KONICA MINOLTA, INC.

Integrated Report 2018

Audited Financial Report

Giving Shape to Ideas

Consolidated Statement of Financial Position

Konica Minolta, Inc. and Subsidiaries
As of March 31, 2018 and 2017

		Millions of yen		Thousands of U.S. dollars
Assets	Note	**2018**	2017	**2018**
Current assets				
Cash and cash equivalents	32	¥ **149,913**	¥ 92,628	$ **1,411,079**
Trade and other receivables	7, 14, 32	**263,453**	243,195	**2,479,791**
Inventories	8	**139,536**	136,020	**1,313,404**
Income tax receivables		**4,327**	1,878	**40,729**
Other financial assets	9, 32	**1,427**	6,924	**13,432**
Other current assets		**23,018**	18,799	**216,660**
Total current assets		**581,676**	499,446	**5,475,113**
Non-current assets				
Property, plant and equipment	10, 12	**192,941**	190,580	**1,816,086**
Goodwill and intangible assets	11, 12	**332,699**	209,577	**3,131,579**
Investments accounted for using the equity method	13	**3,601**	3,489	**33,895**
Other financial assets	9, 32	**47,507**	47,542	**447,167**
Deferred tax assets	15	**37,540**	48,129	**353,351**
Other non-current assets		**7,942**	6,668	**74,755**
Total non-current assets	5	**622,230**	505,988	**5,856,834**
Total assets		¥ **1,203,907**	¥ 1,005,435	$ **11,331,956**

Liabilities	Note	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Current liabilities				
Trade and other payables	16, 32	¥ 173,996	¥ 156,090	$ 1,637,764
Bonds and borrowings	14, 17, 32	33,136	41,294	311,898
Income tax payables		5,038	5,554	47,421
Provisions	19	8,472	5,659	79,744
Other financial liabilities	20, 32	1,874	372	17,639
Other current liabilities		48,888	41,275	460,166
Total current liabilities		271,407	250,246	2,554,659
Non-current liabilities				
Bonds and borrowings	14, 17, 32	260,530	144,218	2,452,278
Retirement benefit liabilities	21	51,599	61,267	485,683
Provisions	19	4,288	1,136	40,361
Other financial liabilities	20, 32	59,781	4,362	562,698
Deferred tax liabilities	15	12,558	5,222	118,204
Other non-current liabilities		8,152	4,833	76,732
Total non-current liabilities		396,911	221,040	3,735,985
Total liabilities		668,318	471,286	6,290,644
Equity				
Share capital	22	37,519	37,519	353,153
Share premium	22	184,841	202,631	1,739,844
Retained earnings	22	298,366	276,709	2,808,415
Treasury shares	22	(10,189)	(9,214)	(95,905)
Subscription rights to shares	31	934	998	8,791
Other components of equity	22	13,041	15,685	122,750
Equity attributable to owners of the Company		524,513	524,331	4,937,058
Non-controlling interests		11,075	9,818	104,245
Total equity		535,588	534,149	5,041,303
Total liabilities and equity		¥ 1,203,907	¥ 1,005,435	$ 11,331,956

Consolidated Statement of Profit or Loss

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2018 and 2017

		Millions of yen		Thousands of U.S. dollars
	Note	**2018**	2017	**2018**
Revenue	5, 24	**¥ 1,031,256**	¥ 962,555	**$9,706,852**
Cost of sales	27	**541,453**	502,616	**5,096,508**
Gross profit		**489,803**	459,938	**4,610,345**
Other income	25	**24,856**	14,147	**233,961**
Selling, general and administrative expenses	27	**443,996**	416,622	**4,179,179**
Other expenses	12, 26, 27	**16,819**	7,328	**158,311**
Operating profit	5	**53,844**	50,135	**506,815**
Finance income	28	**3,778**	2,724	**35,561**
Finance costs	28	**7,851**	3,451	**73,899**
Share of profit or loss of investments accounted for using the equity method	13	**(647)**	(66)	**(6,090)**
Profit before tax		**49,124**	49,341	**462,387**
Income tax expense	15	**16,916**	17,856	**159,224**
Profit for the year		**32,207**	31,485	**303,153**
Profit for the year attributable to:				
Owners of the Company		**¥ 32,248**	¥ 31,542	**$ 303,539**
Non-controlling interests		**(41)**	(56)	**(386)**

		Yen		U.S. dollars
Earnings per share	29			
Basic		**¥65.17**	¥63.65	**$0.61**
Diluted		**64.96**	63.47	**0.61**

Consolidated Statement of Comprehensive Income

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2018 and 2017

	Note	Millions of yen		Thousands of U.S. dollars
		2018	2017	**2018**
Profit for the year		**¥32,207**	¥31,485	**$303,153**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit pension plans (net of tax)	30	**2,985**	1,519	**28,097**
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	30	**1,044**	3,958	**9,827**
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	13, 30	**0**	(0)	**0**
Total items that will not be reclassified to profit or loss		**4,030**	5,477	**37,933**
Items that may be subsequently reclassified to profit or loss				
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	30	**232**	697	**2,184**
Exchange differences on translation of foreign operations (net of tax)	30	**(1,854)**	(12,324)	**(17,451)**
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	13, 30	**26**	(18)	**245**
Total items that may be subsequently reclassified to profit or loss		**(1,595)**	(11,645)	**(15,013)**
Total other comprehensive income		**2,435**	(6,168)	**22,920**
Total comprehensive income for the year		**¥34,642**	¥25,317	**$326,073**
Total comprehensive income for the year attributable to:				
Owners of the Company		**¥33,952**	¥25,556	**$319,578**
Non-controlling interests		**690**	(239)	**6,495**

Consolidated Statement of Changes in Equity

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2018 and 2017

	Note	Share capital	Share premium	Retained earnings	Treasury shares	Subscription rights to shares	Other components of equity	Equity attributable to owners of the Company	Non-controlling interests	Total equity
		Millions of yen								
Previous balance reported at April 1, 2016		¥37,519	¥203,397	¥258,562	(¥ 9,408)	¥1,009	¥23,204	¥514,285	¥ 696	¥514,981
Profit for the year		–	–	31,542	–	–	–	31,542	(56)	31,485
Other comprehensive income (loss)	30	–	–	–	–	–	(5,985)	(5,985)	(182)	(6,168)
Total comprehensive income for the year		–	–	31,542	–	–	(5,985)	25,556	(239)	25,317
Dividends	23	–	–	(14,865)	–	–	–	(14,865)	–	(14,865)
Acquisition and disposal of treasury shares	22	–	–	(62)	194	–	–	131	–	131
Share-based payments	31	–	–	–	–	(10)	–	(10)	–	(10)
Changes in non-controlling interests due to changes in subsidiaries		–	–	–	–	–	–	–	9,805	9,805
Equity transactions, etc. with non-controlling shareholders		–	177	–	–	–	–	177	340	517
Put options written on non-controlling interests		–	(943)	–	–	–	–	(943)	(784)	(1,728)
Transfer from other components of equity to retained earnings	22	–	–	1,533	–	–	(1,533)	–	–	–
Total transactions, etc. with owners		–	(765)	(13,395)	194	(10)	(1,533)	(15,510)	9,361	(6,149)
Balance at March 31, 2017		37,519	202,631	276,709	(9,214)	998	15,685	524,331	9,818	534,149
Profit for the year		–	–	**32,248**	–	–	–	**32,248**	**(41)**	**32,207**
Other comprehensive income (loss)	30	–	–	–	–	–	**1,703**	**1,703**	**731**	**2,435**
Total comprehensive income for the year		–	–	**32,248**	–	–	**1,703**	**33,952**	**690**	**34,642**
Dividends	23	–	–	**(14,850)**	–	–	–	**(14,850)**	–	**(14,850)**
Acquisition and disposal of treasury shares	22	–	–	**(89)**	**(975)**	–	–	**(1,065)**	–	**(1,065)**
Share-based payments	31	–	**144**	–	–	**(63)**	–	**80**	–	**80**
Changes in non-controlling interests due to changes in subsidiaries		–	–	–	–	–	–	–	**35,924**	**35,924**
Equity transactions, etc. with non-controlling shareholders		–	**(135)**	–	–	–	–	**(135)**	**61**	**(73)**
Put options written on non-controlling interests	6	–	**(17,799)**	–	–	–	–	**(17,799)**	**(35,419)**	**(53,218)**
Transfer from other components of equity to retained earnings	22	–	–	**4,348**	–	–	**(4,348)**	–	–	–
Total transactions, etc. with owners		–	**(17,790)**	**(10,592)**	**(975)**	**(63)**	**(4,348)**	**(33,770)**	**566**	**(33,203)**
Balance at March 31, 2018		**¥37,519**	**¥184,841**	**¥298,366**	**(¥10,189)**	**¥ 934**	**¥13,041**	**¥524,513**	**¥11,075**	**¥535,588**

	Thousands of U.S. dollars								
	Share capital	Share premium	Retained earnings	Treasury shares	Subscription rights to shares	Other components of equity	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at March 31, 2017	$ 353,153	$1,907,295	$2,604,565	($86,728)	$ 9,394	$147,637	$4,935,345	$ 92,413	$5,027,758
Profit for the year	–	–	303,539	–	–	–	303,539	(386)	303,153
Other comprehensive income (loss)	–	–	–	–	–	16,030	16,030	6,881	22,920
Total comprehensive income for the year	–	–	303,539	–	–	16,030	319,578	6,495	326,073
Dividends	–	–	(139,778)	–	–	–	(139,778)	–	(139,778)
Acquisition and disposal of treasury shares	–	–	(838)	(9,177)	–	–	(10,024)	–	(10,024)
Share-based payments	–	1,355	–	–	(593)	–	753	–	753
Changes in non-controlling interests due to changes in subsidiaries	–	–	–	–	–	–	–	338,140	338,140
Equity transactions, etc. with non-controlling shareholders	–	(1,271)	–	–	–	–	(1,271)	574	(687)
Put options written on non-controlling interests	–	(167,536)	–	–	–	–	(167,536)	(333,387)	(500,922)
Transfer from other components of equity to retained earnings	–	–	40,926	–	–	(40,926)	–	–	–
Total transactions, etc. with owners	–	(167,451)	(99,699)	(9,177)	(593)	(40,926)	(317,865)	5,328	(312,528)
Balance at March 31, 2018	$ 353,153	$1,739,844	$2,808,415	($95,905)	$ 8,791	$122,750	$4,937,058	$104,245	$5,041,303

Consolidated Statement of Cash Flows

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2018 and 2017

	Note	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Cash flows from operating activities				
Profit before tax		¥ 49,124	¥ 49,341	$ 462,387
Depreciation and amortization expenses		56,257	51,804	529,527
Impairment losses and reversal of impairment losses		592	379	5,572
Share of profit or loss in investments accounted for using the equity method		647	66	6,090
Interest and dividend income		(3,201)	(2,688)	(30,130)
Interest expenses		5,043	2,848	47,468
(Gain) loss on sales and disposals of property, plant and equipment and intangible assets		(19,889)	1	(187,208)
(Increase) decrease in trade and other receivables		(7,665)	1,806	(72,148)
Increase in inventories		(169)	(12,446)	(1,591)
Increase in trade and other payables		11,546	1,171	108,678
Decrease on transfer of lease assets		(6,856)	(6,831)	(64,533)
Decrease in retirement benefit liabilities		(4,786)	(3,045)	(45,049)
Others		139	(5,145)	1,308
Subtotal		80,783	77,263	760,382
Dividends received		605	525	5,695
Interest received		2,041	2,007	19,211
Interest paid		(4,010)	(2,792)	(37,745)
Income taxes paid		(14,052)	(8,343)	(132,267)
Net cash flows from operating activities		65,367	68,659	615,277
Cash flows from investing activities				
Purchase of property, plant and equipment		(26,941)	(32,731)	(253,586)
Purchase of intangible assets		(11,014)	(8,733)	(103,671)
Proceeds from sales of property, plant and equipment and intangible assets		23,486	1,873	221,066
Purchase of investments in subsidiaries		(116,942)	(25,453)	(1,100,734)
Purchase of investments accounted for using the equity method		(741)	–	(6,975)
Purchase of investment securities		(1,610)	(178)	(15,154)
Proceeds from sales of investment securities		2,357	111	22,186
Payments for loans receivable		(46)	(123)	(433)
Collection of loans receivable		122	139	1,148
Payments for transfer of business		(1,060)	(3,845)	(9,977)
Others		(1,345)	(1,651)	(12,660)
Net cash flows from investing activities		(133,737)	(70,594)	(1,258,820)
Cash flows from financing activities				
(Decrease) increase in short-term loans payable	18	(15,187)	3,140	(142,950)
Proceeds from bonds issuance and long-term loans payable	18	145,712	36,833	1,371,536
Redemption of bonds and repayments of long-term loans payable	18	(23,325)	(27,829)	(219,550)
Purchase of treasury shares		(1,164)	(3)	(10,956)
Cash dividends paid	23	(14,848)	(14,858)	(139,759)
Proceeds from share issuance to non-controlling shareholders		35,419	–	333,387
Others		32	370	301
Net cash flows from financing activities		126,638	(2,347)	1,191,999
Effect of exchange rate changes on cash and cash equivalents		(980)	(3,029)	(9,224)
Net increase (decrease) in cash and cash equivalents		57,285	(7,309)	539,204
Cash and cash equivalents at the beginning of the year		92,628	99,937	871,875
Cash and cash equivalents at the end of the year		¥ 149,913	¥ 92,628	$ 1,411,079

Notes to the Consolidated Financial Statements

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2018 and 2017

1. Reporting company

Konica Minolta, Inc. (the "Company") is a company incorporated and located in Japan and listed on the First Section of the Tokyo Stock Exchange. The consolidated financial statements of the Konica Minolta Group (the "Group") as of and for the fiscal year ended March 31, 2018 comprise the Company, its subsidiaries, and the Group's interest in associates and joint ventures. The principal businesses of the Group are those related to Office Business, Professional Print Business, Healthcare Business and Industrial Business. Information regarding the activities of each business is described in note 5 "Operating segments".

Shoei Yamana, Director, President and CEO, and Representative Executive Officer of the Company authorized the consolidated financial statements for the fiscal year ended March 31, 2018 for issue on August 8, 2018.

2. Basis of preparation

(1) Statement of compliance

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

(2) Basis of measurement

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

(3) Functional and presentation currency

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

Financial information in United States (U.S.) dollars is included solely for the convenience of readers, and are translated from the corresponding Japanese yen amounts using the exchange rate on March 31, 2018, which is ¥106.24 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other exchange rate.

(4) Changes in accounting policies

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

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

(5) Standards and interpretations announced but not adopted

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

As of the fiscal year end, the Group had not adopted these standards, etc. None of these are expected to have a significant effect on the consolidated financial statements of the Group for the fiscal year ending March 31, 2019. The Group is considering the impact of these standards, etc. on the consolidated financial statements in or after the fiscal year ending March 31, 2020.

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

3. Significant accounting policies

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

(1) Basis of consolidation

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

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

1) Subsidiaries

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

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

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

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

2) Associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies of these entities.

Joint ventures are those entities over which multiple parties including the Group have joint control under a contractual arrangement whereby unanimous consent is required for important decision-making on business activities of the entity, and have rights to net assets of the entity under this arrangement.

Investments in associates and joint ventures are accounted for using the equity method. Investments in associates and joint ventures to which the equity method was applied (hereafter, "associates accounted for using the equity method") are initially recognized at cost. Subsequent to initial recognition, the Group's share in the profit or loss and other comprehensive income (OCI) of associates accounted for using the equity method, is recognized as changes in the Group's investment in associates accounted for using the equity method from the day that significant influence or joint control commences until the date that significant influence or joint control ceases.

(2) Business combinations

The Group accounts for business combinations using the acquisition method, recording as historical cost the total amount of the fair value of the consideration transferred on the acquisition date and the recognized amount of any NCI in the acquiree. NCI are measured based on the proportional ownership of their fair value or the fair value of the recognized amount of the identifiable assets acquired and liabilities assumed. If put options are written on non-controlling interests, the Group derecognizes non-controlling interests related to these put options as well as recognizes financial liabilities for the present value of the redemption price, and the difference was recorded as share premium.

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

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

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

(3) Foreign currency translation

1) Functional currency and presentation currency

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

2) Foreign currency transactions

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

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

3) Foreign operations

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

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

4) Hedge of a net investment in a foreign operation

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

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

(4) Cash and cash equivalents

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

(5) Financial instruments

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

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

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

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

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

1) Non-derivative financial assets

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

(a) Financial assets measured at amortized cost

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

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

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

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

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

(b) Financial assets measured at FVTPL

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

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

(c) Financial assets measured at FVTOCI

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

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

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

2) Non-derivative financial liabilities

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

3) Derivative financial instruments and hedge accounting

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

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

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

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

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

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

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

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

(6) Inventories

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

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

(7) Property, plant and equipment

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

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

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

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

The estimated useful lives of major assets are as follows:

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

(8) Goodwill

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

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

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

(9) Intangible assets

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

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

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

1) Intangible assets with finite useful lives

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

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

The estimated useful lives of major assets are as follows:

Customer relationships:	3–21 years
Software:	3–10 years
Technologies:	8–18 years
Others:	3–10 years

2) Intangible assets with infinite useful lives

Intangible assets for which useful life cannot be determined are not amortized. These assets are tested for impairment each fiscal year and whenever any indication of impairment is identified.

(10) Research and development expense

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

(11) Leases

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

1) Lessees

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

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

2) Lessors

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

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

(12) Impairment of non-financial assets and investments accounted for using the equity method

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

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

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

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

Goodwill that forms part of the carrying amount of an investment accounted for using the equity method is not recognized separately, and the investment accounted for using the equity method is to be impaired as a single asset.

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

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

(14) Employee benefits

1) Post-retirement benefits

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

(a) Defined benefit plans

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

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

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

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

(b) Defined contribution plans

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

2) Short-term employee benefits

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

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

(15) Share-based payment

1) Share option plan

The Group has in place for executive officers, directors (excluding outside directors), and group executives of the Company a share option plan as an equity- settled share-based payment plan. Share options are estimated at fair value at grant date and are recognized as an expense over the vesting period after considering the number of share options that are expected to be eventually vested. The corresponding amount is recognized as an increase in equity. For the share option plan, the Group has decided not to grant new share options after the 12th share options, which were issued in August 2016, being as the last ones.

2) Performance-linked share-based payment plan

The Group has in place for executive officers, directors (excluding outside directors), group executives and technology fellows of the Company an equity-settled Directors’ Compensation Board Incentive Plan (BIP) Trust. In addition, the Company’s shares held by the trust are recognized as treasury shares. Consideration for services received is measured by reference to fair value of the Company’s shares on the grant date and recognized as expenses from the grant date over the vesting period, and the corresponding amount is recognized as share premium.

(16) Provisions

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

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

(17) Revenue

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

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

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

(18) Government grants

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

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

(19) Income taxes

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

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

1) Current taxes

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

2) Deferred taxes

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

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

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

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

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

4. Critical accounting estimates and determining estimates

(1) Estimation and determination

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

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

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

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

1) Impairment of non-financial assets and investments accounted for using the equity method

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

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

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

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

The method for calculating recoverable amounts is described in note 3 "Significant accounting policies (12) Impairment of non-financial assets and investments accounted for using the equity method".

2) Provisions

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

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

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

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

3) Employee benefits

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

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

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

4) Recoverability of deferred tax assets

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

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

The content and amount related to deferred tax assets are described in note 15 “Income taxes”.

5) Fair value of financial instruments

To assess fair value of certain financial instruments, the Group uses valuation techniques using inputs that are not based on observable market data. Inputs that are not based on observable market data may be affected by the result of changes in uncertain future economic conditions, and may have significant impact on amounts reported in the consolidated financial statements when the inputs need to be reviewed.

The content and amount related to fair value of financial instruments are described in note 32 “Financial instruments”.

5. Operating segments

(1) Reportable segments

Reportable segments of the Group are the constituent business units of the Group for which separate financial data is available and that are examined on a regular basis for the purpose of enabling the Group's management to decide on the allocation of resources and evaluate results of operations. The Group establishes business segments by product and service category and formulates comprehensive strategies and conducts business activities in Japan and overseas for the products and services of each business category.

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

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

The segment information for the fiscal year ended March 31, 2017 presented in this report is based on the new business segmentation.

The business content of each reportable segment is as follows:

	Business content
Office Business	Development, manufacture, and sales of MFPs (multi-functional peripherals) 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, sales, and provision of services for diagnostic imaging systems (digital X-ray diagnostic imaging, diagnostic ultrasound systems, etc.); provision of digitalization, networking, solutions, and services in the medical field
Industrial Business	<Materials and Components> Development, manufacture, and sales of TAC films used in liquid crystal displays, organic light-emitting diode (OLED) lighting, industrial inkjet printheads, and lenses for industrial and professional use, etc.
	<Optical Systems for Industrial Use> Development, manufacture, and sales of measuring instruments, etc.

(2) Financial information on reportable segments

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

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

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

	Millions of yen						
	2017						
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Subtotal	Others	Total
Revenue							
External	¥558,226	¥203,969	¥89,940	¥101,552	¥953,688	¥8,866	¥962,555
Inter-segment (Note)	2,434	330	873	4,347	7,986	22,971	30,957
Total	560,661	204,299	90,814	105,899	961,674	31,838	993,513
Segment profit (loss)	44,346	8,254	2,863	22,033	77,499	(9,008)	68,491
Other items							
Depreciation and amortization expenses	23,550	8,992	4,000	8,923	45,467	199	45,667
Impairment losses on non-financial assets	¥113	¥53	¥0	¥124	¥292	–	¥292

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

Current fiscal year (From April 1, 2017 to March 31, 2018)

	Millions of yen						
	2018						
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Subtotal	Others	Total
Revenue							
External	¥583,886	¥214,256	¥96,513	¥118,247	¥1,012,904	¥18,351	¥1,031,256
Inter-segment (Note)	1,838	349	1,046	4,913	8,148	20,792	28,940
Total	585,724	214,606	97,560	123,161	1,021,052	39,144	1,060,197
Segment profit (loss)	44,905	9,279	5,572	23,454	83,212	(14,850)	68,361
Other items							
Depreciation and amortization expenses	25,224	9,574	4,038	8,173	47,011	3,487	50,498
Impairment losses on non-financial assets	¥9	¥360	¥ –	¥ –	¥369	¥223	¥592

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

	Thousands of U.S. dollars						
	2018						
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Subtotal	Others	Total
Revenue							
External	$5,495,915	$2,016,717	$908,443	$1,113,018	$9,534,111	$172,732	$9,706,852
Inter-segment (Note)	17,300	3,285	9,846	46,244	76,694	195,708	272,402
Total	5,513,215	2,020,011	918,298	1,159,271	9,610,806	368,449	9,979,264
Segment profit (loss)	422,675	87,340	52,447	220,764	783,245	(139,778)	643,458
Other items							
Depreciation and amortization expenses	237,425	90,117	38,008	76,930	442,498	32,822	475,320
Impairment losses on non-financial assets	$85	$3,389	$ –	$ –	$3,473	$2,099	$5,572

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

	Millions of yen		Thousands of U.S. dollars
Revenue	2018	2017	2018
Total revenue of reportable segments	¥ 1,021,052	¥ 961,674	$ 9,610,806
Revenue categorized in “Others”	39,144	31,838	368,449
Total of reportable and Others segments	1,060,197	993,513	9,979,264
Adjustments (Note)	(28,940)	(30,957)	(272,402)
Revenue reported in consolidated statement of profit or loss	¥ 1,031,256	¥ 962,555	$ 9,706,852

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

	Millions of yen		Thousands of U.S. dollars
Profit	2018	2017	2018
Total profit of reportable segments	¥ 83,212	¥ 77,499	$ 783,245
Segment profit (loss) categorized in “Others”	(14,850)	(9,008)	(139,778)
Total of reportable and Others segments	68,361	68,491	643,458
Adjustments (Note)	(14,517)	(18,356)	(136,643)
Operating profit reported in consolidated statement of profit or loss	¥ 53,844	¥ 50,135	$ 506,815

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

Other items	Total of reportable segments 2018	Total of reportable segments 2017	Others 2018	Others 2017	Adjustments (Note) 2018	Adjustments (Note) 2017	Reported in consolidated financial statements 2018	Reported in consolidated financial statements 2017
	Millions of yen							
Depreciation and amortization expenses	¥ 47,011	¥45,467	¥3,487	¥ 199	¥ 5,759	¥ 6,136	¥ 56,257	¥51,804
Impairment losses on non-financial assets	¥ 369	¥ 292	¥ 223	¥ –	¥ –	¥ 89	¥ 592	¥ 382

(Note) Adjustments for depreciation and amortization expenses and impairment losses are mainly for facilities that are not attributed to any reportable segment.

Other items	Total of reportable segments	Others	Adjustments	Reported in consolidated financial statements
	Thousands of U.S. dollars			
	2018			
Depreciation and amortization expenses	$ 442,498	$ 32,822	$ 54,207	$ 529,527
Impairment losses on non-financial assets	$ 3,473	$ 2,099	$ –	$ 5,572

(3) Financial information by geographical region

External revenue by geographical area is as follows:

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Japan	¥ 196,393	¥ 192,297	$ 1,848,579
United States	271,547	249,669	2,555,977
European countries	324,744	299,902	3,056,702
China	80,467	73,211	757,408
Asia, excluding Japan and China	79,161	72,114	745,115
Others	78,942	75,359	743,053
Total	¥ 1,031,256	¥ 962,555	$ 9,706,852

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

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

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Japan	¥ 206,108	¥ 205,495	$ 1,940,023
United States	194,027	73,310	1,826,308
European countries	101,845	95,391	958,631
China	17,521	17,109	164,919
Asia, excluding Japan and China	13,295	14,059	125,141
Others	4,229	4,768	39,806
Total	¥ 537,029	¥ 410,135	$ 5,054,866

(4) Information on principal customers

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

6. Business combinations

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

(Acquisition of shares of MOBOTIX AG)

(1) Description of the business combination

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

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

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

	Millions of yen	Thousands of U.S. dollars
Fair value of the consideration for acquisition		
Cash	¥ 21,568	$ 203,012
Recognized value of assets acquired and liabilities assumed		
Cash and cash equivalents	219	2,061
Trade and other receivables	2,123	19,983
Inventories	1,847	17,385
Property, plant and equipment	2,451	23,070
Intangible assets	7,381	69,475
Other assets	526	4,951
Trade and other payables	(1,150)	(10,825)
Bonds and borrowings	(1,449)	(13,639)
Deferred tax liabilities	(2,182)	(20,538)
Other liabilities	(495)	(4,659)
Total	9,271	87,265
Non-controlling interests (Note 2)	3,198	30,102
Goodwill (Note 3)	¥ 15,495	$ 145,849

(Note 1) There was no contingent consideration.
(Note 2) Non-controlling interests are measured using the ratio of equity attributable to non-controlling interest shareholders to the fair value of the identifiable net assets of the acquired company.
(Note 3) Goodwill largely represents excess earnings power of the acquired company, no part of which is expected to be tax-deductible.

(3) Acquisition-related costs

Acquisition-related costs of ¥521 million incurred in the business combination were recognized in “selling, general and administrative expenses.” Note that the ¥79 million that was incurred in the previous fiscal year was expensed in the previous fiscal year.

(4) Performance after the acquisition date

Information is not disclosed because the business combination of MOBOTIX has no material effect on the consolidated statement of profit or loss for the fiscal year ended March 31, 2017.

(5) Pro-forma information (unaudited information)

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

Current fiscal year (From April 1, 2017 to March 31, 2018)

(Acquisition of Ambry Genetics Corporation)

(1) Description of the business combination

On October 18, 2017, the Group completed merger procedures between Konica Minolta Geno., Inc. (hereafter, “SPC2”) and Ambry Genetics Corporation (hereafter, “Ambry”), a US firm engaged in genetic testing, with Ambry as the surviving company. SPC2 is a wholly owned subsidiary of Konica Minolta PM., Inc. (hereafter, “SPC1”), which is a company set up through joint investment with Innovation Network Corporation of Japan (hereafter, “INCJ”) for the purpose of acquisition of Ambry.

Ambry was made a subsidiary by making a cash payment to shareholders of Ambry as a merger consideration, and converting SPC2 shares owned by SPC1 into shares of the surviving company.

Following the conclusion of the transaction, the Group’s ownership ratio in Ambry stands at 60% and that of INCJ at 40%.

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

Through the acquisition of Ambry, the Company will not only acquire Ambry's state-of-the-art genetic diagnostics technology, advanced IT analysis technology that makes full use of bioinformatics, a large cutting-edge laboratory for specimen testing, and lucrative service business, but will also be able to enhance the core technologies crucial to the grouping of patients and new drug development by combining the Company's proprietary High-Sensitivity Tissue Testing (HSTT) technology with Ambry's genetic diagnostics technology, to achieve global growth in the field of precision medicine.

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

	Millions of yen	Thousands of U.S. dollars
Fair value of the consideration for acquisition (Note 1)		
Cash	¥ 86,591	$ 815,051
Payable amount (Note 2)	2,289	21,546
Contingent consideration	1,914	18,016
Total	90,796	854,631
Recognized value of assets acquired and liabilities assumed		
Cash and cash equivalents	2,162	20,350
Trade and other receivables	2,991	28,153
Inventories	474	4,462
Property, plant and equipment	4,052	38,140
Intangible assets	35,494	334,093
Other assets	2,629	24,746
Trade and other payables	(723)	(6,805)
Bonds and borrowings	(1,995)	(18,778)
Deferred tax liabilities	(13,289)	(125,085)
Other liabilities	(2,761)	(25,988)
Total	29,035	273,296
Goodwill (Note 3)	¥ 61,760	$ 581,325

(Note 1) The fair value of the consideration for acquisition includes proceeds from share issuance to non-controlling shareholders. With respect to non-controlling interests, because put options are attached hereto, these are transferred to financial liabilities. The difference between the fair value of said financial liabilities and the transfer amount of ¥35,419 million is recorded as share premium.

(Note 2) This is the amount that is payable as of March 31, 2018.

(Note 3) Goodwill largely 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.

(Note 4) In the three months ended March 31, 2018, due to adjustment of the consideration for acquisition and review of the allocation, fair value of the consideration for acquisition and amounts of assets and liabilities as of the acquisition date were revised. The content of major revisions is an increase in payable amount of ¥2,289 million and an increase in goodwill of ¥2,206 million. The above amounts are provisional because adjustment of the consideration for acquisition and allocation of the consideration for acquisition based on fair values of identifiable assets and liabilities have not been completed.

(3) Contingent consideration

Contingent consideration in the business combination is calculated 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. There is a possibility that payment of US $200 million at a maximum may occur. The fair value of the contingent consideration is calculated using Monte Carlo simulation.

Changes in contingent consideration during the fiscal year ended March 31, 2018 are as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at April 1, 2017	¥ –	$ –
Business combinations	1,914	18,016
Settlement	–	–
Change in fair value	(573)	(5,393)
Effect of exchange rate fluctuations	(65)	(612)
Balance at March 31, 2018	¥ 1,274	$ 11,992

(4) Acquisition-related costs

Acquisition-related costs of ¥2,129 million incurred in the business combination were recognized in "selling, general and administrative expenses." Note that the ¥138 million that was incurred in the previous fiscal year was expensed in the previous fiscal year.

(5) Performance after the acquisition date

The effect of the business combination of Ambry on the consolidated statement of profit or loss for the fiscal year ended March 31, 2018 was ¥6,196 million in revenue and ¥643 million in loss attributable to owners of the Company.

(6) Pro-forma information (unaudited information)

If it is assumed that the business combination of Ambry took place at the beginning of the current fiscal year, on April 1, 2017, its effect on the consolidated statement of profit or loss for the fiscal year ended March 31, 2018 would be ¥17,287 million in revenue and ¥622 million in loss attributable to owners of the Company.

(Acquisition of equity interest in Invicro, LLC)

(1) Description of the business combination

As of November 10, 2017, the Group used cash to acquire 95% of equity interest in Invicro, LLC (hereafter, "Invicro"), a US-based firm in drug discovery and development services.

Invicro is an imaging Contract Research Organization (CRO) that provides support in drug development with its strength in highly advanced numerical analysis technology and technology for the detection of biomarker, an indicator of body condition.

Together with the acquisition of Ambry mentioned above, the acquisition of Invicro constitutes a cornerstone in the Company's entry into the precision medicine business. By combining our proprietary High-Sensitivity Tissue Testing (HSTT) technology with Ambry's world-leading genetic diagnostics solutions and Invicro's numerical analysis technology, biomarker discovery technology, and image processing technologies, as well as their ability to generate proposals for pharmaceutical companies, we will contribute to a dramatic improvement in productivity for new drug development, and subsequent improvements in Quality of Life (QOL) for patients, while helping to suppress soaring national medical expenses. We will nurture this with the aim of developing a new, highly profitable business.

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

	Millions of yen	Thousands of U.S. dollars
Fair value of the consideration for acquisition		
Cash	¥ 31,143	$ 293,138
Recognized value of assets acquired and liabilities assumed		
Cash and cash equivalents	261	2,457
Trade and other receivables	1,759	16,557
Inventories	34	320
Property, plant and equipment	1,306	12,293
Intangible assets	10,643	100,179
Other assets	398	3,746
Trade and other payables	(570)	(5,365)
Bonds and borrowings	(1,564)	(14,721)
Other liabilities	(2,267)	(21,338)
Total	10,002	94,145
Non-controlling interests (Note 2)	500	4,706
Goodwill (Note 3)	¥ 21,640	$ 203,690

(Note 1) There was no contingent consideration.

(Note 2) Non-controlling interests are measured using the ratio of equity attributable to non-controlling interest shareholders to the fair value of the identifiable net assets of the acquired company.

(Note 3) Goodwill largely represents excess earnings power of the acquired company and synergy effect expected from the acquisition. The estimated amount of goodwill in tax accounting that is expected to be tax-deductible is ¥14,401 million.

(Note 4) In the three months ended March 31, 2018, due to allocation of the consideration for acquisition, amounts of assets and liabilities as of the acquisition date were revised. The content of major revisions is an increase in intangible assets of ¥9,527 million, an increase in non-controlling interests of ¥482 million and a decrease in goodwill of ¥9,163 million. The above amounts are provisional because adjustment of the consideration for acquisition and allocation of the consideration for acquisition based on fair values of identifiable assets and liabilities have not been completed.

(3) Acquisition-related costs

Acquisition-related costs of ¥328 million incurred in the business combination were recognized in "selling, general and administrative expenses."

(4) Performance after the acquisition date

Information is not disclosed because the business combination of Invicro has no material effect on the consolidated statement of profit or loss for the fiscal year ended March 31, 2018.

(5) Pro-forma information (unaudited information)

Because pro forma information based on the assumption that the business combination of Invicro took place at the beginning of the fiscal year, on April 1, 2017, has no material effect on the consolidated statement of profit or loss for the fiscal year ended March 31, 2018, it is not disclosed here.

7. Trade and other receivables

The components of trade and other receivables as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Notes and accounts receivable–trade	**¥ 223,095**	¥ 204,564	**$ 2,099,915**
Finance lease receivables	**32,876**	32,156	**309,450**
Others	**13,620**	12,006	**128,200**
Allowance for doubtful accounts	**(6,139)**	(5,533)	**(57,784)**
Total	**¥ 263,453**	¥ 243,195	**$ 2,479,791**

8. Inventories

The components of inventories as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Merchandise and finished goods	**¥ 105,038**	¥ 104,700	**$ 988,686**
Work in progress	**11,072**	10,691	**104,217**
Materials and supplies (Note 1)	**23,425**	20,629	**220,491**
Total	**¥ 139,536**	¥ 136,020	**$ 1,313,404**

(Note 1) Materials include spare parts for maintenance purpose to be used after 12 months from each fiscal year-end. They are included as inventories as they are held within the ordinary course of business.

(Note 2) The acquisition costs of inventories recognized as expenses during the current fiscal year is primarily included in "cost of sales".

(Note 3) The amount of inventories written down to their net realizable value in the current fiscal year is ¥2,247 million (previous fiscal year: ¥2,220 million), which is included in "cost of sales".

9. Other financial assets

The components of other financial assets as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Loans receivable	**¥ 70**	¥ 165	**$ 659**
Investment securities	**28,714**	27,872	**270,275**
Lease and guarantee deposits	**6,878**	6,522	**64,740**
Derivative financial assets	**1,221**	7,764	**11,493**
Others	**12,662**	12,806	**119,183**
Allowance for doubtful accounts	**(613)**	(665)	**(5,770)**
Total	**48,934**	54,466	**460,599**
Current	**1,427**	6,924	**13,432**
Non-current	**¥ 47,507**	¥ 47,542	**$ 447,167**

10. Property, plant and equipment

Changes in the carrying amounts of property, plant and equipment for fiscal years ended March 31, 2018 and 2017, are as follows:

(Cost)

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at April 1, 2016	¥ 187,854	¥ 211,416	¥ 166,492	¥ 44,997	¥ 31,572	¥ 8,408	¥ 650,743
Acquisitions	785	1,939	10,325	7,353	3	18,429	38,837
Acquisitions through business combinations	1,694	1,255	796	13	102	23	3,884
Transfer from construction in progress to other account	7,009	11,202	4,472	5	–	(22,690)	–
Disposals	(1,554)	(6,791)	(9,130)	(6,648)	(421)	(271)	(24,817)
Others	1,130	1,742	1,579	(1,993)	632	(230)	2,860
Effect of foreign currency exchange differences	(1,512)	(1,212)	(2,633)	(1,703)	(101)	(18)	(7,181)
Balance at March 31, 2017	195,408	219,553	171,902	42,024	31,788	3,650	664,327
Acquisitions	**841**	**2,388**	**11,421**	**7,409**	**–**	**13,697**	**35,758**
Acquisitions through business combinations	**2,129**	**897**	**2,180**	**–**	**256**	**–**	**5,463**
Transfer from construction in progress to other account	**3,464**	**5,107**	**4,854**	**–**	**37**	**(13,463)**	**–**
Disposals	**(4,745)**	**(8,223)**	**(11,127)**	**(4,156)**	**(551)**	**(39)**	**(28,844)**
Others	**4,444**	**(389)**	**2,843**	**(2,003)**	**297**	**148**	**5,340**
Effect of foreign currency exchange differences	**524**	**578**	**969**	**1,289**	**22**	**9**	**3,393**
Balance at March 31, 2018	**¥ 202,066**	**¥ 219,911**	**¥ 183,044**	**¥ 44,563**	**¥ 31,850**	**¥ 4,002**	**¥ 685,438**

(Note) Others includes transfer to other account.

	Thousands of U.S. dollars						
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at March 31, 2017	$ 1,839,307	$ 2,066,576	$ 1,618,053	$ 395,557	$ 299,209	$ 34,356	$ 6,253,078
Acquisitions	**7,916**	**22,477**	**107,502**	**69,738**	**–**	**128,925**	**336,578**
Acquisitions through business combinations	**20,040**	**8,443**	**20,520**	**–**	**2,410**	**–**	**51,421**
Transfer from construction in progress to other account	**32,605**	**48,070**	**45,689**	**–**	**348**	**(126,723)**	**–**
Disposals	**(44,663)**	**(77,400)**	**(104,735)**	**(39,119)**	**(5,186)**	**(367)**	**(271,498)**
Others	**41,830**	**(3,662)**	**26,760**	**(18,854)**	**2,796**	**1,393**	**50,264**
Effect of foreign currency exchange differences	**4,932**	**5,441**	**9,121**	**12,133**	**207**	**85**	**31,937**
Balance at March 31, 2018	**$ 1,901,977**	**$ 2,069,945**	**$ 1,722,929**	**$ 419,456**	**$ 299,793**	**$ 37,669**	**$ 6,451,788**

(Accumulated depreciation and impairment losses)

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at April 1, 2016	(¥ 120,399)	(¥ 178,730)	(¥ 132,340)	(¥ 30,433)	(¥ 1,434)	(¥ 82)	(¥ 463,421)
Depreciation expenses	(5,629)	(9,061)	(14,946)	(5,435)	(10)	–	(35,082)
Impairment losses	(109)	(211)	(17)	(42)	–	–	(382)
Disposals	1,361	6,057	8,399	6,315	42	–	22,176
Others	(415)	(1,544)	(1,062)	1,390	(0)	59	(1,572)
Effect of foreign currency exchange differences	874	832	1,819	1,003	6	–	4,536
Balance at March 31, 2017	(124,318)	(182,658)	(138,149)	(27,201)	(1,395)	(23)	(473,746)
Depreciation expenses	**(5,919)**	**(9,597)**	**(15,764)**	**(6,508)**	**(10)**	**–**	**(37,801)**
Impairment losses	**–**	**(0)**	**(226)**	**(12)**	**–**	**–**	**(239)**
Disposals	**3,317**	**7,767**	**10,266**	**3,689**	**9**	**–**	**25,050**
Others	**(763)**	**(12)**	**(3,855)**	**1,330**	**0**	**–**	**(3,301)**
Effect of foreign currency exchange differences	**(356)**	**(529)**	**(813)**	**(754)**	**(5)**	**(1)**	**(2,460)**
Balance at March 31, 2018	**(¥ 128,040)**	**(¥ 185,030)**	**(¥ 148,542)**	**(¥ 29,457)**	**(¥ 1,402)**	**(¥ 24)**	**(¥ 492,497)**

(Note) Others includes transfer to other account.

	Thousands of U.S. dollars						
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at March 31, 2017	($ 1,170,162)	($ 1,719,296)	($ 1,300,348)	($ 256,034)	($ 13,131)	($ 216)	($ 4,459,206)
Depreciation expenses	**(55,713)**	**(90,333)**	**(148,381)**	**(61,258)**	**(94)**	**–**	**(355,808)**
Impairment losses	**–**	**(0)**	**(2,127)**	**(113)**	**–**	**–**	**(2,250)**
Disposals	**31,222**	**73,108**	**96,630**	**34,723**	**85**	**–**	**235,787**
Others	**(7,182)**	**(113)**	**(36,286)**	**12,519**	**0**	**–**	**(31,071)**
Effect of foreign currency exchange differences	**(3,351)**	**(4,979)**	**(7,652)**	**(7,097)**	**(47)**	**(9)**	**(23,155)**
Balance at March 31, 2018	**($ 1,205,196)**	**($ 1,741,623)**	**($ 1,398,174)**	**($ 277,268)**	**($ 13,197)**	**($ 226)**	**($ 4,635,702)**

(Carrying amount)

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at March 31, 2017	¥71,090	¥36,894	¥33,753	¥14,822	¥30,392	¥3,627	¥190,580
Balance at March 31, 2018	**¥74,026**	**¥34,881**	**¥34,502**	**¥15,105**	**¥30,447**	**¥3,978**	**¥192,941**

	Thousands of U.S. dollars						
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at March 31, 2018	**$696,781**	**$328,323**	**$324,755**	**$142,178**	**$286,587**	**$37,444**	**$1,816,086**

The carrying amount of property, plant and equipment as of March 31, 2018 and 2017 includes the carrying amount of the following leased assets:

(Carrying amount of lease assets)

	Millions of yen				
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land
Balance at March 31, 2017	¥266	¥478	¥595	¥2,053	¥891
Balance at March 31, 2018	**¥733**	**¥679**	**¥1,477**	**¥2,149**	**¥1,161**

	Thousands of U.S. dollars				
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land
Balance at March 31, 2018	**$6,899**	**$6,391**	**$13,902**	**$20,228**	**$10,928**

11. Goodwill and intangible assets

The changes in the carrying amounts of goodwill and intangible assets for fiscal years ended March 31, 2018 and 2017 are set out as follows:

(Cost)

	Millions of yen					
	Goodwill	Customer relationships	Software	Technologies	Others (Note)	Total
Balance at April 1, 2016	¥ 115,098	¥ 48,005	¥ 57,554	¥ –	¥ 26,577	¥ 247,235
Acquisitions	–	–	1,910	–	6,859	8,770
Acquisitions through business combinations	25,939	4,356	355	6,954	7,025	44,631
Disposal	–	–	(5,055)	–	(38)	(5,093)
Others	2,142	(1,666)	7,308	–	(6,285)	1,498
Effect of foreign currency exchange differences	(2,386)	(1,132)	(983)	(275)	(1,622)	(6,400)
Balance at March 31, 2017	140,792	49,562	61,090	6,679	32,516	290,641
Acquisitions	**–**	**–**	**1,783**	**–**	**9,037**	**10,821**
Acquisitions through business combinations	**85,294**	**7,098**	**247**	**33,925**	**5,779**	**132,345**
Disposal	**–**	**–**	**(7,393)**	**–**	**(915)**	**(8,308)**
Others	**(103)**	**(371)**	**7,920**	**–**	**(5,054)**	**2,391**
Effect of foreign currency exchange differences	**(2,031)**	**(1,578)**	**594**	**(865)**	**1,079**	**(2,801)**
Balance at March 31, 2018	**¥ 223,952**	**¥ 54,711**	**¥ 64,242**	**¥ 39,739**	**¥ 42,444**	**¥ 425,089**

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

	Thousands of U.S. dollars					
	Goodwill	Customer relationships	Software	Technologies	Others	Total
Balance at March 31, 2017	$ 1,325,226	$ 466,510	$ 575,019	$ 62,867	$ 306,062	$ 2,735,702
Acquisitions	**–**	**–**	**16,783**	**–**	**85,062**	**101,854**
Acquisitions through business combinations	**802,843**	**66,811**	**2,325**	**319,324**	**54,396**	**1,245,717**
Disposal	**–**	**–**	**(69,588)**	**–**	**(8,613)**	**(78,200)**
Others	**(970)**	**(3,492)**	**74,548**	**–**	**(47,572)**	**22,506**
Effect of foreign currency exchange differences	**(19,117)**	**(14,853)**	**5,591**	**(8,142)**	**10,156**	**(26,365)**
Balance at March 31, 2018	**$ 2,107,982**	**$ 514,976**	**$ 604,688**	**$ 374,049**	**$ 399,511**	**$ 4,001,214**

(Accumulated amortization and accumulated impairment losses)

	Millions of yen					
	Goodwill	Customer relationships	Software	Technologies	Others (Note 1)	Total
Balance at April 1, 2016	¥ –	(¥ 23,034)	(¥ 37,697)	¥ –	(¥ 8,112)	(¥ 68,844)
Amortization expenses (Note 2)	–	(4,842)	(9,040)	(689)	(2,149)	(16,721)
Disposals	–	–	4,953	–	18	4,972
Others	–	(28)	(275)	–	(893)	(1,197)
Effect of foreign currency exchange differences	–	407	642	(12)	(310)	727
Balance at March 31, 2017	–	(27,497)	(41,417)	(701)	(11,447)	(81,063)
Amortization expenses (Note 2)	**–**	**(4,692)**	**(9,232)**	**(1,643)**	**(2,888)**	**(18,456)**
Impairment losses	**(353)**	**–**	**–**	**–**	**–**	**(353)**
Disposals	**–**	**–**	**7,312**	**–**	**656**	**7,968**
Others	**–**	**101**	**(71)**	**–**	**(581)**	**(551)**
Effect of foreign currency exchange differences	**4**	**987**	**(390)**	**(59)**	**(475)**	**66**
Balance at March 31, 2018	**(¥ 348)**	**(¥ 31,101)**	**(¥ 43,799)**	**(¥ 2,403)**	**(¥ 14,737)**	**(¥ 92,390)**

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

	Thousands of U.S. dollars					
	Goodwill	Customer relationships	Software	Technologies	Others	Total
Balance at March 31, 2017	$ –	($ 258,820)	($ 389,844)	($ 6,598)	($ 107,747)	($ 763,018)
Amortization expenses	–	(44,164)	(86,898)	(15,465)	(27,184)	(173,720)
Impairment losses	(3,323)	–	–	–	–	(3,323)
Disposals	–	–	68,825	–	6,175	75,000
Others	–	951	(668)	–	(5,469)	(5,186)
Effect of foreign currency exchange differences	38	9,290	(3,671)	(555)	(4,471)	621
Balance at March 31, 2018	**($ 3,276)**	**($ 292,743)**	**($ 412,265)**	**($ 22,619)**	**($ 138,714)**	**($ 869,635)**

(Carrying amount)

	Millions of yen					
	Goodwill	Customer relationships	Software	Technologies	Others (Note 1)	Total
Balance at March 31, 2017	¥ 140,792	¥ 22,065	¥ 19,673	¥ 5,978	¥ 21,068	¥ 209,577
Balance at March 31, 2018	**¥ 223,603**	**¥ 23,610**	**¥ 20,442**	**¥ 37,335**	**¥ 27,707**	**¥ 332,699**

(Note 1) Software in progress is included in "Others" within intangible assets.
(Note 2) The carrying amount of intangible assets in the current fiscal year includes ¥4,833 million of intangible assets with infinite useful lives. Of these intangible assets, major assets are trademark related to the acquisition of Ambry in the current fiscal year. Since these assets basically exist as long as the business is continued, the Group considers that useful lives of the assets are infinite.
(Note 3) The carrying amount of intangible assets in the current fiscal year includes ¥537 million of internally generated intangible assets.

	Thousands of U.S. dollars					
	Goodwill	Customer relationships	Software	Technologies	Others	Total
Balance at March 31, 2018	**$2,104,697**	**$222,233**	**$192,413**	**$351,421**	**$260,796**	**$3,131,579**

12. Impairment losses on non-financial assets

(1) Impairment losses

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

Breakdown of impairment losses by type of assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Property, plant and equipment	**¥ 239**	¥ 382	**$ 2,250**
Goodwill	**¥ 353**	¥ –	**$ 3,323**
Total	**¥ 592**	¥ 382	**$ 5,572**

(2) Goodwill impairment tests

Of goodwill in the current fiscal year, significant goodwill is goodwill allocated to the Office Business among goodwill generated during management integration between the Company and Minolta Co., Ltd., and goodwill generated from the acquisition of Ambry.

1) Goodwill related to the management integration with Minolta Co., Ltd.

Of ¥46,208 million of goodwill related to the management integration with Minolta Co., Ltd., the carrying amount of goodwill allocated to the Office Business for the current fiscal year was ¥31,568 million. The Group judges that the amount of goodwill allocated to businesses other than the Office Business is not significant compared to the amount of goodwill recorded in the consolidated financial statements. In conjunction with the organizational realignment in the current fiscal year, goodwill was reallocated.

Calculation of the recoverable amount in impairment tests is based on value in use. Value in use is calculated as estimated future cash flows discounted to the present value, based on business plans for three years approved by the Board of Directors and a growth rate. The growth rate used to estimate future cash flows for periods subsequent to approved business plans is determined based on the long-term average rate of growth for markets to which the CGU belongs. The growth rate and the pre-tax discount rate used in measurement of value in use in the current fiscal year were 1.0% and 8.9%, respectively. As a result of impairment tests, impairment losses on the goodwill were not recognized.

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

2) Goodwill related to the acquisition of Ambry

The carrying amount of goodwill related to the acquisition of Ambry for the current fiscal year is ¥58,927 million. In the current fiscal year, because adjustment of the consideration for acquisition and allocation of the consideration for acquisition based on fair values of identifiable assets and liabilities, allocation of the goodwill to CGUs has also not been completed, and thus impairment tests were not performed.

13. Investments accounted for using the equity method

(1) Investments in associates

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Carrying amount of investments accounted for using the equity method	¥3,195	¥3,489	$30,073

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Share of profit (loss) in investments accounted for using the equity method	(¥ 317)	(¥ 66)	($ 2,984)
Share of other comprehensive income of investments accounted for using the equity method	27	(18)	254
Total share of comprehensive income for the year	(¥ 290)	(¥ 84)	($ 2,730)

(2) Investments in joint ventures

Information related to joint ventures is below. The Group has no material joint ventures.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Carrying amount of investments accounted for using the equity method	¥ 405	¥ –	$ 3,812

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Share of profit (loss) in investments accounted for using the equity method	(¥ 329)	¥ –	($ 3,097)
Share of other comprehensive income of investments accounted for using the equity method	–	–	–
Total share of comprehensive income for the year	(¥ 329)	¥ –	($ 3,097)

14. Leases

(1) As lessee

1) Finance leases

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

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

	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	Minimum lease payments			Present value of minimum lease payments		
	2018	2017	**2018**	**2018**	2017	**2018**
1 year or less	**¥ 2,821**	¥ 2,735	**$ 26,553**	**¥ 2,734**	¥ 2,578	**$ 25,734**
More than 1 year, 5 years or less	**4,198**	4,237	**39,514**	**3,902**	3,964	**36,728**
More than 5 years	**244**	61	**2,297**	**241**	58	**2,268**
Total	**¥ 7,264**	¥ 7,034	**$ 68,373**	**¥ 6,878**	¥ 6,601	**$ 64,740**
Less: Future finance costs	**385**	432	**3,624**			
Present value of minimum lease payments	**¥ 6,878**	¥ 6,601	**$ 64,740**			

2) Operating leases

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

The Company has sold certain assets and leases back them. With regard to the assets leased back, there are no trade conditions, obligations, contractual provisions or situations whereby the Company is continuously involved in such assets.

Lease expenses presented in the consolidated statements of profit or loss for the current fiscal year is ¥12,237 million (previous fiscal year: ¥10,637 million).

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
1 year or less	**¥ 10,789**	¥ 10,327	**$ 101,553**
More than 1 year, 5 years or less	**24,219**	20,670	**227,965**
More than 5 years	**14,739**	2,177	**138,733**
Total	**¥ 49,748**	¥ 33,175	**$ 468,261**

(2) As lessor

1) Finance leases

The Group primarily leases business technologies equipment based on finance lease agreements.

Gross investment in leases under finance lease agreements and the present value of minimum lease receivables are as follows:

	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	Gross investment in the lease			Present value of minimum lease receivables		
	2018	2017	**2018**	**2018**	2017	**2018**
1 year or less	**¥ 14,544**	¥ 13,499	**$ 136,898**	**¥ 13,381**	¥ 12,438	**$ 125,951**
More than 1 year, 5 years or less	**21,025**	21,551	**197,901**	**19,444**	19,626	**183,020**
More than 5 years	**54**	94	**508**	**50**	91	**471**
Total	**¥ 35,624**	¥ 35,144	**$ 335,316**	**¥ 32,876**	¥ 32,156	**$ 309,450**
Less: Unearned finance income	**2,748**	2,987	**25,866**			
Present value of minimum lease receivables	**¥ 32,876**	¥ 32,156	**$ 309,450**			

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

2) Operating leases

The Group primarily leases business technologies equipment based on non-cancellable operating lease agreements.

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
1 year or less	**¥ 4,524**	¥ 4,143	**$ 42,583**
More than 1 year, 5 years or less	**6,377**	5,185	**60,024**
More than 5 years	**0**	0	**0**
Total	**¥ 10,902**	¥ 9,329	**$ 102,617**

15. Income taxes

(1) Deferred tax assets and deferred tax liabilities

1) Recognized deferred tax assets and deferred tax liabilities

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Retirement benefits	**¥ 21,983**	¥ 25,984	**$ 206,918**
Property, plant and equipment	**3,893**	4,249	**36,643**
Goodwill and intangible assets	**(10,767)**	(533)	**(101,346)**
Inventories	**9,830**	10,494	**92,526**
Others	**607**	254	**5,713**
Net losses carried forward	**18,427**	20,840	**173,447**
Valuation allowance	**(18,992)**	(18,381)	**(178,765)**
Total	**24,981**	42,907	**235,137**
Deferred tax assets	**37,540**	48,129	**353,351**
Deferred tax liabilities	**¥ 12,558**	¥ 5,222	**$ 118,204**

The changes in net deferred tax assets are as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Balance, beginning of the year	**¥ 42,907**	¥ 55,609	**$ 403,869**
Recognized in profit or loss	**(3,820)**	(5,797)	**(35,956)**
Recognized in other comprehensive income	**(2,482)**	(3,941)	**(23,362)**
Business combinations	**(12,777)**	(3,753)	**(120,265)**
Others	**1,155**	790	**10,872**
Balance, end of the year	**¥ 24,981**	¥ 42,907	**$ 235,137**

2) Temporary differences not recognized as deferred tax assets

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Deductible temporary differences	**¥ 7,607**	¥ 5,184	**$ 71,602**
Net losses carried forward	**¥ 45,308**	¥ 52,692	**$ 426,468**

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
5 years or less	**¥ 39,594**	¥ 37,470	**$ 372,684**
More than 5 years	**5,713**	15,222	**53,774**
Total	**¥ 45,308**	¥ 52,692	**$ 426,468**

The Group does not recognize deferred tax liabilities for temporary differences if the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. In the current fiscal year, total temporary differences associated with investments in subsidiaries and associates that have not been recognized as deferred tax liabilities were ¥21,621 million (previous fiscal year: ¥18,199 million).

(2) Income tax expense

1) Income tax expense recognized in profit or loss

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Current income tax expense	**¥ 13,096**	¥ 12,058	**$ 123,268**
Deferred income tax expense			
(Increase) decrease in temporary differences	**756**	835	**7,116**
(Increase) decrease in net losses carried forward	**2,808**	1,944	**26,431**
Increase (decrease) in valuation allowance	**255**	3,017	**2,400**
Subtotal	**3,820**	5,797	**35,956**
Total	**¥ 16,916**	¥ 17,856	**$ 159,224**

2) Income tax expense recognized in OCI

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

3) Reconciliation of the effective tax rate

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

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

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

	%	
	2018	2017
Statutory income tax rate	**30.9**	30.9
Valuation allowance	**(1.1)**	7.2
Non-taxable revenue	**(3.5)**	(0.5)
Non-deductible expenses	**1.8**	2.0
Difference in statutory tax rate of foreign subsidiaries	**(1.8)**	(1.0)
Tax credits for research and development cost and others	**(1.5)**	(2.3)
Expiration of net losses carried forward	**3.8**	-
Year-end adjustment to deferred tax assets due to tax rate revisions	**1.5**	-
Others	**4.4**	(0.2)
Average effective tax rate after application of tax effect accounting	**34.4**	36.2

16. Trade and other payables

The components of trade and other payables as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Notes and accounts payable-trade	**¥ 101,397**	¥ 95,703	**$ 954,415**
Accounts payable-capital expenditure	**5,729**	4,947	**53,925**
Accounts payable-others	**65,337**	54,931	**614,994**
Others	**1,532**	508	**14,420**
Total	**¥ 173,996**	¥ 156,090	**$ 1,637,764**

17. Bonds and borrowings

Summary of bonds and borrowings is as follows:

	Millions of yen		Interest rate (%) (Note 1)	Repayment date	Thousands of U.S. dollars
	2018	2017			**2018**
Short-term loans payable	**¥ 6,822**	¥ 19,513	1.686	–	**$ 64,213**
Current portion of bonds (Note 3)	**20,000**	10,000	0.902	–	**188,253**
Current portion of long-term loans payable	**3,579**	9,202	1.380	–	**33,688**
Current portion of lease obligations	**2,734**	2,578	–	–	**25,734**
Non-current portion of bonds (Note 2) (Note 3)	**39,811**	20,000	0.274	–	**374,727**
Non-current portion of long-term loans payable (Note 2)	**216,575**	120,195	1.119	April 2019 to October 2077	**2,038,545**
Non-current portion of lease obligations (Note 2)	**4,143**	4,023	–	April 2019 to September 2026	**38,997**
Total	**293,667**	185,512			**2,764,185**
Current	**33,136**	41,294			**311,898**
Non-current	**¥ 260,530**	¥ 144,218			**$ 2,452,278**

(Note 1) Interest rates indicated are weighted average interest rates at the end of the fiscal year.

(Note 2) Expected repayments for bonds, long-term borrowings and lease obligations for each year in the period within five years after the fiscal year-end date are listed in note 32 "Financial instruments".

(Note 3) The carrying amounts of bonds by issuance name are as follows:

Company	Name	Issue date	Millions of yen		Interest rate (%)	Redemption date	Thousands of U.S. dollars
			2018	2017			**2018**
Konica Minolta	No. 2 Unsecured Bonds	December 2, 2010	**¥ –**	¥ 10,000	0.956	December 1, 2017	**$ –**
Konica Minolta	No. 4 Unsecured Bonds	December 2, 2011	**20,000**	20,000	0.902	November 30, 2018	**188,253**
Konica Minolta	No. 5 Unsecured Bonds	December 15, 2017	**9,959**	–	0.060	December 15, 2020	**93,741**
Konica Minolta	No. 6 Unsecured Bonds	December 15, 2017	**14,930**	–	0.300	December 13, 2024	**140,531**
Konica Minolta	No. 7 Unsecured Bonds	December 15, 2017	**14,921**	–	0.390	December 15, 2027	**140,446**
Total	–	–	**¥ 59,811**	¥ 30,000	–	–	**$ 562,980**

18. Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

	Millions of yen						
	Bonds and borrowings				Derivative liabilities (assets)	Put options written on non-controlling interests	Total
	Short-term loans payable	Long-term loans payable	Bonds	Lease obligations			
Balance at March 31, 2017	¥ 19,513	¥ 129,397	¥ 30,000	¥ 6,601	¥ 268	¥ 1,739	¥ 187,520
Cash flows	**(15,187)**	**95,434**	**30,000**	**(3,047)**	**261**	**–**	**107,460**
Effect of exchange rate changes	**1,795**	**(2,487)**	**–**	**370**	**–**	**–**	**(321)**
Changes in fair value	**–**	**–**	**–**	**–**	**3,719**	**(1,031)**	**2,688**
Others	**700**	**(2,189)**	**(188)**	**2,954**	**–**	**54,136**	**55,412**
Balance at March 31, 2018	**¥ 6,822**	**¥ 220,154**	**¥ 59,811**	**¥ 6,878**	**¥ 4,249**	**¥ 54,844**	**¥ 352,760**

	Thousands of U.S. dollars						
	Bonds and borrowings				Derivative liabilities (assets)	Put options written on non-controlling interests	Total
	Short-term loans payable	Long-term loans payable	Bonds	Lease obligations			
Balance at March 31, 2017	$ 183,669	$ 1,217,969	$ 282,380	$ 62,133	$ 2,523	$ 16,369	$ 1,765,060
Cash flows	**(142,950)**	**898,287**	**282,380**	**(28,680)**	**2,457**	–	**1,011,483**
Effect of exchange rate changes	**16,896**	**(23,409)**	–	**3,483**	–	–	**(3,021)**
Changes in fair value	–	–	–	–	**35,006**	**(9,704)**	**25,301**
Others	**6,589**	**(20,604)**	**(1,770)**	**27,805**	–	**509,563**	**521,574**
Balance at March 31, 2018	**$ 64,213**	**$ 2,072,233**	**$ 562,980**	**$ 64,740**	**$ 39,994**	**$ 516,227**	**$ 3,320,407**

19. Provisions

Summary of provisions and the changes are as follows:

	Millions of yen				
	Provision for product warranties (Note 1)	Provision for restructuring (Note 2)	Asset retirement obligations (Note 3)	Other provisions (Note 4)	Total
Balance at March 31, 2017	¥ 1,552	¥ 1,077	¥ 892	¥ 3,273	¥ 6,795
Provisions made	1,637	3,111	3,186	2,635	10,571
Provisions utilized	(779)	(982)	(10)	(2,093)	(3,866)
Provisions reversed	(570)	–	–	(368)	(939)
Effects of changes in foreign exchange rates	22	74	(0)	102	199
Balance at March 31, 2018	**1,863**	**3,281**	**4,067**	**3,549**	**12,760**
Current	1,863	3,281	91	3,236	8,472
Non-current	¥ –	¥ –	¥ 3,975	¥ 312	¥ 4,288

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

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

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

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

	Thousands of U.S. dollars				
	Provision for product warranties	Provision for restructuring	Asset retirement obligations	Other provisions	Total
Balance at March 31, 2017	$ 14,608	$ 10,137	$ 8,396	$ 30,808	$ 63,959
Provisions made	15,409	29,283	29,989	24,802	99,501
Provisions utilized	(7,332)	(9,243)	(94)	(19,701)	(36,389)
Provisions reversed	(5,365)	–	–	(3,464)	(8,838)
Effects of changes in foreign exchange rates	207	697	(0)	960	1,873
Balance at March 31, 2018	**17,536**	**30,883**	**38,281**	**33,405**	**120,105**
Current	17,536	30,883	857	30,459	79,744
Non-current	$ –	$ –	$ 37,415	$ 2,937	$ 40,361

20. Other financial liabilities

The components of other financial liabilities as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Derivative financial liabilities (Note)	**¥ 60,345**	¥ 4,672	**$ 568,006**
Contingent consideration	**1,274**	–	**11,992**
Others	**35**	61	**329**
Total	**61,656**	4,734	**580,346**
Current	**1,874**	372	**17,639**
Non-current	**¥ 59,781**	¥ 4,362	**$ 562,698**

(Note) Derivative financial liabilities include put options written on non-controlling interests of ¥54,844 million (previous fiscal year: ¥1,739 million).

21. Employee benefits

The Group has in place a corporate pension plan and lump-sum payments on retirement plan as defined benefit plans, and a defined contribution-type corporate pension plan as a defined contribution plan. These pension plans are exposed to general investment risk, interest rate risk, etc., but the Group judges that those risks are not significant. In some cases, the Group pays additional severance benefits to retiring employees.

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

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

(1) Defined benefit plan

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Present value of the defined benefit obligation	**¥ 183,465**	¥ 189,778	**$ 1,726,892**
Fair value of the plan assets	**132,021**	128,692	**1,242,668**
Net amount of liabilities and assets in the consolidated statement of financial position	**51,444**	61,086	**484,224**
Defined benefit liabilities	**51,599**	61,267	**485,683**
Defined benefit assets	**¥ 154**	¥ 181	**$ 1,450**

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Balance, beginning of the year	**¥189,778**	¥189,343	**$1,786,314**
Current service cost	**5,650**	5,765	**53,181**
Past service cost	**67**	97	**631**
Interest cost	**1,831**	1,688	**17,235**
Remeasurement:			
Actuarial gains and losses arising from changes in demographic assumptions	**(1,555)**	34	**(14,637)**
Actuarial gains and losses arising from changes in financial assumptions	**1**	3,960	**9**
Benefits paid	**(13,203)**	(8,176)	**(124,275)**
Benefits paid on settlement	**(118)**	(42)	**(1,111)**
Impact of business combinations and disposal	**–**	45	**–**
Effect of changes in foreign exchange rates and others	**1,013**	(2,937)	**9,535**
Balance, end of the year	**¥183,465**	¥189,778	**$1,726,892**

(Note) As of the end of the current fiscal year, the weighted average payment period for defined benefit obligations was 12 years.

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Balance, beginning of the year	**¥128,692**	¥121,623	**$1,211,333**
Interest income	**1,382**	1,254	**13,008**
Remeasurement:			
Return on plan assets (net)	**4,409**	6,938	**41,500**
Contributions by the employer	**7,539**	7,882	**70,962**
Benefits paid	**(10,435)**	(6,563)	**(98,221)**
Effect of changes in foreign exchange rates and others	**432**	(2,442)	**4,066**
Balance, end of the year	**¥132,021**	¥128,692	**$1,242,668**

(Note) Expected contributions to plan assets in the next fiscal year are ¥7,764 million.

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

	Millions of yen					
	2018			2017		
	Quoted market price in an active market			Quoted market price in an active market		
	Yes	No	Total	Yes	No	Total
Equity securities (Domestic)	**¥23,493**	**¥ 1,382**	**¥ 24,875**	¥21,124	¥ 485	¥ 21,610
Equity securities (Foreign)	**12,513**	**8,713**	**21,226**	16,794	4,859	21,653
Debt securities (Domestic)	**2,659**	**799**	**3,458**	1,786	265	2,051
Debt securities (Foreign)	**21,559**	**4,164**	**25,723**	17,630	2,714	20,344
Employee pension trust (Domestic equity securities)	**8,872**	**–**	**8,872**	10,289	–	10,289
Life insurance company general accounts	**–**	**9,235**	**9,235**	–	9,112	9,112
Cash and cash equivalents	**11,687**	**–**	**11,687**	20,968	–	20,968
Others	**¥14,969**	**¥ 11,970**	**26,939**	¥12,595	¥ 10,066	22,661
Total			**¥132,021**			¥128,692

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

(Note 2) The investment policy for the Company's defined benefit plans is aimed to secure necessary total returns in the long term within the range of allowable risks to ensure the payment of defined benefit obligations in the future. Specifically, in accordance with the requirements of defined-benefit pension plans, a contribution must be made annually after taking into consideration deductible amounts under tax law, the status of plan assets reserves and various actuarial calculations. The contribution amount is subject to actuarial review every three years to ensure a financial balance in the future. Furthermore, if the reserve amount is below that provided by minimum funding standards, a fixed amount must be contributed.

	Thousands of U.S. dollars		
	2018		
	Quoted market price in an active market		
	Yes	No	Total
Equity securities (Domestic)	**$221,131**	**$ 13,008**	**$ 234,140**
Equity securities (Foreign)	**117,780**	**82,012**	**199,793**
Debt securities (Domestic)	**25,028**	**7,521**	**32,549**
Debt securities (Foreign)	**202,927**	**39,194**	**242,122**
Employee pension trust (Domestic equity securities)	**83,509**	**–**	**83,509**
Life insurance company general accounts	**–**	**86,926**	**86,926**
Cash and cash equivalents	**110,006**	**–**	**110,006**
Others	**$140,898**	**$112,669**	**253,567**
Total			**$1,242,668**

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

	%	
	2018	2017
Discount rate	**0.37**	0.42

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

	Millions of yen				Thousands of U.S. dollars	
	2018		2017		**2018**	
	Increase	**Decrease**	Increase	Decrease	**Increase**	**Decrease**
Effect of change of discount rate	**(¥6,440)**	**¥7,132**	(¥6,593)	¥7,302	**($60,617)**	**$67,131**

(2) Defined contribution plan

The amount of expenses in relation to defined contribution plans was ¥5,011 million for the current fiscal year (previous fiscal year: ¥4,826 million).

(3) Other employee benefits

Certain U.S. subsidiaries employ a Supplemental Executive Retirement Plan (SERP). Obligations incurred under this plan amounted to ¥3,140 million for the current fiscal year (previous fiscal year: ¥2,845 million). These amounts are recognized as other non-current liabilities.

22. Equity and other equity items

(1) Share capital and treasury shares

	Number of authorized shares	Number of issued shares (Note 1) (Note 2)	Number of treasury shares (Note 3)
At April 1, 2016	1,200,000,000	502,664,337	7,188,993
Increase	–	–	3,888
Decrease	–	–	151,799
At March 31, 2017	1,200,000,000	502,664,337	7,041,082
Increase	–	–	**1,279,020**
Decrease	–	–	**144,127**
At March 31, 2018	**1,200,000,000**	**502,664,337**	**8,175,975**

(Note 1) Shares issued by the Company are non-par value ordinary shares.
(Note 2) Issued shares are fully paid.
(Note 3) The balance at March 31, 2018 includes 1,274,000 shares of the Company's stock acquired by the Directors' Compensation BIP Trust in the current fiscal year.

(2) Share premium

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

(3) Retained earnings

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

(4) Other components of equity

	Millions of yen					
	Remeasurements of defined benefit pension plans (Note 1)	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income (Note 2)	Net gain (loss) on derivatives designated as cash flow hedges (Note 3)	Exchange differences on translation of foreign operations (Note 4)	Share of other comprehensive income of investments accounted for using the equity method (Note 5)	Total
Balance at April 1, 2016	¥ –	¥4,391	(¥ 1,067)	¥19,872	¥ 7	¥23,204
Increase (decrease)	1,519	3,958	697	(12,142)	(18)	(5,985)
Transfer to retained earnings	(1,519)	(13)	–	–	–	(1,533)
Balance at March 31, 2017	–	8,336	(369)	7,730	(11)	15,685
Increase (decrease)	**2,985**	**1,044**	**232**	**(2,586)**	**27**	**1,703**
Transfer to retained earnings	**(2,985)**	**(1,362)**	**–**	**–**	**–**	**(4,348)**
Balance at March 31, 2018	**¥ –**	**¥8,018**	**(¥ 137)**	**¥ 5,144**	**¥15**	**¥13,041**

(Note 1) Remeasurements of defined benefit pension plans are differences in return on plan assets and interest income on plan assets due to differences between actuarial assumptions at the start of the year and actual results.
(Note 2) Net gain (loss) on revaluation of financial assets measured at fair value through OCI is cumulative in nature.
(Note 3) Net gain (loss) on derivatives designated as cash flow hedges is that the effective portion of the cumulative differences in fair value of derivative transactions designated as cash flow hedges.
(Note 4) Exchange differences on translation of foreign operations are exchange differences resulting from the translation of financial statements of foreign operations and exchange differences on the net investment hedge on foreign operations.
(Note 5) Share of other comprehensive income of investments accounted for using the equity method includes the cumulative net gain (loss) on revaluation of financial assets measured at fair value held by associates and exchange differences resulting from the translation of financial statements of foreign operations.

	Thousands of U.S. dollars					
	Remeasurements of defined benefit pension plans	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Net gain (loss) on derivatives designated as cash flow hedges	Exchange differences on translation of foreign operations	Share of other comprehensive income of investments accounted for using the equity method	Total
Balance at March 31, 2017	$ –	$78,464	($3,473)	$ 72,760	($ 104)	$147,637
Increase (decrease)	**28,097**	**9,827**	**2,184**	**(24,341)**	**254**	**16,030**
Transfer to retained earnings	**(28,097)**	**(12,820)**	**–**	**–**	**–**	**(40,926)**
Balance at March 31, 2018	**$ –**	**$75,471**	**($1,290)**	**$ 48,419**	**$ 141**	**$122,750**

23. Dividends

(1) Dividend payments

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

		Millions of yen	Yen			
Resolution	Class of shares	Amount of dividends	Dividends per share	Record date	Effective date	Source of dividends
Board of Directors' meeting held on May 12, 2016	Ordinary shares	¥7,432	¥15.00	March 31, 2016	May 27, 2016	Retained earnings
Board of Directors' meeting held on October 31, 2016	Ordinary shares	¥7,433	¥15.00	September 30, 2016	November 29, 2016	Retained earnings

Current fiscal year (From April 1, 2017 to March 31, 2018)

Resolution	Class of shares	Millions of yen Amount of dividends	Yen Dividends per share	Record date	Effective date	Source of dividends	Thousands of U.S. dollars Amount of dividends	U.S. dollars Dividends per share
Board of Directors' meeting held on May 11, 2017	Ordinary shares	¥7,434	¥15.00	March 31, 2017	May 29, 2017	Retained earnings	$69,974	$0.14
Board of Directors' meeting held on October 30, 2017 (Note)	Ordinary shares	¥7,435	¥15.00	September 30, 2017	November 28, 2017	Retained earnings	$69,983	$0.14

(Note) The amount of dividends based on the resolution at the Board of Directors' meeting held on October 30, 2017 includes ¥19 million of dividends on the Company's shares owned by the trust account associated with the Directors' Compensation BIP Trust.

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

Resolution	Class of shares	Millions of yen Amount of dividends	Yen Dividends per share	Record date	Effective date	Source of dividends	Thousands of U.S. dollars Amount of dividends	U.S. dollars Dividends per share
Board of Directors' meeting held on May 14, 2018 (Note)	Ordinary shares	¥7,436	¥15.00	March 31, 2018	May 30, 2018	Retained earnings	$69,992	$0.14

(Note) The amount of dividends based on the resolution at the Board of Directors' meeting held on May 14, 2018 includes ¥19 million of dividends on the Company's shares owned by the trust account associated with the Directors' Compensation BIP Trust.

24. Revenue

The components of revenue for fiscal years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Sales of goods	**¥ 588,923**	¥ 556,092	**$5,543,326**
Rendering of services	**442,333**	406,463	**4,163,526**
Total	**¥ 1,031,256**	¥ 962,555	**$9,706,852**

25. Other income

The components of other income for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Gain on sale of property, plant and equipment and intangible assets (Note 1)	**¥ 20,858**	¥ 1,003	**$ 196,329**
Patent-related income (Note 2)	**–**	7,751	**–**
Others	**3,998**	5,392	**37,632**
Total	**¥ 24,856**	¥ 14,147	**$ 233,961**

(Note 1) Gain on sale of property, plant and equipment and intangible assets in the current fiscal year is principally due to sale of fixed assets in Japan, Hong Kong and the United States through sale and leaseback that constitutes an operating lease for the purpose of liquidation of fixed assets.

(Note 2) Patent-related income in the previous fiscal year was consideration for licensing of patent right related to Industrial Business.

26. Other expenses

The components of other expenses for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Special extra retirement payment (Note 1)	**¥ 5,332**	¥ 155	**$ 50,188**
Business restructuring improvement expenses (Note 2)	**4,620**	1,486	**43,486**
Loss on disposal of mass-produced trial products (Note 3)	**1,804**	2,165	**16,980**
Loss on sales and disposals of property, plant and equipment and intangible assets	**968**	1,004	**9,111**
Others	**4,093**	2,515	**38,526**
Total	**¥ 16,819**	¥ 7,328	**$ 158,311**

(Note 1) Special extra retirement payment includes extra retirement payment paid to retired employees related to an implementation of a special early retirement program in Japan.

(Note 2) Business restructuring improvement expenses are mainly related to structural reform of sales sites in Europe, North America, and other areas in the Office Business and the Professional Print Business.

(Note 3) Loss on disposal of mass-produced trial products is the loss on disposal of mass-produced trial products generated by the Industrial Business in the process of launching new products.

27. Operating expenses by nature

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Personnel expenses	**¥ 343,408**	¥ 327,100	**$ 3,232,380**
Depreciation and amortization expenses	**¥ 56,257**	¥ 51,804	**$ 529,527**

The total amount of research and development expenses included in operating expenses for the current fiscal year is ¥77,021 million (previous fiscal year: ¥73,275 million).

28. Finance income and costs

The components of finance income and costs, for fiscal years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Finance income			
Interest income			
Financial assets measured at amortized cost	**¥ 1,139**	¥ 1,416	**$10,721**
Financial assets and liabilities measured at FVTPL	**1,456**	746	**13,705**
Dividends received			
Financial assets measured at FVTOCI	**605**	525	**5,695**
Others			
Financial assets and liabilities measured at FVTPL	**576**	36	**5,422**
Total	**3,778**	2,724	**35,561**
Finance costs			
Interest expense			
Financial liabilities measured at amortized cost	**4,198**	2,508	**39,514**
Financial assets and liabilities measured at FVTPL	**844**	340	**7,944**
Foreign exchange loss (Note)	**2,444**	46	**23,005**
Others			
Financial liabilities measured at amortized cost	**353**	397	**3,323**
Financial assets and liabilities measured at FVTPL	**9**	159	**85**
Total	**¥ 7,851**	¥ 3,451	**$73,899**

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

29. Earnings per share

A calculation of basic and diluted earnings per share attributable to owners of the Company for fiscal years ended March 31, 2018 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Basis of calculating basic earnings per share			
Profit for the year attributable to owners of the Company	**¥ 32,248**	¥ 31,542	**$ 303,539**
Profit for the year not attributable to owners of the Company	–	–	–
Profit for the year to calculate basic earnings per share	**32,248**	31,542	**303,539**
Adjustments of profit for the year	–	–	–
Profit for the year to calculate diluted earnings per share	**¥ 32,248**	¥ 31,542	**$ 303,539**

	Thousands of shares	
	2018	2017
Weighted average number of ordinary shares outstanding during the period	**494,865**	495,554
Impact of dilutive effects	**1,560**	1,409
Weighted average number of diluted ordinary shares outstanding during the period	**496,426**	496,963

	Yen		U.S. dollars
	2018	2017	**2018**
Basic earnings per share attributable to owners of the Company	**¥65.17**	¥63.65	**$0.61**
Diluted earnings per share attributable to owners of the Company	**¥64.96**	¥63.47	**$0.61**

30. Other comprehensive income

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plans			
Amount arising during the year	**¥ 5,963**	¥ 2,943	**$ 56,128**
Income tax expense	**(2,977)**	(1,424)	**(28,021)**
Net of tax effects	**2,985**	1,519	**28,097**
Net gain (loss) on revaluation of financial assets measured at fair value			
Amount arising during the year	**1,527**	5,702	**14,373**
Income tax expense	**(482)**	(1,744)	**(4,537)**
Net of tax effects	**1,044**	3,958	**9,827**
Share of other comprehensive income of investments accounted for using the equity method	**0**	(0)	**0**
Subtotal	**4,030**	5,477	**37,933**
Items that may be subsequently reclassified to profit or loss			
Net gain (loss) on derivatives designated as cash flow hedges			
Amount arising during the year	**(3,947)**	2,985	**(37,152)**
Reclassification adjustments	**4,283**	(2,152)	**40,314**
Income tax expense	**(103)**	(135)	**(970)**
Net of tax effects	**232**	697	**2,184**
Exchange differences on translation of foreign operations			
Amount arising during the year	**(2,936)**	(11,367)	**(27,636)**
Reclassification adjustments	**–**	(320)	**–**
Income tax expense	**1,081**	(637)	**10,175**
Net of tax effects	**(1,854)**	(12,324)	**(17,451)**
Share of other comprehensive income of investments accounted for using the equity method	**26**	(18)	**245**
Subtotal	**(1,595)**	(11,645)	**(15,013)**
Total	**¥ 2,435**	(¥ 6,168)	**$ 22,920**

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Exchange differences on translation of foreign operations	**¥731**	(¥182)	**$6,881**
Total	**¥731**	(¥182)	**$6,881**

31. Share-based payment

(1) Share option plan

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

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

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

The Group accounts for share-based payments as equity-settled share-based payments. Expenses related to equity-settled share-based payment transactions are recognized as selling, general and administrative expenses in the consolidated statements of profit or loss. This amount for the current fiscal year is ¥34 million (previous fiscal year: ¥124 million).

The Group uses valuation technique, i.e. Black-Scholes model, to estimate the fair value of the share options. The Group has decided not to grant new share options after the 12th share options, which were issued in August 2016, being as the last ones.

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

	2018		2017	
	Number of shares	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)
Outstanding, beginning of the year	**1,414,000**	**¥1**	1,378,400	¥1
Granted	**–**	**1**	191,400	1
Exercised	**144,000**	**1**	151,500	1
Forfeited	**1,300**	**1**	4,300	1
Outstanding, end of the year	**1,268,700**	**1**	1,414,000	1
Exercisable, end of the year	**1,268,700**	**¥1**	1,414,000	¥1

(Note 1) The number of share options outstanding for each fiscal year is converted to the number of shares.

(Note 2) The weighted average share price for share options exercised during the year was ¥961 (previous fiscal year: ¥961).

(Note 3) The weighted average remaining number of years for unexercised share options as of the end of the current fiscal year was 20 years (previous fiscal year: 20 years).

(2) Performance-linked share-based payment plan

The Group has in place a system called a Directors' Compensation Board Incentive Plan (BIP) Trust as share-based payments, and grants points to executive officers, directors (excluding outside directors), group executives and technology fellows of the Company (hereinafter, "officers, etc.").

Based on the share distribution regulations, points are granted to officers according to the corporate position and achievement level of performance targets in the Medium Term Business Plan, etc. According to these points, the Company's shares and cash equivalent to price of conversion of the Company's shares into cash are delivered or provided (hereinafter, "delivery, etc.") after the period covered by the Medium Term Business Plan ends.

No vesting conditions are attached, but in the event that an officer, etc. retires prior to the completion of his target service period, delivery, etc. according to the number of points corresponding to that number granted multiplied by the number of months in appointment (from the month prior to the month in which the target service period started until the month in which the officer, etc. retired) and divided by 12 is made to him.

Funds for the above delivery, etc. are contributed to the trust to acquire the Company's shares from the stock market. As of the end of the current fiscal year, the balance of the Company's shares owned by the trust was ¥1,159 million and recorded as treasury shares in the consolidated statement of financial position.

	2018
Number of points	**237,248**
Fair value (Note 1) (Yen)	**¥910**
Amount recorded as expenses (Note 2) (Millions of yen)	**¥215**

(Note 1) The fair value of the Company's shares delivered, etc. according to points granted during the period is measured based on the observable market price, and expected dividends are taken into accounted in the fair value measurement.

(Note 2) The Group's share-based payment plan is accounted for as equity-settled share-based payments, and expenses for equity-settled share-based payments transactions are recorded as selling, general and administrative expenses in the consolidated statement of profit or loss.

32. Financial instruments

(1) Capital management

In order to achieve growth and improvement in corporate value over the medium- to long-term, the Group ensures financial soundness while increasing the capital efficiency, as its basic policy for capital management.

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

	2018	2017
ROE (Note 1)	6.1%	6.1%
Equity ratio attributable to owners of the Company (Note 2)	43.6%	52.1%
D/E ratio (Note 3)	0.56 times	0.35 times
Net D/E ratio (Note 4)	0.27 times	0.18 times

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

(2) Categories of financial instruments

1) The Group classifies financial instruments as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Financial assets			
Cash and cash equivalents	¥ 149,913	¥ 92,628	$ 1,411,079
Financial assets measured at amortized cost			
Trade and other receivables	263,453	243,195	2,479,791
Other financial assets	13,952	14,197	131,325
Financial assets measured at FVTOCI			
Other financial assets	28,615	27,782	269,343
Financial assets measured at FVTPL			
Other financial assets	6,366	12,486	59,921
Total	462,301	390,290	4,351,478
Financial liabilities			
Financial liabilities measured at amortized cost			
Trade and other payables	173,996	156,090	1,637,764
Bonds and borrowings	293,667	185,512	2,764,185
Other financial liabilities	35	61	329
Financial liabilities measured at FVTPL			
Other financial liabilities	6,776	2,933	63,780
Total	¥ 474,476	¥ 344,598	$ 4,466,077

In addition to the above, put options written on non-controlling interests are ¥54,844 million (previous fiscal year: ¥1,739 million).

2) Financial assets designated as FVTOCI

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

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
OMRON Corporation	¥ 3,378	¥ 2,719	$ 31,796
Marubeni Corporation	2,763	2,559	26,007
ROHM Co., Ltd.	2,324	1,634	21,875
Sumitomo Mitsui Financial Group, Inc.	1,286	1,214	12,105
T&D Holdings, Inc.	¥ 1,277	¥ 1,331	$ 12,020

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

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Fair value at time of sale	**¥ 2,357**	¥ 111	**$ 22,186**
Cumulative gains (net of tax effects)	**1,985**	22	**18,684**
Dividends received	**¥ 8**	¥ 7	**$ 75**

(3) Financial risk management

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

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

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

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

(a) Past-due receivables

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

As of March 31, 2017

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

As of March 31, 2018

	Millions of yen			
	Amount past due			
	3 months or less	More than 3 months, 6 months or less	More than 6 months, 12 months or less	More than 12 months
Trade and other receivables (Gross)	**¥35,594**	**¥6,166**	**¥2,359**	**¥3,434**
Allowance for doubtful accounts	**(492)**	**(709)**	**(813)**	**(2,644)**
Trade and other receivables	**¥35,101**	**¥5,457**	**¥1,546**	**¥ 789**

As of March 31, 2018

	Thousands of U.S. dollars			
	Amount past due			
	3 months or less	More than 3 months, 6 months or less	More than 6 months, 12 months or less	More than 12 months
Trade and other receivables (Gross)	**$335,034**	**$58,038**	**$ 22,204**	**$32,323**
Allowance for doubtful accounts	**(4,631)**	**(6,674)**	**(7,652)**	**(24,887)**
Trade and other receivables	**$330,393**	**$51,365**	**$ 14,552**	**$ 7,427**

(b) Allowance for doubtful accounts

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

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

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Balance, beginning of the year	**¥6,198**	¥7,103	**$58,340**
Provisions made	**2,303**	1,244	**21,677**
Provisions utilized	**(1,406)**	(802)	**(13,234)**
Provisions reversed	**(453)**	(1,103)	**(4,264)**
Effects of changes in foreign exchange rates	**109**	(243)	**1,026**
Balance, end of the year	**¥6,752**	¥6,198	**$63,554**

Taking into account such factors as customers' financial conditions and past-due status, impairment losses recognized on trade and other receivables were ¥4,353 million in the current fiscal year (previous fiscal year: ¥3,859 million). Allowances for doubtful accounts on these receivables were ¥2,339 million (previous fiscal year: ¥2,296 million).

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

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

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

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

As of March 31, 2017

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

As of March 31, 2018

	Millions of yen							
	Carrying amounts	Contractual cash flows	1 year or less	More than 1 year, 2 years or less	More than 2 years, 3 years or less	More than 3 years, 4 years or less	More than 4 years, 5 years or less	More than 5 years
Long-term loans payable	**¥220,154**	**¥223,979**	**¥ 3,579**	**¥14,971**	**¥36,295**	**¥31,106**	**¥28,201**	**¥109,826**
Bonds	**59,811**	**60,000**	**20,000**	**–**	**10,000**	**–**	**–**	**30,000**
Lease obligations	**6,878**	**6,878**	**2,734**	**1,524**	**1,100**	**801**	**476**	**241**
Derivative financial liabilities	**60,345**	**60,345**	**1,812**	**570**	**1,460**	**53,698**	**2,660**	**143**
Others	**1,310**	**1,310**	**62**	**1,248**	**–**	**–**	**–**	**–**
Total	**¥348,501**	**¥352,514**	**¥28,188**	**¥18,314**	**¥48,855**	**¥85,606**	**¥31,338**	**¥140,210**

As of March 31, 2018

	Thousands of U.S. dollars							
	Carrying amounts	Contractual cash flows	1 year or less	More than 1 year, 2 years or less	More than 2 years, 3 years or less	More than 3 years, 4 years or less	More than 4 years, 5 years or less	More than 5 years
Long-term loans payable	**$2,072,233**	**$2,108,236**	**$ 33,688**	**$ 140,917**	**$ 341,632**	**$292,790**	**$265,446**	**$1,033,754**
Bonds	**562,980**	**564,759**	**188,253**	**–**	**94,127**	**–**	**–**	**282,380**
Lease obligations	**64,740**	**64,740**	**25,734**	**14,345**	**10,354**	**7,540**	**4,480**	**2,268**
Derivative financial liabilities	**568,006**	**568,006**	**17,056**	**5,365**	**13,742**	**505,441**	**25,038**	**1,346**
Others	**12,331**	**12,331**	**584**	**11,747**	**–**	**–**	**–**	**–**
Total	**$3,280,318**	**$3,318,091**	**$ 265,324**	**$ 172,383**	**$ 459,855**	**$805,779**	**$294,974**	**$1,319,748**

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

(a) Foreign exchange fluctuation risk

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

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
U.S. dollar	**¥ 169**	¥ 227	**$ 1,591**
Euro	**95**	(179)	**894**
Pound sterling	**(¥ 1)**	¥ 8	**($ 9)**

(b) Share price fluctuation risk

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

Share price fluctuation sensitivity analysis
In the sensitivity analysis below, the Group calculates sensitivity based on the price risk on equity financial instruments at the end of the fiscal year. A 1% increase or decrease in share prices had a ¥248 million impact on other components of equity (before tax effects) as of the end of the current fiscal year (previous fiscal year: ¥256 million).

(c) Interest rate fluctuation risk

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

(4) Fair value of financial instruments

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

1) Derivative financial assets and liabilities

Fair value of currency derivatives is based on forward quotations and prices quoted by financial institutions that enter into these contracts. Fair value of interest rate derivatives is based on prices quoted by financial institutions that enter into these contracts, and both are classified in level 2.

Fair value of put options written on non-controlling interests is calculated by forecasting the future exercise price using Monte Carlo simulation with expected EBITDA of the acquired company in the expected exercise period, expected EBITDA multiple of similar companies and other data used as inputs, and discounting the amount paid to the counterparty according to that forecast at an appropriate discount rate. The fair value is classified in level 3 because inputs that are not based on observable market data are used in the calculation. If expected EBITDA of the acquired company or expected EBITDA multiple of similar companies increases (decreases), the fair value increases (decreases).

2) Investment securities

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

3) Borrowings

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

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

4) Bonds

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

5) Contingent consideration

Fair value is calculated by estimating the amount of additional payment that may occur in the future, using an appropriate valuation method.

6) Financial instruments other than those indicated above

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

Carrying amounts and fair value of major financial instruments measured at amortized cost are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2018		2017		**2018**	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Long-term loans payable	**¥220,154**	**¥197,753**	¥129,397	¥125,546	**$2,072,233**	**$1,861,380**
Bonds	**59,811**	**60,115**	30,000	30,345	**562,980**	**565,841**
Total	**¥279,966**	**¥257,868**	¥159,397	¥155,891	**$2,635,222**	**$2,427,221**

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

(5) Fair value hierarchy

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

Level 1: Fair value measured at the quoted price in the active market
Level 2: Fair value that is calculated using the observable market inputs other than quoted price directly or indirectly
Level 3: Fair value that is calculated based on valuation techniques which include inputs that are not based on observable market data

Transfers between fair value hierarchy levels are recognized on the date the event or condition prompting the transfer occurred.

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

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

	Millions of yen			
	2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Investment securities	**¥ 24,805**	**¥ –**	**¥ 3,908**	**¥ 28,714**
Derivative financial assets	**–**	**1,221**	**–**	**1,221**
Others	**4,036**	**–**	**1,009**	**5,045**
Total	**28,842**	**1,221**	**4,917**	**34,981**
Financial liabilities				
Derivative financial liabilities	**–**	**5,501**	**54,844**	**60,345**
Others	**–**	**–**	**1,274**	**1,274**
Total	**¥ –**	**¥ 5,501**	**¥ 56,119**	**¥ 61,620**

(Note) No transfers between level 1, 2 and 3 occurred during the previous fiscal year and the current fiscal year.

	Thousands of U.S. dollars			
	2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Investment securities	**$ 233,481**	**$ –**	**$ 36,785**	**$ 270,275**
Derivative financial assets	**–**	**11,493**	**–**	**11,493**
Others	**37,989**	**–**	**9,497**	**47,487**
Total	**271,480**	**11,493**	**46,282**	**329,264**
Financial liabilities				
Derivative financial liabilities	**–**	**51,779**	**516,227**	**568,006**
Others	**–**	**–**	**11,992**	**11,992**
Total	**$ –**	**$ 51,779**	**$ 528,229**	**$ 580,008**

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

	Millions of yen	
	Financial assets	Financial liabilities
Balance at April 1, 2016	¥ 2,927	¥ 34
Gains (losses) (Note 1)		
Profit for the year	(155)	–
Other comprehensive income	92	–
Acquisitions	222	–
Disposals and settlements	(52)	(32)
Business combinations (Note 2)	–	1,343
Others (Note 3)	–	424
Effects of changes in foreign exchange rates	(5)	(30)
Balance at March 31, 2017	3,029	1,739
Gains (losses) (Note 1)		
Profit for the year	**14**	**(573)**
Other comprehensive income	**104**	–
Acquisitions	**1,878**	–
Disposals and settlements	**(117)**	–
Business combinations (Note 2)	–	**56,051**
Others (Note 3)	–	**(1,031)**
Effects of changes in foreign exchange rates	**8**	**(65)**
Balance at March 31, 2018	**¥ 4,917**	**¥ 56,119**

(Note 1) Gains or losses recognized in profit for the year are presented in the consolidated statements of profit or loss as "finance income" or "finance costs". Gains or losses recognized in other comprehensive income are presented in the consolidated statement of comprehensive income as "net gain (loss) on revaluation of financial assets measured at fair value".

(Note 2) This is the liability recognized by granting put options written on non-controlling interests and the liability recognized by setting contingent consideration as part of the consideration for the business combination when the Group acquired shares in acquired companies through the business combination.

(Note 3) This is the difference in change arising from subsequently measuring fair value of put options written on non-controlling interests. The difference in change was recorded in share premium.

	Thousands of U.S. dollars	
	Financial assets	Financial liabilities
Balance at March 31, 2017	$ 28,511	$ 16,369
Gains (losses)		
Profit for the year	**132**	**(5,393)**
Other comprehensive income	**979**	–
Acquisitions	**17,677**	–
Disposals and settlements	**(1,101)**	–
Business combinations	–	**527,588**
Others	–	**(9,704)**
Effects of changes in foreign exchange rates	**75**	**(612)**
Balance at March 31, 2018	**$ 46,282**	**$ 528,229**

(6) Derivatives and hedge accounting

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

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

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

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

The fair value of derivatives are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Derivatives employing hedge accounting			
Currency derivatives	**¥ 106**	¥ 96	**$ 998**
Interest rate derivatives	**(221)**	(522)	**(2,080)**
Net investment hedge derivatives	**41**	5,712	**386**
Derivatives not employing hedge accounting			
Currency derivatives	**(4,206)**	(546)	**(39,590)**
Interest rate derivatives	**–**	91	**–**
Put options written on non-controlling interests	**(54,844)**	(1,739)	**(516,227)**
Total	**(¥59,124)**	¥3,091	**($ 556,514)**

(Note) In addition to the above items, foreign-currency borrowings of ¥6,069 million (previous fiscal year: ¥5,216 million) are designated as hedging instruments to hedge a portion of its foreign exchange exposure in equity investments in foreign operations, and a net investment hedge is applied.

(7) Offsetting financial assets and financial liabilities

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

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

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

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

Current fiscal year (From April 1, 2017 to March 31, 2018)

		Millions of yen		
Financial assets	Type of transaction	Total amount of recognized financial assets	Total amount of recognized financial liabilities to be offset in consolidated statement of financial position	Net amount of financial assets reported in consolidated statement of financial position
Cash and cash equivalents	Notional pooling	**¥ 10,225**	**¥ 10,225**	**¥ –**

Financial liabilities	Type of transaction	Total amount of recognized financial liabilities	Total amount of recognized financial assets to be offset in consolidated statement of financial position	Net amount of financial liabilities reported in consolidated statement of financial position
Bonds and borrowings	Notional pooling	**¥ 10,447**	**¥ 10,225**	**¥ 221**

		Thousands of U.S. dollars		
Financial assets	Type of transaction	Total amount of recognized financial assets	Total amount of recognized financial liabilities to be offset in consolidated statement of financial position	Net amount of financial assets reported in consolidated statement of financial position
Cash and cash equivalents	Notional pooling	**$ 96,244**	**$ 96,244**	**$ –**

Financial liabilities	Type of transaction	Total amount of recognized financial liabilities	Total amount of recognized financial assets to be offset in consolidated statement of financial position	Net amount of financial liabilities reported in consolidated statement of financial position
Bonds and borrowings	Notional pooling	**$ 98,334**	**$ 96,244**	**$ 2,080**

33. Related parties

Remuneration for directors and audit and supervisory board members for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Fixed remuneration	**¥ 834**	¥ 765	**$ 7,850**
Performance-linked remuneration	**267**	200	**2,513**
Share-based remuneration	**215**	114	**2,024**
Total	**¥ 1,317**	¥ 1,079	**$ 12,396**

34. Commitments

The amount of contractual commitments to acquire assets is negligible.

35. Contingencies

The Group guarantees borrowings and lease obligations, etc., to financial institutions for companies outside the Group. As of the end of the current fiscal year, guarantee obligations totaled to ¥263 million (previous fiscal year: ¥316 million). As the likelihood of performance of these guarantee obligations is low, they are not recognized as financial liabilities.

36. Disclosure of interests in other entities

The Group's subsidiaries as of March 31, 2018 are as follows:

Name	Location	Ownership interest (%)
Konica Minolta Japan, Inc.	Minato-ku, Tokyo	100
Kinko's Japan Co., Ltd.	Minato-ku, Tokyo	100
Konica Minolta Supplies Manufacturing Co., Ltd.	Kofu, Yamanashi	100
Konica Minolta Technoproducts Co., Ltd.	Sayama, Saitama	100
Konica Minolta Opto Products Co., Ltd.	Fuefuki, Yamanashi	100
Konica Minolta Planetarium Co., Ltd.	Toshima-ku, Tokyo	100
Konica Minolta Business Associates Co., Ltd.	Hino, Tokyo	100
Konica Minolta Engineering Co., Ltd.	Hino, Tokyo	100
Konica Minolta Information System Co., Ltd.	Hachioji, Tokyo	100
Konica Minolta Business Solutions U.S.A., Inc.	New Jersey, U.S.A.	100
Konica Minolta Business Solutions Europe GmbH	Langenhagen, Germany	100
Konica Minolta Business Solutions Deutschland GmbH	Langenhagen, Germany	100
Konica Minolta Business Solutions France S.A.S.	Carrieres-sur-Seine, France	100
Konica Minolta Business Solutions (UK) Limited	Essex, United Kingdom	100
Konica Minolta Marketing Services EMEA Limited	Hertfordshire, United Kingdom	100
Konica Minolta Business Solutions (CHINA) Co., Ltd.	Shanghai, China	100
Konica Minolta Business Technologies Manufacturing (HK) Limited	Hong Kong, China	100
Konica Minolta Business Technologies (WUXI) Co., Ltd.	Wuxi, China	100
Konica Minolta Business Technologies (DONGGUAN) Co., Ltd.	Dongguan, China	100
Konica Minolta Business Technologies (Malaysia) Sdn. Bhd.	Melaka, Malaysia	100
Konica Minolta Business Solutions Australia Pty. Ltd.	New South Wales, Australia	100
Konica Minolta Healthcare Americas, Inc.	New Jersey, U.S.A.	100
Konica Minolta Medical & Graphic (Shanghai) Co., Ltd.	Shanghai, China	100
Radiant Vision Systems, LLC	Washington, U.S.A.	100
Instrument Systems GmbH	Munich, Germany	100
Konica Minolta Opto (Dalian) Co., Ltd.	Dalian, China	100
Ambry Genetics Corporation	California, U.S.A.	60
Invicro, LLC	Massachusetts, U.S.A.	95
MOBOTIX AG	Langmeil, Germany	65.5
Konica Minolta Holdings U.S.A., Inc.	New Jersey, U.S.A.	100
Konica Minolta (China) Investment Ltd.	Shanghai, China	100
133 other companies		

(Note) The Group acquired shares of Ambry Genetics Corporation and equity interest in Invicro, LLC in the current fiscal year. As a result, both are included in the scope of consolidation.

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

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

37. Events after the reporting period

(Sale of fixed assets)
The Company entered into a sale agreement on June 27, 2018, as described below.
After said sale of fixed assets, the Group's place of business will not be relocated as a result of this sale due to a lease agreement with the purchaser that will allow the Group to continue using the assets.

1. Reason for the sale
In order to enhance asset efficiency and strengthen the Company's financial structure by effectively utilizing resources

2. Summary of the assets sold and to be sold

Details and location of asset		Current state
Land	93,014.25 m^2	Tokyo Site (Hachioji) - Land
Location	2970-1 Ishikawa-machi, Hachioji-shi, Tokyo, 2970-9 Ishikawa-machi, Hachioji-shi, Tokyo and 2970-10 Ishikawa-machi, Hachioji-shi, Tokyo	

3. Purchaser
Sumitomo Mitsui Finance and Leasing Company, Limited

4. Delivery date

June 28, 2018	2970-9 Ishikawa-machi, Hachioji-shi, Tokyo
September, 2018 (planned)	2970-1 Ishikawa-machi, Hachioji-shi, Tokyo
March, 2019 (planned)	2970-10 Ishikawa-machi, Hachioji-shi, Tokyo

5. Effect of this event on profit
The sale of the fixed assets is expected to result in the recording of gain on sale of fixed assets of ¥13.9 billion for the fiscal year ending March 31, 2019.

KPMG

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Konica Minolta, Inc. and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Konica Minolta, Inc. and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for convenience of the reader. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

KPMG AZSA LLC

August 8, 2018
Tokyo, Japan