased.

Plan assets are legally separate from the Group. Asset investment beneficiaries are responsible for plan assets and have a duty of loyalty to pension plan enrollees, such management responsibilities as a dispersed investment obligation, and a duty to prevent conflicts of interest.

Plan assets are invested on the basis of soundness. However financial instruments have inherent investment risks. Discount rates and other aspects of defined benefit obligations are based on pension actuarial assumptions. Accordingly, there exists a risk that these assumptions may change.

A defined contribution plan is a post-retirement benefit plan under which an employer contributes a fixed amount to an independent company and has no legal or constructive obligation to pay an amount in excess of the contributed amount.

(1) Defined benefit plan

Amounts of defined benefit plan in the consolidated statement of financial position are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Present value of the defined benefit obligation	¥189,778	¥189,343	$1,691,577
Fair value of the plan assets	128,692	121,623	1,147,090
Net liability in the consolidated statement of financial position	61,086	67,719	544,487
Defined benefit assets	181	193	1,613
Defined benefit liabilities	¥ 61,267	¥ 67,913	$ 546,100

Changes in the present value of the defined benefit obligation are as follows:

From April 1, 2015, some of consolidated overseas subsidiaries have abolished defined benefit pension plans and transferred to defined contribution pension plans. In line with this transfer, the Company recognized gain or loss on settlement in the previous fiscal year.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance, beginning of the year	¥189,343	¥197,483	$1,687,699
Current service cost	5,765	5,799	51,386
Past service cost	97	25	865
Gain or loss on settlement	–	(3,431)	–
Interest cost	1,688	2,486	15,046
Remeasurement:			
Actuarial gains and losses arising from changes in demographic assumptions	34	124	303
Actuarial gains and losses arising from changes in financial assumptions	3,960	2,563	35,297
Benefits paid	(8,176)	(12,521)	(72,876)
Benefits paid on settlement	(42)	(23)	(374)
Impact of business combinations and disposal	45	115	401
Effect of changes in foreign exchange rates and others	(2,937)	(3,278)	(26,179)
Balance, end of the year	¥189,778	¥189,343	$1,691,577

(Note) As of the end of the current fiscal year, the weighted average payment period for defined benefit obligations was 12.3 years.

Changes in the fair value of the plan assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance, beginning of the year	¥121,623	¥135,649	$1,084,081
Interest income	1,254	1,830	11,177
Gain or loss on settlement	–	(2,672)	–
Remeasurement:			
Return on plan assets (net)	6,938	(6,846)	61,842
Contributions by the employer	7,882	7,340	70,256
Benefits paid	(6,563)	(10,568)	(58,499)
Effect of changes in foreign exchange rates and others	(2,442)	(3,109)	(21,767)
Balance, end of the year	¥128,692	¥121,623	$1,147,090

Summary of the fair value of the plan assets is as follows:

	Millions of yen					
	2017			2016		
	Quoted market price in an active market			Quoted market price in an active market		
	Yes	No	Total	Yes	No	Total
Equity securities (Domestic)	¥21,124	¥ 485	¥ 21,610	¥21,190	¥ –	¥ 21,190
Equity securities (Foreign)	4,386	4,859	9,245	10,827	–	10,827
Debt securities (Domestic)	1,786	265	2,051	1,378	–	1,378
Debt securities (Foreign)	17,630	2,714	20,344	18,328	–	18,328
Employee pension trust (Domestic equity securities)	10,289	–	10,289	7,753	–	7,753
Employee pension trust (Foreign equity securities)	12,408	–	12,408	15,060	–	15,060
Life insurance company general accounts	–	9,112	9,112	–	10,830	10,830
Cash and cash equivalents	20,968	–	20,968	12,807	–	12,807
Others	¥12,595	¥10,066	22,661	¥14,871	¥ 8,664	23,445
Total			¥128,692			¥121,623

(Note 1) Plan assets are invested in shares, securities and derivatives.

(Note 2) In accordance with the requirements of defined-benefit pension plans, a regular contribution must be made at least annually. To ensure a financial balance between forecasted benefit requirement and expected investment income, this amount is calculated based on the assumptions of interest rates, rates of mortality, withdrawal rates and forecast amounts for other required benefit expenses. Furthermore, this contribution amount is subject to actuarial review every three years. If the reserve amount is below that provided by minimum funding standards, a fixed amount must be contributed.

The calculation method used for the Company's defined benefit plans takes into consideration deductible amounts under tax law, the status of plan assets reserves and various actuarial calculations.

(Note 3) Expected contributions to plan assets in the next fiscal year are ¥6,811 million.

	Thousands of U.S. dollars		
	2017		
	Quoted market price in an active market		
	Yes	No	Total
Equity securities (Domestic)	$188,288	$ 4,323	$ 192,620
Equity securities (Foreign)	39,094	43,310	82,405
Debt securities (Domestic)	15,919	2,362	18,281
Debt securities (Foreign)	157,144	24,191	181,335
Employee pension trust (Domestic equity securities)	91,710	–	91,710
Employee pension trust (Foreign equity securities)	110,598	–	110,598
Life insurance company general accounts	–	81,219	81,219
Cash and cash equivalents	186,897	–	186,897
Others	$112,265	$89,723	201,988
Total			$1,147,090

Principal actuarial assumptions used to measure defined benefit obligations are as follows:

	%	
	2017	2016
Discount rate	0.42	0.31

The table below indicates the effect of a 0.5% increase or decrease in major actuarial assumptions, while other variables are kept constant. In reality, individual assumptions may be simultaneous affected by fluctuations in economic indicators and conditions. Accordingly, because fluctuations may occur independently or mutually, the actual impact of these fluctuations on defined benefit obligations may differ from these assumptions.

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		2017	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Effect of change of discount rate	(¥6,593)	¥7,302	(¥6,720)	¥7,288	($58,766)	$65,086

(2) Defined contribution plan

The amount of expenses in relation to defined contribution plans was ¥4,826 million for the current fiscal year (previous fiscal year: ¥3,148 million).

(3) Other employee benefits

Certain U.S. subsidiaries employ a Supplemental Executive Retirement Plan (SERP). Obligations incurred under this plan amounted to ¥2,845 million for the current fiscal year (previous fiscal year: ¥2,482 million). These amounts are recognized as other non-current liabilities.

22. Equity and other equity items

(1) Share capital and Treasury shares

	Number of authorized shares	Number of issued shares (Note 1) (Note 2)	Number of treasury shares
At April 1, 2015	1,200,000,000	511,664,337	9,801,071
Increase (Note 3)	–	–	6,578,682
Decrease (Note 4)	–	9,000,000	9,190,760
At March 31, 2016	1,200,000,000	502,664,337	7,188,993
Increase	–	–	3,888
Decrease	–	–	151,799
At March 31, 2017	**1,200,000,000**	**502,664,337**	**7,041,082**

(Note 1) Shares issued by the Company are non-par value ordinary shares.
(Note 2) Issued shares are fully paid.
(Note 3) On July 23, 2015, the acquisition of treasury shares based on a Board of Directors resolution on May 13, 2015 was completed. Accordingly, the number of treasury shares increased by 6,571,500 shares (¥9,999 million).
(Note 4) Based on a Board of Directors resolution on May 13, 2015, 9,000,000 treasury shares (¥11,086 million) were cancelled on June 30, 2015.

(2) Share premium

Under the Companies Act of Japan ("Companies Act"), at least 50% of the proceeds of certain issues of common shares shall be credited to share capital. The remainder of the proceeds shall be credited to additional paid-in capital, which is included in share premium. The Companies Act permits, upon approval at the general meeting of shareholders, the transfer of amounts from additional paid-in capital to share capital.

(3) Put options written on non-controlling interests

Regarding written put options of subsidiary shares granted by the Group to non-controlling interest shareholders, the Group recognized financial liabilities at the present value of its redemption amounts as well as derecognized the interests of the non-controlling shareholders that hold the written put options, and the difference was recorded as share premium.

(4) Retained earnings

The Companies Act provides that a 10% dividend of retained earnings shall be appropriated as additional paid-in capital or as a legal reserve until the aggregate amount of the additional paid-in capital and the legal reserve equals 25% of share capital. The legal reserve may be used to eliminate or reduce a deficit or be transferred to retained earnings upon approval at the general meeting of shareholders.

(5) Other Components of Equity

	Millions of yen					
	Remeasurements of defined benefit pension plans (Note 1)	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income (Note 2)	Net gain (loss) on derivatives designated as cash flow hedges (Note 3)	Exchange differences on translation of foreign operations (Note 4)	Share of other comprehensive income of investments accounted for using the equity method (Note 5)	Total
Balance at April 1, 2015	¥ –	¥8,207	(¥ 324)	¥39,661	¥ 0	¥47,545
Increase (decrease)	(6,974)	(3,851)	(742)	(19,789)	6	(31,351)
Transfer to retained earnings	6,974	35	–	–	–	7,010
Balance at March 31, 2016	–	4,391	(1,067)	19,872	7	23,204
Increase (decrease)	1,519	3,958	697	(12,142)	(18)	(5,985)
Transfer to retained earnings	(1,519)	(13)	–	–	–	(1,533)
Balance at March 31, 2017	**¥ –**	**¥8,336**	**(¥ 369)**	**¥ 7,730**	**(¥11)**	**¥15,685**

(Note 1) Remeasurements of defined benefit pension plans are differences in return on plan assets and interest income on plan assets due to differences between actuarial assumptions at the start of the year and actual results.

(Note 2) Net gain (loss) on revaluation of financial assets measured at fair value through OCI is cumulative in nature.
(Note 3) Net gain (loss) on derivatives designated as cash flow hedges is that the effective portion of the cumulative differences in fair value of derivative transactions designated as cash flow hedges.
(Note 4) Exchange differences on translation of foreign operations are exchange differences resulting from the translation of financial statements of foreign operations and exchange differences on the net investment hedge on foreign operations.
(Note 5) Share of other comprehensive income of investments accounted for using the equity method includes the cumulative net gain (loss) on revaluation of financial assets measured at fair value held by associates and exchange differences resulting from the translation of financial statements of foreign operations.

	Thousands of U.S. dollars					
	Remeasurements of defined benefit pension plans	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Net gain (loss) on derivatives designated as cash flow hedges	Exchange differences on translation of foreign operations	Share of other comprehensive income of investments accounted for using the equity method	Total
Balance at March 31, 2016	$ –	$39,139	($9,511)	$177,128	$ 62	$206,828
Increase (decrease)	**13,540**	**35,279**	**6,213**	**(108,227)**	**(160)**	**(53,347)**
Transfer to retained earnings	**(13,540)**	**(116)**	**–**	**–**	**–**	**(13,664)**
Balance at March 31, 2017	**$ –**	**$74,303**	**($3,289)**	**$ 68,901**	**($ 98)**	**$139,807**

23. Dividends

(1) Dividend payments

Previous fiscal year (From April 1, 2015 to March 31, 2016)

		Millions of yen	Yen			
Resolution	Class of shares	Amount of dividends	Dividends per share	Record date	Effective date	Source of Dividends
Board of Directors' meeting held on May 13, 2015	Ordinary shares	¥5,018	¥10.00	March 31, 2015	May 28, 2015	Retained earnings
Board of Directors' meeting held on October 29, 2015	Ordinary shares	¥7,430	¥15.00	September 30, 2015	November 27, 2015	Retained earnings

Current fiscal year (From April 1, 2016 to March 31, 2017)

		Millions of yen	Yen				Thousands of U.S. dollars	U.S. dollars
Resolution	Class of shares	Amount of dividends	Dividends per share	Record date	Effective date	Source of Dividends	Amount of dividends	Dividends per share
Board of Directors' meeting held on May 12, 2016	Ordinary shares	**¥7,432**	**¥15.00**	March 31, 2016	May 27, 2016	Retained earnings	**$66,245**	**$0.13**
Board of Directors' meeting held on October 31, 2016	Ordinary shares	**¥7,433**	**¥15.00**	September 30, 2016	November 29, 2016	Retained earnings	**$66,254**	**$0.13**

(2) Of the dividends whose record date belongs to the current fiscal year, the dividend whose effective date comes after the last day of the fiscal year

		Millions of yen	Yen				Thousands of U.S. dollars	U.S. dollars
Resolution	Class of shares	Amount of dividends	Dividends per share	Record date	Effective date	Source of Dividends	Amount of dividends	Dividends per share
Board of Directors' meeting held on May 11, 2017	Ordinary shares	**¥7,434**	**¥15.00**	March 31, 2017	May 29, 2017	Retained earnings	**$66,263**	**$0.13**

24. Revenue

The components of revenue for fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Sales of goods	**¥556,092**	¥ 611,337	**$4,956,698**
Rendering of services	**406,463**	420,403	**3,622,988**
Total	**¥962,555**	¥1,031,740	**$8,579,686**

25. Other income

The components of other income for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Patent-related income (Note 1)	¥ 7,751	¥ –	$ 69,088
Gain on sale of property, plant and equipment and intangible assets (Note 2)	1,003	4,151	8,940
Others	5,392	3,635	48,061
Total	¥14,147	¥7,786	$126,099

(Note 1) Patent-related income in the current fiscal year is consideration for licensing of patent right related to Industrial Business.
(Note 2) The gain on sale of property, plant and equipment and intangible assets in the previous fiscal year was primarily attributable to the sale of assets in North America.

26. Other expenses

The components of other expenses for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Loss on disposal of mass-produced trial products (Note 1)	¥2,165	¥ 1,551	$19,298
Business restructuring improvement expenses (Note 2)	1,486	3,817	13,245
Loss on sales and disposals of property, plant and equipment and intangible assets	1,004	1,822	8,949
Special extra retirement payment (Note 3)	155	2,912	1,382
Others	2,515	3,235	22,417
Total	¥7,328	¥13,339	$65,318

(Note 1) Loss on disposal of mass-produced trial products is the loss on disposal of mass-produced trial products generated by the Industrial Business in the process of launching new products.
(Note 2) Business restructuring improvement expenses are mainly related to structural reform of sales sites in Europe, North America, and other areas in the Business Technologies Business.
(Note 3) Special extra retirement payment includes extra retirement payment paid to retired employees related to an implementation of a special early retirement program in Japan.

27. Operating expenses by nature

Principal components within operating expenses (total of cost of sales, selling, general and administrative expenses and other expenses) by nature are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Personnel expenses	¥327,100	¥341,300	$2,915,590
Depreciation and amortization expenses	¥ 51,804	¥ 51,333	$ 461,752

The total amount of research and development expenses included in operating expenses for the current fiscal year is ¥73,275 million (previous fiscal year: ¥76,292 million).

28. Finance income and costs

The components of finance income and costs, for fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Finance income			
Interest income			
Financial assets measured at amortized cost	**¥1,416**	¥1,374	**$12,621**
Financial assets and liabilities measured at FVTPL	**746**	–	**6,649**
Dividends received			
Financial assets measured at FVTOCI	**525**	545	**4,680**
Others			
Financial assets and liabilities measured at FVTPL	**36**	235	**321**
Total	**2,724**	2,155	**24,280**
Finance costs			
Interest expense			
Financial liabilities measured at amortized cost	**2,508**	1,945	**22,355**
Financial assets and liabilities measured at FVTPL	**340**	298	**3,031**
Loss on valuation of investment securities			
Financial assets measured at FVTPL	**4**	6	**36**
Foreign exchange loss (Note)	**46**	1,661	**410**
Others			
Financial liabilities measured at amortized cost	**397**	235	**3,539**
Financial assets and liabilities measured at FVTPL	**155**	32	**1,382**
Total	**¥3,451**	¥4,179	**$30,760**

(Note) Valuation gains or losses on currency derivatives are included in foreign exchange differences.

29. Earnings per share

A calculation of basic and diluted earnings per share attributable to owners of the Company for fiscal years ended March 31, 2017 and 2016 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Basis of calculating basic earnings per share			
Profit for the year attributable to owners of the Company	**¥31,542**	¥31,973	**$281,148**
Profit for the year not attributable to owners of the Company	**–**	–	**–**
Profit for the year to calculate basic earnings per share	**31,542**	31,973	**281,148**
Adjustments of profit for the year	**–**	–	**–**
Profit for the year to calculate diluted earnings per share	**¥31,542**	¥31,973	**$281,148**

	Thousands of shares	
	2017	2016
Weighted average number of ordinary shares outstanding during the period	**495,554**	496,536
Increase in the number of ordinary shares under subscription rights to shares	**1,409**	1,438
Weighted average number of diluted ordinary shares outstanding during the period	**496,963**	497,975

	Yen		U.S. dollars
	2017	2016	**2017**
Basic earnings per share attributable to owners of the Company	**¥63.65**	¥64.39	**$0.57**
Diluted earnings per share attributable to owners of the Company	**¥63.47**	¥64.21	**$0.57**

30. Other comprehensive income

Changes in other comprehensive income during the year are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plans			
Amount arising during the year	**¥ 2,943**	(¥ 9,534)	**$ 26,232**
Income tax expense	**(1,424)**	2,559	**(12,693)**
Net of tax effects	**1,519**	(6,974)	**13,540**
Net gain (loss) on revaluation of financial assets measured at fair value			
Amount arising during the year	**5,702**	(6,070)	**50,824**
Income tax expense	**(1,744)**	2,219	**(15,545)**
Net of tax effects	**3,958**	(3,851)	**35,279**
Share of other comprehensive income of investments accounted for using the equity method	**(0)**	6	**0**
Subtotal	**5,477**	(10,819)	**48,819**
Items that may be subsequently reclassified to profit or loss			
Net gain (loss) on derivatives designated as cash flow hedges			
Amount arising during the year	**2,985**	1,112	**26,607**
Reclassification adjustments	**(2,152)**	(1,995)	**(19,182)**
Income tax expense	**(135)**	140	**(1,203)**
Net of tax effects	**697**	(742)	**6,213**
Exchange differences on translation of foreign operations			
Amount arising during the year	**(11,367)**	(18,983)	**(101,319)**
Reclassification adjustments	**(320)**	–	**(2,852)**
Income tax expense	**(637)**	(1,102)	**(5,678)**
Net of tax effects	**(12,324)**	(20,086)	**(109,849)**
Share of other comprehensive income of investments accounted for using the equity method	**(18)**	–	**(160)**
Subtotal	**(11,645)**	(20,828)	**(103,797)**
Total	**(¥ 6,168)**	(¥31,648)	**($ 54,978)**

Among the above, amounts attributable to non-controlling interests are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Exchange differences on translation of foreign operations	**(¥182)**	(¥297)	**($1,622)**
Total	**(¥182)**	(¥297)	**($1,622)**

31. Share-based payment

The Group's share-based payment arise from the share options to the Company's directors (excluding outside directors), executive officers and group executives.

No vesting conditions are attached, but in the event that an executive officer retires prior to the completion of his target service period, he may retain a number of subscription rights to shares corresponding to that number granted multiplied by the number of months in appointment (from the month prior to the month in which the target service period started until the month in which the executive retired) and divided by 12. The remaining subscription rights to shares are to be returned free of charge.

The exercise period is defined in an allocation agreement, and the options are forfeited if not exercised during that period. Options are also forfeited if the executive retires between the grant date and the date of rights allotment. Rights exercise conditions stipulate that the date that the rights become exercisable is the day following the day on which one year has elapsed from the date when the executive steps down from his position.

The Group accounts for share-based payments as equity-settled share-based payments. Expenses related to equity-settled share-based payment transactions are recognized as selling, general and administrative expenses in the consolidated statements of profit or loss. This amount for the current fiscal year is ¥124 million (previous fiscal year: ¥141 million).

	Number of share options granted	Grant date	Exercise period	Exercise price (Yen)	Fair value at the grant date (Yen)
1st	194,500	August 23, 2005	June 30, 2025	¥1	¥1,071
2nd	105,500	September 1, 2006	June 30, 2026	1	1,454
3rd	113,000	August 22, 2007	June 30, 2027	1	1,635
4th	128,000	August 18, 2008	June 30, 2028	1	1,419
5th	199,500	August 19, 2009	June 30, 2029	1	776
6th	188,000	August 27, 2010	June 30, 2030	1	664
7th	239,500	August 23, 2011	June 30, 2031	1	428
8th	285,500	August 22, 2012	June 30, 2032	1	518
9th	257,500	August 22, 2013	June 30, 2043	1	678
10th	159,600	September 11, 2014	June 30, 2044	1	1,068
11th	110,100	August 18, 2015	June 30, 2045	1	1,148
12th	191,400	August 31, 2016	June 30, 2046	¥1	¥ 687

	2017		2016	
	Number of shares	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)
Outstanding, beginning of the year	**1,378,400**	**¥1**	1,460,100	¥1
Granted	**191,400**	**1**	110,100	1
Exercised	**151,500**	**1**	190,500	1
Forfeited	**4,300**	**1**	1,300	1
Outstanding, end of the year	**1,414,000**	**1**	1,378,400	1
Exercisable, end of the year	**1,414,000**	**¥1**	1,378,400	¥1

(Note 1) The number of share options outstanding for each fiscal year is converted to the number of shares.
(Note 2) The weighted average share price for share options exercised during the year was ¥961 (previous fiscal year: ¥1,206).
(Note 3) The weighted average remaining number of years for unexercised share options in the current fiscal year was 20 years (previous fiscal year: 19 years).

The Group uses valuation technique, i.e. Black-Scholes model, to estimate the fair value of the share options, and the primary underlying data and estimation methods are as follows:

	2017	2016
	12th	11th
Share price at the date of grant (Yen)	**¥ 932**	¥1,416
Exercise price (Yen)	**¥ 1**	¥ 1
Expected volatility (Note 1)	**40.794%**	40.012%
Expected option life (Note 2)	**9 yrs 8 mos.**	10 yrs
Expected dividends (Per share) (Note 3)	**¥30.00**	¥30.00
Risk-free interest rate (Note 4)	**-0.083%**	0.395%

(Note 1) Calculations are based on share price performance up to the grant date, according to expected option life.
(Note 2) Estimates are based on the weighted average appointment period of grantees and the subsequent exercisable period for rights.
(Note 3) Estimates are based on past dividend performance and the Company's dividend policy.
(Note 4) This is the average of the compound interest yield on long-term interest-bearing government bonds within three months of the redemption date from the expected option life.

32. Financial instruments

(1) Capital management

The Group actively monitors and manages its capital and debt structure in relation to economic conditions and current company circumstances, and raises necessary funds for working capital, capital expenditure, investment and loans and other items. The necessary funds are primarily funded through bank loans. In addition, the Group maintains commitment-type credit lines with financial institutions. These credit lines are limited to 100 billion Japanese yen and will expire at the end of September 2021. Temporary surpluses are invested in extremely safe financial assets. The Group is not subject to any material capital restrictions.

The principal indicators the Company uses for capital management are as follows:

	2017	2016
ROE (Note 1)	6.1%	6.1%
Equity ratio attributable to owners of the Company (Note 2)	52.1%	52.7%
D/E ratio (Note 3)	0.35 times	0.33 times
Net D/E ratio (Note 4)	0.18 times	0.13 times

(Note 1) Profit for the year attributable to owners of the Company / equity attributable to owners of the Company (average for the period)
(Note 2) Equity attributable to owners of the Company / total equity
(Note 3) Interest-bearing debt / equity attributable to owners of the Company
(Note 4) (Interest-bearing debt - cash and cash equivalents) / equity attributable to owners of the Company

(2) Categories of financial instruments

1) The Group classifies financial instruments as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Financial assets			
Cash and cash equivalents	¥ 92,628	¥ 99,937	$ 825,635
Financial assets measured at amortized cost			
Trade and other receivables	243,195	249,498	2,167,707
Other financial assets	14,197	7,483	126,544
Financial assets measured at FVTOCI			
Other financial assets	27,782	24,063	247,633
Financial assets measured at FVTPL			
Other financial assets	12,486	10,428	111,293
Total	390,290	391,411	3,478,831
Financial liabilities			
Financial liabilities measured at amortized cost			
Trade and other payables	156,090	162,907	1,391,300
Bonds and borrowings	185,512	168,277	1,653,552
Other financial liabilities	61	24	544
Financial liabilities measured at FVTPL			
Other financial liabilities	2,933	3,788	26,143
Total	¥344,598	¥334,998	$3,071,557

In addition to the above, put options written on non-controlling interests are ¥1,739 million. In regard to these put options, the Group recognized financial liabilities at the present value of the redemption amount as well as derecognized the interests of the non-controlling shareholders that hold the written put options, and the difference was recorded as share premium.

2) Financial assets designated as FVTOCI

Shares and other equity financial instruments are held primarily for the purpose of participating in the management of the investees, encouraging an alliance of enterprises or reinforcing sales foundations. These are financial assets designated as FVTOCI.

The names and fair value of principal equity financial instruments are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
OMRON Corporation	¥2,719	¥1,779	$24,236
Marubeni Corporation	2,559	2,139	22,810
ROHM Co., Ltd.	1,634	1,085	14,565
Mitsubishi Logistics Corporation	1,415	1,320	12,613
T&D Holdings, Inc.	¥1,331	¥ 838	$11,864

To increase the efficiency of held assets and use them effectively, regular monitoring is performed in relation to the fair value of equity financial instruments and the financial condition of the issuers, and the ongoing holding status of these instruments is reviewed.

The fair value at the time of sale of shares during the year, cumulative gains or losses recognized in other components of equity (before tax effects), and total dividends received are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Fair value at time of sale	**¥111**	¥287	**$989**
Cumulative gains (net of tax effects)	**22**	145	**196**
Dividends received	**¥ 7**	¥ 2	**$ 62**

(3) Financial risk management

1) Credit risk (risk that counterparties will fail to fulfill their contractual obligations)

Customer credit risk is an inherent part of trade and other receivables. For that reason, with regard to its trade receivables the Group regularly monitors the condition of its key business partners to determine potential unrecoverability due to worsening financial conditions at an early stage and to reduce this risk. The Group also has a policy of managing receivables for each of its transaction partners by due date and balance. For new customers, the Group employs third-party credit ratings, bank references and other available information to analyze individual credit conditions. The Group's policy is to set credit limits for each customer and monitor these on an ongoing basis.

The Group uses derivative transactions to hedge foreign exchange fluctuation risk and interest rate fluctuation risk. The financial institutions that are counterparties to such transactions present credit risks. However, the Group believes its credit risk related to counterparties failing to fulfill their obligations is very low or limited, as the Group only conducts such transactions with financial institutions of high credit ratings.

The maximum exposure to credit risk in financial assets is stated in the carrying amounts presented in the consolidated statement of financial position.

(a) Past-due receivables

The allowance for doubtful accounts on past-due trade and other receivables is as follows:

As of March 31, 2016

	Millions of yen			
	Amount past due			
	3 months or less	More than 3 months, 6 months or less	More than 6 months, 12 months or less	More than 12 months
Trade and other receivables (Gross)	¥27,686	¥4,226	¥2,242	¥3,808
Allowance for doubtful accounts	(545)	(310)	(1,309)	(3,156)
Trade and other receivables	¥27,140	¥3,915	¥ 933	¥ 651

As of March 31, 2017

	Millions of yen			
	Amount past due			
	3 months or less	More than 3 months, 6 months or less	More than 6 months, 12 months or less	More than 12 months
Trade and other receivables (Gross)	**¥28,464**	**¥3,383**	**¥2,453**	**¥3,862**
Allowance for doubtful accounts	**(515)**	**(665)**	**(847)**	**(3,146)**
Trade and other receivables	**¥27,949**	**¥2,718**	**¥1,606**	**¥ 715**

As of March 31, 2017

	Thousands of U.S. dollars			
	Amount past due			
	3 months or less	More than 3 months, 6 months or less	More than 6 months, 12 months or less	More than 12 months
Trade and other receivables (Gross)	**$253,712**	**$30,154**	**$21,865**	**$34,424**
Allowance for doubtful accounts	**(4,590)**	**(5,927)**	**(7,550)**	**(28,042)**
Trade and other receivables	**$249,122**	**$24,227**	**$14,315**	**$ 6,373**

(b) Allowance for doubtful accounts

The Group uses an allowance for doubtful accounts to record impairment losses on individually significant financial assets for their non-recoverable amounts and on financial assets that are not individually significant for the non-recoverable amounts estimated based on such factors as past performance of such financial assets.

The allowance for doubtful accounts for these financial assets is included in "trade and other receivables" and "other financial assets" in the consolidated statement of financial position.

Changes in allowances for doubtful accounts in the respective fiscal years are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Balance, beginning of the year	**¥7,103**	¥6,911	**$63,312**
Provisions made	**1,244**	2,408	**11,088**
Provisions utilized	**(802)**	(905)	**(7,149)**
Provisions reversed	**(1,103)**	(1,013)	**(9,832)**
Effects of changes in foreign exchange rates	**(243)**	(297)	**(2,166)**
Balance, end of the year	**¥6,198**	¥7,103	**$55,246**

Taking into account such factors as customers' financial conditions and past-due status, impairment losses recognized on trade and other receivables were ¥3,859 million in the current fiscal year (previous fiscal year: ¥1,281 million). Allowances for doubtful accounts on these receivables were ¥2,296 million (previous fiscal year: ¥715 million).

2) Liquidity risk (Risk of not being able to pay on the payment due date)

The Group raises funds through borrowings and other means. With these liabilities, the Group assumes liquidity risk arising from the possibility that it may become unable to meet its payment obligations on their due date, owing to deterioration in the financing environment.

To control liquidity risk, the Company's finance department creates and updates cash plans as necessary, based on information obtained from its consolidated subsidiaries and various departments. At the same time, the Company constantly monitors the operating environment to maintain and ensure appropriate on-hand liquidity in response to changing conditions.

Balances of long-term financial liabilities by due date are shown below. Contractual cash flows are undiscounted cash flows that do not include interest payment amounts.

As of March 31, 2016

	Millions of yen							
	Carrying amounts	Contractual cash flows	1 year or less	More than 1 year, 2 years or less	More than 2 years, 3 years or less	More than 3 years, 4 years or less	More than 4 years, 5 years or less	More than 5 years
Long-term loans payable	¥ 95,114	¥ 95,114	¥ 4,001	¥ 9,034	¥ 3,002	¥14,271	¥26,620	¥38,185
Bonds	50,000	50,000	20,000	10,000	20,000	–	–	–
Lease obligations	7,266	7,266	2,726	1,817	1,234	838	561	89
Derivative financial liabilities	3,754	3,754	142	–	–	371	882	2,357
Others	58	58	58	–	–	–	–	–
Total	¥156,194	¥156,194	¥26,929	¥20,852	¥24,236	¥15,480	¥28,064	¥40,632

As of March 31, 2017

	Millions of yen							
	Carrying amounts	Contractual cash flows	1 year or less	More than 1 year, 2 years or less	More than 2 years, 3 years or less	More than 3 years, 4 years or less	More than 4 years, 5 years or less	More than 5 years
Long-term loans payable	**¥129,397**	**¥129,397**	**¥ 9,202**	**¥ 3,370**	**¥14,719**	**¥28,910**	**¥31,585**	**¥41,608**
Bonds	**30,000**	**30,000**	**10,000**	**20,000**	**–**	**–**	**–**	**–**
Lease obligations	**6,601**	**6,601**	**2,578**	**1,756**	**1,097**	**695**	**414**	**58**
Derivative financial liabilities	**4,672**	**4,672**	**310**	**–**	**313**	**2,220**	**–**	**1,827**
Others	**61**	**61**	**61**	**–**	**–**	**–**	**–**	**–**
Total	**¥170,733**	**¥170,733**	**¥22,152**	**¥25,127**	**¥16,131**	**¥31,825**	**¥32,000**	**¥43,495**

As of March 31, 2017

	Thousands of U.S. dollars							
	Carrying amounts	Contractual cash flows	1 year or less	More than 1 year, 2 years or less	More than 2 years, 3 years or less	More than 3 years, 4 years or less	More than 4 years, 5 years or less	More than 5 years
Long-term loans payable	$1,153,374	$1,153,374	$ 82,022	$ 30,038	$131,197	$257,688	$281,531	$370,871
Bonds	267,404	267,404	89,135	178,269	–	–	–	–
Lease obligations	58,838	58,838	22,979	15,652	9,778	6,195	3,690	517
Derivative financial liabilities	41,644	41,644	2,763	–	2,790	19,788	–	16,285
Others	544	544	544	–	–	–	–	–
Total	$1,521,820	$1,521,820	$197,451	$223,968	$143,783	$283,671	$285,230	$387,691

3) Market risks (foreign exchange, share price and interest rate fluctuation risks)

(a) Foreign exchange fluctuation risk

As part of developing its global business, the Group has foreign currency receivables and payables, which are subject to foreign exchange fluctuation risk. To manage this risk, the Group determines its foreign exchange fluctuation risk in each currency every month and, in principle, hedges this risk by using forward exchange transactions and currency option transactions. Depending on foreign exchange market conditions, the Group may also enter into forward exchange contracts and currency option transactions for limited time periods on foreign currency receivables and payables for expected transactions it deems certain to occur.

Foreign exchange sensitivity analysis

The table below shows the impact on profit before tax in the consolidated statement of profit or loss of a 1% change in value of the U.S. dollar, the euro and the pound sterling against the yen due to its balances of foreign currency receivables and payables at the end of each fiscal year. In making these calculations, the Group has assumed no changes in currencies other than those used.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
U.S. dollar	¥227	¥170	$2,023
Euro	(179)	10	(1,596)
Pound sterling	¥ 8	¥ 16	$ 71

(b) Share price fluctuation risk

The Group holds shares in other listed companies in the interest of cultivating business relationships, and these equity financial instruments are subject to share price fluctuation risk. Equity financial instruments are held to ensure the smooth operation of business strategies by participating in the management of the investees, encouraging an alliance of enterprises or reinforcing sales foundations, and not for earning investment returns through sales. With regard to equity financial instruments, the Group regularly monitors share prices and checks the issuing entity's financial condition.

Share price fluctuation sensitivity analysis

In the sensitivity analysis below, the Group calculates sensitivity based on the price risk on equity financial instruments at the end of the fiscal year. A 1% increase or decrease in share prices had a ¥256 million impact on other components of equity (before tax effects) as of the end of the current fiscal year (previous fiscal year: ¥222 million).

(c) Interest rate fluctuation risk

For debt instrument bearing variable interest rates, the Company enters into interest-rate swap contracts to hedge the potential risk to cash flows of interest rate fluctuations. The Company uses these derivative transactions according to defined policies for the purpose of reducing risk. No interest rate sensitivity analysis is conducted, as interest rate payments have only a slight impact on profits and losses on the Group's performance.

(4) Fair value of financial instruments

Fair value calculation method

The fair value of financial assets and financial liabilities is calculated as described below. Information about defining the level of the hierarchy is described in (5).

1) Derivative financial assets and liabilities

Fair value of currency derivatives is based on forward quotations and prices quoted by financial institutions that enter into these contracts. Fair value of interest rate derivatives is based on prices quoted by financial institutions that enter into these contracts, and both are classified in level 2. Fair value of put options written on non-controlling interests is based on present value of the amount which has possibilities to be required to pay contractual partner and is classified in level 3.

2) Investment securities

Where market prices are available, fair value is based on market prices and classified in level 1. For financial instruments whose market prices are not available, fair value is calculated by discounting future cash flows or using other appropriate valuation methods and classified in level 3, taking into account the individual nature, characteristics and risks of the assets.

3) Borrowings

As short-term loans payable are to be settled in a short period of time, their fair value is assumed to be equivalent to the carrying amounts.

For long-term borrowings with fixed interest rates, fair value is calculated by discounting the total amount of principal and interest using assumed interest rate of a new similar borrowing and classified in level 3. As the interest rates of long-term borrowings with variable interest rates are revised upon each repricing period, their fair value is assumed to be equivalent to the carrying amounts.

4) Bonds

Fair value is calculated on the basis of market value and classified in level 1.

5) Financial instruments other than those indicated above

Financial instruments other than those indicated above are mainly settled in the short term, so fair value is assumed to be equivalent to their carrying amounts.

The carrying amounts and fair values of principal financial instruments not measured at fair value but for which fair value is disclosed are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		2017	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Long-term loans payable	¥129,397	¥125,546	¥ 95,114	¥ 94,055	$1,153,374	$1,119,048
Bonds	30,000	30,345	50,000	50,648	267,404	270,479
Total	¥159,397	¥155,891	¥145,114	¥144,703	$1,420,777	$1,389,527

(Note) Long-term borrowings and bonds include balances redeemable within one year.

(5) Fair value hierarchy

Financial instruments which are measured at fair value are classified according to fair value hierarchy. The fair value hierarchy comprises levels 1 through 3, defined as follows:

Level 1: Fair value measured at the quoted price in the active market
Level 2: Fair value that is calculated using the observable market inputs other than quoted price directly or indirectly
Level 3: Fair value that is calculated based on valuation techniques which include inputs that are not based on observable market data
Transfers between fair value hierarchy levels are recognized on the date the event or condition prompting the transfer occurred.

Financial assets and financial liabilities measured at fair value in the previous fiscal year and the current fiscal year, by fair value hierarchy are as follows:

	Millions of yen			
	2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Investment securities	¥22,214	¥ –	¥1,949	¥24,163
Derivative financial assets	–	5,946	–	5,946
Others	3,402	–	978	4,381
Total	25,617	5,946	2,927	34,491
Financial liabilities				
Derivative financial liabilities	–	3,754	–	3,754
Others	–	–	34	34
Total	¥ –	¥3,754	¥ 34	¥ 3,788

Millions of yen				
	2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Investment securities	¥25,699	¥ –	¥2,172	¥27,872
Derivative financial assets	–	7,764	–	7,764
Others	3,774	–	856	4,631
Total	29,474	7,764	3,029	40,269
Financial liabilities				
Derivative financial liabilities	–	2,933	1,739	4,672
Total	¥ –	¥2,933	¥1,739	¥ 4,672

(Note 1) No transfers between levels 1, 2 and 3 occurred during these fiscal years.
(Note 2) In the current fiscal year, MGI Digital Graphic Technology S.A. became a consolidated subsidiary after its investment securities in level 1 were transferred to investment in subsidiaries.

Thousands of U.S. dollars				
	2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Investment securities	$229,067	$ –	$19,360	$248,436
Derivative financial assets	–	69,204	–	69,204
Others	33,639	–	7,630	41,278
Total	262,715	69,204	26,999	358,936
Financial liabilities				
Derivative financial liabilities	–	26,143	15,500	41,644
Total	$ –	$26,143	$15,500	$ 41,644

Increases or decreases in financial instruments classified as level 3

Increases or decreases in financial instruments classified as level 3 in each fiscal year are as follows:

Millions of yen		
	Financial assets	Financial liabilities
Balance at April 1, 2015	¥2,793	¥ –
Gains (losses) (Note 1)		
Profit for the year	278	–
Other comprehensive income	7	–
Acquisitions	273	–
Disposals and settlements	(13)	(8)
Business combinations	–	47
Others (Note 2)	(408)	–
Effects of changes in foreign exchange rates	(2)	(5)
Balance at March 31, 2016	2,927	34
Gains (losses) (Note 1)		
Profit for the year	(155)	–
Other comprehensive income	92	–
Acquisitions	222	–
Disposals and settlements	(52)	(32)
Business combinations (Note 3)	–	1,343
Others (Note 4)	–	424
Effects of changes in foreign exchange rates	(5)	(30)
Balance at March 31, 2017	¥3,029	¥1,739

(Note 1) Gains or losses recognized in profit for the year are presented in the consolidated statements of profit or loss as "finance income" or "finance costs". Gains or losses recognized in other comprehensive income are presented in the consolidated statement of comprehensive income as "net gain (loss) on revaluation of financial assets measured at fair value".
(Note 2) In the previous fiscal year, certain shares were transferred from other financial assets to investments accounted for using the equity method due to acquisition of additional interests.
(Note 3) This is the liability recognized by granting put options written on non-controlling interests when the Group acquired shares in acquired company through the business combination.
(Note 4) This is the difference in change arising from subsequently measuring fair value of put options written on non-controlling interests. The difference in change was recorded in share premium.

	Thousands of U.S. dollars	
	Financial assets	Financial liabilities
Balance at March 31, 2016	$26,090	$ 303
Gains (losses)		
Profit for the year	**(1,382)**	**–**
Other comprehensive income	**820**	**–**
Acquisitions	**1,979**	**–**
Disposals and settlements	**(463)**	**(285)**
Business combinations	**–**	**11,971**
Others	**–**	**3,779**
Effects of changes in foreign exchange rates	**(45)**	**(267)**
Balance at March 31, 2017	**$26,999**	**$15,500**

(6) Derivatives and hedge accounting

The Group enters into derivative contracts with financial institutions, hedging fluctuations in cash flows on its financial assets and financial liabilities, and not for speculation purposes.

In principle, the Group uses forward exchange contracts and currency options to hedge foreign exchange fluctuation risk categorized by currency and by month. Depending on foreign exchange market conditions, the Group may enter into forward exchange contracts and conduct currency option transactions for limited time periods on foreign currency receivables and payables for expected transactions it deems certain to occur.

The Group uses currency swap and interest-rate swap transactions to reduce interest rate fluctuation risk for borrowings with variable interest rates, as well as to mitigate fluctuation risk on expected future funding costs, and makes use of cash flow hedges.

In addition to these, the Group is conducting hedge accounting treatment by using derivatives or foreign-currency borrowings for the purpose of avoiding its foreign exchange exposure in equity investments in foreign operations mainly.

The fair value of derivatives are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Derivatives employing hedge accounting			
Currency derivatives	**¥ 96**	(¥1,421)	**$ 856**
Interest rate derivatives	**(522)**	(1,164)	**(4,653)**
Net investment hedge derivatives	**5,712**	3,226	**50,914**
Derivatives not employing hedge accounting			
Currency derivatives	**(546)**	1,551	**(4,867)**
Interest rate derivatives	**91**	–	**811**
Put options written on non-controlling interests	**(1,739)**	–	**(15,500)**
Total	**¥3,091**	¥2,192	**$27,551**

(Note) In addition to the above items, foreign-currency borrowings of ¥5,216 million (previous fiscal year: ¥5,239 million) are designated as hedging instruments to hedge a portion of its foreign exchange exposure in equity investments in foreign operations, and a net investment hedge is applied.

(7) Offsetting financial assets and financial liabilities

Information related to offsetting recognized financial assets and financial liabilities for the same business partner is as follows:

Current fiscal year (From April 1, 2016 to March 31, 2017)

		Millions of yen		
Financial assets	Type of transaction	Total amount of recognized financial assets	Total amount of recognized financial liabilities to be offset in consolidated statement of financial position	Net amount of financial assets reported in consolidated statement of financial position
Cash and cash equivalents	Notional pooling	¥62,072	¥61,824	¥248

Financial liabilities	Type of transaction	Total amount of recognized financial liabilities	Total amount of recognized financial assets to be offset in consolidated statement of financial position	Net amount of financial liabilities reported in consolidated statement of financial position
Bonds and borrowings	Notional pooling	¥61,824	¥61,824	¥–

		Thousands of U.S. dollars		
Financial assets	Type of transaction	Total amount of recognized financial assets	Total amount of recognized financial liabilities to be offset in consolidated statement of financial position	Net amount of financial assets reported in consolidated statement of financial position
Cash and cash equivalents	Notional pooling	$553,276	$551,065	$2,211

Financial liabilities	Type of transaction	Total amount of recognized financial liabilities	Total amount of recognized financial assets to be offset in consolidated statement of financial position	Net amount of financial liabilities reported in consolidated statement of financial position
Bonds and borrowings	Notional pooling	$551,065	$551,065	$–

33. Related parties

Remuneration for directors and audit and supervisory board members for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Fixed remuneration	¥ 765	¥ 676	$6,819
Performance-linked remuneration	200	205	1,783
Share-based remuneration	114	141	1,016
Total	¥1,079	¥1,024	$9,618

34. Commitments

The amount of contractual commitments to acquire assets is negligible.

35. Contingencies

The Group guarantees borrowings and lease obligations, etc., to financial institutions for companies outside the Group. As of the end of the current fiscal year, guarantee obligations totaled to ¥316 million (previous fiscal year: ¥386 million). As the likelihood of performance of these guarantee obligations is low, they are not recognized as financial liabilities.

36. Disclosure of interests in other entities

The Group's subsidiaries as of March 31, 2017 are as follows:

Name	Location	Ownership interest (%)
Konica Minolta Japan, Inc.	Minato-ku, Tokyo	100
Kinko's Japan Co., Ltd.	Minato-ku, Tokyo	100
Konica Minolta Supplies Manufacturing Co., Ltd.	Kofu, Yamanashi	100
Konica Minolta Technoproducts Co., Ltd.	Sayama, Saitama	100
Konica Minolta Opto Products Co., Ltd.	Fuefuki, Yamanashi	100
Konica Minolta Planetarium Co., Ltd.	Toshima-ku, Tokyo	100
Konica Minolta Business Associates Co., Ltd.	Hino, Tokyo	100
Konica Minolta Engineering Co., Ltd.	Hino, Tokyo	100
Konica Minolta Information System Co., Ltd.	Tachikawa, Tokyo	100
Konica Minolta Business Solutions U.S.A., Inc.	New Jersey, U.S.A.	100
Konica Minolta Business Solutions Europe GmbH	Langenhagen, Germany	100
Konica Minolta Business Solutions Deutschland GmbH	Langenhagen, Germany	100
Konica Minolta Business Solutions France S.A.S.	Carrieres-sur-Seine, France	100
Konica Minolta Business Solutions (UK) Ltd.	Essex, United Kingdom	100
Charterhouse PM Ltd.	Hertfordshire, United Kingdom	100
Konica Minolta Business Solutions (CHINA) Co., Ltd.	Shanghai, China	100
Konica Minolta Business Technologies Manufacturing (HK) Ltd.	Hong Kong, China	100
Konica Minolta Business Technologies (WUXI) Co., Ltd.	Wuxi, China	100
Konica Minolta Business Technologies (DONGGUAN) Co., Ltd.	Dongguan, China	100
Konica Minolta Business Technologies (Malaysia) Sdn. Bhd.	Melaka, Malaysia	100
Konica Minolta Business Solutions Australia Pty. Ltd.	New South Wales, Australia	100
Ergo Asia Pty Limited	New South Wales, Australia	100
Konica Minolta Healthcare Americas, Inc.	New Jersey, U.S.A.	100
Konica Minolta Medical & Graphic Imaging Europe B.V.	Amsterdam, The Netherlands	100
Konica Minolta Medical & Graphic (Shanghai) Co., Ltd.	Shanghai, China	100
Radiant Vision Systems, LLC	Washington, U.S.A.	100
Konica Minolta Sensing Americas, Inc.	New Jersey, U.S.A.	100
Instrument Systems GmbH	Munich, Germany	100
Konica Minolta Sensing Europe B.V.	Nieuwegein, The Netherlands	100
Konica Minolta Sensing Korea Co., Ltd.	Goyang, Korea	100
Konica Minolta Opto (Dalian) Co., Ltd.	Dalian, China	100
Konica Minolta Holdings U.S.A., Inc.	New Jersey, U.S.A.	100
MOBOTIX AG	Langmeil Germany	65.5
Konica Minolta (China) Investment Ltd.	Shanghai, China	100
119 other companies		

The Group has no material non-controlling interests in subsidiaries.

No significant legal or contractual limitations exist with regard to the transfer or use of assets or liability settlement capabilities within the Group.

37. Events after the reporting period

(Merger agreement between the Company's subsidiary and Ambry Genetics Corporation)

On July 6, 2017, the Company decided to make Ambry Genetics Corporation (hereafter, "AG") a subsidiary by acquiring the shares in AG through Konica Minolta Healthcare Americas, Inc. (hereafter, "KMHA"), a wholly owned US subsidiary of the Company, in partnership with Innovation Network Corporation of Japan (hereafter, "INCJ") (hereafter, "the transaction"), and concluded a merger agreement with AG.

In the transaction, Konica Minolta Geno., Inc., a subsidiary set up for the purpose of the merger by Konica Minolta PM., Inc. (hereafter, "KMP"), which is in turn a company newly established by KMHA, is scheduled to carry out a merger with AG that will leave AG as the surviving company and a subsidiary of KMHA. Before the transaction is executed, INCJ will take an equity stake in KMP, such that KMHA's stake in KMP is 60% of the company, with INCJ holding 40%. In accordance with an agreement between the Company and INCJ, a put option will be established on INCJ's 40% stake in KMP. In addition, the transaction will be executed only after completion of procedures related to competition laws in the US and in other countries where it is deemed necessary.

(1) Objective of the transaction

AG, which possesses cutting-edge genetic diagnostics technology, sophisticated product development capabilities, a variety of test items, advanced test processing competencies, and overwhelming strength in the genetic counselor channel, has become a leader in the US market for genetic testing, which has recorded remarkable growth, primarily in the rapidly expanding field of oncology. The company, which started the world's first-ever exome analysis testing for diagnostic purposes, provides genetic tests in a variety of clinical fields, such as hereditary and non-hereditary tumors, heart disease, respiratory disease, and neurological disorders. The company's extensive and cutting-edge laboratory in California has already amassed a track record of more than 1 million genetic tests, and has identified over 45,000 mutations in 500 genes.

The transaction is a harbinger of strategic initiatives aimed at promoting precision medicine (treatments tailored to individual patients), an area that is expected to play an important future role in such fields as cancer treatment. By means of the transaction the Company will acquire state-of-the-art genetic diagnostics technology, advanced IT analysis technology that makes full use of bioinformatics, a large, cutting-edge laboratory for specimen testing, as well as a lucrative service business. Furthermore, by combining the Company's proprietary High-Sensitivity Tissue Testing (HSTT) technology with AG's genetic diagnostics technology, the Company will own two core technologies crucial to the grouping of patients and new drug development. Leveraging the technologies of both parties, the Company will work to expand outside the US, where AG is the leader in precision medicine, and to become a global leading company by developing markets such as Japan, Asia, and Europe.

(2) Overview of acquisition target subsidiary

Name	Ambry Genetics Corporation
Business content	Genetic diagnostics for breast cancer, colorectal cancer, etc.
Share capital	US$102

(3) Timing of transaction execution

October 2017 (expected)

(4) Number of shares acquired and acquisition cost

Number of shares acquired	1,020,792 shares (Note 1)	
Acquisition cost	Ordinary shares of AG	US$800 million (Note 2) (Note 3)
	Advisory fees, etc. (rough estimate)	¥2.2 billion
	Total (rough estimate)	¥90.2 billion (converted at ¥110 to the U.S. dollar)

(Note 1) This is the total number of AG shares acquired by the Company and by INCJ through KMP.

(Note 2) The acquisition price is expected to be the amount resulting from price adjustments (including those made to take into account net interest-bearing debts) made at the time of the execution of the acquisition of shares, as provided for in the merger agreement.

(Note 3) The transaction adopts a performance-based earn out approach, such that a sum of money of up to US$200 million, in addition to the above, may be paid conditional on AG achieving certain financial results over the next two fiscal years.

KPMG

Independent Auditor's Report

To the Shareholders and Board of Directors of Konica Minolta, Inc.:

We have audited the accompanying consolidated financial statements of Konica Minolta, Inc. and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Konica Minolta, Inc. and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for convenience of the reader. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

KPMG AZSA LLC

August 9, 2017
Tokyo, Japan

Company Overview/Stock Information

Company Overview (as of March 31, 2017)

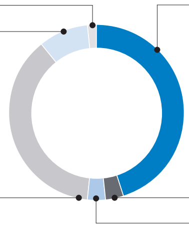
Company name	KONICA MINOLTA, INC.
Stock code	4902 Included in the "JPX-Nikkei Index 400"
Date established	1873
Establishment as joint-stock company	1936
Capital	37,519 million yen
Number of employees	Consolidated: 43,979
Head office	JP TOWER, 2-7-2 Marunouchi, Chiyoda-ku, Tokyo 100-7015, Japan

Stock Information (as of March 31, 2017)

Stock Information

Total number of shares authorized to be issued	1,200,000,000 shares
Total number of shares issued	502,664,337 shares
Number of shareholders	34,920
Minimum trading units	100 shares

Shareholder Composition



Major Shareholders (the top ten shareholders)

Name of shareholder	Number of shares held (thousand shares)	Ratio of shares held (%)
Japan Trustee Services Bank, Ltd. (Trust account)	36,128	7.2
The Master Trust Bank of Japan, Ltd. (Trust account)	34,932	7.0
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,945	2.8
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Bank, Limited Retrust Portion, Sumitomo Mitsui Banking Corporation Pension Trust Account)	11,875	2.3
Nippon Life Insurance Company	10,809	2.1
The Nomura Trust and Banking Co., Ltd. (Holder in Retirement Benefit Trust for the Bank of Tokyo-Mitsubishi UFJ, Ltd.)	10,801	2.1
Daido Life Insurance Company	9,040	1.8
JP MORGAN CHASE BANK 385632	8,884	1.7
Japan Trustee Services Bank, Ltd. (Trust account 5)	8,600	1.7
THE BANK OF NEW YORK MELLON 140044	7,785	1.5

* Ratio of shares held is calculated by deducting treasury stock 7,041,082 shares.

Glossary

Business Technologies Business

- **MFP (Multi-Functional Peripherals)**
  Units that support a variety of functions otherwise handled by separate equipment, such as copiers, printers, scanners, and facsimiles. We manufacture and sell color and monochrome MFPs under the "bizhub" brand.
- **MIF (Machines In the Field)**
  In the market for MFPs (multi-functional peripherals), production print machines, etc., it refers to the total installed base (number of working units).
- **PV (Print Volume)**
  The print output quantity. (Also called Copy Volume.)
- **OPS (Optimized Print Services)**
  OPS is the name of our Managed Print Services (MPS) offering. OPS provides services to boost efficiency and reduce costs through optimization of the customer's print environment (output and document management environment).
- **GMA (Global Major Account)**
  Refers to our major enterprise customers (businesses) that operate on a global scale.
- **MIT (Managed IT)**
  Services that support all operations in a company's IT department. These wide-ranging services include support for a product's lifecycle, including the creation of plans for deploying things such as PCs and servers, operating systems, software, and networks, as well as the actual deployment, contracted operation and support, management, maintenance, and contracted collection.
- **MCS (Managed Content Services)**
  The collective term given to services for centrally managing paper or digital documents, e-mails, forms, diagrams, and other such business content, and for building systems to properly use, store, and dispose of this content.
- **BPS (Business Process Management Service)**
  This service utilizes software tools such as OpenText and HP-Autonomy to quickly and affordably manage business processes.
- **MPM (Marketing Production Management)**
  MPM provides services optimizing the production cost of marketing materials for customers using our own supplier network.
- **MMS (Marketing Management Services)**
  A comprehensive package of services that spans planning to media creation to marketing activities in accordance with communication strategies that leverage a combination of printed and digital media and that are informed by customer preferences and purchasing behavior analyses. Along with maximizing return on investment, MMS help increase brand equity and improve customer loyalty.
- **Inkjet textile printing method**
  Method for printing directly to cloth fabric (textile printing) with an inkjet. Because it does not require the plate-making and color paste preparation required by traditional screen textile printing, and the ink can be applied only where needed, it has attracted attention as an innovative dyeing method that makes multi-product, small-lot production quick, easy, and inexpensive, and makes textile printing more environment-friendly.

Healthcare Business

- **DR (Digital Radiography)**
  Also referred to as digital X-rays. A technique that detects the intensity distribution of the X-rays that pass through the body when an X-ray is taken, and then converts the data to a digital signal, which is processed by computer. Also refers to systems that do this. In March 2011 Konica Minolta launched the AeroDR series of world-class lightweight cassette-type DR products domestically and globally.
- **PACS (Picture Archiving and Communication System)**
  An image storage and communication system for medical image processing. More generally, any system for managing a large number of images, such as CT, MRI, and X-ray images from DR or CR.
- **Diagnostic ultrasound systems**
  Because diagnostic ultrasound systems have such advantages as enabling real-time diagnostic imaging and putting less physical burden on patients under repeated examinations due to their low-intrusion nature, they are used in a wide range of clinical fields. Further growth is expected in the market in the future.
- **Informity**
  Our ICT service platform for helping hospitals and clinics deliver care in a variety of ways. Offerings include our Collaboration Box Service, which allows multiple institutions to share medical data such as examination images and reports, and remote diagnostic support services that facilitate requests for image interpretation.
- **SPFS / Surface Plasmon Field-enhanced Fluorescence Spectroscopy**
  An immunological testing system. This is a method for detecting fluorescence signals generated by exciting fluorophores that are surface-confined by an antigen-antibody reaction. The fluorophores are excited with extreme efficiency by near-field light induced very close to the gold membrane surface.

Industrial Business

- **Light source color measuring instruments**
  Instruments for high-accuracy measurement of chromaticity, brightness, and color balance of various displays and light-emitting devices. These instruments can measure illuminance/chromaticity with a high accuracy that does not depend on the emission characteristics of the light source. Our products have been adopted as standard equipment by many companies in fields such as quality control and product color management.
- **TAC (Triacetyl cellulose) film**
  Primarily composed of cellulose acetate, it is mainly used as a protective film for polarizers, a component of LCDs. TAC film was originally developed as a substrate for photographic film, but because of its superior flame resistance, transparency, surface appearance, and electric insulation characteristics, we are pursuing development of applications outside of photographic film.
- **QWP (Quarter Wavelength Plate) film**
  This film for displays utilizes Konica Minolta proprietary optical design technologies and the optical properties of specially-developed cellulose material to achieve near natural light and allow colors to appear as normal even when viewing through polarized sunglasses. And because it performs the functions of both polarizer protective films and eyefriendly films for polarized sunglasses, QWP film allows for thinner displays and fewer parts.
- **OLED (Organic Light Emitting Diode)**
  Organic matter comes in an infinite array of molecular structures, each with a different color and durability. We are presently strengthening and growing our lighting business in this area as a future pillar of the business, building on our strengths in materials and coating technologies developed in photosensitive materials.
- **Zero-TAC film**
  TAC film with zero retardation. Is used primarily in IPS displays and provides greater screen visibility.

Other businesses

- **VMS (Video Management Software)**
  An application that connects input devices such as cameras and data recording media over a network and controls them.