

3. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	March 31, 2015	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	177,496	110,129
Trade and other receivables	252,962	244,762
Inventories	120,803	143,442
Income tax receivables	559	1,357
Other financial assets	1,715	2,442
Other current assets	16,431	18,269
Subtotal	569,968	520,403
Assets held for sale	672	674
Total current assets	570,640	521,077
Non-current assets		
Property, plant and equipment	181,641	181,284
Goodwill and intangible assets	126,132	170,615
Investments accounted for using the equity method	524	1,327
Other financial assets	41,420	41,463
Deferred tax assets	64,291	60,137
Other non-current assets	9,605	9,559
Total non-current assets	423,615	464,388
Total assets	994,256	985,466

(Millions of yen)

	March 31, 2015	December 31, 2015
Liabilities		
Current liabilities		
Trade and other payables	177,564	174,250
Bonds and borrowings	53,349	81,604
Income tax payables	7,522	4,157
Provisions	5,542	4,739
Other financial liabilities	1,020	168
Other current liabilities	36,889	31,458
Total current liabilities	281,889	296,379
Non-current liabilities		
Bonds and borrowings	112,236	87,565
Retirement benefit liabilities	62,039	63,415
Provisions	1,135	1,234
Other financial liabilities	539	913
Deferred tax liabilities	2,944	3,306
Other non-current liabilities	3,967	4,273
Total non-current liabilities	182,863	160,707
Total liabilities	464,752	457,087
Equity		
Share capital	37,519	37,519
Share premium	203,395	203,397
Retained earnings	251,323	254,251
Treasury shares	(10,727)	(9,510)
Subscription rights to shares	1,016	1,033
Other components of equity	45,905	41,007
Equity attributable to owners of the company	528,432	527,699
Non-controlling interests	1,071	679
Total equity	529,504	528,378
Total liabilities and equity	994,256	985,466

(2) Condensed Consolidated Statement of Profit or Loss

Nine months ended December 31, 2014 and 2015

(Millions of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Revenue	728,039	762,326
Cost of sales	370,162	395,379
Gross profit	357,877	366,947
Other income	4,263	5,976
Selling, general and administrative expenses	303,790	322,737
Other expenses	11,273	8,597
Operating profit	47,077	41,588
Finance income	3,588	1,633
Finance costs	1,942	2,698
Share of profit (loss) of investments accounted for using the equity method	(25)	0
Profit before tax	48,698	40,524
Income tax expense	18,829	14,026
Profit for the period	29,868	26,497
Profit attributable to		
Owners of the company	29,861	26,492
Non-controlling interests	7	5
Earnings per share		
Basic	58.97 yen	53.32 yen
Diluted	58.80 yen	53.16 yen

Three months ended December 31, 2014 and 2015

(Millions of yen)

	Three months ended December 31, 2014	Three months ended December 31, 2015
Revenue	253,586	255,081
Cost of sales	128,921	132,355
Gross profit	124,664	122,725
Other income	748	1,000
Selling, general and administrative expenses	105,457	108,451
Other expenses	3,702	1,896
Operating profit	16,252	13,378
Finance income	1,433	536
Finance costs	737	729
Share of profit (loss) of investments accounted for using the equity method	(21)	0
Profit before tax	16,926	13,186
Income tax expense	6,447	4,005
Profit for the period	10,478	9,181
Profit attributable to		
Owners of the company	10,445	9,162
Non-controlling interests	32	18
Earnings per share		
Basic	20.82 yen	18.49 yen
Diluted	20.75 yen	18.44 yen

(3) Condensed Consolidated Statement of Comprehensive Income

Nine months ended December 31, 2014 and 2015

(Millions of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Profit for the period	29,868	26,497
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans (net of tax)	35	131
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	2,692	(1,072)
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	2	3
Total items that will not be reclassified to profit or loss	2,731	(937)
Items that may be subsequently reclassified to profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	325	303
Exchange differences on translation of foreign operations (net of tax)	24,868	(4,535)
Total items that may be subsequently reclassified to profit or loss	25,193	(4,232)
Total other comprehensive income	27,925	(5,169)
Total comprehensive income	57,793	21,327
Total comprehensive income attributable to		
Owners of the company	57,778	21,615
Non-controlling interests	14	(287)

Three months ended December 31, 2014 and 2015

(Millions of yen)

	Three months ended December 31, 2014	Three months ended December 31, 2015
Profit for the period	10,478	9,181
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans (net of tax)	0	2
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	1,497	799
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	3	0
Total items that will not be reclassified to profit or loss	1,501	802
Items that may be subsequently reclassified to profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	222	58
Exchange differences on translation of foreign operations (net of tax)	18,017	(3,993)
Total items that may be subsequently reclassified to profit or loss	18,239	(3,934)
Total other comprehensive income	19,741	(3,132)
Total comprehensive income	30,220	6,048
Total comprehensive income attributable to		
Owners of the company	30,197	6,209
Non-controlling interests	23	(161)

(4) Condensed Consolidated Statement of Changes in Equity

(Millions of yen)

	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 April 1, 2014	37,519	203,421	239,453	(17,322)	910	28,100	492,081	740	492,822
Profit for the period	—	—	29,861	—	—	—	29,861	7	29,868
Other comprehensive income (loss)	—	—	—	—	—	27,917	27,917	7	27,925
Total comprehensive income	—	—	29,861	—	—	27,917	57,778	14	57,793
Dividends	—	—	(8,902)	—	—	—	(8,902)	—	(8,902)
Acquisition and disposal of treasury shares	—	—	(14)	(14,194)	—	—	(14,208)	—	(14,208)
Cancellation of the treasury shares	—	—	(20,765)	20,765	—	—	—	—	—
Share-based payments (Subscription rights to shares)	—	—	—	—	82	—	82	—	82
Changes in the consolidation scope	—	—	124	—	—	—	124	—	124
Changes in the ownership interest in subsidiaries	—	—	—	—	—	—	—	290	290
Transfer from other components of equity to retained earnings	—	—	37	—	—	(37)	—	—	—
Total transactions with owners	—	—	(29,520)	6,571	82	(37)	(22,903)	290	(22,613)
Balance at December 31, 2014	37,519	203,421	239,794	(10,751)	993	55,980	526,956	1,045	528,002

(Millions of yen)

	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 April 1, 2015	37,519	203,395	251,323	(10,727)	1,016	45,905	528,432	1,071	529,504
Profit for the period	—	—	26,492	—	—	—	26,492	5	26,497
Other comprehensive income (loss)	—	—	—	—	—	(4,877)	(4,877)	(292)	(5,169)
Total comprehensive income	—	—	26,492	—	—	(4,877)	21,615	(287)	21,327
Dividends	—	—	(12,448)	—	—	—	(12,448)	—	(12,448)
Acquisition and disposal of treasury shares	—	—	(49)	(9,869)	—	—	(9,919)	—	(9,919)
Cancellation of the treasury shares	—	—	(11,086)	11,086	—	—	—	—	—
Share-based payments (Subscription rights to shares)	—	—	—	—	17	—	17	—	17
Changes in the ownership interest in subsidiaries	—	2	—	—	—	—	2	(104)	(102)
Transfer from other components of equity to retained earnings	—	—	21	—	—	(21)	—	—	—
Total transactions with owners	—	2	(23,563)	1,217	17	(21)	(22,348)	(104)	(22,453)
Balance at December 31, 2015	37,519	203,397	254,251	(9,510)	1,033	41,007	527,699	679	528,378

(5) Condensed Consolidated Statement of Cash Flow

(Millions of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Cash flows from operating activities		
Profit before tax	48,698	40,524
Depreciation and amortization expenses	35,270	37,452
Impairment losses	4,082	11
Share of (profit) loss of investments accounted for using the equity method	25	(0)
Interest and dividend income	(2,051)	(1,627)
Interest expenses	1,942	1,807
(Gain) loss on sales and disposals of property, plant and equipment and intangible assets	(877)	(2,653)
(Increase) decrease in trade and other receivables	27,839	8,262
(Increase) decrease in inventories	(7,637)	(22,441)
Increase (decrease) in trade and other payables	(17,817)	(3,246)
Decrease in transfer of lease assets	(4,143)	(4,856)
Increase (decrease) in retirement benefit liabilities	1,113	1,393
Others	(5,165)	(9,623)
Subtotal	81,278	45,001
Dividends received	838	523
Interest received	1,224	1,138
Interest paid	(2,061)	(1,971)
Income taxes paid	(9,669)	(13,553)
Net cash flows from operating activities	71,610	31,137

(Millions of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Cash flows from investing activities		
Purchase of property, plant and equipment	(29,084)	(26,469)
Proceeds from sales of property, plant and equipment	4,811	8,618
Purchase of intangible assets	(6,126)	(9,235)
Purchase of investments in subsidiaries	(4,360)	(45,159)
Purchase of interests in investments accounted for using the equity method	-	(343)
Purchase of investment securities	(104)	(92)
Proceeds from sales of investment securities	2	287
Payments for loans receivable	(103)	(39)
Collection of loans receivable	261	104
Payments for transfer of business	(5,648)	(3,125)
Others	(3,997)	(2,042)
Net cash flows from investing activities	(44,349)	(77,497)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(17,228)	29,838
Redemption of bonds and repayments of long-term loans payable	(8,002)	(26,873)
Purchase of treasury shares	(13,506)	(10,014)
Cash dividends paid	(8,805)	(12,299)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(293)	(102)
Others	290	434
Net cash flows from financing activities	(47,546)	(19,015)
Effect of exchange rate changes on cash and cash equivalents	2,315	(1,991)
Net increase (decrease) in cash and cash equivalents	(17,970)	(67,367)
Cash and cash equivalents at the beginning of the period	188,489	177,496
Cash and cash equivalents at the end of the period	170,519	110,129

(6) Notes to the Condensed Consolidated Financial Statements
[Notes Regarding Going Concern Assumptions]

None.

[Other Income]

Components of other income are as follows.

(Millions of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Gain on sales of property, plant and equipment and intangible assets (Note)	1,734	3,811
Others	2,529	2,165
Total	4,263	5,976

(Note) Gain on sales of property, plant and equipment and intangible assets recognized during the nine months ended December 31, 2015 was mainly due to sales of assets in North America.

[Other Expenses]

Components of other expenses are as follows.

(Millions of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Special extra retirement payment (Note 1)	—	2,512
Loss on sales and disposals of property, plant and equipment and intangible assets	857	1,157
Impairment losses (Note 2)	4,082	11
Others	6,334	4,916
Total	11,273	8,597

(Note 1) Special extra retirement payment for the nine months ended December 31, 2015 includes extra retirement payment paid to retired employees related to an implementation of a special early retirement program.

(Note 2) Impairment losses for the nine months ended December 31, 2014 were mainly recognized for goodwill related to sales sites in Europe.

[Share Capital and Treasury Shares]

(Shares)

	Number of authorized shares	Number of issued shares (Note 1) (Note 2)	Treasury shares
Balance at previous fiscal year-end (March 31, 2015)	1,200,000,000	511,664,337	9,801,071
Increase (Note 3)	—	—	6,578,149
Decrease (Note 4)	—	9,000,000	9,112,610
Balance at end of period (December 31, 2015)	1,200,000,000	502,664,337	7,266,610

(Note 1) Shares issued by the Company are non-par value ordinary shares.

(Note 2) Issued shares have been fully paid.

(Note 3) On July 23, 2015, the acquisition of own shares based on the resolutions at the Board of Directors meeting held on May 13, 2015 was completed. Accordingly, the number of treasury shares increased by 6,571,500 shares (¥9,999 million).

(Note 4) 9,000,000 shares of treasury shares (¥11,086 million) were canceled on June 30, 2015, based on the resolutions at the Board of Directors meeting held on May 13, 2015.

[Segment Information]

(a) 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 the planetarium business and other businesses not included in these reportable segments.

The business content of each reportable segment is as follows:

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

(b) Information on reportable segments

Information on each reportable segment of the Group is provided below. Segment profit refers to operating profit.

Nine months ended December 31, 2014

(Millions of yen)

	Reportable segments				Others	Total
	Business Technologies Business	Healthcare Business	Industrial Business	Total		
Revenue						
External	583,756	55,226	86,966	725,949	2,090	728,039
Intersegment (Note)	1,467	156	1,758	3,382	16,519	19,902
Total	585,224	55,382	88,725	729,331	18,610	747,941
Segment profit	50,079	1,449	17,122	68,651	468	69,119

(Note) Intersegment revenue is based on market prices, etc.

Nine months ended December 31, 2015

(Millions of yen)

	Reportable segments				Others	Total
	Business Technologies Business	Healthcare Business	Industrial Business	Total		
Revenue						
External	616,100	62,217	81,724	760,042	2,284	762,326
Intersegment (Note)	1,559	475	3,146	5,181	15,942	21,124
Total	617,659	62,693	84,871	765,224	18,226	783,451
Segment profit	50,892	2,288	13,280	66,462	1,080	67,542

(Note) Intersegment revenue is based on market prices, etc.

Three months ended December 31, 2014

(Millions of yen)

	Reportable segments				Others	Total
	Business Technologies Business	Healthcare Business	Industrial Business	Total		
Revenue						
External	206,681	18,776	27,469	252,926	659	253,586
Intersegment (Note)	418	40	589	1,048	4,767	5,815
Total	207,099	18,816	28,058	253,974	5,426	259,401
Segment profit	19,186	232	4,039	23,458	251	23,710

(Note) Intersegment revenue is based on market prices, etc.

Three months ended December 31, 2015

(Millions of yen)

	Reportable segments				Others	Total
	Business Technologies Business	Healthcare Business	Industrial Business	Total		
Revenue						
External	206,857	21,977	25,477	254,311	769	255,081
Intersegment (Note)	580	277	1,138	1,996	5,887	7,883
Total	207,437	22,255	26,615	256,307	6,656	262,964
Segment profit	16,528	799	2,827	20,154	449	20,604

(Note) Intersegment revenue is based on market prices, etc.

Differences between the amount of “Totals” for reportable segments and the amount of “condensed consolidated statement of profit or loss” and the principal content of these differences are provided below.

(Millions of yen)

Revenue	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Total revenue of reportable segments	729,331	765,224
Revenue categorized in “Others”	18,610	18,226
Total of reportable segments and “Others”	747,941	783,451
Adjustments (Note)	(19,902)	(21,124)
Revenue reported in condensed consolidated statement of profit or loss	728,039	762,326

(Note) Adjustments are intersegment eliminations.

(Millions of yen)

Revenue	Three months ended December 31, 2014	Three months ended December 31, 2015
Total revenue of reportable segments	253,974	256,307
Revenue categorized in “Others”	5,426	6,656
Total of reportable segments and “Others”	259,401	262,964
Adjustments (Note)	(5,815)	(7,883)
Revenue reported in condensed consolidated statement of profit or loss	253,586	255,081

(Note) Adjustments are intersegment eliminations.

(Millions of yen)

Profit	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Total operating profit of reportable segments	68,651	66,462
Operating profit categorized in “Others”	468	1,080
Total of reportable segments and “Others”	69,119	67,542
Adjustments (Note)	(22,042)	(25,953)
Operating profit reported in condensed consolidated statement of profit or loss	47,077	41,588

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

(Millions of yen)

Profit	Three months ended December 31, 2014	Three months ended December 31, 2015
Total operating profit of reportable segments	23,458	20,154
Operating profit categorized in "Others"	251	449
Total of reportable segments and "Others"	23,710	20,604
Adjustments (Note)	(7,457)	(7,226)
Operating profit reported in condensed consolidated statement of profit or loss	16,252	13,378

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

[Business Combinations]

Business combinations that occurred during the nine months ended December 31, 2014 were not material.

The major business combination that occurred during the nine months ended December 31, 2015 was as follows.

(Acquisition of shareholding of Radiant Vision Systems, LLC)

(1) Description of the business combination

As of August 3, 2015, the Group used cash to acquire 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, assets acquired and liabilities assumed as of the acquisition date

	(Millions of yen)	(Reference) (Millions of yen)
	Three months ended December 31, 2015	Three months ended September 30, 2015
Fair value of the consideration for acquisition (Note 2)	29,056	29,292
Fair value of assets acquired and liabilities assumed		
Cash and cash equivalents	921	921
Trade and other receivables	1,261	1,261
Inventories	678	465
Property, plant and equipment	351	262
Intangible assets	8,622	907
Other assets	58	58
Liabilities	(772)	(822)
Goodwill (Note 4)	17,936	26,238
Total	29,056	29,292

(Note 1) There was no contingent consideration.

(Note 2) Fair value of the consideration for acquisition may vary in the future.

(Note 3) The amounts were computed provisionally as an allocation of acquisition costs has not yet been completed.

(Note 4) Goodwill largely represents an excess earnings power of Radiant, and the total sum is posted as losses over a certain period for tax purposes.

Acquisition-related costs of ¥648 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 condensed consolidated statement of profit or loss and the condensed consolidated statement of comprehensive income for the nine months ended December 31, 2015.

(4) Pro-forma information

Because pro forma information based on the assumption that the business combination of the said company took place at the beginning of the period under review, on April 1, 2015, has no material effect on the condensed consolidated statement of profit or loss and the condensed consolidated statement of comprehensive income for the nine months ended December 31, 2015, 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 used cash to acquire 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, assets acquired and liabilities assumed as of the acquisition date

(Millions of yen)

Fair value of the consideration for acquisition (Note 2)	9,124
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	15
Trade and other receivables	1,042
Inventories	1,060
Property, plant and equipment	78
Intangible assets	2,478
Other current assets	8
Liabilities	(1,560)
Goodwill (Note 4)	6,000
Total	9,124

(Note 1) There was no contingent consideration.

(Note 2) Fair value of the consideration for acquisition may vary in the future.

(Note 3) The amounts were computed provisionally as an allocation of acquisition costs has not yet been completed.

(Note 4) Goodwill largely represents an excess earnings power of the acquired companies, and the total sum is posted as losses 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 the said company has no material effect on the condensed consolidated statement of profit or loss and the condensed consolidated statement of comprehensive income for the nine months ended December 31, 2015.

(4) Pro-forma information

Because pro forma information based on the assumption that the business combination of the said company took place at the beginning of the period under review, on April 1, 2015, has no material effect on the condensed consolidated statement of profit or loss and the condensed consolidated statement of comprehensive income for the nine months ended December 31, 2015, it is not disclosed here.

[Events After the Reporting Period]

On January 5, 2016 the Group entered into an agreement to purchase the shares of two of France's leading MFP sales companies, Dactyl Buro du Centre and OMR Impressions, from Finance et Conseil du Centre, the holding company of both firms.

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.

On the date of the filing of the Company's financial results for the third quarter of the fiscal year ending March 31, 2016, the acquisition will not yet have closed, making it difficult to obtain accurate financial data and obviating the provision of an estimate of the financial impact of the transaction.