

## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2018 [IFRS]

Company name:	Konica Minolta, Inc.
Stock exchange listings:	Tokyo (First Section)
Securities code number:	4902
URL:	<a href="http://konicaminolta.com">http://konicaminolta.com</a>
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Scheduled date for submission of securities report:	November 8, 2018
Scheduled date for dividends payment:	November 27, 2018
Availability of supplementary information for the quarterly financial results:	Yes
Organization of briefing on the quarterly financial results:	Yes (for institutional investors)

(Amounts less than one million yen are rounded down to the nearest million yen.)

### 1. Consolidated financial results for the six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)

#### (1) Consolidated results of operations

(Percentage figures represent changes from the same period of the previous fiscal year.)

Six months ended	Revenue		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2018	517,087	5.9	34,605	69.1	33,157	74.0
September 30, 2017	488,102	5.7	20,466	10.4	19,058	9.0

  

Six months ended	Profit for the period		Profit attributable to owners of the parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2018	23,268	72.2	23,334	72.6	39,703	39.9
September 30, 2017	13,512	0.2	13,515	2.1	28,378	—

Six months ended	Basic earnings	Diluted earnings
	per share	per share
	Yen	Yen
September 30, 2018	47.18	47.03
September 30, 2017	27.29	27.22

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

## (2) Consolidated financial position

As of	Total assets	Total equity	Equity attributable to owners of the parent	Equity ratio attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%
September 30, 2018	1,246,188	565,517	554,962	44.5
March 31, 2018	1,203,907	535,588	524,513	43.6

## 2. Dividends per share

	End of the three-month period	End of the six-month period	End of the nine-month period	End of the year	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year ended March 31, 2018	–	15.00	–	15.00	30.00
Fiscal Year ending March 31, 2019	–	15.00			
Fiscal Year ending March 31, 2019 (forecast)			–	15.00	30.00

(Note) Changes from the latest dividend forecasts: None

## 3. Consolidated forecasts for the fiscal year ending March 31, 2019 (From April 1, 2018 to March 31, 2019)

(Percentage figures represent changes from the previous fiscal year.)

For the year ending	Revenue		Operating profit		Profit attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	
March 31, 2019	1,080,000	4.7	64,000	18.9	40,000	24.0	80.88

(Note) Changes from the latest consolidated forecasts: Yes

■ Notes

- (1) Changes in important subsidiaries during the six months ended September 30, 2018 (changes in the scope of consolidation): None
- (2) Changes in accounting policies or changes in accounting estimates
- |   |      |
|---|------|
| a. Changes in accounting policies required by International Financial Reporting Standards (IFRS): | Yes  |
| b. Changes in accounting policies other than the above a.:  | None |
| c. Changes in accounting estimates:   | None |
- (3) Number of issued and outstanding shares (common stock)
- |  |                    |
|--|--------------------|
| a. Number of issued and outstanding shares (including treasury shares) |                    |
| As of September 30, 2018:  | 502,664,337 shares |
| As of March 31, 2018:  | 502,664,337 shares |
| b. Number of treasury shares   |                    |
| As of September 30, 2018:  | 8,083,681 shares   |
| As of March 31, 2018:  | 8,175,975 shares   |
| c. Average number of issued and outstanding shares during the period   |                    |
| The six months ended September 30, 2018:                               | 494,534,363 shares |
| The six months ended September 30, 2017:                               | 495,268,240 shares |

Konica Minolta, Inc. (the “Company”) has established the Board Incentive Plan trust in which beneficiaries include Directors, Executive Officers, Group Executives, and Technology Fellows. The shares owned by the trust account relating to this trust are accounted for as treasury shares (1,250,538 shares as of September 30, 2018, and 1,274,000 shares as of March 31, 2018).

- This summary of quarterly consolidated financial results falls outside the scope of quarterly review procedures to be performed by certified public accountants or an audit firm.
- Explanation concerning the appropriate use of the forecasts for results of operations and other special matters

(Note on the forecasts for the consolidated financial results)

The forecasts for results of operations in this report are based on information currently available to the Company and its subsidiaries (the “Group”), and assumptions determined to be reasonable, and are not intended to assure achievement of the Group’s operations. Actual results may differ significantly from the forecasts due to various factors. For further details of the assumptions and other factors considered by the Company in preparing the above forecasts, refer to “1. QUALITATIVE INFORMATION ON FINANCIAL RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018, (3) Explanation Regarding the Forecasts for the Consolidated Financial Results” in the attached Supplementary Information on page 8.

Supplementary information for the quarterly financial results and briefing on the quarterly financial results

The Company will hold a briefing on the quarterly financial results for institutional investors on Tuesday, October 30, 2018. The proceedings and details of the briefing, along with the supplementary information on the quarterly financial results to be presented at the briefing, will be posted on the website of the Group soon after the briefing.

# Supplementary Information

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# 1. QUALITATIVE INFORMATION ON FINANCIAL RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018

## (1) Qualitative Information on the Consolidated Operating Results

### a. Overview

	Six months ended September 30, 2017	Six months ended September 30, 2018	Increase (Decrease)	
	Billions of yen	Billions of yen	Billions of yen	%
Revenue	488.1	517.0	28.9	5.9
Gross profit	231.8	251.5	19.6	8.5
Operating profit	20.4	34.6	14.1	69.1
Profit before tax	19.0	33.1	14.0	74.0
Profit attributable to owners of the parent	13.5	23.3	9.8	72.6
	Yen	Yen	Yen	%
Basic earnings per share	27.29	47.18	19.89	72.9
	Billions of yen	Billions of yen	Billions of yen	%
Capital expenditures	16.1	19.5	3.4	21.5
Depreciation and amortization expenses	27.0	29.1	2.0	7.5
Research and development expenses	37.5	39.7	2.2	5.9
	Billions of yen	Billions of yen	Billions of yen	%
Free cash flows	19.9	10.9	(8.9)	-44.9
	Number	Number	Number	%
Number of employees in the Group	42,887	44,179	1,292	3.0
	Yen	Yen	Yen	%
Foreign exchange rates				
U.S. dollar	111.06	110.26	(0.80)	-0.7
Euro	126.29	129.85	3.56	2.8

In the six months ended September 30, 2018 (the “current period”), the Group recorded revenue of 517.0 billion yen, an increase of 5.9% year-on-year. By business segment, revenue in the Office Business rose driven by sales of color models, and the Professional Print Business also posted an increase in revenue, reflecting a higher number of sales of both color and monochrome models. In the Healthcare Business, revenue fell as a result of discontinuing the sales of certain purchased products. Revenue in the Industrial Business remained at the level of the same period in the previous fiscal year, with higher sales in the performance materials business unit offsetting a decline in revenue due to slowing demand for products in the measuring instruments business unit.

Operating profit was 34.6 billion yen, an increase of 69.1% year-on-year. Various initiatives taken to boost the profitability of the Group’s core businesses under the Medium-Term Business Plan contributed to generate the intended performance, and as a result, there was a significant increase in operating profit in the Office Business and the Professional Print Business. As part of the initiative that started in the previous fiscal year, the Group continued to optimize the use of its facilities (land and buildings) under its corporate real estate strategy and recorded 14.9 billion yen in income from liquidation of the assets through sale and leaseback arrangements. Consequently, all of the above led to a significant year-on-year increase in profit on a consolidated basis.

Profit before tax came in at 33.1 billion yen, an increase of 74.0% year-on-year, while profit attributable to owners of the parent amounted to 23.3 billion yen, an increase of 72.6% year-on-year.

## b. Overview by Segment

		Six months ended September 30, 2017	Six months ended September 30, 2018	Increase (Decrease)	
		Billions of yen	Billions of yen	Billions of yen	%
Office Business	Revenue	279.5	290.7	11.2	4.0
	Operating profit	20.1	22.6	2.5	12.6
Professional Print Business	Revenue	101.1	109.2	8.0	8.0
	Operating profit	2.4	5.4	2.9	121.3
Healthcare Business	Revenue	42.8	40.2	(2.6)	-6.1
	Operating profit	2.9	0.8	(2.0)	-71.3
Industrial Business	Revenue	59.9	59.5	(0.3)	-0.7
	Operating profit	12.0	11.4	(0.5)	-4.7
Subtotal	Revenue	483.5	499.8	16.2	3.4
	Operating profit	37.5	40.3	2.8	7.7
Others and adjustments (Note 2)	Revenue	4.5	17.2	12.6	277.7
	Operating profit	(17.0)	(5.7)	11.2	-
Amount reported in the Condensed Consolidated Statement of Profit or Loss	Revenue	488.1	517.0	28.9	5.9
	Operating profit	20.4	34.6	14.1	69.1

(Notes)

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]." "Operating profit" is the total of "Others" and "Adjustments" within the same table.

### i. Office Business

In the office products business unit, the number of sales of monochrome A3 MFPs declined year-on-year, but the sales of color models grew considerably, resulting in an overall increase in the sales volume. Among color models, the high-speed product launched in the previous fiscal year continued to be a key driver of the business unit's sales performance in developed countries, primarily in Europe, the United States, and Japan. In growth countries such as China, the ASEAN region, and India, there was a considerable increase in the number of sales of a wide range of models, from low speed to high speed, showing a growth in sales as targeted in strategic initiatives undertaken for the fiscal year ending March 31, 2019, under the Group's regional strategy.

In the IT services solutions business unit, in addition to the continued effects of newly consolidated subsidiaries in the United States and Europe, the success of strengthening sales and service delivery capabilities to provide managed IT services for the release of the Workplace Hub, an edge IoT platform, into the market generated higher sales and contributed to a year-on-year increase in revenue.

As a result, the Office Business segment recorded revenue of 290.7 billion yen, an increase of 4.0% year-on-year, and operating profit of 22.6 billion yen, an increase of 12.6% year-on-year.

### ii. Professional Print Business

In the production print business unit, the number of sales of both monochrome and color equipment increased year-on-year. Sales in Europe increased mainly driven by sales of top-of-the-line color models, while in North America, the number of sales of monochrome models rose significantly. In growth countries including China, the ASEAN region, and India, the number

of sales of both monochrome and color models increased considerably.

In the industrial printing business unit, sales of “AccurioJet KM-1” digital inkjet presses, label printers, and digital decoration printing equipment made by MGI increased primarily in North America and Europe. The overall number of sales of products for the industrial printing business unit rose considerably.

In the marketing services business unit, in addition to recovering demand from major corporate customers, by accelerating the transition to a business that provides high value-added solutions, the profitability improved.

As a result, the Professional Print Business segment recorded revenue of 109.2 billion yen, an increase of 8.0% year-on-year, and operating profit of 5.4 billion yen, an increase of 121.3% year-on-year.

### **iii. Healthcare Business**

In the healthcare (modality) business unit, despite the digital radiography showing solid performance in both Japan and the United States during the first half of the current period, the U.S. market slowed in the second half of the current period, and therefore, the number of its sales remained at the level of the same period in the previous fiscal year. Diagnostic ultrasound systems continued to hold the top-seller position in the field of orthopedics in Japan, and the number of sales grew considerably throughout the current period in Japan, the United States, and China. There was also a contribution to sales from the obstetrics and gynecology business acquired in the previous fiscal year. In the medical IT business unit, some major contracts were won in Japan during the first half of the current period, and thus, revenue from service contracts showed a steady growth throughout the current period.

For the business segment as a whole, the discontinuation of sales of low-margin purchased products led to a year-on-year decrease in revenue, but operating profit remained at the level of the same period in the previous fiscal year, disregarding temporary income that was generated from the liquidation of assets through sale and leaseback arrangements recorded during the same period in the previous fiscal year.

As a result, the Healthcare Business segment recorded revenue of 40.2 billion yen, a decrease of 6.1% year-on-year, and operating profit of 0.8 billion yen, a decrease of 71.3% year-on-year.

### **iv. Industrial Business**

In the field of materials and components, the performance materials business unit saw a rise in sales of high value-added products, such as phase difference film, throughout the current period, primarily in an expanding market in China, and revenue grew year-on-year. In the optical component business unit, a steady growth of sales of optical materials for projectors and of interchangeable lenses for camera was seen, and an increase in orders received from the existing customers in Asia in the inkjet component business unit drove sales, leading to higher revenue in both business units.

In the field of optical systems for industrial use, there continues to be an expansion of business opportunities through capturing the surge of demand from customers in the measuring instruments business unit, but due to a temporary slowdown in display-related customer investments, which were the driver for the growth in the previous fiscal year, and delays in order placement triggered by the market environment in which corporate customers are operating, revenue fell year-on-year.

As a result, the Industrial Business segment recorded revenue of 59.5 billion yen, a decrease of 0.7% year-on-year, and operating profit of 11.4 billion yen, a decrease of 4.7% year-on-year.

(Reference) Overview of the quarterly consolidated accounting period

	Three months ended September 30, 2017	Three months ended September 30, 2018	Increase (Decrease)	
	Billions of yen	Billions of yen	Billions of yen	%
Revenue	255.7	261.8	6.1	2.4
Gross profit	119.9	127.8	7.9	6.6
Operating profit	11.7	19.1	7.4	63.0
Profit before tax	10.8	17.8	7.0	64.8
Profit attributable to owners of the parent	8.1	12.1	4.0	49.2
	Yen	Yen	Yen	%
Basic earnings per share	16.47	24.57	8.10	49.2
	Billions of yen	Billions of yen	Billions of yen	%
Capital expenditures	7.8	10.9	3.0	38.6
Depreciation and amortization expenses	13.4	14.5	1.0	7.6
Research and development expenses	18.9	19.3	0.3	1.7
	Billions of yen	Billions of yen	Billions of yen	%
Free cash flows	28.5	11.3	(17.2)	-60.3
	Yen	Yen	Yen	%
Foreign exchange rates				
U.S. dollar	111.03	111.46	0.43	0.4
Euro	130.38	129.63	(0.75)	-0.6

Overview of major segments

		Three months ended September 30, 2017	Three months ended September 30, 2018	Increase (Decrease)	
		Billions of yen	Billions of yen	Billions of yen	%
Office Business	Revenue	146.5	147.2	0.7	0.5
	Operating profit	14.8	13.4	(1.3)	-9.3
Professional Print Business	Revenue	52.1	55.8	3.7	7.1
	Operating profit	0.8	3.7	2.8	334.6
Healthcare Business	Revenue	23.2	21.6	(1.6)	-7.1
	Operating profit	3.3	1.0	(2.3)	-69.3
Industrial Business	Revenue	31.3	28.0	(3.3)	-10.5
	Operating profit	5.9	4.6	(1.2)	-20.9
Subtotal	Revenue	253.2	252.7	(0.5)	-0.2
	Operating profit	24.9	22.8	(2.0)	-8.4
Others and adjustments (Note 2)	Revenue	2.4	9.1	6.6	266.9
	Operating profit	(13.2)	(3.7)	9.4	-
Amount reported in the Condensed Consolidated Statement of Profit or Loss	Revenue	255.7	261.8	6.1	2.4
	Operating profit	11.7	19.1	7.4	63.0

(Notes)

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]." "Operating profit" is the total of "Others" and "Adjustments" within the same table.



## (2) Qualitative Information on the Consolidated Financial Position

### a. Analysis of Financial Position

	As of March 31, 2018	As of September 30, 2018	Increase (Decrease)
	Billions of yen	Billions of yen	Billions of yen
Total assets	1,203.9	1,246.1	42.2
Total liabilities	668.3	680.6	12.3
Total equity	535.5	565.5	29.9
Equity attributable to owners of the parent	524.5	554.9	30.4
	%	%	%
Equity ratio attributable to owners of the parent	43.6	44.5	0.9

Total assets as of September 30, 2018, were 1,246.1 billion yen, an increase of 42.2 billion yen (3.5%) from March 31, 2018. This is primarily attributed to an increase of 12.5 billion yen in goodwill and intangible assets, an increase of 12.3 billion yen in inventories, an increase of 6.7 billion yen in other current assets, and an increase of 3.0 billion yen in trade and other receivables.

Total liabilities as of September 30, 2018, were 680.6 billion yen, an increase of 12.3 billion yen (1.8%) from March 31, 2018. This is primarily attributed to an increase of 8.7 billion yen in provisions, an increase of 4.3 billion yen in income taxes payables, an increase of 2.6 billion yen in bonds and borrowings, and a decrease of 7.0 billion yen in trade and other payables.

Total equity as of September 30, 2018, was 565.5 billion yen, an increase of 29.9 billion yen (5.6%) from March 31, 2018.

Equity attributable to owners of the parent was 554.9 billion yen as of September 30, 2018, an increase of 30.4 billion yen (5.8%) from March 31, 2018. This is primarily attributed to recording of 23.3 billion yen in profit attributable to owners of the parent for the six months ended September 30, 2018, an increase of 16.6 billion yen in other components of equity (mainly exchange differences on translation of foreign operations), and a decrease in retained earnings due to cash dividends of 7.4 billion yen.

As a result of the above, the equity ratio attributable to owners of the parent increased 0.9 percentage points to 44.5%.

## b. Analysis of Cash Flows

	Six months ended September 30, 2017	Six months ended September 30, 2018	Increase (Decrease)
	Billions of yen	Billions of yen	Billions of yen
Cash flows from operating activities	28.3	21.4	(6.8)
Cash flows from investing activities	(8.4)	(10.4)	(2.0)
Total (Free cash flows)	19.9	10.9	(8.9)
Cash flows from financing activities	(13.8)	(9.1)	4.6

During the six months ended September 30, 2018, net cash provided by operating activities was 21.4 billion yen, while net cash used in investing activities totaled 10.4 billion yen. As a result, free cash flows (the sum of cash flows from operating activities and investing activities) were 10.9 billion yen for the period.

Net cash used in financing activities was 9.1 billion yen.

In addition, cash and cash equivalents as of September 30, 2018, was 152.8 billion yen, an increase of 2.9 billion yen from March 31, 2018, reflecting the effects of exchange rate fluctuations on cash and cash equivalents.

### Cash flows from operating activities

Net cash provided by operating activities was 21.4 billion yen. This is attributable to net effects of cash inflows due mainly to profit before tax of 33.1 billion yen, depreciation and amortization expenses of 29.1 billion yen, and a decrease in trade and other receivables of 5.0 billion yen, and cash outflows attributable due mainly to gain or loss on sales and disposals of property, plant and equipment, and intangible assets of 13.5 billion yen, a decrease in trade and other payables of 9.0 billion yen, an increase in inventories of 9.0 billion yen, and payment of income taxes of 7.1 billion yen.

### Cash flows from investing activities

Net cash used in investing activities was 10.4 billion yen for the six months ended September 30, 2018, due mainly to purchases of property, plant and equipment of 14.8 billion yen, purchases of intangible assets of 6.6 billion yen, and proceeds from sales of property, plant and equipment, and intangible assets of 15.8 billion yen.

As a result, free cash flows (the sum of cash flows from operating and investing activities) were 10.9 billion yen for the six months ended September 30, 2018 (19.9 billion yen for the same period of the previous fiscal year).

### Cash flows from financing activities

Net cash used in financing activities was 9.1 billion yen for the six months ended September 30, 2018, net cash outflow of 13.8 billion yen for the same period of the previous fiscal year, reflecting mainly cash dividends of 7.4 billion yen.

### (3) Explanation Regarding the Forecasts for the Consolidated Financial Results

Taking into account that the effects of initiatives undertaken to strengthen profitability in the Group's core businesses are evident in the financial results for the current period and the Group is consistently delivering results against the plan, we have revised full-year consolidated forecasts as follows.

With regard to the exchange rates that form the basis of the forecasts for the rest of the fiscal year ending March 31, 2019, they are left as the U.S. dollar exchange rate assumption at 105 yen and the euro rate at 125 yen, unchanged from those announced at the beginning of the fiscal year ending March 31, 2019, taking into account the ongoing uncertainty in the global economy arising from trade conflicts and other triggers.

Revision of consolidated forecasts for the fiscal year ending March 31, 2019  
(From April 1, 2018 to March 31, 2019)

	Revenue	Operating profit	Profit attributable to owners of the parent	Basic earnings per share
	Billions of yen	Billions of yen	Billions of yen	Yen
Forecasts previously announced (A)	1,080.0	62.0	38.5	77.85
Revised forecasts (B)	1,080.0	64.0	40.0	80.88
Increase/decrease (B-A)	—	2.0	1.5	—
Change (%)	—	3.2%	3.9%	—
(Reference) Results for the fiscal year ended March 31, 2018	1,031.2	53.8	32.2	65.17

The above forecasts for results of operations are based on suppositions, outlooks, and plans as of the release date of this report, and as such they involve risks and uncertainties. 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.

Amounts less than one hundred million yen are rounded down to the nearest million yen in the "1. QUALITATIVE INFORMATION ON FINANCIAL RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018" section.

## 2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES

### (1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
<b>Assets</b>		
Current assets		
Cash and cash equivalents	149,913	152,864
Trade and other receivables	263,453	266,550
Inventories	139,536	151,914
Income tax receivables	4,327	3,762
Other financial assets	1,427	1,021
Other current assets	23,018	29,792
<b>Total current assets</b>	<b>581,676</b>	<b>605,905</b>
Non-current assets		
Property, plant and equipment	192,941	194,669
Goodwill and intangible assets	332,699	345,256
Investments accounted for using the equity method	3,601	2,999
Other financial assets	47,507	50,327
Deferred tax assets	37,540	39,502
Other non-current assets	7,942	7,527
<b>Total non-current assets</b>	<b>622,230</b>	<b>640,283</b>
<b>Total assets</b>	<b>1,203,907</b>	<b>1,246,188</b>

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	173,996	166,914
Bonds and borrowings	33,136	31,706
Income tax payables	5,038	9,381
Provisions	8,472	14,897
Other financial liabilities	1,874	1,660
Other current liabilities	48,888	49,540
<b>Total current liabilities</b>	<b>271,407</b>	<b>274,100</b>
<b>Non-current liabilities</b>		
Bonds and borrowings	260,530	264,617
Retirement benefit liabilities	51,599	51,899
Provisions	4,288	6,614
Other financial liabilities	59,781	61,616
Deferred tax liabilities	12,558	13,095
Other non-current liabilities	8,152	8,727
<b>Total non-current liabilities</b>	<b>396,911</b>	<b>406,570</b>
<b>Total liabilities</b>	<b>668,318</b>	<b>680,671</b>
<b>Equity</b>		
Share capital	37,519	37,519
Share premium	184,841	182,278
Retained earnings	298,366	314,712
Treasury shares	(10,189)	(10,077)
Share acquisition rights	934	885
Other components of equity	13,041	29,644
<b>Equity attributable to owners of the parent</b>	<b>524,513</b>	<b>554,962</b>
Non-controlling interests	11,075	10,554
<b>Total equity</b>	<b>535,588</b>	<b>565,517</b>
<b>Total liabilities and equity</b>	<b>1,203,907</b>	<b>1,246,188</b>

**(2) Condensed Consolidated Statement of Profit or Loss**  
**Six months ended September 30, 2017 and 2018**

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Revenue	488,102	517,087
Cost of sales	256,208	265,555
Gross profit	231,893	251,531
Other income	12,942	16,523
Selling, general and administrative expenses	215,093	228,227
Other expenses	9,276	5,222
Operating profit	20,466	34,605
Finance income	1,573	2,438
Finance costs	2,948	3,597
Share of profit (loss) of investments accounted for using the equity method	(32)	(289)
Profit before tax	19,058	33,157
Income tax expense	5,546	9,889
Profit for the period	13,512	23,268
Profit attributable to		
Owners of the parent	13,515	23,334
Non-controlling interests	(3)	(66)
Earnings per share	Yen	Yen
Basic	27.29	47.18
Diluted	27.22	47.03

### Three months ended September 30, 2017 and 2018

(Millions of yen)

	Three months ended September 30, 2017	Three months ended September 30, 2018
Revenue	255,750	261,872
Cost of sales	135,841	134,002
Gross profit	119,909	127,870
Other income	8,162	6,398
Selling, general and administrative expenses	109,030	112,925
Other expenses	7,289	2,182
Operating profit	11,751	19,160
Finance income	783	1,086
Finance costs	1,728	2,205
Share of profit (loss) of investments accounted for using the equity method	44	(158)
Profit before tax	10,851	17,882
Income tax expense	2,708	5,472
Profit for the period	8,142	12,409
Profit attributable to		
Owners of the parent	8,148	12,153
Non-controlling interests	(5)	255
Earnings per share	Yen	Yen
Basic	16.47	24.57
Diluted	16.42	24.49

**(3) Condensed Consolidated Statement of Comprehensive Income**  
**Six months ended September 30, 2017 and 2018**

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit for the period	13,512	23,268
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans (net of tax)	(11)	278
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	507	2
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	496	281
Items that may be subsequently reclassified to profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	(1,209)	(426)
Exchange differences on translation of foreign operations (net of tax)	15,575	16,600
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	3	(20)
Total items that may be subsequently reclassified to profit or loss	14,369	16,153
Total other comprehensive income	14,865	16,434
Total comprehensive income	28,378	39,703
Total comprehensive income attributable to		
Owners of the parent	27,825	40,219
Non-controlling interests	553	(516)



### Three months ended September 30, 2017 and 2018

(Millions of yen)

	Three months ended September 30, 2017	Three months ended September 30, 2018
Profit for the period	8,142	12,409
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans (net of tax)	20	300
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	411	(164)
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	432	136
Items that may be subsequently reclassified to profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	961	(881)
Exchange differences on translation of foreign operations (net of tax)	8,468	10,935
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	(6)	(2)
Total items that may be subsequently reclassified to profit or loss	9,422	10,051
Total other comprehensive income	9,855	10,188
Total comprehensive income	17,997	22,597
Total comprehensive income attributable to		
Owners of the parent	17,496	22,445
Non-controlling interests	501	152

#### (4) Condensed Consolidated Statement of Changes in Equity

(Millions of yen)

	Share capital	Share premium	Retained earnings	Treasury shares	Share acquisition right	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of April 1, 2017	37,519	202,631	276,709	(9,214)	998	15,685	524,331	9,818	534,149
Profit for the period	–	–	13,515	–	–	–	13,515	(3)	13,512
Other comprehensive income	–	–	–	–	–	14,309	14,309	556	14,865
Total comprehensive income	–	–	13,515	–	–	14,309	27,825	553	28,378
Dividends	–	–	(7,434)	–	–	–	(7,434)	–	(7,434)
Acquisition and disposal of treasury shares	–	–	(59)	(1,036)	–	–	(1,095)	–	(1,095)
Share-based payments	–	84	–	–	(31)	–	52	–	52
Changes in non-controlling interests due to changes in subsidiaries	–	–	–	–	–	–	–	5	5
Equity and other transactions with non-controlling shareholders	–	–	–	–	–	–	–	(73)	(73)
Put options written on non-controlling interests	–	(1,822)	–	–	–	–	(1,822)	–	(1,822)
Transfer from other components of equity to retained earnings	–	–	3	–	–	(3)	–	–	–
Total transactions with owners	–	(1,738)	(7,490)	(1,036)	(31)	(3)	(10,299)	(68)	(10,368)
Balance as of September 30, 2017	37,519	200,893	282,735	(10,250)	967	29,992	541,857	10,302	552,159

(Millions of yen)

	Share capital	Share premium	Retained earnings	Treasury shares	Share acquisition right	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of April 1, 2018	37,519	184,841	298,366	(10,189)	934	13,041	524,513	11,075	535,588
Effect of changes in accounting policies	–	–	188	–	–	–	188	–	188
Restated balance at April 1, 2018	37,519	184,841	298,554	(10,189)	934	13,041	524,701	11,075	535,776
Profit for the period	–	–	23,334	–	–	–	23,334	(66)	23,268
Other comprehensive income	–	–	–	–	–	16,885	16,885	(450)	16,434
Total comprehensive income	–	–	23,334	–	–	16,885	40,219	(516)	39,703
Dividends	–	–	(7,417)	–	–	–	(7,417)	(23)	(7,441)
Acquisition and disposal of treasury shares	–	–	(40)	112	–	–	71	–	71
Share-based payments	–	205	–	–	(49)	–	156	–	156
Changes in non-controlling interests due to changes in subsidiaries	–	–	–	–	–	–	–	20	20
Put options written on non-controlling interests	–	(2,769)	–	–	–	–	(2,769)	–	(2,769)
Transfer from other components of equity to retained earnings	–	–	281	–	–	(281)	–	–	–
Total transactions with owners	–	(2,563)	(7,176)	112	(49)	(281)	(9,958)	(3)	(9,962)
Balance as of September 30, 2018	37,519	182,278	314,712	(10,077)	885	29,644	554,962	10,554	565,517

**(5) Condensed Consolidated Statement of Cash Flow**

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit before tax	19,058	33,157
Depreciation and amortization expenses	27,097	29,132
Impairment losses and reversal of impairment losses	18	9
Share of (profit) loss of investments accounted for using the equity method	32	289
Interest and dividends income	(1,546)	(2,321)
Interest expenses	1,834	3,218
(Gain) loss on sales and disposals of property, plant and equipment, and intangible assets	(10,770)	(13,550)
(Increase) decrease in trade and other receivables	9,287	5,055
(Increase) decrease in inventories	1,146	(9,035)
Increase (decrease) in trade and other payables	(5,788)	(9,087)
Decrease due to transfer of lease assets	(2,842)	(3,185)
Increase (decrease) in retirement benefit liabilities	(338)	534
Others	(1,603)	(4,777)
Subtotal	35,585	29,438
Dividends received	310	341
Interest received	1,151	1,878
Interest paid	(1,786)	(3,122)
Income taxes paid	(6,950)	(7,121)
Net cash provided by (used in) operating activities	28,311	21,414

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,291)	(14,892)
Purchase of intangible assets	(4,826)	(6,663)
Proceeds from sales of property, plant and equipment, and intangible assets	11,859	15,890
Purchase of investments in subsidiaries	(1,055)	(869)
Purchase of investments accounted for using the equity method	(490)	(250)
Purchase of investment securities	(142)	(142)
Proceeds from sales of investment securities	34	14
Payments for loans receivable	(17)	(23)
Collection of loans receivable	68	14
Payments for transfer of business	(645)	(2,579)
Others	(899)	(942)
Net cash provided by (used in) investing activities	(8,406)	(10,444)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(9,321)	391
Proceeds from bonds issuance and long-term loans payable	5,710	0
Redemption of bonds and repayments of long-term loans payable	(1,617)	(2,140)
Purchase of treasury shares	(1,161)	(2)
Cash dividends paid	(7,431)	(7,414)
Payment of dividends to non-controlling shareholders	–	(23)
Others	0	0
Net cash provided by (used in) financing activities	(13,821)	(9,190)
Effect of exchange rate changes on cash and cash equivalents	(60)	1,169
Net increase (decrease) in cash and cash equivalents	6,021	2,950
Cash and cash equivalents at the beginning of the period	92,628	149,913
Cash and cash equivalents at the end of the period	98,650	152,864

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

Not applicable.

### [Changes in Accounting Policies]

The Group has changed the following accounting policies effective from the six months ended September 30, 2018. Other than these policies, there is no change in the significant accounting policies applied to the Group's condensed consolidated financial statements from those applied to the consolidated financial statements of the fiscal year ended March 31, 2018.

#### (Adoption of IFRS 15 *Revenue from Contracts with Customers*)

The Group adopted IFRS 15 *Revenue from Contracts with Customers* (issued in May 2014) and *Clarification to IFRS 15* (issued in April 2016) (collectively "IFRS 15") effective from the three months ended June 30, 2018.

The Group has applied IFRS 15 retrospectively in accordance with the transitional provisions with the cumulative effect of the initial application of IFRS 15 being recognized as an adjustment to the opening balance of retained earnings for the three months ended June 30, 2018.

Under IFRS 15, revenue is recognized based on the following five steps.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation in the contract

Step 5: Recognize revenue when (or as) a performance obligation is satisfied.

The incremental costs of obtaining a contract with a customer, and the costs incurred to fulfill a contract with a customer, are capitalized if they are expected to be recovered. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that would not have been incurred if the contract had not been obtained.

Note that the adoption of IFRS 15 has no material effects on the Group's condensed consolidated financial statements.

#### (Adoption of IFRS 9 (2014) *Financial Instruments*)

The Group adopted IFRS 9 *Financial Instruments* (revised in July 2014) ("IFRS 9") effective from the three months ended June 30, 2018.

As a result of the adoption of IFRS 9, the Group has changed the recognition of impairment of financial assets measured at amortized cost to recognize an allowance for doubtful accounts for an expected credit loss on those financial assets. Further, the Group applies the hedge accounting requirements specified in IFRS 9.

Note that the adoption of IFRS 9 has no material effects on the Group's condensed consolidated financial statements.

### [Other Income]

Components of other income are as follows.

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Gain on sales of property, plant and equipment, and intangible assets	11,107	15,104
Others	1,834	1,419
Total	12,942	16,523

## [Other Expenses]

Components of other expenses are as follows.

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Special extra retirement payments	5,095	–
Loss on sales and disposals of property, plant and equipment, and intangible assets	337	1,553
Business structure improvement expenses	944	1,483
Others	2,898	2,185
Total	9,276	5,222

## [Segment Information]

### (a) Reportable segments

Reportable segments of the Group are its constituent business units for which separate financial data are 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 has established 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. Since the Group comprises segments organized by product and service category, the Group has established four reportable segments as the "Office Business," "Professional Print Business," "Healthcare Business," and "Industrial Business" after taking into account the primary usage of products of the respective businesses in the markets and their similarities. The new businesses not included in these reportable segments, such as Bio-Healthcare, are reported as the "Others."

The business of each reportable segment is as follows:

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

(b) Information by reportable segment

Information by reportable segment of the Group is as follows. Segment profit refers to operating profit of the segment.

Six months ended September 30, 2017

(Millions of yen)

	Reportable segments					Others	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total		
Revenue							
External	279,554	101,171	42,832	59,974	483,532	4,569	488,102
Intersegment (Note)	879	165	475	2,404	3,925	9,991	13,917
Total	280,434	101,337	43,308	62,378	487,458	14,561	502,019
Segment profit (loss)	20,152	2,445	2,901	12,008	37,508	(5,439)	32,069

(Note) Intersegment revenue is based on market prices and others.

Six months ended September 30, 2018

(Millions of yen)

	Reportable segments					Others	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total		
Revenue							
External	290,769	109,243	40,232	59,583	499,828	17,258	517,087
Intersegment (Note)	877	207	413	2,642	4,141	9,609	13,751
Total	291,647	109,450	40,645	62,226	503,970	26,867	530,838
Segment profit (loss)	22,688	5,412	833	11,447	40,381	(7,883)	32,497

(Note) Intersegment revenue is based on market prices and others.



Three months ended September 30, 2017

(Millions of yen)

	Reportable segments					Others	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total		
Revenue							
External	146,513	52,161	23,286	31,305	253,268	2,482	255,750
Intersegment (Note)	489	101	262	1,296	2,150	4,828	6,979
Total	147,003	52,263	23,549	32,602	255,419	7,311	262,730
Segment profit (loss)	14,803	860	3,392	5,916	24,972	(2,983)	21,989

(Note) Intersegment revenue is based on market prices and others.

Three months ended September 30, 2018

(Millions of yen)

	Reportable segments					Others	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total		
Revenue							
External	147,235	55,880	21,642	28,004	252,763	9,108	261,872
Intersegment (Note)	497	102	187	1,255	2,043	5,088	7,132
Total	147,733	55,982	21,829	29,260	254,806	14,197	269,004
Segment profit (loss)	13,423	3,740	1,042	4,681	22,887	(3,256)	19,630

(Note) Intersegment revenue is based on market prices and others.

Major differences between the amount of total for reportable segments and the amount of the condensed consolidated statement of profit or loss are as follows.

(Millions of yen)

Revenue	Six months ended September 30, 2017	Six months ended September 30, 2018
Total revenue of reportable segments	487,458	503,970
Revenue categorized in "Others"	14,561	26,867
Total of reportable segments and "Others"	502,019	530,838
Adjustments (Note)	(13,917)	(13,751)
Revenue reported in the condensed consolidated statement of profit or loss	488,102	517,087

(Note) Adjustments are eliminations for intersegment transactions.

(Millions of yen)

Revenue	Three months ended September 30, 2017	Three months ended September 30, 2018
Total revenue of reportable segments	255,419	254,806
Revenue categorized in "Others"	7,311	14,197
Total of reportable segments and "Others"	262,730	269,004
Adjustments (Note)	(6,979)	(7,132)
Revenue reported in the condensed consolidated statement of profit or loss	255,750	261,872

(Note) Adjustments are eliminations for intersegment transactions.

(Millions of yen)

Profit	Six months ended September 30, 2017	Six months ended September 30, 2018
Total profit of reportable segments	37,508	40,381
Operating profit (loss) categorized in "Others"	(5,439)	(7,883)
Total of reportable segments and "Others"	32,069	32,497
Adjustments (Note)	(11,603)	2,107
Operating profit reported in the condensed consolidated statement of profit or loss	20,466	34,605

(Note) Adjustments include eliminations for intersegment transactions and corporate expenses, which are mainly general administrative expenses and general research expenses not attributable to any reportable segment. Other income and other expenses not attributed to any reportable segment are also included.

(Millions of yen)

Profit	Three months ended September 30, 2017	Three months ended September 30, 2018
Total profit of reportable segments	24,972	22,887
Operating profit (loss) categorized in "Others"	(2,983)	(3,256)
Total of reportable segments and "Others"	21,989	19,630
Adjustments (Note)	(10,238)	(470)
Operating profit reported in the condensed consolidated statement of profit or loss	11,751	19,160

(Note) Adjustments include eliminations for intersegment transactions and corporate expenses, which are mainly general administrative expenses and general research expenses not attributable to any reportable segment. Other income and other expenses not attributed to any reportable segment are also included.

## [Business Combinations]

Six months ended September 30, 2018

### Finalization of the adjustment and allocation of the consideration for the acquisition of Ambry Genetics Corporation

With respect to the acquisition of Ambry Genetics Corporation effected as of October 18, 2017, the Group finalized the consideration for the acquisition and the allocation of the consideration during the three months ended September 30, 2018, which have been reported as a provisional amount in the previous fiscal year. Major changes from the provisional amounts are an increase of 1,616 million yen in intangible assets, an increase of 1,662 million yen in indemnification assets and provisions, an increase of 614 million yen in deferred tax liabilities, and a decrease of 1,277 million yen in goodwill. Details of the final amounts are as follows:

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

(Millions of yen)

Fair value of the consideration for the acquisition (Note 1)	
Cash	86,224
Payable amount (Note 2)	2,369
Contingent consideration (Note 3)	1,914
Total	90,509
Recognized value of assets acquired and liabilities assumed	
Cash and cash equivalents	2,162
Trade and other receivables	2,991
Inventories	474
Property, plant and equipment	4,052
Intangible assets	37,110
Indemnification assets (Note 4)	1,662
Other assets	2,711
Trade and other payables	(723)
Bonds and borrowings	(1,995)
Provisions (Note 4)	(1,662)
Deferred tax liabilities	(13,903)
Other liabilities	(2,854)
Total	30,026
Goodwill (Note 5)	60,483

(Notes)

1. The fair value of the consideration for the acquisition includes proceeds from share issuance to non-controlling shareholders. Non-controlling interests are transferred to financial liabilities because put options are attached. The difference between the fair value of such financial liabilities and the transferred amount of 35,419 million yen is recorded as share premium.
2. Payable amount represents the outstanding amount as of the acquisition date, of which 1,552 million yen has been paid as of September 30, 2018.
3. Contingent consideration is based on the agreement to pay an additional consideration in proportion to the performance level that will be achieved over the two fiscal years following the date of the acquisition of Ambry. Payment of 200 million U.S. dollar, at the maximum, may be necessary. The fair value of the contingent consideration is calculated using the Monte Carlo simulation. The balance as of September 30, 2018, is 1,362 million yen.
4. Indemnification assets represent the amount of indemnification to be paid by the former shareholders of Ambry Genetics Corporation associated with the provisions recognized in the

- acquisition in accordance with the terms and conditions of the acquisition agreement.
- Goodwill mainly represents excess earnings power of the acquired company and synergy effect expected from the acquisition, no part of which is expected to be tax deductible.

#### Finalization of the adjustment and allocation of the consideration for acquisition of equity interest in Invicro, LLC

With respect to the acquisition of equity interest in Invicro, LLC effected as of November 10, 2017, the Group finalized the consideration for the acquisition and the allocation of the consideration during the three months ended June 30, 2018, which have been reported as a provisional amount in the previous fiscal year. Major changes from the provisional amounts are an increase of 187 million yen in consideration for acquisition, a decrease of 193 million yen in trade and other payables, a decrease of 215 million yen in other liabilities, and a decrease of 193 million yen in goodwill. Details of the final amounts are as follows:

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

(Millions of yen)

Fair value of the consideration for the acquisition	
Cash	31,330
Recognized value of assets acquired and liabilities assumed	
Cash and cash equivalents	261
Trade and other receivables	1,755
Inventories	34
Property, plant and equipment	1,296
Intangible assets	10,643
Other assets	405
Trade and other payables	(377)
Bonds and borrowings	(1,564)
Other liabilities	(2,052)
Total	10,402
Non-controlling interests (Note 2)	520
Goodwill (Note 3)	21,447

(Notes)

- There was no contingent consideration.
- Non-controlling interests are measured using the ratio of equity attributable to non-controlling shareholders to the fair value of the identifiable net assets of the acquired company.
- Goodwill mainly represents excess earnings power of the acquired company and synergy effect expected from the acquisition. The estimated amount of goodwill that is expected to be tax deductible is 14,401 million yen.