July 28, 2017

Consolidated Financial Results for the First Quarter of the Fiscal Year ending March 31, 2018

[IFRS]

April 1, 2017 – June 30, 2017

Konica Minolta, Inc.

Stock exchange listings: Tokyo (First Section)
Local securities code number: 4902
URL: http://konicaminolta.com
Listed company name: Konica Minolta, Inc.
Representative: Shoei Yamana
President and CEO, Representative Executive Officer
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Telephone number: (81) 3-6250-2100
Scheduled date for submission of securities report: August 10, 2017
Scheduled date for dividends payment: —
Availability of supplementary information: Yes
Organization of financial results briefing: Yes (for institutional investors)

(Amounts less than one million yen have been omitted.)

1. Overview of the 1Q performance (From April 1, 2017 to June 30, 2017)

(1) Business performance

Percentage figures represent the change from the same period of the previous fiscal year.

(Millions of yen)

	Revenue		Operating profit		Profit before tax	
Three months ended June 30, 2017	232,351	1.4%	8,714	−2.2%	8,207	−3.8%
Three months ended June 30, 2016	229,131	−7.8%	8,911	−11.1%	8,528	−18.0%

(Millions of yen)

	Profit for the period		Profit attributable to owners of the company		Total comprehensive income	
Three months ended June 30, 2017	5,370	−14.3%	5,367	−16.0%	10,380	—
Three months ended June 30, 2016	6,267	−4.6%	6,386	−3.1%	−24,245	—

	Basic earnings per share	Diluted earnings per share
Three months ended June 30, 2017	10.83 yen	10.80 yen
Three months ended June 30, 2016	12.89 yen	12.85 yen

(Note) Basic earnings per share and diluted earnings per share are calculated based on the profit attributable to owners of the company.

(2) Financial position

(Millions of yen)

	Total assets	Total equity	Equity attributable to owners of the company	Equity ratio attributable to owners of the company
As of June 30, 2017	990,444	535,466	525,666	53.1%
As of March 31, 2017	1,005,435	534,149	524,331	52.1%

2. Dividends per share

(yen)

	1Q	2Q	3Q	Year-end	Total annual
Fiscal Year ended Mar 2017	—	15.00	—	15.00	30.00
Fiscal Year ending Mar 2018	—				
Fiscal Year ending Mar 2018 (forecast)		15.00	—	15.00	30.00

Note: Changes to the latest dividend forecast announced: None

3. Consolidated results forecast for fiscal year ending March 31, 2018
(From April 1, 2017 to March 31, 2018)
Percentage figures represent the change from the previous fiscal year.

(Millions of yen)

	Revenue		Operating profit		Profit attributable to owners of the company		Basic earnings per share
Full year	980,000	1.8%	46,000	−8.2%	30,000	−4.9%	60.53 yen

Note: Changes to the latest consolidated results forecast announced: None

■ Notes

(1) Changes in status of material subsidiaries during the period under review (Changes to specified subsidiaries accompanying the additional consolidation or removal from consolidation of companies): None

(2) Changes in accounting policies, or changes in accounting estimates
  a. Changes in accounting policies required by IFRS: None
  b. Changes in accounting policies other than "a.": None
  c. Changes in accounting estimates: None

(3) Number of shares (common stock)

a. Issued shares at period-end (including treasury shares)

As of June 30, 2017:	502,664,337 shares
As of March 31, 2017:	502,664,337 shares

b. Treasury shares at period-end

As of June 30, 2017:	6,971,872 shares
As of March 31, 2017:	7,041,082 shares

c. Average number of outstanding shares during the period

Three months ended June 30, 2017:	495,673,984 shares
Three months ended June 30, 2016:	495,504,394 shares

This "Consolidated Financial Results for the First Quarter" is not subject to quarterly review procedures in accordance with the Financial Instruments and Exchange Law and, as of the date of publication of these quarterly consolidated financial results, the quarterly review procedures for the Condensed Consolidated Financial Statements are currently in progress.

■ Explanation of Appropriate Use of Performance Projections and Other Special Items

(Note on forward-looking statements)
This document contains projections of performance and other projections that were made based on information currently available and certain assumptions judged to be reasonable. The Konica Minolta Group makes no warranty as to the achievability of the projections. There is a possibility that diverse factors may cause actual performance, etc. to differ materially from the projections. Please see page 8 of Supplementary Information, under "(3) Explanation of forward-looking statements with regard to consolidated results forecasts" in "Section 1. QUALITATIVE INFORMATION on the RESULTS of the PERIOD UNDER REVIEW" for more information on points to be remembered in connection with assumptions for projections and the use of projections.

(How to obtain supplementary information and information on a financial results briefing)
Konica Minolta, Inc. will hold a financial results briefing for institutional investors on Friday, July 28, 2017. Descriptions at the briefing and presentation slides to be used at the briefing will be posted on the website of the Group immediately after the briefing.

Supplementary Information

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1. QUALITATIVE INFORMATION on the RESULTS of the PERIOD UNDER REVIEW
(1) Explanation of Business Performance
a. Overview of Performance

(Billions of yen, unless otherwise stated)

	Three months ended June 30, 2016	Three months ended June 30, 2017	Increase (Decrease)	
Revenue	229.1	232.3	3.2	1.4%
Gross profit	114.2	111.9	(2.3)	-2.0%
Operating profit	8.9	8.7	(0.1)	-2.2%
Profit before tax	8.5	8.2	(0.3)	-3.8%
Profit attributable to owners of the company	6.3	5.3	(1.0)	-16.0%
Basic earnings per share [yen]	12.89	10.83	(2.06)	-16.0%
Capital expenditures	7.8	8.2	0.3	4.6%
Depreciation and amortization expenses	12.7	13.6	0.8	6.8%
Research and development expenses	18.2	18.5	0.2	1.6%
Free cash flow	(25.2)	(8.6)	16.5	—
Number of employees (consolidated) [persons]	44,046	43,449	(597)	-1.4%
Foreign exchange rates [yen]				
US dollar	108.14	111.09	2.95	2.7%
euro	122.02	122.19	0.17	0.1%

In the first quarter of this fiscal year (hereafter, "period under review"), consolidated revenue for the Konica Minolta Group ("the Group") came to ¥232.3 billion, up 1.4% year on year. By business segment, sales in Europe for the Office Business segment were weak, leading to a decline in revenue, but the Professional Print Business segment saw the industrial printing business unit grow, resulting in higher revenue. In the Healthcare Business segment, sales of digital products were strong, and revenue increased. In the Industrial Business segment, the performance materials business unit recorded a small decline in revenue, but the measuring instruments business unit continued its solid performance from the second half of the previous fiscal year, posting a significant increase in revenue that pushed up the business segment as a whole.

Operating profit was ¥8.7 billion, down 2.2% year on year. The profit declines in the Office Business and the Healthcare Business segments were offset by higher profit in the Industrial Business segment and by company-wide measures to liquidate assets in a sale leaseback so that, for the Group as a whole, profit came in at roughly the same level as that of the same period of the previous fiscal year.

Profit before tax came in at ¥8.2 billion (down 3.8% year on year), while profit attributable to owners of the company amounted to ¥5.3 billion (down 16.0% year on year).

<Medium Term Business Plan SHINKA 2019>

Focusing on the objective of becoming a high profitability company within five years, we are accelerating our transformation into "a digital company with insight into implicit challenges." In accordance with the new Medium Term Business Plan SHINKA 2019, which began from April 2017, we will actively seek to nurture businesses in the following three fields.

1. High value-added services appropriate to an IoT era in which things are connected to other things
2. Full-scale promotion of digitalization in commercial and industrial printing
3. Full-scale entry into the area of precision medicine

As part of these initiatives, in July 2017 the Group and Innovation Network Corporation of Japan jointly concluded an agreement to acquire cutting-edge genetic diagnostics company Ambry Genetics Corporation (headquartered in California). This acquisition agreement is a harbinger of strategic initiatives aimed at promoting precision medicine, an area that is expected to play an important future role in such fields as cancer treatment.

b. Overview by Segment

(Billions of yen)

		Three months ended June 30, 2016	Three months ended June 30, 2017	Increase (Decrease)	
Office Business	Revenue	136.2	133.0	(3.1)	-2.3%
	Operating profit	11.4	5.3	(6.0)	-53.1%
Professional Print Business	Revenue	47.4	49.0	1.5	3.2%
	Operating profit	1.6	1.5	(0.0)	-3.3%
Healthcare Business	Revenue	18.4	19.5	1.0	5.9%
	Operating profit	0.1	(0.4)	(0.6)	—
Industrial Business	Revenue	24.8	28.6	3.7	15.2%
	Operating profit	3.3	6.0	2.7	81.3%
Subtotal	Revenue	227.0	230.2	3.2	1.4%
	Operating profit	16.6	12.5	(4.0)	-24.5%
"Others" and "Adjustments" (Note 2)	Revenue	2.1	2.0	(0.0)	-1.7%
	Operating profit	(7.6)	(3.8)	3.8	—
Amount reported in Condensed Consolidated Statement of Profit or Loss	Revenue	229.1	232.3	3.2	1.4%
	Operating profit	8.9	8.7	(0.1)	-2.2%

(Note)

1. "Revenue" refers to revenue from external customers.
2. "Revenue" refers to revenue from external customers in "Others" in "2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS and RELATED NOTES, (6) Notes to the Condensed Consolidated Financial Statements [Segment Information]" and "operating profit" is the total of "Others" and "Adjustments" from the same statement.
3. The classification for the reporting segments has been changed beginning in the first quarter of this consolidated fiscal year. Details are provided in "2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS and RELATED NOTES, (6) Notes to the Condensed Consolidated Financial Statements [Segment Information]."

i. Office Business

In the office products business unit, although sales volumes of A3 color MFPs (Multi-functional peripherals) grew sharply in North America and China, European sales stagnated. In Germany in particular, amid intensifying price competition, we experienced lower sales to major customers and to indirect sales channels.

In our business with major companies that operate globally, relationships of trust with European customers are our starting point, and we won several projects in which the scope of the contract expanded to other regions, such as Asia. Also, in China we have been steadily winning large-scale contracts from the previous fiscal year onward.

In the IT services business unit, average monthly recurring fees charged to IT services in North America rose year on year, leading to an increase in revenue.

As a result, revenue of the Office Business segment stood at ¥133.0 billion, down 2.3% year on year. In addition to falling sales in Europe, the business was affected by a decline in gross profit caused by a production adjustment, and operating profit came to ¥5.3 billion, down 53.1% year on year.

ii. Professional Print Business

In the production print business unit, sales volumes of color digital printing systems in Japan declined, but in North America, Europe, and other regions, the "AccurioPress C2070" series launched in the second half of the previous fiscal year remained solid, contributing to growth in sales volumes. Notably, in China, sales volume for color digital printing systems doubled year on year.

In the industrial printing business unit, sales of “AccurioJet KM-1” digital inkjet press and digital decoration printing equipment made by French subsidiary MGI increased, boosting revenue.

The marketing services business unit was affected by constraints regarding marketing costs at our major customers’ companies, and accordingly suffered a fall in revenue.

As a result of these factors, revenue of the Professional Print Business segment amounted to ¥49.0 billion, an increase of 3.2% year on year and operating profit was ¥1.5 billion, a decrease of 3.3% year on year.

iii. Healthcare Business

In the healthcare (modality) business unit, “AeroDR” cassette-type digital X-ray diagnostics imaging systems saw sales volume expand both in Japan and overseas. Sales volume of “SONIMAGE HS1” diagnostic ultrasound systems has been driven by demand from the field of orthopedics. Furthermore, we are beginning to see expansion into other diagnostic areas, such as anesthesiology, and sales volume in Japan nearly doubled. On the other hand, sales volume for analog products declined as a consequence of the accelerating shift toward digital products in diagnosis.

In the medical IT business unit, we strengthened sales and our client support structure for system implementation in US. In Japan, by adding Panasonic Medical Solutions Co., Ltd. to the Group we took steps to strengthen the solutions business, primarily in the area of Picture Archiving and Communication Systems (PACS). (The agreement came into effect on July 1, 2017.)

As a result of the above, revenue for the segment came in at ¥19.5 billion (up 5.9% year on year), while at the operating level a loss of ¥400 million was posted.

iv. Industrial Business

In the field of materials and components, the performance materials business unit focused on expanding sales of new high-performance products such as VA-TAC film, but while it succeeded in increasing sales volumes, intensifying pressure on prices resulted in lower revenue. In the optical component business unit, demand for end-products continued to contract, causing revenue to fall, but in the IJ (inkjet) component business unit sales were favorable in the US, Europe, and Japan, leading to higher revenues.

In the field of optical systems for industrial use, the measuring instruments business unit won a large project from a major manufacturer of mobile equipment. Together with the expansion in the business stemming from the emergence of mobile equipment manufacturers in China, this led to significantly higher revenue.

As a result, revenue of the Industrial Business segment came to ¥28.6 billion, up 15.2% year on year, and operating profit stood at ¥6.0 billion, up 81.3% year on year, due to the contribution of the increase in gross profit arising from higher revenues in the measuring instruments business unit.

(2) Explanation of Financial Position

a. Analysis of Financial Position

	March 31, 2017	June 30, 2017	Increase (Decrease)
Total assets [Billions of yen]	1,005.4	990.4	(14.9)
Total liabilities [Billions of yen]	471.2	454.9	(16.3)
Total equity [Billions of yen]	534.1	535.4	1.3
Equity attributable to owners of the company	524.3	525.6	1.3
Equity ratio attributable to owners of the company	52.1	53.1	1.0

Total assets at June 30, 2017 were ¥990.4 billion, a decrease of ¥14.9 billion (1.5%) from the previous fiscal year-end. This was primarily attributed to a decrease of ¥20.2 billion in cash and cash equivalents, a decrease of ¥7.5 billion in trade and other receivables, an increase of ¥6.3 billion in inventories, and an increase of ¥2.1 billion in goodwill and intangible assets.

Total liabilities at June 30, 2017 were ¥454.9 billion, a decrease of ¥16.3 billion (3.5%) from the previous fiscal year-end. This was primarily attributed to a decrease of ¥14.2 billion in trade and other payables, and a decrease of ¥3.8 billion in income tax payables.

Total equity at June 30, 2017 amounted to ¥535.4 billion, an increase of ¥1.3 billion (0.2%) from the previous fiscal year-end.

Equity attributable to owners of the company totaled ¥525.6 billion at June 30, 2017, an increase of ¥1.3 billion (0.3%) from the previous fiscal year-end. This was mainly the result of ¥5.3 billion in profit for the period attributable to owners of the company, a decrease in retained earnings due to cash dividends of ¥7.4 billion, and other components of equity (mainly, exchange differences on translation of foreign operations) increasing by ¥4.9 billion.

As a result of the above, equity ratio attributable to owners of the company increased 1.0 percentage points to 53.1%.

b. Analysis of Cash Flows

(Billions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017	Increase (Decrease)
Cash flows from operating activities	13.6	(1.6)	(15.3)
Cash flows from Investing activities	(38.9)	(6.9)	31.9
Total (Free cash flow)	(25.2)	(8.6)	16.5
Cash flows from Financing activities	12.4	(10.9)	(23.4)

During the three months ended June 30, 2017, net cash used in operating activities was ¥1.6 billion, while net cash used in investing activities, mainly associated with the purchases of property, plant and equipment, totaled ¥6.9 billion. As a result, free cash flow (the sum of operating and investing activities) was an outflow of ¥8.6 billion.

Net cash used in financing activities was ¥10.9 billion.

In addition, cash and cash equivalents at the end of the three months ended June 30, 2017, decreased ¥20.2 billion compared with the previous fiscal year-end to ¥72.3 billion, reflecting the effect of exchange rate changes on cash and cash equivalents.

Cash flows from Operating activities

Net cash used in operating activities was ¥1.6 billion, a result largely of cash inflow due to profit before tax of ¥8.2 billion, depreciation and amortization expenses of ¥13.6 billion, and a decrease in trade and other receivables of ¥16.1 billion, cash outflow attributable to a decrease in trade and other payables of ¥19.1 billion, payment of income taxes of ¥5.5 billion, and an increase in inventories of ¥3 billion, and ¥3.8 billion in adjustment of gain and loss on sales and disposals of property, plant and equipment and intangible assets.

Cash flows from Investing activities

Net cash used in investing activities was ¥6.9 billion, due mainly to purchases of property, plant and equipment of ¥6.3 billion, purchases of intangible assets of ¥2.5 billion, and proceeds from sales of property, plant and equipment amounting to ¥4.1 billion.

As a result, free cash flow (the sum of operating and investing activities) was an outflow of ¥8.6 billion, compared to net cash used of ¥25.2 billion in the same period of the previous fiscal year.

Cash flows from financing activities

Net cash used in financing activities was ¥10.9 billion, compared to ¥12.4 billion of net cash provided in the same period of the previous fiscal year, reflecting mainly a decrease of ¥7.2 billion in short-term loans payable, cash dividends paid of ¥7.2 billion, and proceeds from long-term loans payable of ¥4.2 billion.

(3) Explanation of forward-looking statements with regard to consolidated results forecasts

With regard to the results forecasts for the full fiscal year, while there are areas of both strength and weakness in the mainstay businesses, results for the company as a whole are moving in line with forecasts and accordingly we have left unchanged the outlook for the full fiscal year that was announced on May 11, 2017. Regarding the exchange rates on which these forecasts were predicated upon, they will remain unchanged from those announced at the beginning of the fiscal year [105 yen against the US dollar and 115 yen against the euro].

*The above operating performance forecasts are based on future-related suppositions, outlooks, and plans at the time this report was released, and as such they involve risks and uncertainties. It should be noted that actual results may differ significantly from these forecasts due to various important factors, such as changes in economic conditions, market trends, and currency exchange rates.

Units of less than one hundred million yen in the “1. QUALITATIVE INFORMATION on the RESULTS of the PERIOD UNDER REVIEW” section have been omitted.

2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS and RELATED NOTES

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	March 31, 2017	June 30, 2017
Assets		
Current assets		
Cash and cash equivalents	92,628	72,387
Trade and other receivables	243,195	235,690
Inventories	136,020	142,390
Income tax receivables	1,878	1,321
Other financial assets	6,924	3,842
Other current assets	18,799	22,670
Total current assets	499,446	478,303
Non-current assets		
Property, plant and equipment	190,580	190,797
Goodwill and intangible assets	209,577	211,702
Investments accounted for using the equity method	3,489	3,903
Other financial assets	47,542	48,011
Deferred tax assets	48,129	49,598
Other non-current assets	6,668	8,127
Total non-current assets	505,988	512,140
Total assets	1,005,435	990,444

(Millions of yen)

	March 31, 2017	June 30, 2017
Liabilities		
Current liabilities		
Trade and other payables	156,090	141,870
Bonds and borrowings	41,294	34,443
Income tax payables	5,554	1,719
Provisions	5,659	5,504
Other financial liabilities	372	5,510
Other current liabilities	41,275	37,462
Total current liabilities	250,246	226,511
Non-current liabilities		
Bonds and borrowings	144,218	148,539
Retirement benefit liabilities	61,267	61,755
Provisions	1,136	2,287
Other financial liabilities	4,362	5,661
Deferred tax liabilities	5,222	5,284
Other non-current liabilities	4,833	4,936
Total non-current liabilities	221,040	228,466
Total liabilities	471,286	454,977
Equity		
Share capital	37,519	37,519
Share premium	202,631	201,038
Retained earnings	276,709	274,566
Treasury shares	(9,214)	(9,123)
Subscription rights to shares	998	988
Other components of equity	15,685	20,676
Equity attributable to owners of the company	524,331	525,666
Non-controlling interests	9,818	9,800
Total equity	534,149	535,466
Total liabilities and equity	1,005,435	990,444

(2) Condensed Consolidated Statement of Profit or Loss

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Revenue	229,131	232,351
Cost of sales	114,836	120,367
Gross profit	114,295	111,984
Other Income	1,319	4,779
Selling, general and administrative expenses	105,221	106,062
Other expenses	1,481	1,986
Operating profit	8,911	8,714
Finance income	723	789
Finance costs	1,038	1,220
Share of loss of investments accounted for using the equity method	68	76
Profit before tax	8,528	8,207
Income tax expense	2,260	2,837
Profit for the period	6,267	5,370
Profit attributable to		
Owners of the company	6,386	5,367
Non-controlling interests	(119)	2
Earnings per share		
Basic	12.89 yen	10.83 yen
Diluted	12.85 yen	10.80 yen

(3) Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Profit for the period	6,267	5,370
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans (net of tax)	–	(32)
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	(796)	96
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	(0)	0
Total items that will not be reclassified to profit or loss	(797)	64
Items that may be subsequently reclassified to profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	393	(2,171)
Exchange differences on translation of foreign operations (net of tax)	(30,095)	7,107
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	(13)	10
Total items that may be subsequently reclassified to profit or loss	(29,715)	4,946
Total other comprehensive income	(30,513)	5,010
Total comprehensive income	(24,245)	10,380
Total comprehensive income attributable to		
Owners of the company	(23,868)	10,329
Non-controlling interests	(377)	51

(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, 2016	37,519	203,397	258,562	(9,408)	1,009	23,204	514,285	696	514,981
Profit for the period	−	−	6,386	−	−	−	6,386	(119)	6,267
Other comprehensive income	−	−	−	−	−	(30,255)	(30,255)	(258)	(30,513)
Total comprehensive income	−	−	6,386	−	−	(30,255)	(23,868)	(377)	(24,245)
Dividends	−	−	(7,432)	−	−	−	(7,432)	−	(7,432)
Acquisition and disposal of treasury shares	−	−	(11)	95	−	−	83	−	83
Share-based payments	−	−	−	−	(54)	−	(54)	−	(54)
Changes in non-controlling interests due to changes in subsidiaries	−	−	−	−	−	−	−	3,136	3,136
Transfer from other components of equity to retained earnings	−	−	3	−	−	(3)	−	−	−
Total transactions with owners	−	−	(7,440)	95	(54)	(3)	(7,403)	3,136	(4,267)
Balance at June 30, 2016	37,519	203,397	257,508	(9,313)	954	(7,054)	483,013	3,455	486,468

(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, 2017	37,519	202,631	276,709	(9,214)	998	15,685	524,331	9,818	534,149
Profit for the period	—	—	5,367	—	—	-	5,367	2	5,370
Other comprehensive income	—	—	—	—	—	4,961	4,961	48	5,010
Total comprehensive income	—	—	5,367	—	—	4,961	10,329	51	10,380
Dividends	—	—	(7,434)	—	—	—	(7,434)	—	(7,434)
Acquisition and disposal of treasury shares	—	—	(47)	91	—	—	43	—	43
Share-based payments	—	—	—	—	(9)	—	(9)	—	(9)
Changes in non-controlling interests due to changes in subsidiaries	—	—	—	—	—	—	—	5	5
Equity transactions, etc. with non-controlling shareholders	—	—	—	—	—	—	—	(73)	(73)
Put options written on non-controlling interests	—	(1,593)	—	—	—	—	(1,593)	—	(1,593)
Transfer from other components of equity to retained earnings	—	—	(29)	—	—	29	—	—	—
Total transactions with owners	—	(1,593)	(7,511)	91	(9)	29	(8,994)	(68)	(9,063)
Balance at June 30, 2017	37,519	201,038	274,566	(9,123)	988	20,676	525,666	9,800	535,466

(5) Condensed Consolidated Statement of Cash Flow

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Cash flows from operating activities		
Profit before tax	8,528	8,207
Depreciation and amortization expenses	12,747	13,609
Impairment losses and reversal of impairment losses	0	6
Share of (profit) loss of investments accounted for using the equity method	68	76
Interest and dividends income	(687)	(777)
Interest expenses	647	707
(Gain) loss on sales and disposals of property, plant and equipment and intangible assets	62	(3,883)
(Increase) decrease in trade and other receivables	5,122	16,115
(Increase) decrease in inventories	(6,834)	(3,073)
Increase (decrease) in trade and other payables	1,808	(19,145)
Decrease in transfer of lease assets	(1,395)	(1,239)
Increase (decrease) in retirement benefit liabilities	816	4
Others	(4,655)	(6,619)
Subtotal	16,229	3,988
Dividends received	274	290
Interest received	298	379
Interest paid	(757)	(714)
Income taxes paid	(2,350)	(5,589)
Net cash flows from operating activities	13,695	(1,645)

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,720)	(6,312)
Proceeds from sales of property, plant and equipment	204	4,188
Purchase of intangible assets	(1,544)	(2,518)
Purchase of investments in subsidiaries	(22,540)	(9)
Purchase of interests in investments accounted for using the equity method	(4,337)	(490)
Purchase of investment securities	(53)	(140)
Proceeds from sales of investment securities	12	32
Payments for loans receivable	(12)	(13)
Collection of loans receivable	17	18
Payments for transfer of business	(760)	—
Others	(1,179)	(1,744)
Net cash flows from investing activities	(38,915)	(6,989)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	10,158	(7,259)
Proceeds from bonds issuance and long-term loans payable	10,080	4,276
Redemption of bonds and repayments of long-term loans payable	(671)	(709)
Purchase of treasury shares	(0)	(1)
Cash dividends paid	(7,274)	(7,275)
Others	191	0
Net cash flows from financing activities	12,482	(10,969)
Effect of exchange rate changes on cash and cash equivalents	(5,232)	(634)
Net increase (decrease) in cash and cash equivalents	(17,968)	(20,240)
Cash and cash equivalents at the beginning of the period	99,937	92,628
Cash and cash equivalents at the end of the period	81,969	72,387

(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)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Gain on sales of property, plant and equipment and intangible assets	53	4,011
Others	1,266	768
Total	1,319	4,779

[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 segment.

Previously, reportable segments were classified into three segments, namely "Business Technologies Business," "Healthcare Business," and "Industrial Business." A change to this business segmentation has been made and starting from the first quarter of this fiscal year, segment information is presented for the four segments of "Office Business," "Professional Print Business," "Healthcare Business," and "Industrial Business."

This change reflects organizational realignment carried out to promote strategies as set out in "SHINKA 2019," our Medium Term Business Plan that is implemented from this fiscal year. In "SHINKA 2019," businesses are grouped into "core business," "growth business," and "new business," this last group comprising areas for which a management base will be built in the medium term. "Core business" and "growth business" are classified into the four reporting segments, while "new business" is included in "others." In conjunction with this realignment, the previous segment of "Business Technologies Business" is split into "Office Business" and "Professional Print Business," and the industrial inkjet component business unit, which was previously included in the "Business Technologies Business" segment, is now reported under "Industrial Business."

The segment information for the first quarter of fiscal 2016 in this report is presented while reflecting the new business segmentation.

The business content of each reportable segment is as follows:

<table>
<tr><th></th><th colspan="2">Business content</th></tr>
<tr><td>Office Business</td><td colspan="2">Development, manufacture, and sales of MFPs and related consumables; provision of related solutions and services</td></tr>
<tr><td>Professional Print Business</td><td colspan="2">Development, manufacture, and sales of digital printing systems, related consumables; provision of various printing services, solutions, and services</td></tr>
<tr><td>Healthcare Business</td><td colspan="2">Development, manufacture, and sales of, and provision of services for, diagnostic imaging systems (digital X-ray diagnostic imaging, diagnostic ultrasound systems, etc.); provision of digitalization, networking, solutions, and services in the medical field</td></tr>
<tr><td>Industrial Business</td><td><Materials and Components>
Development, manufacture, and sales of such products as TAC film for LCD displays, OLED lighting, Industrial inkjet printheads, and lenses for industrial and professional use, etc.</td><td><Optical Systems for Industrial Use>
Development, manufacture, and sales of measuring instruments, etc.</td></tr>
</table>

(b) Information on reportable segments

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

Three months ended June 30, 2016

(Millions of yen)

	Reportable segments					Others	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total		
Revenue							
External	136,208	47,470	18,451	24,877	227,008	2,123	229,131
Intersegment (Note)	462	324	195	1,458	2,440	4,356	6,796
Total	136,671	47,795	18,646	26,335	229,449	6,479	235,928
Segment profit (loss)	11,413	1,639	193	3,359	16,605	(2,738)	13,867

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

Three months ended June 30, 2017

(Millions of yen)

	Reportable segments					Others	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total		
Revenue							
External	133,040	49,009	19,545	28,668	230,264	2,086	232,351
Intersegment (Note)	390	63	213	1,107	1,775	5,162	6,937
Total	133,430	49,073	19,758	29,775	232,039	7,249	239,289
Segment profit (loss)	5,349	1,584	(491)	6,092	12,535	(2,456)	10,079

(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	Three months ended June 30, 2016	Three months ended June 30, 2017
Total revenue of reportable segments	229,449	232,039
Revenue categorized in “Others”	6,479	7,249
Total of reportable segments and “Others”	235,928	239,289
Adjustments (Note)	(6,796)	(6,937)
Revenue reported in condensed consolidated statement of profit or loss	229,131	232,351

(Note) Adjustments are intersegment eliminations.

(Millions of yen)

Profit	Three months ended June 30, 2016	Three months ended June 30, 2017
Total revenue of reportable segments	16,605	12,535
Operating profit categorized in “Others” (loss)	(2,738)	(2,456)
Total of reportable segments and “Others”	13,867	10,079
Adjustments (Note)	(4,955)	(1,364)
Operating profit reported in condensed consolidated statement of profit or loss	8,911	8,714

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

[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 Konica Minolta 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 Konica Minolta'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	USD 102

(3) Timing of transaction execution
October 2017 (expected)

(4) Number of shares acquired and acquisition price

Number of shares acquired	1,020,792 shares (Note 1)	
Acquisition price	Common stock of AG	USD 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 US 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 liabilities) 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 $200 million, in addition to the above, may be paid conditional on AG achieving certain financial results over the next two fiscal years.