

## Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2018 [IFRS]

Company name:	Konica Minolta, Inc.
Stock exchange listings:	Tokyo (First Section)
Securities code number:	4902
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Scheduled date for submission of securities report:	February 7, 2019
Scheduled date for dividends payment:	—
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 nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018)

#### (1) Consolidated results of operations

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

Nine months ended	Revenue		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2018	777,578	3.6	50,509	73.6	47,957	76.7
December 31, 2017	750,253	7.2	29,090	-15.6	27,145	-20.4

  

Nine 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	%
December 31, 2018	33,671	82.1	33,743	81.2	37,159	-8.8
December 31, 2017	18,492	-26.2	18,617	-25.3	40,765	91.8

Nine months ended	Basic earnings	Diluted earnings
	per share	per share
	Yen	Yen
December 31, 2018	68.23	68.00
December 31, 2017	37.61	37.50

(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	%
December 31, 2018	1,210,791	557,041	546,414	45.1
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	%	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: None

■ Notes

- (1) Changes in important subsidiaries during the nine months ended December 31, 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 December 31, 2018:   | 502,664,337 shares |
| As of March 31, 2018:  | 502,664,337 shares |
| b. Number of treasury shares   |                    |
| As of December 31, 2018:   | 8,075,597 shares   |
| As of March 31, 2018:  | 8,175,975 shares   |
| c. Average number of issued and outstanding shares during the period   |                    |
| The nine months ended December 31, 2018:                               | 494,551,619 shares |
| The nine months ended December 31, 2017:                               | 494,992,804 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 December 31, 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 NINE MONTHS ENDED DECEMBER 31, 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 Friday, February 1, 2019. 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 NINE MONTHS ENDED DECEMBER 31, 2018

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

### a. Overview

	Nine months ended December 31, 2017	Nine months ended December 31, 2018	Increase (Decrease)	
	Billions of yen	Billions of yen	Billions of yen	%
Revenue	750.2	777.5	27.3	3.6
Gross profit	357.5	377.6	20.1	5.6
Operating profit	29.0	50.5	21.4	73.6
Profit before tax	27.1	47.9	20.8	76.7
Profit attributable to owners of the parent	18.6	33.7	15.1	81.2
	Yen	Yen	Yen	%
Basic earnings per share	37.61	68.23	30.62	81.4
	Billions of yen	Billions of yen	Billions of yen	%
Capital expenditures	24.7	33.4	8.6	35.1
Depreciation and amortization expenses	41.3	44.0	2.7	6.6
Research and development expenses	56.9	59.3	2.4	4.2
	Billions of yen	Billions of yen	Billions of yen	%
Free cash flows	(94.0)	16.8	110.8	–
	Number	Number	Number	%
Number of employees in the Group	43,475	44,158	683	1.6
	Yen	Yen	Yen	%
Foreign exchange rates				
U.S. dollar	111.70	111.14	(0.56)	–0.5
Euro	128.53	129.49	0.96	0.7

In the nine months ended December 31, 2018 (the “current period”), the Group recorded revenue of 777.5 billion yen, an increase of 3.6% year-on-year. By business segment, revenue in the Office Business rose driven by sales of high-speed color models and IT services solutions, and the Professional Print Business also posted an increase in revenue, reflecting a higher number of sales of color and monochrome models, and industrial printers. In the Healthcare Business, the discontinuation of sales of certain purchased products led to a year-on-year decrease in revenue. 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 and the inkjet component business unit offsetting a decline in revenue due to slowing demand for products in the measuring instruments business unit.

Operating profit was 50.5 billion yen, an increase of 73.6% 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 an 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 20.2 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. In new business areas where the Company has been investing in on an ongoing basis to develop them into future revenue drivers, sales of the Company’s edge IoT platform called Workplace Hub commenced in Europe and the United States. Meanwhile, in the bio-healthcare field, the Company established a new entity in Japan, and it has started its operations in October 2018.

Profit before tax came in at 47.9 billion yen, an increase of 76.7% year-on-year, while profit attributable to owners of the parent amounted to 33.7 billion yen, an increase of 81.2% year-on-year.

## b. Overview by Segment

		Nine months ended December 31, 2017	Nine months ended December 31, 2018	Increase (Decrease)	
		Billions of yen	Billions of yen	Billions of yen	%
Office Business	Revenue	427.7	436.4	8.7	2.1
	Operating profit	29.9	34.3	4.4	14.7
Professional Print Business	Revenue	155.0	165.0	10.0	6.5
	Operating profit	5.0	8.7	3.6	72.4
Healthcare Business	Revenue	66.8	61.1	(5.7)	-8.6
	Operating profit	3.8	1.1	(2.6)	-69.6
Industrial Business	Revenue	90.1	88.4	(1.6)	-1.9
	Operating profit	17.6	17.0	(0.5)	-3.2
Subtotal	Revenue	739.7	751.0	11.3	1.5
	Operating profit	56.4	61.2	4.8	8.5
Others and adjustments (Note 2)	Revenue	10.5	26.4	15.9	151.6
	Operating profit	(27.3)	(10.7)	16.6	-
Amount reported in the Condensed Consolidated Statement of Profit or Loss	Revenue	750.2	777.5	27.3	3.6
	Operating profit	29.0	50.5	21.4	73.6

(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, in developed countries, such as Europe, the United States, and Japan, the high-speed products launched in the previous fiscal year were key drivers of the higher unit sales. 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 effects of newly consolidated subsidiaries arising from acquisitions in the United States and Europe, strengthening sales and service delivery capabilities of the managed IT services, as part of efforts to develop a sales structure for the Workplace Hub, an edge IoT platform, achieved the optimum results, driving a year-on-year increase in revenue.

As a result, the Office Business segment recorded revenue of 436.4 billion yen, an increase of 2.1% year-on-year, and operating profit of 34.3 billion yen, an increase of 14.7% 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 of color models increased in Europe, driven mainly

by sales of high-speed products, while in North America, sales of color products exhibited an upward trend in the third quarter of the current fiscal year compared with the previous fiscal year. In growth countries, including China, India, and the ASEAN region, the number of sales 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. In addition, the expansion of sales is driven forward gradually in China, the ASEAN region, and India, resulting in the considerable rise in the overall number of sales of products for the industrial printing business unit.

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 165.0 billion yen, an increase of 6.5% year-on-year, and operating profit of 8.7 billion yen, an increase of 72.4% year-on-year.

### **iii. Healthcare Business**

In the healthcare (modality) business unit, despite the digital radiography showing solid performance in Japan during the current period, sales to hospitals in the United States leveled out, leading to a lower number of sales than that 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 steadily throughout the current period mainly in Japan and the United States. 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, the pace of business activities in both Japan and the United States slightly slowed down during the third quarter of the current fiscal year, but in Japan, revenue from service contracts remained stable.

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, and the 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 resulted in lower operating profit compared with the previous fiscal year.

As a result, the Healthcare Business segment recorded revenue of 61.1 billion yen, a decrease of 8.6% year-on-year, and operating profit of 1.1 billion yen, a decrease of 69.6% year-on-year.

### **iv. Industrial Business**

In the field of materials and components, the performance materials business unit grew at a steady pace primarily in China, where the market continues to expand, backed by sales of high value-added products, such as phase difference film. As a result, revenue rose significantly 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 continued to be seen; however, the number of sales of other optical parts fell, resulted in the same level of revenue as the previous year. In the inkjet component business unit, revenue increased year on year due to an increase in orders received from the existing customers in Asia.

In the field of optical systems for industrial use, while an expansion of business opportunities is still continuing through capturing the surge of demand from customers in the measuring instruments business unit, revenue fell year on year due to the effects of the display-related investments by customers seen in the same period in the previous fiscal year.

As a result, the Industrial Business segment recorded revenue of 88.4 billion yen, a decrease of 1.9% year-on-year, and operating profit of 17.0 billion yen, a decrease of 3.2% year-on-year.

(Reference) Overview of the quarterly consolidated accounting period

	Three months ended December 31, 2017	Three months ended December 31, 2018	Increase (Decrease)	
	Billions of yen	Billions of yen	Billions of yen	%
Revenue	262.1	260.4	(1.6)	-0.6
Gross profit	125.6	126.1	0.4	0.4
Operating profit	8.6	15.9	7.2	84.4
Profit before tax	8.0	14.8	6.7	83.0
Profit attributable to owners of the parent	5.1	10.4	5.3	104.0
	Yen	Yen	Yen	%
Basic earnings per share	10.32	21.05	10.73	104.0
	Billions of yen	Billions of yen	Billions of yen	%
Capital expenditures	8.6	13.8	5.2	60.3
Depreciation and amortization expenses	14.2	14.9	0.6	4.9
Research and development expenses	19.4	19.6	0.2	1.1
	Billions of yen	Billions of yen	Billions of yen	%
Free cash flows	(113.9)	5.8	119.7	-
	Yen	Yen	Yen	%
Foreign exchange rates				
U.S. dollar	112.98	112.90	(0.08)	-0.1
Euro	133.01	128.78	(4.23)	-3.2

Overview of major segments

		Three months ended December 31, 2017	Three months ended December 31, 2018	Increase (Decrease)	
		Billions of yen	Billions of yen	Billions of yen	%
Office Business	Revenue	148.1	145.7	(2.4)	-1.6
	Operating profit	9.7	11.6	1.8	19.1
Professional Print Business	Revenue	53.8	55.8	1.9	3.7
	Operating profit	2.6	3.3	0.7	26.8
Healthcare Business	Revenue	24.0	20.8	(3.1)	-13.2
	Operating profit	0.9	0.3	(0.6)	-64.8
Industrial Business	Revenue	30.1	28.8	(1.2)	-4.3
	Operating profit	5.5	5.5	(0.0)	-0.1
Subtotal	Revenue	256.1	251.2	(4.9)	-1.9
	Operating profit	18.9	20.9	1.9	10.2
Others and adjustments (Note 2)	Revenue	5.9	9.2	3.2	54.9
	Operating profit	(10.3)	(5.0)	5.3	-
Amount reported in the Condensed Consolidated Statement of Profit or Loss	Revenue	262.1	260.4	(1.6)	-0.6
	Operating profit	8.6	15.9	7.2	84.4

(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 December 31, 2018	Increase (Decrease)
	Billions of yen	Billions of yen	Billions of yen
Total assets	1,203.9	1,210.7	6.8
Total liabilities	668.3	653.7	(14.5)
Total equity	535.5	557.0	21.4
Equity attributable to owners of the parent	524.5	546.4	21.9
	%	%	%
Equity ratio attributable to owners of the parent	43.6	45.1	1.5

Total assets as of December 31, 2018, were 1,210.7 billion yen, an increase of 6.8 billion yen (0.6%) from March 31, 2018. This is primarily attributed to an increase of 18.9 billion yen in inventories, an increase of 7.8 billion yen in property, plant and equipment; an increase of 4.9 billion yen in other current assets; an increase of 4.4 billion yen in goodwill and intangible assets; a decrease of 22.2 billion yen in cash and cash equivalents; and a decrease of 8.5 billion yen in trade and other receivables.

Total liabilities as of December 31, 2018, were 653.7 billion yen, a decrease of 14.5 billion yen (2.2%) from March 31, 2018. This is primarily attributed to a decrease of 21.2 billion yen in bonds and borrowings, a decrease of 6.3 billion yen in retirement benefit liabilities, a decrease of 5.6 billion yen in trade and other payables, an increase of 12.7 billion yen in provisions, and an increase of 7.7 billion yen in income taxes payables.

Total equity as of December 31, 2018, was 557.0 billion yen, an increase of 21.4 billion yen (4.0%) from March 31, 2018.

Equity attributable to owners of the parent was 546.4 billion yen as of December 31, 2018, an increase of 21.9 billion yen (4.2%) from March 31, 2018. This is primarily attributed to recording of 33.7 billion yen in profit attributable to owners of the parent for the nine months ended December 31, 2018, an increase of 3.5 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 14.8 billion yen.

As a result of the above, the equity ratio attributable to owners of the parent increased 1.5 percentage points to 45.1%.

## b. Analysis of Cash Flows

	Nine months ended December 31, 2017	Nine months ended December 31, 2018	Increase (Decrease)
	Billions of yen	Billions of yen	Billions of yen
Cash flows from operating activities	39.4	36.8	(2.6)
Cash flows from investing activities	(133.4)	(19.9)	113.4
Total (Free cash flows)	(94.0)	16.8	110.8
Cash flows from financing activities	141.5	(39.1)	(180.7)

During the nine months ended December 31, 2018, net cash provided by operating activities was 36.8 billion yen, while net cash used in investing activities totaled 19.9 billion yen. As a result, free cash flows (the sum of cash flows from operating activities and investing activities) were an inflow of 16.8 billion yen for the period.

Net cash used in financing activities was 39.1 billion yen.

In addition, cash and cash equivalents as of December 31, 2018, were 127.6 billion yen, a decrease of 22.2 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 36.8 billion yen. This is attributable to net effects of cash inflows due mainly to profit before tax of 47.9 billion yen, depreciation and amortization expenses of 44.0 billion yen, and a decrease in trade and other receivables of 6.7 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 18.5 billion yen; an increase in inventories of 19.3 billion yen; and payment of income taxes of 7.7 billion yen.

### Cash flows from investing activities

Net cash used in investing activities was 19.9 billion yen for the nine months ended December 31, 2018, due mainly to purchases of property, plant and equipment of 23.8 billion yen; purchases of intangible assets of 10.6 billion yen; and proceeds from sales of property, plant and equipment, and intangible assets of 21.3 billion yen.

As a result, free cash flows (the sum of cash flows from operating and investing activities) were an inflow of 16.8 billion yen for the nine months ended December 31, 2018 (an outflow of 94.0 billion yen for the same period of the previous fiscal year).

### Cash flows from financing activities

Net cash used in financing activities was 39.1 billion yen for the nine months ended December 31, 2018 (net cash inflow of 141.5 billion yen for the same period of the previous fiscal year), reflecting redemption of bonds and repayments of long-term loans payable of 26.0 billion yen, and cash dividends paid of 14.6 billion yen.

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

Taking into account of the progress made during the current period, the Company has decided to keep the full-year consolidated forecasts the same as released on October 30, 2018.

With regard to the exchange rates that form the basis of the forecasts for 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.

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 NINE MONTHS ENDED DECEMBER 31, 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 December 31, 2018
<b>Assets</b>		
Current assets		
Cash and cash equivalents	149,913	127,667
Trade and other receivables	263,453	254,942
Inventories	139,536	158,447
Income tax receivables	4,327	2,084
Other financial assets	1,427	3,455
Other current assets	23,018	27,929
<b>Total current assets</b>	<b>581,676</b>	<b>574,527</b>
Non-current assets		
Property, plant and equipment	192,941	200,796
Goodwill and intangible assets	332,699	337,194
Investments accounted for using the equity method	3,601	2,817
Other financial assets	47,507	48,042
Deferred tax assets	37,540	39,580
Other non-current assets	7,942	7,832
<b>Total non-current assets</b>	<b>622,230</b>	<b>636,264</b>
<b>Total assets</b>	<b>1,203,907</b>	<b>1,210,791</b>

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	173,996	168,388
Bonds and borrowings	33,136	9,322
Income tax payables	5,038	12,833
Provisions	8,472	12,717
Other financial liabilities	1,874	1,431
Other current liabilities	48,888	45,148
<b>Total current liabilities</b>	<b>271,407</b>	<b>249,842</b>
<b>Non-current liabilities</b>		
Bonds and borrowings	260,530	263,103
Retirement benefit liabilities	51,599	45,230
Provisions	4,288	12,795
Other financial liabilities	59,781	63,392
Deferred tax liabilities	12,558	12,359
Other non-current liabilities	8,152	7,024
<b>Total non-current liabilities</b>	<b>396,911</b>	<b>403,907</b>
<b>Total liabilities</b>	<b>668,318</b>	<b>653,749</b>
<b>Equity</b>		
Share capital	37,519	37,519
Share premium	184,841	183,765
Retained earnings	298,366	317,690
Treasury shares	(10,189)	(10,066)
Share acquisition rights	934	875
Other components of equity	13,041	16,630
<b>Equity attributable to owners of the parent</b>	<b>524,513</b>	<b>546,414</b>
Non-controlling interests	11,075	10,626
<b>Total equity</b>	<b>535,588</b>	<b>557,041</b>
<b>Total liabilities and equity</b>	<b>1,203,907</b>	<b>1,210,791</b>

**(2) Condensed Consolidated Statement of Profit or Loss**  
**Nine months ended December 31, 2017 and 2018**

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Revenue	750,253	777,578
Cost of sales	392,703	399,903
Gross profit	357,549	377,675
Other income	13,607	23,468
Selling, general and administrative expenses	330,995	342,908
Other expenses	11,071	7,725
Operating profit	29,090	50,509
Finance income	2,747	3,591
Finance costs	4,579	5,662
Share of loss of investments accounted for using the equity method	111	480
Profit before tax	27,145	47,957
Income tax expense	8,653	14,286
Profit for the period	18,492	33,671
Profit attributable to		
Owners of the parent	18,617	33,743
Non-controlling interests	(124)	(72)
Earnings per share	Yen	Yen
Basic	37.61	68.23
Diluted	37.50	68.00

### Three months ended December 31, 2017 and 2018

(Millions of yen)

	Three months ended December 31, 2017	Three months ended December 31, 2018
Revenue	262,150	260,491
Cost of sales	136,494	134,347
Gross profit	125,656	126,143
Other income	665	6,944
Selling, general and administrative expenses	115,901	114,681
Other expenses	1,795	2,502
Operating profit	8,624	15,904
Finance income	1,266	1,152
Finance costs	1,724	2,065
Share of loss of investments accounted for using the equity method	79	190
Profit before tax	8,087	14,800
Income tax expense	3,107	4,397
Profit for the period	4,979	10,403
Profit attributable to		
Owners of the parent	5,101	10,409
Non-controlling interests	(121)	(6)
Earnings per share	Yen	Yen
Basic	10.32	21.05
Diluted	10.29	20.98

**(3) Condensed Consolidated Statement of Comprehensive Income**  
**Nine months ended December 31, 2017 and 2018**

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit for the period	18,492	33,671
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans (net of tax)	(729)	261
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	2,643	(1,997)
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	1,913	(1,736)
Items that may be subsequently reclassified to profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	(868)	1,177
Exchange differences on translation of foreign operations (net of tax)	21,221	4,059
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	5	(11)
Total items that may be subsequently reclassified to profit or loss	20,358	5,225
Total other comprehensive income	22,272	3,488
Total comprehensive income	40,765	37,159
Total comprehensive income attributable to		
Owners of the parent	40,067	37,604
Non-controlling interests	698	(444)



### Three months ended December 31, 2017 and 2018

(Millions of yen)

	Three months ended December 31, 2017	Three months ended December 31, 2018
Profit for the period	4,979	10,403
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans (net of tax)	(717)	(17)
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	2,135	(2,000)
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	1,417	(2,017)
Items that may be subsequently reclassified to profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	341	1,603
Exchange differences on translation of foreign operations (net of tax)	5,645	(12,541)
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	2	9
Total items that may be subsequently reclassified to profit or loss	5,989	(10,928)
Total other comprehensive income	7,406	(12,946)
Total comprehensive income	12,386	(2,543)
Total comprehensive income attributable to		
Owners of the parent	12,241	(2,615)
Non-controlling interests	145	72

#### (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	–	–	18,617	–	–	–	18,617	(124)	18,492
Other comprehensive income	–	–	–	–	–	21,449	21,449	822	22,272
Total comprehensive income	–	–	18,617	–	–	21,449	40,067	698	40,765
Dividends	–	–	(14,850)	–	–	–	(14,850)	–	(14,850)
Acquisition and disposal of treasury shares	–	–	(59)	(1,037)	–	–	(1,096)	–	(1,096)
Share-based payments	–	144	–	–	(31)	–	113	–	113
Changes in non-controlling interests due to changes in subsidiaries	–	–	–	–	–	–	–	35,442	35,442
Equity and other transactions with non-controlling shareholders	–	(135)	–	–	–	–	(135)	61	(73)
Put options written on non-controlling interests	–	(21,795)	–	–	–	–	(21,795)	(35,419)	(57,214)
Transfer from other components of equity to retained earnings	–	–	(423)	–	–	423	–	–	–
Total transactions with owners	–	(21,785)	(15,333)	(1,037)	(31)	423	(37,765)	84	(37,680)
Balance as of December 31, 2017	37,519	180,845	279,993	(10,251)	967	37,558	526,633	10,600	537,234

(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	–	–	33,743	–	–	–	33,743	(72)	33,671
Other comprehensive income	–	–	–	–	–	3,860	3,860	(371)	3,488
Total comprehensive income	–	–	33,743	–	–	3,860	37,604	(444)	37,159
Dividends	–	–	(14,836)	–	–	–	(14,836)	(23)	(14,859)
Acquisition and disposal of treasury shares	–	–	(43)	123	–	–	79	–	79
Share-based payments	–	272	–	–	(59)	–	213	–	213
Changes in non-controlling interests due to changes in subsidiaries	–	–	–	–	–	–	–	20	20
Put options written on non-controlling interests	–	(1,348)	–	–	–	–	(1,348)	–	(1,348)
Transfer from other components of equity to retained earnings	–	–	271	–	–	(271)	–	–	–
Total transactions with owners	–	(1,076)	(14,607)	123	(59)	(271)	(15,891)	(3)	(15,895)
Balance as of December 31, 2018	37,519	183,765	317,690	(10,066)	875	16,630	546,414	10,626	557,041

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

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Cash flows from operating activities		
Profit before tax	27,145	47,957
Depreciation and amortization expenses	41,325	44,054
Impairment losses and reversal of impairment losses	20	298
Share of (profit) loss of investments accounted for using the equity method	111	480
Interest and dividends income	(2,714)	(3,430)
Interest expenses	3,488	4,993
(Gain) loss on sales and disposals of property, plant and equipment, and intangible assets	(10,670)	(18,562)
(Increase) decrease in trade and other receivables	11,793	6,728
(Increase) decrease in inventories	(6,940)	(19,371)
Increase (decrease) in trade and other payables	180	(530)
Decrease due to transfer of lease assets	(4,310)	(4,607)
Increase (decrease) in retirement benefit liabilities	(264)	(735)
Others	(8,505)	(10,663)
Subtotal	50,660	46,611
Dividends received	573	632
Interest received	1,786	2,827
Interest paid	(3,072)	(5,461)
Income taxes paid	(10,471)	(7,761)
Net cash provided by (used in) operating activities	39,475	36,848

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,675)	(23,894)
Purchase of intangible assets	(7,384)	(10,628)
Proceeds from sales of property, plant and equipment, and intangible assets	12,064	21,393
Purchase of investments in subsidiaries	(116,943)	(1,979)
Purchase of investments accounted for using the equity method	(735)	(250)
Purchase of investment securities	(643)	(143)
Proceeds from sales of investment securities	555	44
Payments for loans receivable	(31)	(98)
Collection of loans receivable	75	21
Payments for transfer of business	(645)	(2,585)
Others	(1,119)	(1,877)
Net cash provided by (used in) investing activities	(133,483)	(19,997)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(9,828)	1,559
Proceeds from bonds issuance and long-term loans payable	145,710	0
Redemption of bonds and repayments of long-term loans payable	(13,921)	(26,005)
Purchase of treasury shares	(1,163)	(4)
Cash dividends paid	(14,628)	(14,659)
Payment of dividends to non-controlling shareholders	—	(23)
Proceeds from share issuance to non-controlling shareholders	35,419	—
Others	0	0
Net cash provided by (used in) financing activities	141,588	(39,132)
Effect of exchange rate changes on cash and cash equivalents	661	36
Net increase (decrease) in cash and cash equivalents	48,239	(22,246)
Cash and cash equivalents at the beginning of the period	92,628	149,913
Cash and cash equivalents at the end of the period	140,867	127,667

## (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 nine months ended December 31, 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)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Gain on sales of property, plant and equipment, and intangible assets	11,199	20,464
Others	2,408	3,004
Total	13,607	23,468

## [Other Expenses]

Components of other expenses are as follows.

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Special extra retirement payments	5,335	—
Business structure improvement expenses	1,421	1,986
Loss on sales and disposals of property, plant and equipment, and intangible assets	529	1,902
Loss on disposal of mass-produced trial products	1,329	1,316
Others	2,455	2,520
Total	11,071	7,725

## [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.

Nine months ended December 31, 2017

(Millions of yen)

	Reportable segments					Others	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total		
Revenue							
External	427,709	155,045	66,872	90,100	739,727	10,526	750,253
Intersegment (Note)	1,373	260	683	3,670	5,988	14,806	20,795
Total	429,082	155,306	67,555	93,771	745,716	25,332	771,048
Segment profit (loss)	29,935	5,070	3,873	17,602	56,481	(9,538)	46,943

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

Nine months ended December 31, 2018

(Millions of yen)

	Reportable segments					Others	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total		
Revenue							
External	436,480	165,090	61,105	88,416	751,092	26,486	777,578
Intersegment (Note)	1,846	252	594	4,208	6,900	14,527	21,428
Total	438,326	165,342	61,699	92,624	757,992	41,013	799,006
Segment profit (loss)	34,338	8,740	1,175	17,037	61,292	(12,974)	48,317

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



Three months ended December 31, 2017

(Millions of yen)

	Reportable segments					Others	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total		
Revenue							
External	148,154	53,873	24,039	30,126	256,194	5,956	262,150
Intersegment (Note)	493	95	207	1,266	2,062	4,815	6,878
Total	148,648	53,968	24,247	31,392	258,257	10,771	269,029
Segment profit (loss)	9,782	2,625	971	5,593	18,973	(4,098)	14,874

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

Three months ended December 31, 2018

(Millions of yen)

	Reportable segments					Others	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total		
Revenue							
External	145,711	55,846	20,872	28,832	251,263	9,228	260,491
Intersegment (Note)	968	45	180	1,565	2,759	4,917	7,677
Total	146,679	55,891	21,053	30,398	254,022	14,145	268,168
Segment profit (loss)	11,649	3,328	342	5,590	20,910	(5,090)	15,819

(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	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Total revenue of reportable segments	745,716	757,992
Revenue categorized in "Others"	25,332	41,013
Total of reportable segments and "Others"	771,048	799,006
Adjustments (Note)	(20,795)	(21,428)
Revenue reported in the condensed consolidated statement of profit or loss	750,253	777,578

(Note) Adjustments are eliminations for intersegment transactions.

(Millions of yen)

Revenue	Three months ended December 31, 2017	Three months ended December 31, 2018
Total revenue of reportable segments	258,257	254,022
Revenue categorized in "Others"	10,771	14,145
Total of reportable segments and "Others"	269,029	268,168
Adjustments (Note)	(6,878)	(7,677)
Revenue reported in the condensed consolidated statement of profit or loss	262,150	260,491

(Note) Adjustments are eliminations for intersegment transactions.

(Millions of yen)

Profit	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Total profit of reportable segments	56,481	61,292
Operating profit (loss) categorized in "Others"	(9,538)	(12,974)
Total of reportable segments and "Others"	46,943	48,317
Adjustments (Note)	(17,852)	2,192
Operating profit reported in the condensed consolidated statement of profit or loss	29,090	50,509

(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 December 31, 2017	Three months ended December 31, 2018
Total profit of reportable segments	18,973	20,910
Operating profit (loss) categorized in "Others"	(4,098)	(5,090)
Total of reportable segments and "Others"	14,874	15,819
Adjustments (Note)	(6,249)	84
Operating profit reported in the condensed consolidated statement of profit or loss	8,624	15,904

(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]

Nine months ended December 31, 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. The full amount has been paid as of December 31, 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 December 31, 2018, is 1,332 million yen.

4. Indemnification assets and provisions are stated at the amounts of those acquired and assumed as of the acquisition date. The recovery of indemnification assets and settlement of provisions have been completed as of December 31, 2018.
5. 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)

1. There was no contingent consideration.
2. 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.
3. 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.