KONICA MINOLTA, INC.

Integrated Report 2020

Audited Financial Report

Giving Shape to Ideas

Consolidated Statement of Financial Position

Konica Minolta, Inc. and Subsidiaries
As of March 31, 2020 and 2019

		Millions of yen		Thousands of U.S. dollars
Assets	Note	**2020**	2019	**2020**
Current assets				
Cash and cash equivalents	32	¥ **89,901**	¥ 124,830	$ **826,068**
Trade and other receivables	7, 14, 32	**260,850**	275,563	**2,396,857**
Inventories	8	**162,575**	144,703	**1,493,844**
Income tax receivables		**4,775**	3,305	**43,876**
Other financial assets	9, 32	**6,113**	3,406	**56,170**
Other current assets		**26,938**	27,128	**247,524**
Total current assets		**551,154**	578,937	**5,064,357**
Non-current assets				
Property, plant and equipment	10, 12	**309,457**	207,138	**2,843,490**
Goodwill and intangible assets	11, 12	**337,785**	346,133	**3,103,786**
Investments accounted for using the equity method	13	**644**	913	**5,917**
Other financial assets	9, 32	**38,394**	46,711	**352,789**
Deferred tax assets	15	**34,562**	32,505	**317,578**
Other non-current assets		**4,770**	6,647	**43,830**
Total non-current assets	5	**725,614**	640,048	**6,667,408**
Total assets		¥ **1,276,768**	¥ 1,218,986	$ **11,731,765**

Liabilities	Note	Millions of yen 2020	Millions of yen 2019	Thousands of U.S. dollars 2020
Current liabilities				
Trade and other payables	16, 32	¥ 162,886	¥ 175,268	$ 1,496,701
Bonds and borrowings	17, 32	59,267	24,648	544,583
Lease liabilities	3, 14	18,456	-	169,586
Income tax payables		286	7,875	2,628
Provisions	19	12,028	12,260	110,521
Other financial liabilities	20, 32	2,927	463	26,895
Other current liabilities		47,556	50,857	436,975
Total current liabilities		303,409	271,374	2,787,917
Non-current liabilities				
Bonds and borrowings	17, 32	230,027	249,088	2,113,636
Lease liabilities	3, 14	95,760	-	879,904
Retirement benefit liabilities	21	33,840	38,457	310,944
Provisions	19	15,205	15,540	139,713
Other financial liabilities	20, 32	46,381	58,284	426,178
Deferred tax liabilities	15	11,973	12,497	110,016
Other non-current liabilities		6,404	7,760	58,844
Total non-current liabilities		439,593	381,628	4,039,263
Total liabilities		743,002	653,002	6,827,180
Equity				
Share capital	22	37,519	37,519	344,749
Share premium	22	196,135	188,333	1,802,214
Retained earnings	22	307,179	324,628	2,822,558
Treasury shares	22	(9,684)	(9,979)	(88,983)
Share acquisition rights	31	728	836	6,689
Other components of equity	22	(8,133)	14,350	(74,731)
Equity attributable to owners of the Company		523,745	555,689	4,812,506
Non-controlling interests		10,020	10,294	92,070
Total equity		533,766	565,983	4,904,585
Total liabilities and equity		¥ 1,276,768	¥ 1,218,986	$ 11,731,765

Consolidated Statement of Profit or Loss

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2020 and 2019

	Note	Millions of yen 2020	Millions of yen 2019	Thousands of U.S. dollars 2020
Revenue	5, 24	¥ 996,101	¥ 1,059,120	$ 9,152,816
Cost of sales	27	529,780	550,231	4,867,959
Gross profit		466,321	508,888	4,284,857
Other income	25	4,615	25,402	42,406
Selling, general and administrative expenses	27	443,071	458,194	4,071,221
Other expenses	12, 26, 27	19,654	13,652	180,594
Operating profit	5	8,211	62,444	75,448
Finance income	28	4,923	6,091	45,236
Finance costs	28	12,594	7,772	115,722
Share of loss in investments accounted for using the equity method	13	(255)	(624)	(2,343)
Profit before tax		284	60,138	2,610
Income tax expense	15	3,371	18,409	30,975
Profit (loss) for the year		(¥ 3,086)	¥ 41,729	($ 28,356)
Profit (loss) for the year attributable to:				
Owners of the Company		(¥ 3,073)	¥ 41,705	($ 28,237)
Non-controlling interests		(12)	24	(110)

	Note	Yen 2020	Yen 2019	U.S. dollars 2020
Earnings (loss) per share	29			
Basic		(¥6.21)	¥84.33	($0.06)
Diluted		(6.21)	84.03	(0.06)

Consolidated Statement of Comprehensive Income

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2020 and 2019

	Note	Millions of yen 2020	Millions of yen 2019	Thousands of U.S. dollars 2020
Profit (loss) for the year		(¥ 3,086)	¥ 41,729	($ 28,356)
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit pension plans (net of tax)	30	1,031	(1,770)	9,473
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	30	(2,782)	(1,701)	(25,563)
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	13, 30	-	0	-
Total items that will not be reclassified to profit or loss		(1,750)	(3,471)	(16,080)
Items that may be subsequently reclassified to profit or loss				
Net gain on derivatives designated as cash flow hedges (net of tax)	30	(779)	977	(7,158)
Exchange differences on translation of foreign operations (net of tax)	30	(18,998)	2,438	(174,566)
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	13, 30	(13)	(18)	(119)
Total items that may be subsequently reclassified to profit or loss		(19,791)	3,396	(181,852)
Total other comprehensive income		(21,542)	(75)	(197,942)
Total comprehensive income for the year		(¥ 24,628)	¥ 41,654	($ 226,298)
Total comprehensive income for the year attributable to:				
Owners of the Company		(¥ 24,213)	¥ 42,311	($ 222,485)
Non-controlling interests		(414)	(656)	(3,804)

Consolidated Statement of Changes in Equity

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2020 and 2019

	Note	Millions of yen								
		Share capital	Share premium	Retained earnings	Treasury shares	Share acquisition rights	Other components of equity	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Previous balance reported at April 1, 2018		¥ 37,519	¥ 184,841	¥ 298,366	(¥ 10,189)	¥ 934	¥ 13,041	¥ 524,513	¥ 11,075	¥ 535,588
Effect of changes in accounting policies		–	–	188	–	–	–	188	–	188
Restated balance at April 1, 2018		37,519	184,841	298,554	(10,189)	934	13,041	524,701	11,075	535,776
Profit (loss) for the year		–	–	41,705	–	–	–	41,705	24	41,729
Other comprehensive income	30	–	–	–	–	–	605	605	(681)	(75)
Total comprehensive income for the year		–	–	41,705	–	–	605	42,311	(656)	41,654
Dividends	23	–	–	(14,836)	–	–	–	(14,836)	(46)	(14,882)
Acquisition and disposal of treasury shares	22	–	–	(91)	210	–	–	118	–	118
Share-based payments	31	–	342	–	–	(98)	–	243	–	243
Changes in non-controlling interests due to changes in subsidiaries		–	–	–	–	–	–	–	20	20
Equity and other transactions with non-controlling shareholders		–	(33)	–	–	–	–	(33)	(97)	(130)
Put options written on non-controlling interests		–	3,183	–	–	–	–	3,183	–	3,183
Transfer from other components of equity to retained earnings	22	–	–	(703)	–	–	703	–	–	–
Total transactions with owners		–	3,492	(15,631)	210	(98)	703	(11,323)	(123)	(11,447)
Balance at March 31, 2019		37,519	188,333	324,628	(9,979)	836	14,350	555,689	10,294	565,983
Effect of changes in accounting policies	2	–	–	(744)	–	–	–	(744)	–	(744)
Restated balance at March 31, 2019		37,519	188,333	323,884	(9,979)	836	14,350	554,944	10,294	565,238
Profit (loss) for the year		**–**	**–**	**(3,073)**	**–**	**–**	**–**	**(3,073)**	**(12)**	**(3,086)**
Other comprehensive income	30	**–**	**–**	**–**	**–**	**–**	**(21,139)**	**(21,139)**	**(402)**	**(21,542)**
Total comprehensive income for the year		**–**	**–**	**(3,073)**	**–**	**–**	**(21,139)**	**(24,213)**	**(414)**	**(24,628)**
Dividends	23	**–**	**–**	**(14,842)**	**–**	**–**	**–**	**(14,842)**	**(21)**	**(14,864)**
Acquisition and disposal of treasury shares	22	**–**	**–**	**(132)**	**295**	**–**	**–**	**162**	**–**	**162**
Share-based payments	31	**–**	**13**	**–**	**–**	**(107)**	**–**	**(93)**	**–**	**(93)**
Changes in non-controlling interests due to changes in subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7**	**7**
Equity and other transactions with non-controlling shareholders		**–**	**360**	**–**	**–**	**–**	**–**	**360**	**155**	**515**
Put options written on non-controlling interests		**–**	**7,427**	**–**	**–**	**–**	**–**	**7,427**	**–**	**7,427**
Transfer from other components of equity to retained earnings	22	**–**	**–**	**1,343**	**–**	**–**	**(1,343)**	**–**	**–**	**–**
Total transactions with owners		**–**	**7,801**	**(13,630)**	**295**	**(107)**	**(1,343)**	**(6,984)**	**140**	**(6,843)**
Balance at March 31, 2020		**¥ 37,519**	**¥ 196,135**	**¥ 307,179**	**(¥ 9,684)**	**¥ 728**	**(¥ 8,133)**	**¥ 523,745**	**¥ 10,020**	**¥ 533,766**

	Thousands of U.S. dollars								
	Share capital	Share premium	Retained earnings	Treasury shares	Share acquisition rights	Other components of equity	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at March 31, 2019	$ 344,749	$ 1,730,525	$ 2,982,891	($ 91,693)	$ 7,682	$ 131,857	$ 5,106,028	$ 94,588	$ 5,200,616
Effect of changes in accounting policies	–	–	(6,836)	–	–	–	(6,836)	–	(6,836)
Restated balance at March 31, 2019	344,749	1,730,525	2,976,054	(91,693)	7,682	131,857	5,099,182	94,588	5,193,770
Profit (loss) for the year	–	–	(28,237)	–	–	–	(28,237)	(110)	(28,356)
Other comprehensive income	–	–	–	–	–	(194,239)	(194,239)	(3,694)	(197,942)
Total comprehensive income for the year	–	–	(28,237)	–	–	(194,239)	(222,485)	(3,804)	(226,298)
Dividends	–	–	(136,378)	–	–	–	(136,378)	(193)	(136,580)
Acquisition and disposal of treasury shares	–	–	(1,213)	2,711	–	–	1,489	–	1,489
Share-based payments	–	119	–	–	(983)	–	(855)	–	(855)
Changes in non-controlling interests due to changes in subsidiaries	–	–	–	–	–	–	–	64	64
Equity and other transactions with non-controlling shareholders	–	3,308	–	–	–	–	3,308	1,424	4,732
Put options written on non-controlling interests	–	68,244	–	–	–	–	68,244	–	68,244
Transfer from other components of equity to retained earnings	–	–	12,340	–	–	(12,340)	–	–	–
Total transactions with owners	–	71,681	(125,241)	2,711	(983)	(12,340)	(64,173)	1,286	(62,878)
Balance at March 31, 2020	**$ 344,749**	**$ 1,802,214**	**$ 2,822,558**	**($ 88,983)**	**$ 6,689**	**($ 74,731)**	**$ 4,812,506**	**$ 92,070**	**$ 4,904,585**

Consolidated Statement of Cash Flows

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2020 and 2019

	Note	Millions of yen 2020	Millions of yen 2019	Thousands of U.S. dollars 2020
Cash flows from operating activities				
Profit before tax		¥ 284	¥ 60,138	$ 2,610
Depreciation and amortization expenses		77,105	59,039	708,490
Impairment losses and reversal of impairment losses		3,074	942	28,246
Share of loss in investments accounted for using the equity method		255	624	2,343
Interest and dividends income		(4,503)	(4,544)	(41,376)
Interest expenses		9,279	6,642	85,261
(Gain) loss on sales and disposals of property, plant and equipment, and intangible assets		3,394	(17,395)	31,186
Increase in trade and other receivables		(228)	(14,113)	(2,095)
Increase in inventories		(23,197)	(5,954)	(213,149)
Increase (decrease) in trade and other payables		(4,842)	3,472	(44,491)
Decrease due to transfer of rental assets		(7,505)	(7,333)	(68,961)
Decrease in retirement benefit liabilities		(2,376)	(10,335)	(21,832)
Others		(416)	(1,482)	(3,822)
Subtotal		50,322	69,698	462,391
Dividends received		676	640	6,212
Interest received		3,925	3,787	36,065
Interest paid		(9,066)	(6,586)	(83,304)
Income taxes paid		(15,709)	(10,373)	(144,344)
Net cash from operating activities		30,148	57,166	277,019
Cash flows from investing activities				
Purchase of property, plant and equipment		(36,625)	(35,064)	(336,534)
Purchase of intangible assets		(12,928)	(16,281)	(118,791)
Proceeds from sales of property, plant and equipment, and intangible assets		3,993	21,576	36,690
Purchase of investments in subsidiaries		(6,368)	(9,957)	(58,513)
Purchase of investments accounted for using the equity method		-	(250)	-
Proceeds from sales of investments accounted for using the equity method		-	2,341	-
Purchase of investment securities		(388)	(143)	(3,565)
Proceeds from sales of investment securities		1,537	2,227	14,123
Payments for transfer of business		(325)	(3,062)	(2,986)
Others		1,061	(2,865)	9,749
Net cash used in investing activities		(50,043)	(41,480)	(459,827)
Cash flows from financing activities				
Increase in short-term loans payable	18	11,680	1,301	107,323
Proceeds from bonds issuance and long-term loans payable	17, 18	30,937	375	284,269
Redemption of bonds and repayments of long-term loans payable	17, 18	(20,862)	(27,039)	(191,693)
Repayments of lease liabilities	18	(18,764)	-	(172,416)
Purchase of treasury shares		(2)	(5)	(18)
Cash dividends paid	23	(14,876)	(14,831)	(136,690)
Payment of dividends to non-controlling shareholders		(21)	(46)	(193)
Others		0	0	0
Net cash used in financing activities		(11,910)	(40,246)	(109,437)
Effect of exchange rate changes on cash and cash equivalents		(3,123)	(522)	(28,696)
Net decrease in cash and cash equivalents		(34,929)	(25,083)	(320,950)
Cash and cash equivalents at the beginning of the year		124,830	149,913	1,147,018
Cash and cash equivalents at the end of the year		¥ 89,901	¥ 124,830	$ 826,068

Notes to the Consolidated Financial Statements

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2020 and 2019

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, 2020 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, 2020 for issue on July 14, 2020.

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 "Regulation 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 regulation.

(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, 2020, which is ¥108.83 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 has changed the following accounting policy effective from the fiscal year ended March 31, 2020. Other than this policy, there is no change in the significant accounting policies applied to the Group's consolidated financial statements from those applied to the consolidated financial statements of the previous fiscal year.

(Adoption of IFRS 16 Leases)
The Group adopted IFRS 16 Leases (issued in January 2016) ("IFRS 16") effective from the fiscal year ended March 31, 2020.

For lease transactions as a lessee, excluding short-term leases and leases of low-value assets, right-of-use assets and lease liabilities are recognized at the commencement date of the lease.

Lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used. Interest expense is allocated over the lease term using a constant rate on the remaining balance of lease liabilities, and is recognized as an expense in the attributable period.

Right-of-use assets are measured at the amount of the initial measurement of the lease liability, adjusted by any initial direct costs and adding restoring costs of the underlying asset. After the initial measurement, the Group applies a cost model and measures the right-of-use assets at cost less any accumulated depreciation and any accumulated impairment losses, presented as property, plant and equipment in the consolidated statement of financial position. Costs are depreciated over the shorter period of the estimated useful life or the lease term of the underlying asset on a straight-line basis.

Lease payments relating to the short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

IFRS 16 is applied retrospectively in accordance with the transitional provisions, recognizing the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings for the fiscal year ended March 31, 2020. The comparative information included in the consolidated financial statements is not restated. With regard to assessing whether a contract contains a lease or not, the Group has selected a practical expedient under IFRS 16 and applied the assessments made under IAS 17 Leases ("IAS 17") and IFRIC 4 Determining whether an Arrangement contains a Lease.

Associated with the adoption of IFRS 16, right-of-use assets and lease liabilities are recognized at the date of initial application of IFRS 16 for leases previously classified as operating leases applying IAS 17, excluding short-term leases and leases of low-value assets. A lease liability is measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. A right-of-use asset is measured at either of the following:

- its carrying amount as if IFRS 16 had been applied since the commencement date of the lease, but discounted using the lessee's incremental borrowing rate at the date of initial application of IFRS 16; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

The following practical expedients under IFRS 16 are used when applying IFRS 16 to leases previously classified as operating leases applying IAS 17:

- relying on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review;
- accounting for leases for which the lease term ends within 12 months of the date of initial application in the same way as short-term leases; and
- excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application.

As a result, right-of-use assets, included in property, plant and equipment, and lease liabilities increased by ¥110,923 million ($1,019,232 thousand) and ¥111,979 million ($1,028,935 thousand), respectively, and retained earnings decreased by ¥744 million ($6,836 thousand) in the consolidated statement of financial position at the beginning of the fiscal year ended March 31, 2020, compared with those accounted for under the previous accounting standards. The weighted average incremental borrowing rate applied to the measurement of lease liabilities is 2.44%. The reconciliation between minimum lease payments under non-cancellable operating lease agreements disclosed by applying IAS 17 as of March 31, 2019 and lease liabilities recognized at the date of initial application of IFRS 16 is as follows:

	Millions of yen
Minimum lease payments under non-cancellable operating lease agreements disclosed applying IAS 17 as of March 31, 2019	¥ 124,369
Minimum lease payments under non-cancellable operating lease agreements (discounted) disclosed applying IAS 17 as of March 31, 2019	86,404
Finance lease payables recognized as of March 31, 2019	5,446
Lease payments based on extension options, etc. that are reasonably certain to be exercised	25,575
Lease liabilities recognized at the date of initial application of IFRS 16	¥ 117,426

	Thousands of U.S. dollars
Lease liabilities recognized at the date of initial application	$ 1,078,986

For lease transactions as a lessor, there is no significant change in the accounting policies applied to the previous accounting standards.

(5) Standards and interpretations announced but not adopted

Of new standards and interpretations that were established or revised by the date of approval to issue the consolidated financial statements, there are no standards or interpretations that have significant impact on the Group's consolidated financial statements.

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 and 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.

In the case of business combinations achieved in stages, pre-existing interest in the acquiree held by the Group is remeasured at fair value as of the date when control is obtained and any resulting gains or losses are recognized in profit or loss.

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. 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.

Foreign currency differences resulting from translation or settlement 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.

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

Upon initial recognition, the Group classifies non-derivative financial assets as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (FVTOCI) (debt instruments and equity instruments), and financial assets measured at fair value through profit or loss (FVTPL).

(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 on a specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For these financial assets, trade receivables that do not contain any significant financial component are initially measured at the transaction price, and other financial assets are initially measured at their fair value plus transaction costs. After initial recognition, the financial assets are measured at amortized cost using the effective interest method.

(b) 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.

Debt instruments are classified as financial assets measured at FVTOCI only if the instrument is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and if the contractual terms give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

(c) Financial assets measured at FVTPL

The Group measures all financial assets that are not classified as financial assets measured at amortized cost or FVTOCI described above at fair value with changes in the fair value recognized in profit or loss.

Transaction costs related to financial assets measured at FVTPL are recognized in profit or loss as incurred.

(d) Impairment of financial assets

The Group recognizes allowance for doubtful accounts for expected credit loss for impairment of financial assets measured at amortized cost, lease receivables, contract assets, and debt instruments measured at FVTOCI. The Group assesses, at the end of each reporting period, whether credit risk on the financial asset measured has significantly increased since initial recognition. If credit risk has not significantly increased since initial recognition, an amount equal to 12-month expected credit loss is recognized as allowance for doubtful accounts. On the other hand, if credit risk has significantly increased since initial recognition, an amount equal to lifetime expected credit loss is recognized as allowance for doubtful accounts. However, for trade receivables that do not contain any significant financial component, lease receivables and contract assets, the Group does not assess whether credit risk has significantly increased since initial recognition and always recognizes an amount equal to lifetime expected credit loss as allowance for doubtful accounts. In addition, the Group quarterly confirms whether there is any objective evidence showing an indication of impairment such as significant deterioration of financial position of the borrower or a group of borrowers, default or delinquency in payment and bankruptcy of the borrower.

Specific expected credit loss is measured on individually significant financial assets. Financial assets that are not individually significant are collectively measured for expected credit loss by grouping together financial assets with similar risk characteristics.

Expected credit loss is measured at an amount calculated by discounting a difference between all contractual cash flows that are due to the Group in accordance with the contract and all cash flows that the entity expects to receive, using the original effective interest rate, and is recognized in profit or loss by recognizing the allowance for doubtful accounts. Subsequently, if the Group determines that the financial asset is non-recoverable due to deterioration of the business partner's financial position and other reasons, the carrying amount of the asset is directly reduced, offsetting the carrying amount by the allowance for doubtful accounts.

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 affect profit and loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, 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 (excluding right-of-use assets)

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 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 estimate 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
Rental assets:	3–5 years

(8) Goodwill

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 criteria.

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 definite 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:	4–21 years
Software:	3–10 years
Technologies:	8–18 years
Others:	4–11 years

2) Intangible assets with indefinite useful lives and intangible assets that are not yet in use

Intangible assets for which useful lives cannot be determined and intangible assets that are not yet in use 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 adopted IFRS 16 effective from the fiscal year ended March 31, 2020. The Group has applied the exemption from retrospective application in accordance with the transitional provisions, and applied IAS 17 Leases to comparative information without restating this information.

Accounting policies applied to comparative information are as follows:

The Group classifies leases as finance leases when lease agreements transfer substantially all the risks and rewards of ownership to the lessee. All other lease 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 term and recognized as revenue in the period to which it is attributable.

Lease payments 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.

Accounting policies for the fiscal year ended March 31, 2020 are as follows:

1) Lessees

The Group recognizes right-of-use assets and lease liabilities at the commencement date of the lease, excluding short-term leases and leases of low-value assets.

Lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used. Interest expense is allocated over the lease term using a constant rate on the remaining balance of lease liabilities, and is recognized as an expense in the attributable period.

Right-of-use assets are measured at the amount of the initial measurement of the lease liability, adjusted by any initial direct costs and adding restoring costs of the underlying asset. After the initial measurement, the Group applies a cost model and measures the right-of-use assets at cost less any accumulated depreciation and any accumulated impairment losses, presented as property, plant and equipment in the consolidated statement of financial position. Costs are depreciated over the shorter period of the estimated useful life or the lease term of the underlying asset on a straight-line basis.

Lease payments relating to the short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

2) Lessors

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

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 term and recognized as revenue in the period to which it is attributable.

In operating lease transactions, underlying assets are recorded as property, plant and equipment in the consolidated statement of financial position. Lease payments are recognized as revenue 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 indefinite 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 pre-tax discount rates 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

The Group recognizes revenue based on the following five steps.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) a performance obligation is satisfied

Revenue from sales of goods is recognized when control of the goods is transferred to a customer, and revenue is measured at an amount of the consideration promised in a contract with a customer less returns, discounts, rebates, and other similar items.

Revenue from providing services is recognized upon completion of providing services when the performance obligation is satisfied at a point in time, and it is recognized over the term of a contract depending on the progress at the end of each reporting period when the performance obligation is satisfied over time.

The incremental costs of obtaining a contract with a customer, and the costs incurred to fulfill a contract with a customer, are capitalized if they are expected to be recovered. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that would not have been incurred if the contract had not been obtained. Assets recognized from contract costs are amortized on a straight-line basis over the estimated contract period of the customer.

(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) Lease term

The Group determines the lease term by including any period for which there is reasonable certainty of extension and any period for which there is reasonable certainty of non-cancellation. Specifically, the lease term is estimated in view of changes in lease expenses due to the extension or shortening of the lease term, whether or not there is any cancellation penalty, investment recovery period for improvements and betterments, etc. of significant leased articles, and others.

The content and amount related to lease terms are described in note 14 "Leases".

2) 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 indefinite 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 asset, CGU or group 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". In addition, significant goodwill in the current fiscal year is described in note 12 "Impairment losses on non-financial assets (2) Goodwill impairment tests".

3) 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".

4) 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".

5) 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".

6) 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".

Impact of COVID-19

The Group has experienced a significant effect on its operating results during the current fiscal year from the novel coronavirus disease (COVID-19), which has been spreading globally since February. In particular, the lockdowns in Europe and North America affected the installation of equipment and the provision of services, and restricted sales activities, such as new order taking. The Company expects the effect from COVID-19 to continue in each region and in each area of business in the next fiscal year.

To calculate the recoverable amounts in the impairment tests of non-financial assets, future cash flows are used based on the business plan. When recognizing deferred tax assets, the taxable income earned in the future is estimated based on the business plan and the evaluation of recoverability. When formulating the business plan used for the asset evaluations, the Company makes certain assumptions for each region and each business regarding the spread of infections and the expected timeframe until the crisis is resolved. As of the end of the current fiscal year, the Company's assumption is that operating results will recover in the third quarter of the next fiscal year. If the spread of infection is not resolved until later than the expected timeframe, or if more time is required for operating results to recover, it could have a material effect on the amounts recognized for non-financial assets such as goodwill and for deferred tax assets in the next fiscal year or subsequent fiscal years.

5. Operating segments

(1) Reportable segments

Operating 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.

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

The business content of each reportable segment is as follows:

	Business content
Office Business	Development, manufacture, and sales of multi-functional peripherals (MFPs) and related consumables; provision of related solutions and services
Professional Print Business	Development, manufacture, and sales of digital printing systems and related consumables; provision of various printing services, solutions, and services
Healthcare Business	Development, manufacture, 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 functional film for 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, 2018 to March 31, 2019)

	Millions of yen							
	2019							
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Subtotal	Others	Adjust-ments (Note 2) (Note 3) (Note 4)	Reported in consolidated financial statements
Revenue								
External --------	¥587,879	¥227,740	¥90,944	¥116,705	¥1,023,268	¥35,851	¥ -	¥1,059,120
Inter-segment (Note 1) ---------	2,558	479	839	5,461	9,338	21,267	(30,606)	-
Total -----------	590,437	228,219	91,783	122,166	1,032,607	57,119	(30,606)	1,059,120
Segment profit (loss) -------------	47,177	13,846	2,398	20,933	84,356	(17,854)	(4,058)	62,444
Other items								
Depreciation and amortization expenses -------	24,247	9,711	4,664	8,099	46,722	6,071	6,245	59,039
Impairment losses on non-financial assets -	¥282	¥2	¥ -	¥3	¥288	¥635	¥19	¥942

Current fiscal year (From April 1, 2019 to March 31, 2020)

	Millions of yen							
	2020							
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Subtotal	Others	Adjust-ments (Note 2) (Note 3) (Note 4)	Reported in consolidated financial statements
Revenue								
External --------	¥546,457	¥210,085	¥87,885	¥109,605	¥954,034	¥42,067	¥ -	¥996,101
Inter-segment (Note 1) ---------	1,941	432	657	3,374	6,406	18,281	(24,687)	-
Total -----------	548,399	210,518	88,542	112,980	960,440	60,348	(24,687)	996,101
Segment profit (loss) -------------	23,870	4,361	644	19,202	48,078	(17,848)	(22,017)	8,211
Other items								
Depreciation and amortization expenses -------	37,233	11,714	4,352	9,335	62,636	6,843	7,625	77,105
Impairment losses on non-financial assets -	¥14	¥1,698	¥591	¥769	¥3,074	¥ -	¥ -	¥3,074

(Note 1) Inter-segment revenue is based on market prices, etc.
(Note 2) Adjustments of revenue are elimination of intersegment transactions.
(Note 3) Adjustments of segment profit are elimination of intersegment transactions and corporate expenses, which consist of general and administrative expenses and basic research expenses not attributable to any of the reportable segments and Others. Other income and other expenses not attributable to any of the reportable segments are included.
(Note 4) Adjustments of depreciation and amortization expenses, and impairment losses are mainly related to equipment not attributable to any of the reportable segments.

	Thousands of U.S. dollars							
	2020							
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Subtotal	Others	Adjust-ments	Reported in consolidated financial statements
Revenue								
External --------	$5,021,198	$1,930,396	$807,544	$1,007,121	$8,766,278	$386,539	$ –	$9,152,816
Inter-segment --	17,835	3,969	6,037	31,002	58,862	167,978	(226,840)	–
Total -----------	5,039,043	1,934,375	813,581	1,038,133	8,825,140	554,516	(226,840)	9,152,816
Segment profit (loss) -------------	219,333	40,072	5,917	176,440	441,772	(163,999)	(202,306)	75,448
Other items								
Depreciation and amortization expenses -------	342,121	107,636	39,989	85,776	575,540	62,878	70,063	708,490
Impairment losses on non-financial assets -	$129	$15,602	$5,430	$7,066	$28,246	$ –	$ –	$28,246

(3) Financial information by geographical region

External revenue by geographical area is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Japan	¥ 191,789	¥ 197,644	$ 1,762,281
United States	279,774	293,740	2,570,743
European countries	294,237	318,560	2,703,639
China	79,247	86,700	728,172
Asia, excluding Japan and China	78,463	83,366	720,968
Others	72,588	79,107	666,985
Total	¥ 996,101	¥ 1,059,120	$ 9,152,816

(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		Thousands of U.S. dollars
	2020	2019	2020
Japan	¥ 268,883	¥ 215,855	$ 2,470,670
United States	222,064	200,747	2,040,467
European countries	120,334	107,626	1,105,706
China	19,658	17,253	180,630
Asia, excluding Japan and China	16,542	15,248	151,999
Others	4,844	3,857	44,510
Total	¥ 652,328	¥ 560,590	$ 5,994,009

(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, 2018 to March 31, 2019)

Information is omitted because business combinations arising in the fiscal year ended March 31, 2019 were not material.

Current fiscal year (From April 1, 2019 to March 31, 2020)

Information is omitted because business combinations arising in the fiscal year ended March 31, 2020 were not material.

7. Trade and other receivables

The components of trade and other receivables as of March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Notes and accounts receivable–trade	¥ 219,977	¥ 235,049	$ 2,021,290
Contract assets	231	293	2,123
Finance lease receivables	34,849	33,805	320,215
Others	12,468	12,180	114,564
Allowance for doubtful accounts	(6,675)	(5,764)	(61,334)
Total	¥ 260,850	¥ 275,563	$ 2,396,857

8. Inventories

The components of inventories as of March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Merchandise and finished goods	¥ 120,131	¥ 107,573	$ 1,103,841
Work in progress	13,651	11,662	125,434
Materials and supplies (Note 1)	28,792	25,467	264,559
Total	¥ 162,575	¥ 144,703	$ 1,493,844

(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 ¥1,771 million ($16,273 thousand) (previous fiscal year: ¥3,044 million), which is included in "cost of sales".

9. Other financial assets

The components of other financial assets as of March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Loans receivable	¥ 52	¥ 93	$ 478
Investment securities	18,975	24,040	174,354
Lease and guarantee deposits	8,355	8,331	76,771
Derivative financial assets	6,011	5,777	55,233
Others	11,633	12,402	106,891
Allowance for doubtful accounts	(521)	(529)	(4,787)
Total	44,507	50,117	408,959
Current	6,113	3,406	56,170
Non-current	¥ 38,394	¥ 46,711	$ 352,789

10. Property, plant and equipment

(1) Components of property, plant and equipment

The components of "property, plant and equipment" in the consolidated statement of financial position as of March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Property, plant and equipment	¥ 187,344	¥ 207,138	$ 1,721,437
Right-of-use assets	122,113	-	1,122,053
Total	¥ 309,457	¥ 207,138	$ 2,843,490

(2) Increases or decreases in property, plant and equipment (excluding right-of-use assets)

Changes in the carrying amounts of property, plant and equipment for fiscal years ended March 31, 2020 and 2019, 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, 2018	¥ 202,066	¥ 219,911	¥ 183,044	¥ 44,563	¥ 31,850	¥ 4,002	¥ 685,438
Acquisitions	2,370	2,069	13,589	8,013	3	18,260	44,307
Acquisitions through business combinations	272	102	100	455	-	463	1,394
Transfer from construction in progress to other account	2,788	7,142	4,410	-	12	(14,353)	-
Disposals	(4,176)	(15,555)	(10,841)	(4,401)	(99)	(20)	(35,093)
Others (Note 1) (Note 2)	10,682	443	1,262	(765)	0	(759)	10,863
Effect of foreign currency exchange differences	(273)	(341)	(718)	(1,132)	16	(12)	(2,461)
Balance at March 31, 2019	213,730	213,772	190,848	46,733	31,783	7,580	704,449
Adjustments due to the adoption of IFRS 16 (Note 3)	(14,192)	(1,370)	(1,816)	(4,182)	(1,188)	-	(22,750)
Balance at April 1, 2019	199,538	212,401	189,031	42,550	30,595	7,580	681,698
Acquisitions	1,287	2,385	10,552	7,468	-	23,731	45,425
Acquisitions through business combinations	129	117	28	-	-	-	275
Transfer from construction in progress to other account	3,498	11,076	7,638	-	425	(22,640)	-
Disposals	(9,296)	(4,618)	(11,665)	(5,546)	(2,677)	(2)	(33,808)
Others (Note 1)	1,474	(79)	813	(699)	58	(235)	1,331
Effect of foreign currency exchange differences	(1,887)	(1,569)	(4,415)	(1,920)	(100)	(97)	(9,990)
Balance at March 31, 2020	¥ 194,745	¥ 219,713	¥ 191,984	¥ 41,851	¥ 28,301	¥ 8,335	¥ 684,932

(Note 1) Others includes transfer to other account.
(Note 2) Of Others, an increase in buildings and structures is due mainly to capitalization related to asset retirement obligations of Tokyo Site.
(Note 3) In line with the adoption of IFRS 16 effective from April 1, 2019, the amounts related to leased assets and the amounts of the portion of asset retirement obligations related to the leasing of buildings and structures that were previously included in the cost of property, plant and equipment have been reclassified to the cost of right-of-use assets.

	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, 2019	$ 1,963,889	$ 1,964,275	$ 1,753,634	$ 429,413	$ 292,043	$ 69,650	$ 6,472,930
Adjustments due to the adoption of IFRS 16	(130,405)	(12,588)	(16,687)	(38,427)	(10,916)	–	(209,042)
Balance at April 1, 2019	1,833,483	1,951,677	1,736,938	390,977	281,127	69,650	6,263,879
Acquisitions	11,826	21,915	96,959	68,621	–	218,056	417,394
Acquisitions through business combinations	1,185	1,075	257	–	–	–	2,527
Transfer from construction in progress to other account	32,142	101,773	70,183	–	3,905	(208,031)	–
Disposals	(85,418)	(42,433)	(107,186)	(50,960)	(24,598)	(18)	(310,650)
Others	13,544	(726)	7,470	(6,423)	533	(2,159)	12,230
Effect of foreign currency exchange differences	(17,339)	(14,417)	(40,568)	(17,642)	(919)	(891)	(91,795)
Balance at March 31, 2020	**$ 1,789,442**	**$ 2,018,864**	**$ 1,764,072**	**$ 384,554**	**$ 260,048**	**$ 76,587**	**$ 6,293,596**

(Accumulated depreciation and accumulated 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, 2018	(¥ 128,040)	(¥ 185,030)	(¥ 148,542)	(¥ 29,457)	(¥ 1,402)	(¥ 24)	(¥ 492,497)
Depreciation expenses	(5,495)	(10,135)	(16,143)	(6,482)	(10)	-	(38,267)
Impairment losses	(19)	(1)	(2)	(25)	-	-	(49)
Disposals	3,840	14,857	9,701	3,969	11	13	32,393
Others (Note 1)	(264)	(155)	(39)	(330)	-	10	(779)
Effect of foreign currency exchange differences	207	374	626	678	1	0	1,888
Balance at March 31, 2019	(129,771)	(180,092)	(154,398)	(31,647)	(1,400)	-	(497,311)
Adjustments due to the adoption of IFRS 16 (Note 2)	1,091	447	1,359	2,327	47	-	5,272
Balance at April 1, 2019	(128,680)	(179,644)	(153,038)	(29,320)	(1,353)	-	(492,038)
Depreciation expenses	**(5,776)**	**(9,123)**	**(16,518)**	**(5,524)**	**-**	**-**	**(36,943)**
Impairment losses	**(19)**	**(530)**	**(54)**	**(14)**	**(525)**	**(51)**	**(1,197)**
Disposals	**7,418**	**4,443**	**9,029**	**5,070**	**525**	**-**	**26,487**
Others (Note 1)	**(965)**	**206**	**(27)**	**298**	**0**	**-**	**(488)**
Effect of foreign currency exchange differences	**1,106**	**1,077**	**3,241**	**1,161**	**5**	**-**	**6,592**
Balance at March 31, 2020	**(¥ 126,917)**	**(¥ 183,572)**	**(¥ 157,369)**	**(¥ 28,328)**	**(¥ 1,348)**	**(¥ 51)**	**(¥ 497,588)**

(Note 1) Others includes transfer to other account.

(Note 2) In line with the adoption of IFRS 16 effective from April 1, 2019, the amounts related to leased assets and the amounts of the portion of asset retirement obligations related to the leasing of buildings and structures that were previously included in accumulated depreciation and accumulated impairment losses of property, plant and equipment have been reclassified to accumulated depreciation and accumulated impairment losses of right-of-use assets.

	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, 2019	($ 1,192,419)	($ 1,654,801)	($ 1,418,708)	($ 290,793)	($ 12,864)	$ -	($ 4,569,613)
Adjustments due to the adoption of IFRS 16	10,025	4,107	12,487	21,382	432	-	48,443
Balance at April 1, 2019	(1,182,395)	(1,650,685)	(1,406,212)	(269,411)	(12,432)	-	(4,521,161)
Depreciation expenses	**(53,074)**	**(83,828)**	**(151,778)**	**(50,758)**	**-**	**-**	**(339,456)**
Impairment losses	**(175)**	**(4,870)**	**(496)**	**(129)**	**(4,824)**	**(469)**	**(10,999)**
Disposals	**68,161**	**40,825**	**82,964**	**46,586**	**4,824**	**-**	**243,380**
Others	**(8,867)**	**1,893**	**(248)**	**2,738**	**0**	**-**	**(4,484)**
Effect of foreign currency exchange differences	**10,163**	**9,896**	**29,780**	**10,668**	**46**	**-**	**60,572**
Balance at March 31, 2020	**($ 1,166,195)**	**($ 1,686,778)**	**($ 1,446,008)**	**($ 260,296)**	**($ 12,386)**	**($ 469)**	**($ 4,572,158)**

(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, 2019	¥83,958	¥33,679	¥36,450	¥15,085	¥30,383	¥7,580	¥207,138
Balance at March 31, 2020	**¥67,827**	**¥36,140**	**¥34,615**	**¥13,523**	**¥26,953**	**¥8,284**	**¥187,344**

	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, 2020	**$623,238**	**$332,078**	**$318,065**	**$124,258**	**$247,661**	**$76,119**	**$1,721,437**

The carrying amount of property, plant and equipment as of March 31, 2019 includes the carrying amount of the following leased assets:

(Carrying amount of leased assets)

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Total
Balance at March 31, 2019	¥168	¥923	¥457	¥1,855	¥1,141	¥4,545

(3) Right-of-use assets

The carrying amounts of right-of-use assets are as follows:

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Total
Balance at March 31, 2020	**¥70,706**	**¥5,601**	**¥1,348**	**¥1,341**	**¥43,115**	**¥122,113**

(Note) An increase in right-of-use assets in the current fiscal year is ¥18,177 million ($167,022 thousand).

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Total
Balance at March 31, 2020	**$649,692**	**$51,466**	**$12,386**	**$12,322**	**$396,168**	**$1,122,053**

11. Goodwill and intangible assets

Changes in the carrying amounts of goodwill and intangible assets for fiscal years ended March 31, 2020 and 2019 are set out as follows:

(Cost)

	Millions of yen					
	Goodwill	Customer relationships	Software	Technologies	Others (Note)	Total
Balance at April 1, 2018	¥ 223,952	¥ 54,711	¥ 64,242	¥ 39,739	¥ 42,444	¥ 425,089
Acquisitions	-	-	3,410	-	12,711	16,121
Acquisitions through business combinations	10,437	2,736	49	-	579	13,802
Transfer from software in progress to Software	-	-	7,499	-	(7,499)	-
Disposals	-	-	(8,382)	-	(273)	(8,655)
Others	(1,037)	(136)	528	1,616	526	1,496
Effect of foreign currency exchange differences	2,580	1,369	(420)	1,083	(627)	3,984
Balance at March 31, 2019	235,932	58,680	66,927	42,438	47,860	451,840
Acquisitions	-	-	3,000	-	9,930	12,930
Acquisitions through business combinations	3,518	250	13	1,913	1,237	6,933
Transfer from software in progress to Software	-	-	12,488	-	(12,488)	-
Disposals	-	(73)	(6,364)	-	(459)	(6,897)
Others	262	(155)	548	-	1,582	2,238
Effect of foreign currency exchange differences	(5,713)	(1,779)	(1,429)	(998)	(1,152)	(11,073)
Balance at March 31, 2020	**¥ 234,001**	**¥ 56,922**	**¥ 75,185**	**¥ 43,352**	**¥ 46,510**	**¥ 455,972**

(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, 2019	$ 2,167,895	$ 539,190	$ 614,968	$ 389,948	$ 439,768	$ 4,151,796
Acquisitions	–	–	27,566	–	91,243	118,809
Acquisitions through business combinations	32,326	2,297	119	17,578	11,366	63,705
Transfer from software in progress to Software	–	–	114,748	–	(114,748)	–
Disposals	–	(671)	(58,477)	–	(4,218)	(63,374)
Others	2,407	(1,424)	5,035	–	14,536	20,564
Effect of foreign currency exchange differences	(52,495)	(16,347)	(13,131)	(9,170)	(10,585)	(101,746)
Balance at March 31, 2020	**$ 2,150,152**	**$ 523,036**	**$ 690,848**	**$ 398,346**	**$ 427,364**	**$ 4,189,764**

(Accumulated amortization and accumulated impairment losses)

	Millions of yen					
	Goodwill	Customer relationships	Software	Technologies	Others (Note 1)	Total
Balance at April 1, 2018	(¥ 348)	(¥ 31,101)	(¥ 43,799)	(¥ 2,403)	(¥ 14,737)	(¥ 92,390)
Amortization expenses (Note 2)	-	(5,001)	(9,218)	(2,969)	(3,580)	(20,770)
Impairment losses	(635)	-	-	-	(258)	(893)
Disposals	-	-	8,337	-	28	8,366
Others	-	(60)	(109)	-	216	46
Effect of foreign currency exchange differences	12	(849)	328	66	377	(65)
Balance at March 31, 2019	(971)	(37,013)	(44,461)	(5,307)	(17,953)	(105,707)
Amortization expenses (Note 2)	-	(4,680)	(9,719)	(2,966)	(2,723)	(20,090)
Impairment losses	(1,698)	-	(2)	-	(1)	(1,702)
Disposals	-	61	5,974	-	367	6,403
Others	-	100	(53)	-	(79)	(31)
Effect of foreign currency exchange differences	129	1,084	1,068	150	509	2,941
Balance at March 31, 2020	**(¥ 2,541)**	**(¥ 40,447)**	**(¥ 47,194)**	**(¥ 8,123)**	**(¥ 19,881)**	**(¥ 118,187)**

(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 statement of profit or loss.

	Thousands of U.S. dollars					
	Goodwill	Customer relationships	Software	Technologies	Others	Total
Balance at March 31, 2019	($ 8,922)	($ 340,099)	($ 408,536)	($ 48,764)	($ 164,964)	($ 971,304)
Amortization expenses	-	(43,003)	(89,304)	(27,254)	(25,021)	(184,600)
Impairment losses	(15,602)	-	(18)	-	(9)	(15,639)
Disposals	-	561	54,893	-	3,372	58,835
Others	-	919	(487)	-	(726)	(285)
Effect of foreign currency exchange differences	1,185	9,960	9,813	1,378	4,677	27,024
Balance at March 31, 2020	**($ 23,348)**	**($ 371,653)**	**($ 433,649)**	**($ 74,639)**	**($ 182,679)**	**($ 1,085,978)**

(Carrying amount)

	Millions of yen					
	Goodwill	Customer relationships	Software	Technologies	Others (Note 1)	Total
Balance at March 31, 2019	¥ 234,961	¥ 21,667	¥ 22,466	¥ 37,131	¥ 29,907	¥ 346,133
Balance at March 31, 2020	**¥ 231,459**	**¥ 16,475**	**¥ 27,991**	**¥ 35,229**	**¥ 26,629**	**¥ 337,785**

(Note 1) Software in progress is included in "Others" within intangible assets.
(Note 2) Of the carrying amount of intangible assets, intangible assets with indefinite useful lives were ¥5,011 million in the previous fiscal year and ¥4,888 million ($44,914 thousand) in the current fiscal year. Of these intangible assets, major assets are trademark acquired at the time of business combination. Since these assets basically exist as long as the business is continued, the Group considers that useful lives of the assets are indefinite.
(Note 3) Of the carrying amount of intangible assets, significant assets are technologies acquired in the acquisition of Ambry, which were ¥28,636 million in the previous fiscal year and ¥26,451 million ($243,049 thousand) in the current fiscal year. The number of remaining years of amortization for these intangible assets is 16 years.
(Note 4) The carrying amount of intangible assets includes internally generated intangible assets of ¥1,159 million in the previous fiscal year and ¥1,501 million ($13,792 thousand) in the current fiscal year.

	Thousands of U.S. dollars					
	Goodwill	Customer relationships	Software	Technologies	Others	Total
Balance at March 31, 2020	**$2,126,794**	**$151,383**	**$257,199**	**$323,707**	**$244,684**	**$3,103,786**

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 statement of profit or loss.

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Property, plant and equipment (Note 1)	¥ 1,372	¥ 49	$ 12,607
Goodwill (Note 2)	¥ 1,698	¥ 635	$ 15,602
Intangible assets	¥ 3	¥ 258	$ 28
Total	¥ 3,074	¥ 942	$ 28,246

(Note 1) Impairment losses on property, plant and equipment for the current fiscal year include impairment losses recognized on right-of-use assets of ¥174 million ($1,599 thousand).
(Note 2) Impairment losses on goodwill for the current fiscal year are due to carrying amounts of cash-generating units, including the goodwill of a subsidiary acquired in the marketing services business unit for the Professional Print Business, being reduced to recoverable amounts calculated on the value-in-use basis.

(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 related to the Bio-Healthcare field.

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

Of ¥46,208 million ($424,589 thousand) 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 ($290,067 thousand). 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.

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 management 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 9.0%, respectively. As a result of impairment tests, impairment losses on the goodwill were not recognized.

2) Goodwill related to the Bio-Healthcare field

The carrying amount of goodwill related to the Bio-Healthcare field in the current fiscal year is ¥81,537 million ($749,214 thousand). The goodwill related to the Bio-Healthcare field includes goodwill related to the acquisition of Ambry and others. However, since synergy effects expected from the acquisition are brought widely on group companies that belong to this business, the goodwill was allocated with the Bio-Healthcare field as one group of CGUs.

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 five years approved by management 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 2.5% and 12.2%, respectively.

Furthermore, in the current fiscal year, COVID-19 has led to a reduction in the number of tests in the genetic testing service and delays in clinical trials. While COVID-19 is expected to have an effect in the first six months of the next fiscal year, impairment tests have been carried out based on formulated business plans that assume normalization in the third quarter of the next fiscal year.

As a result, 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.

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
	2020	2019	**2020**
Carrying amount of investments accounted for using the equity method	**¥566**	¥763	**$5,201**

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Share of profit (loss) in investments accounted for using the equity method	**(¥ 182)**	(¥ 60)	**($ 1,672)**
Share of other comprehensive income of investments accounted for using the equity method	**(13)**	(18)	**(119)**
Total share of comprehensive income for the year	**(¥ 195)**	(¥ 79)	**($ 1,792)**

(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
	2020	2019	**2020**
Carrying amount of investments accounted for using the equity method	**¥ 77**	¥ 91	**$ 708**

(Note) In the previous fiscal year, ¥58 million of liabilities recognized in excess of the amount of investments accounted for using the equity method is included in other non-current liabilities.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Share of profit (loss) in investments accounted for using the equity method	**(¥ 73)**	(¥ 563)	**($ 671)**
Share of other comprehensive income of investments accounted for using the equity method	**–**	–	**–**
Total share of comprehensive income for the year	**(¥ 73)**	(¥ 563)	**($ 671)**

14. Leases

Previous fiscal year (From April 1, 2018 to March 31, 2019)

(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 under finance lease agreements are as follows:

	Millions of yen	
	Minimum lease payments	Present value of minimum lease payments
1 year or less	¥ 2,287	¥ 2,126
More than 1 year, 5 years or less	3,363	3,108
More than 5 years	219	211
Total	¥ 5,871	¥ 5,446
Less: Future finance costs	424	
Present value of minimum lease payments	¥ 5,446	

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 statement of profit or loss for the previous fiscal year is ¥14,760 million.

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

	Millions of yen
	2019
1 year or less	¥ 13,520
More than 1 year, 5 years or less	34,029
More than 5 years	76,819
Total	¥ 124,369

(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 future minimum lease receivables are as follows:

	Millions of yen	
	Gross investment in the lease	Present value of minimum lease receivables
1 year or less	¥ 13,359	¥ 12,300
More than 1 year, 5 years or less	22,485	20,545
More than 5 years	1,099	958
Total	¥ 36,944	¥ 33,805
Less: Unearned finance income	3,139	
Present value of minimum lease receivables	¥ 33,805	

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

	Millions of yen
	2019
1 year or less	¥ 4,321
More than 1 year, 5 years or less	6,824
More than 5 years	11
Total	¥ 11,157

Current fiscal year (From April 1, 2019 to March 31, 2020)

(1) As lessee

The Group primarily leases offices and buildings for plants under lease agreements. The Group does not engage in significant lease agreements containing payment terms linked to index or revenue, and there are no significant restrictions imposed by lease agreements (such as limitations on dividend, additional borrowing or additional leases).

In addition, the Group has implemented transactions in which certain land and buildings are sold and leased back, for the purpose of liquidation of fixed assets. With regard to the assets leased back, there are no contractual provisions or situations whereby the Group is continuously involved in such assets.

The components of profit or loss on leases as a lessee are as follows:

	Millions of yen	Thousands of U.S. dollars
	2020	2020
Depreciation expenses of right-of-use assets		
Buildings and structures	¥ 15,132	$ 139,043
Machinery and vehicles	2,920	26,831
Tools and equipment	526	4,833
Rental assets	372	3,418
Land	1,116	10,255
Total	¥ 20,068	$ 184,398
Interest expense on lease liabilities	2,712	24,920
Expenses for short term leases	1,078	9,905
Expenses for leases of low value assets	1,025	9,418
Losses arising from sale and leaseback transactions	¥ 1,936	$ 17,789

The components of the carrying amounts of right-of-use assets and an increase in right-of-use assets are provided in note 10 "Property, plant and equipment" (3) Right-of-use assets.

The maturity analysis of lease liabilities is described in note 32 "Financial instruments (3) Financial risk management".

The total amount of cash outflows for leases in the current fiscal year is ¥23,582 million ($216,687 thousand).

(2) As lessor

The Group primarily leases business technologies equipment to third parties based on lease agreements. The Group classifies leases as finance leases when lease agreements transfer substantially all the risks and rewards incidental to ownership of assets to the lessee. All other lease agreements are classified as operating leases.

In addition, the Group regularly implements review of contractual provisions and monitoring of credit risks as risk management for underlying assets.

The components of profit or loss on leases as a lessor are as follows:

	Millions of yen	Thousands of U.S. dollars
	2020	2020
Finance leases		
Selling profit or loss	¥ 7,351	$ 67,546
Finance income on the net investment in the lease	801	7,360
Lease income under operating leases		
Lease income	18,786	172,618
Income relating to variable lease payments	¥ 2,416	$ 22,200

The maturity analysis of lease receivables under finance leases and lease payments to be received under operating leases is as follows:

	Millions of yen	
	Lease receivables under finance leases	Lease payments to be received under operating leases
1 year or less	¥ 12,995	¥ 12,270
More than 1 year, 2 years or less	9,181	9,969
More than 2 years, 3 years or less	6,566	7,474
More than 3 years, 4 years or less	4,807	5,265
More than 4 years, 5 years or less	2,748	2,362
More than 5 years	952	4,818
Total	¥ 37,251	¥ 42,161
Unearned finance income	2,402	
Net investment in the lease	¥ 34,849	

	Thousands of U.S. dollars	
	Lease receivables under finance leases	Lease payments to be received under operating leases
1 year or less	$ 119,406	$ 112,745
More than 1 year, 2 years or less	84,361	91,602
More than 2 years, 3 years or less	60,333	68,676
More than 3 years, 4 years or less	44,170	48,378
More than 4 years, 5 years or less	25,250	21,704
More than 5 years	8,748	44,271
Total	$ 342,286	$ 387,402
Unearned finance income	22,071	
Net investment in the lease	$ 320,215	

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
	2020	2019	2020
Retirement benefits	¥ 17,802	¥ 19,636	$ 163,576
Property, plant and equipment	(2,413)	1,830	(22,172)
Goodwill and intangible assets	(11,566)	(10,850)	(106,276)
Inventories	10,493	10,021	96,416
Others	6,244	950	57,374
Net losses carried forward	18,494	16,996	169,935
Valuation allowance	(16,466)	(18,575)	(151,300)
Total	22,588	20,008	207,553
Deferred tax assets	34,562	32,505	317,578
Deferred tax liabilities	¥ 11,973	¥ 12,497	$ 110,016

Changes in net deferred tax assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance, beginning of the year	¥ 20,008	¥ 24,981	$ 183,846
Recognized in profit or loss	3,244	(4,248)	29,808
Recognized in other comprehensive income	394	504	3,620
Business combinations	(797)	(404)	(7,323)
Others	(261)	(824)	(2,398)
Balance, end of the year	¥ 22,588	¥ 20,008	$ 207,553

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
	2020	2019	2020
Deductible temporary differences	¥ 13,904	¥ 11,106	$ 127,759
Net losses carried forward	¥ 43,684	¥ 51,918	$ 401,397

Presentation by carried forward accounting term of net losses carried forward that are not expected to be recognized for deferred tax assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
5 years or less	¥ 30,951	¥ 45,176	$ 284,398
More than 5 years	12,732	6,742	116,990
Total	¥ 43,684	¥ 51,918	$ 401,397

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 ¥11,254 million ($103,409 thousand) (previous fiscal year: ¥19,444 million).

(2) Income tax expense

1) Income tax expense recognized in profit or loss

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Current income tax expense	**¥ 6,615**	¥ 14,160	**$ 60,783**
Deferred income tax expense			
(Increase) decrease in temporary differences	**439**	1,873	**4,034**
(Increase) decrease in net losses carried forward	**(1,870)**	2,377	**(17,183)**
Increase (decrease) in valuation allowance	**(1,813)**	(1)	**(16,659)**
Subtotal	**(3,244)**	4,248	**(29,808)**
Total	**¥ 3,371**	¥ 18,409	**$ 30,975**

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 mainly subject to corporate tax and inhabitant tax as well as business tax, which is deductible. The statutory income tax rate calculated based on such taxes is 30.6% for the fiscal years ended 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.

	%	
	2020	2019
Statutory income tax rate	**30.6**	30.6
Valuation allowance	**(185.8)**	0.0
Non-taxable revenue	**(76.6)**	(0.5)
Non-deductible expenses	**335.2**	1.6
Difference in statutory tax rate of foreign subsidiaries	**(113.1)**	(2.6)
Tax credits for research and development cost and others	**(37.9)**	(2.9)
Expiration of net losses carried forward	**835.8**	2.0
Others	**395.1**	2.4
Average effective tax rate after application of tax effect accounting	**1,183.3**	30.6

16. Trade and other payables

The components of trade and other payables as of March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Notes and accounts payable-trade	**¥ 93,031**	¥ 104,922	**$ 854,829**
Accounts payable-capital expenditure	**8,190**	6,896	**75,255**
Accounts payable-others	**59,873**	61,849	**550,152**
Others	**1,791**	1,600	**16,457**
Total	**¥ 162,886**	¥ 175,268	**$ 1,496,701**

17. Bonds and borrowings

Summary of bonds and borrowings is as follows:

	Millions of yen 2020	Millions of yen 2019	Interest rate (%) (Note 1)	Thousands of U.S. dollars 2020
Short-term loans payable	¥ 18,351	¥ 7,904	1.233	$ 168,621
Current portion of bonds (Note 4)	9,989	–	0.060	91,785
Current portion of long-term loans payable	30,926	14,617	0.730	284,168
Current portion of lease obligations	–	2,126	–	–
Non-current portion of bonds (Note 2) (Note 4)	29,888	39,844	0.345	274,630
Non-current portion of long-term loans payable (Note 2) (Note 3)	200,138	205,923	1.011	1,838,997
Non-current portion of lease obligations (Note 2)	–	3,320	–	–
Total	289,294	273,737		2,658,219
Current	59,267	24,648		544,583
Non-current	¥ 230,027	¥ 249,088		$ 2,113,636

(Note 1) Interest rates indicated are weighted average interest rates on balances at the end of the current fiscal year.
(Note 2) Expected repayments for bonds, long-term loans payable 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 repayment deadlines for balances of long-term loans payable at the end of the current fiscal year are from July 2021 to October 2077.
(Note 4) The carrying amounts of bonds by issuance name are as follows:

Company	Name	Issue date	Millions of yen 2020	Millions of yen 2019	Interest rate (%)	Redemption date	Thousands of U.S. dollars 2020
Konica Minolta	No. 5 Unsecured Bonds	December 15, 2017	¥ 9,989	¥ 9,974	0.060	December 15, 2020	$ 91,785
Konica Minolta	No. 6 Unsecured Bonds	December 15, 2017	14,951	14,940	0.300	December 13, 2024	137,379
Konica Minolta	No. 7 Unsecured Bonds	December 15, 2017	14,937	14,929	0.390	December 15, 2027	137,251
Total	–	–	¥ 39,878	¥ 39,844	–	–	$ 366,425

18. Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

Previous fiscal year (From April 1, 2018 to March 31, 2019)

	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 April 1, 2018	¥ 6,822	¥ 220,154	¥ 59,811	¥ 6,878	¥ 4,249	¥ 54,844	¥ 352,760
Cash flows	1,301	(3,501)	(20,000)	(3,162)	(1,112)	–	(26,475)
Effect of exchange rate changes	(883)	1,938	–	(185)	–	–	869
Changes in fair value	–	–	–	–	(2,563)	(3,183)	(5,746)
Others	664	1,949	33	1,916	–	–	4,563
Balance at March 31, 2019	¥ 7,904	¥ 220,541	¥ 39,844	¥ 5,446	¥ 572	¥ 51,660	¥ 325,970

Current fiscal year (From April 1, 2019 to March 31, 2020)

	Millions of yen						
	Bonds and borrowings						
	Short-term loans payable	Long-term loans payable	Bonds	Lease liabilities (Note)	Derivative liabilities (assets)	Put options written on non-controlling interests	Total
Balance at April 1, 2019	¥ 7,904	¥ 220,541	¥ 39,844	¥ 117,426	¥ 572	¥ 51,660	¥ 437,950
Cash flows --------	11,680	10,074	–	(18,764)	(24)	–	2,965
Effect of exchange rate changes-------	(1,500)	(349)	–	(1,620)	–	–	(3,469)
Changes in fair value	–	–	–	–	504	(7,427)	(6,923)
New leases	–	–	–	18,522	–	–	18,522
Others ------------	266	798	33	(1,347)	–	(3,313)	(3,562)
Balance at March 31, 2020 ----------------	**¥ 18,351**	**¥ 231,065**	**¥ 39,878**	**¥ 114,216**	**¥ 1,052**	**¥ 40,920**	**¥ 445,483**

(Note) The balance of lease liabilities at the beginning of the current fiscal year represents the amount of lease liabilities recognized in the consolidated statement of financial position due to the initial application of IFRS 16.

	Thousands of U.S. dollars						
	Bonds and borrowings						
	Short-term loans payable	Long-term loans payable	Bonds	Lease liabilities	Derivative liabilities (assets)	Put options written on non-controlling interests	Total
Balance at April 1, 2019	$ 72,627	$ 2,026,472	$ 366,112	$ 1,078,986	$ 5,256	$ 474,685	$ 4,024,166
Cash flows --------	107,323	92,566	–	(172,416)	(221)	–	27,244
Effect of exchange rate changes-------	(13,783)	(3,207)	–	(14,886)	–	–	(31,875)
Changes in fair value	–	–	–	–	4,631	(68,244)	(63,613)
New leases	–	–	–	170,192	–	–	170,192
Others ------------	2,444	7,333	303	(12,377)	–	(30,442)	(32,730)
Balance at March 31, 2020 ----------------	**$ 168,621**	**$ 2,123,174**	**$ 366,425**	**$ 1,049,490**	**$ 9,666**	**$ 375,999**	**$ 4,093,384**

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, 2019 ----------	¥ 1,742	¥ 3,117	¥ 14,536	¥ 8,404	¥ 27,800
Provisions made ------------------	553	2,661	101	4,927	8,243
Interest cost from discounting	–	–	84	–	84
Provisions utilized ----------------	(569)	(2,503)	(22)	(4,573)	(7,668)
Provisions reversed ---------------	(223)	(47)	(7)	(431)	(709)
Effects of changes in foreign exchange rates -------------------	(48)	(132)	(39)	(296)	(517)
Balance at March 31, 2020 ----------	**1,455**	**3,095**	**14,652**	**8,029**	**27,233**
Current --------------------------	1,455	3,095	170	7,306	12,028
Non-current----------------------	¥ –	¥ –	¥ 14,481	¥ 723	¥ 15,205

(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 corresponds 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 an allowance for expenses for relocation of sites.

	Thousands of U.S. dollars				
	Provision for product warranties	Provision for restructuring	Asset retirement obligations	Other provisions	Total
Balance at March 31, 2019	$ 16,007	$ 28,641	$ 133,566	$ 77,221	$ 255,444
Provisions made	5,081	24,451	928	45,272	75,742
Interest cost from discounting	–	–	772	–	772
Provisions utilized	(5,228)	(22,999)	(202)	(42,020)	(70,459)
Provisions reversed	(2,049)	(432)	(64)	(3,960)	(6,515)
Effects of changes in foreign exchange rates	(441)	(1,213)	(358)	(2,720)	(4,751)
Balance at March 31, 2020	**13,369**	**28,439**	**134,632**	**73,776**	**250,234**
Current	13,369	28,439	1,562	67,132	110,521
Non-current	$ –	$ –	$ 133,061	$ 6,643	$ 139,713

20. Other financial liabilities

The components of other financial liabilities as of March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Derivative financial liabilities (Note)	**¥ 43,440**	¥ 54,264	**$ 399,155**
Contingent consideration	**155**	–	**1,424**
Others	**5,713**	4,483	**52,495**
Total	**49,309**	58,747	**453,083**
Current	**2,927**	463	**26,895**
Non-current	**¥ 46,381**	¥ 58,284	**$ 426,178**

(Note) Derivative financial liabilities include put options written on non-controlling interests of ¥40,920 million ($375,999 thousand) (previous fiscal year: ¥51,660 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
	2020	2019	**2020**
Present value of the defined benefit obligation	**¥ 168,771**	¥ 176,630	**$ 1,550,776**
Fair value of the plan assets	**135,260**	138,413	**1,242,856**
Net amount of liabilities and assets in the consolidated statement of financial position	**33,511**	38,216	**307,921**
Defined benefit liabilities	**33,840**	38,457	**310,944**
Defined benefit assets	**¥ 329**	¥ 241	**$ 3,023**

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance, beginning of the year	¥176,630	¥183,465	$1,622,990
Current service cost	5,056	5,376	46,458
Past service cost	47	96	432
Gains or losses on settlement (Note 2)	–	(898)	–
Interest cost	1,503	1,668	13,811
Remeasurement:			
Actuarial gains and losses arising from changes in demographic assumptions	(229)	(449)	(2,104)
Actuarial gains and losses arising from changes in financial assumptions	(1,799)	1,489	(16,530)
Benefits paid	(9,664)	(8,052)	(88,799)
Benefits paid on settlement	(710)	(368)	(6,524)
Transfer of assets in conjunction with shift to defined contribution plans (Note 2)	–	(5,901)	–
Impact of business combinations and disposal	(52)	63	(478)
Effect of foreign currency exchange differences	(2,315)	(181)	(21,272)
Others	306	321	2,812
Balance, end of the year	¥168,771	¥176,630	$1,550,776

(Note 1) As of the end of the current fiscal year, the weighted average payment period for defined benefit obligations was 11.2 years.
(Note 2) Some of domestic consolidated subsidiaries shifted certain defined benefit plans to defined contribution plans effective from October 1, 2018. As a result of this shift, gains or losses on settlement were recognized in the previous fiscal year.

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance, beginning of the year	¥138,413	¥132,021	$1,271,828
Interest income	1,300	1,353	11,945
Remeasurement:			
Return on plan assets (net)	(369)	(1,395)	(3,391)
Contributions by the employer	6,312	13,172	57,999
Benefits paid	(8,291)	(6,719)	(76,183)
Benefits paid on settlement	(567)	–	(5,210)
Effect of foreign currency exchange differences	(1,854)	51	(17,036)
Others	316	(70)	2,904
Balance, end of the year	¥135,260	¥138,413	$1,242,856

(Note) Expected contributions to plan assets in the next fiscal year are ¥7,467 million.

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

	Millions of yen					
	2020			2019		
	Quoted market price in an active market			Quoted market price in an active market		
	Yes	No	Total	Yes	No	Total
Equity securities (Domestic)	¥12,922	¥ 1,990	¥ 14,913	¥22,730	¥ 1,611	¥ 24,342
Equity securities (Foreign)	15,265	15,800	31,066	12,514	11,222	23,737
Debt securities (Domestic)	2,964	732	3,696	2,794	850	3,645
Debt securities (Foreign)	28,688	5,562	34,251	24,484	5,739	30,223
Employee pension trust (Domestic equity securities)	5,064	–	5,064	7,025	–	7,025
Life insurance company general accounts	–	9,500	9,500	–	9,329	9,329
Cash and cash equivalents	12,167	–	12,167	14,660	–	14,660
Others	¥11,023	¥ 13,577	24,600	¥11,283	¥ 14,167	25,450
Total			¥ 135,260			¥ 138,413

(Note 1) Plan assets are invested in shares and securities.
(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		
	2020		
	Quoted market price in an active market		
	Yes	No	Total
Equity securities (Domestic)	$ 118,736	$ 18,285	$ 137,030
Equity securities (Foreign)	140,265	145,181	285,454
Debt securities (Domestic)	27,235	6,726	33,961
Debt securities (Foreign)	263,604	51,107	314,720
Employee pension trust (Domestic equity securities)	46,531	–	46,531
Life insurance company general accounts	–	87,292	87,292
Cash and cash equivalents	111,798	–	111,798
Others	$ 101,286	$ 124,754	226,041
Total			$ 1,242,856

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

	%	
	2020	2019
Discount rate	0.42	0.31

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 simultaneously affected by fluctuations in economic indicators and conditions. Accordingly, the actual impact of these fluctuations on defined benefit obligations may differ from these assumptions because fluctuations may occur independently or mutually.

	Millions of yen				Thousands of U.S. dollars	
	2020		2019		2020	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Effect of change of discount rate	(¥5,505)	¥6,070	(¥6,155)	¥6,819	($50,583)	$55,775

(2) Defined contribution plan

The amount of expenses in relation to defined contribution plans was ¥6,206 million ($57,025 thousand) for the current fiscal year (previous fiscal year: ¥5,598 million).

(3) Other employee benefits

Certain U.S. subsidiaries employ a Supplemental Executive Retirement Plan (SERP). Obligations incurred under this plan amounted to ¥3,718 million ($34,163 thousand) for the current fiscal year (previous fiscal year: ¥3,758 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, 2018	1,200,000,000	502,664,337	8,175,975
Increase	–	–	5,003
Decrease	–	–	171,994
At March 31, 2019	1,200,000,000	502,664,337	8,008,984
Increase	–	–	2,936
Decrease	–	–	247,679
At March 31, 2020	1,200,000,000	502,664,337	7,764,241

(Note 1) Shares issued by the Company are non-par value ordinary shares.
(Note 2) Issued shares are fully paid.
(Note 3) The balance as of April 1, 2018, March 31, 2019 and March 31, 2020 includes the Company's shares owned by the trust account associated with the Directors' Compensation BIP Trust of 1,274,000 shares, 1,250,538 shares and 1,184,094 shares, respectively.

(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 10% of the amount of deduction from surplus by dividends 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, 2018	¥ –	¥8,018	(¥ 137)	¥ 5,144	¥ 15	¥13,041
Increase (decrease)	(1,770)	(1,701)	977	3,119	(18)	605
Transfer to retained earnings	1,770	(1,067)	-	-	0	703
Balance at March 31, 2019	–	5,248	839	8,264	(2)	14,350
Increase (decrease)	**1,031**	**(2,782)**	**(779)**	**(18,596)**	**(13)**	**(21,139)**
Transfer to retained earnings	**(1,031)**	**(311)**	**-**	**–**	**–**	**(1,343)**
Balance at March 31, 2020	**¥ –**	**¥2,154**	**¥ 60**	**(¥ 10,331)**	**(¥15)**	**(¥8,133)**

(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, 2019	$ –	$48,222	$7,709	$ 75,935	($ 18)	$131,857
Increase (decrease)	**9,473**	**(25,563)**	**(7,158)**	**(170,872)**	**(119)**	**(194,239)**
Transfer to retained earnings	**(9,473)**	**(2,858)**	**–**	**–**	**–**	**(12,340)**
Balance at March 31, 2020	**$ –**	**$19,792**	**$551**	**($ 94,928)**	**($ 138)**	**($74,731)**

23. Dividends

(1) Dividend payments

Previous fiscal year (From April 1, 2018 to March 31, 2019)

Resolution	Class of shares	Millions of yen Amount of dividends (Note 1) (Note 2)	Yen Dividends per share	Record date	Effective date	Source of dividends
Board of Directors' meeting held on May 14, 2018	Ordinary shares	¥7,436	¥15.00	March 31, 2018	May 30, 2018	Retained earnings
Board of Directors' meeting held on October 30, 2018	Ordinary shares	¥7,437	¥15.00	September 30, 2018	November 27, 2018	Retained earnings

(Note 1) 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.

(Note 2) The amount of dividends based on the resolution at the Board of Directors' meeting held on October 30, 2018 includes ¥18 million of dividends on the Company's shares owned by the trust account associated with the Directors' Compensation BIP Trust.

Current fiscal year (From April 1, 2019 to March 31, 2020)

Resolution	Class of shares	Millions of yen	Yen	Record date	Effective date	Source of dividends	Thousands of U.S. dollars	U.S. dollars
		Amount of dividends (Note 1) (Note 2)	Dividends per share				Amount of dividends	Dividends per share
Board of Directors' meeting held on May 13, 2019	Ordinary shares	¥7,438	¥15.00	March 31, 2019	May 29, 2019	Retained earnings	$68,345	$0.14
Board of Directors' meeting held on November 1, 2019	Ordinary shares	¥7,440	¥15.00	September 30, 2019	November 27, 2019	Retained earnings	$68,364	$0.14

(Note 1) The amount of dividends based on the resolution at the Board of Directors' meeting held on May 13, 2019 includes ¥18 million ($165 thousand) of dividends on the Company's shares owned by the trust account associated with the Directors' Compensation BIP Trust.

(Note 2) The amount of dividends based on the resolution at the Board of Directors' meeting held on November 1, 2019 includes ¥17 million ($156 thousand) 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	Yen	Record date	Effective date	Source of dividends	Thousands of U.S. dollars	U.S. dollars
		Amount of dividends (Note)	Dividends per share				Amount of dividends	Dividends per share
Board of Directors' meeting held on May 26, 2020	Ordinary shares	¥4,960	¥10.00	March 31, 2020	June 10, 2020	Retained earnings	$45,576	$0.09

(Note) The amount of dividends includes ¥11 million ($101 thousand) of dividends on the Company's shares owned by the trust account associated with the Directors' Compensation BIP Trust.

24. Revenue

(1) Disaggregation of revenue

The Group presents revenue recognized from contracts with customers and other sources as revenue.

Disaggregated revenue is as follows:

		Millions of yen 2020	Millions of yen 2019	Thousands of U.S. dollars 2020
Office Business		¥ 546,457	¥ 587,879	$ 5,021,198
Professional Print Business		210,085	227,740	1,930,396
Healthcare Business		87,885	90,944	807,544
Industrial Business	Materials and Components	78,832	81,547	724,359
	Optical Systems for Industrial Use	30,773	35,157	282,762
	Subtotal	109,605	116,705	1,007,121
Others	Bio-Healthcare	30,630	25,928	281,448
	Others	11,436	9,923	105,081
	Subtotal	42,067	35,851	386,539
Total		996,101	1,059,120	9,152,816
Revenue recognized from contracts with customers		943,357	1,005,886	8,668,171
Revenue recognized from other sources (Note)		¥ 52,744	¥ 53,233	$ 484,646

(Note) Revenue recognized from other sources includes lease income under IFRS 16 for the current fiscal year (IAS 17 for the previous fiscal year).

(Office Business and Professional Print Business)

The Office Business and the Professional Print Business principally engage in sales of MFPs, digital printing systems and related consumables, provision of services incidental to them, and provision of solution services.

For sales of MFPs, digital printing systems and related consumables, revenue is recognized at the time of shipment or delivery of products, which is when control of the products is considered to be transferred to customers. If acceptance inspection by customers is required for performance of products, revenue is recognized at the time of acceptance inspection by customers.

Because services incidental to sales of MFPs and digital printing systems are mainly maintenance contracts based on pay-as-you-go fees in accordance with the usage of the products, and performance obligations are satisfied as the products are used, revenue is recognized based on the amount specified in the contract in accordance with the usage.

For solution services, revenue is recognized at the time of completion of the provision of services, which is when performance obligations are satisfied.

Consideration for transactions is principally received within one year after satisfaction of performance obligations and does not include any significant financial component. For services incidental to sales, charges are principally made and received on a monthly basis.

(Healthcare Business)

The Healthcare Business mainly engages in sales of medical equipment including diagnostic imaging systems and related consumables, provision of services incidental to them, and provision of medical IT solution services.

Control of products is considered to be transferred to customers at the time of acceptance inspection by customers for sales of medical equipment, and at the time of delivery of products for sales of consumables, and revenue is recognized at that time.

Since services incidental to sales of medical equipment mainly consist of maintenance contracts for products and performance obligations are satisfied over time, revenue is recognized equally over the contract period based on the amount specified in the contract.

For medical IT solution services, revenue is recognized at the time of completion of the provision of services, which is when performance obligations are satisfied.

Consideration for transactions is principally received within one year after satisfaction of performance obligations and does not include any significant financial component. For services incidental to sales, consideration is received in lump sum at the time of signing the contract or expiry of the contract period, or in installments monthly.

(Industrial Business)
The Industrial Business principally engages in sales of products, such as TAC films, lenses for industrial and professional use and measuring instruments. Revenue is recognized when control of products is transferred to customers, that is, at the time of shipment or delivery of products. Consideration for transactions is principally received within one year after satisfaction of performance obligations and does not include any significant financial component.

(2) Contract balance

Balances of receivables arising from contracts with customers, contract assets and contract liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Receivables arising from contracts with customers	¥ 219,977	¥ 235,049	$ 2,021,290
Contract assets	231	293	2,123
Contract liabilities	¥ 14,146	¥ 14,960	$ 129,983

(Note 1) In the consolidated statement of financial position, receivables arising from contracts with customers and contract assets are included in trade and other receivables, and contract liabilities are included in other current liabilities. Contract liabilities are mainly related to advance received from customers.

(Note 2) Of revenue recognized in the previous fiscal year and the current fiscal year, the amount included in the balance of contract liabilities at the beginning of the year is ¥9,678 million and ¥7,286 million ($66,948 thousand), respectively. The amount of revenue recognized from performance obligations that were satisfied (or partially satisfied) in prior periods is not significant.

(3) Transaction price allocated to the remaining performance obligations

The amount of transaction price allocated to the remaining performance obligations of which the original expected period exceeds one year by timing of satisfaction is as follows. The transaction price is mainly related to service contracts in the Office Business and the Professional Print Business.

The Group has applied a practical expedient and does not provide information on the remaining performance obligations of which the original expected period is one year or less and that are based on pay-as-you-go fees.

In addition, among consideration arising from contracts with customers, there is no significant amount that is not included in transaction price.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
1 year or less	¥ 2,528	¥ 2,682	$ 23,229
More than 1 year, 2 years or less	1,040	564	9,556
More than 2 years, 3 years or less	535	337	4,916
More than 3 years	292	172	2,683
Total	¥ 4,397	¥ 3,756	$ 40,402

(4) Contract costs

Capitalized contract costs are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Assets recognized from contract acquisition costs	¥ 193	¥ 197	$ 1,773
Assets recognized from contract fulfillment costs	–	47	–
Total	¥ 193	¥ 244	$ 1,773

(Note) Amortization expenses arising from assets recognized from contract costs were ¥188 million in the previous fiscal year and ¥201 million ($1,847 thousand) in the current fiscal year.

25. Other income

The components of other income for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Gain on sale of property, plant and equipment and intangible assets (Note)	**¥ 302**	¥ 20,490	**$ 2,775**
Others	**4,313**	4,912	**39,631**
Total	**¥ 4,615**	¥ 25,402	**$ 42,406**

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

26. Other expenses

The components of other expenses for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Business restructuring improvement expenses (Note 1)	**¥ 5,060**	¥ 2,902	**$ 46,495**
Loss on sales and disposals of property, plant and equipment and intangible assets (Note 2)	**3,696**	3,095	**33,961**
Impairment losses (Note 3)	**3,074**	942	**28,246**
Special extra retirement payment (Note 4)	**1,609**	-	**14,785**
Loss on disposal of mass-produced trial products (Note 5)	**1,219**	1,777	**11,201**
Others	**4,992**	4,935	**45,870**
Total	**¥ 19,654**	¥ 13,652	**$ 180,594**

(Note 1) 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 2) Loss on sales and disposals of property, plant and equipment and intangible assets is mainly related to expenses for relocation of sites in Japan.

(Note 3) Impairment losses are described in note 12 "Impairment losses on non-financial assets".

(Note 4) Special extra retirement payment in the current fiscal year includes extra retirement payment paid to retired employees related to an implementation of a special early retirement program.

(Note 5) 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
	2020	2019	**2020**
Personnel expenses	**¥ 352,566**	¥ 359,980	**$ 3,239,603**
Depreciation and amortization expenses	**¥ 77,105**	¥ 59,039	**$ 708,490**

The total amount of research and development expenses included in operating expenses for the current fiscal year is ¥74,040 million ($680,327 thousand) (previous fiscal year: ¥78,395 million).

28. Finance income and costs

The components of finance income and costs for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Finance income			
Interest income			
Financial assets measured at amortized cost	¥ 1,292	¥ 1,232	$ 11,872
Financial assets and liabilities measured at FVTPL	2,534	2,672	23,284
Dividends received			
Financial assets measured at FVTOCI	676	640	6,212
Others			
Financial assets and liabilities measured at FVTPL	419	1,546	3,850
Total	4,923	6,091	45,236
Finance costs			
Interest expense			
Financial liabilities measured at amortized cost	5,041	5,131	46,320
Financial assets and liabilities measured at FVTPL	1,525	1,510	14,013
Lease liabilities	2,712	-	24,920
Foreign exchange loss (Note)	2,724	419	25,030
Others			
Financial liabilities measured at amortized cost	441	425	4,052
Financial assets and liabilities measured at FVTPL	149	285	1,369
Total	¥ 12,594	¥ 7,772	$ 115,722

(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 the fiscal years ended March 31, 2020 and 2019 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Basis of calculating basic earnings per share			
Profit (loss) for the year attributable to owners of the Company	(¥ 3,073)	¥ 41,705	($ 28,237)
Profit for the year not attributable to owners of the Company	–	–	–
Profit (loss) for the year to calculate basic earnings per share	(3,073)	41,705	(28,237)
Adjustments of profit for the year	–	–	–
Profit (loss) for the year to calculate diluted earnings per share	(¥ 3,073)	¥ 41,705	($ 28,237)

	Thousands of shares	
	2020	2019
Weighted average number of ordinary shares outstanding during the period (Note 1)	494,794	494,572
Impact of dilutive effects (Note 2)	–	1,756
Weighted average number of diluted ordinary shares outstanding during the period	494,794	496,329

(Note 1) In calculating basic earnings per share and diluted earnings per share, the Company's shares owned by the trust account associated with the Directors' Compensation BIP Trust are included in treasury shares to be deducted in the calculation of weighted average number of shares outstanding during the period.

(Note 2) In the current fiscal year, since exercise of share acquisition rights, etc. reduces loss per share for the year, potential shares have no dilutive effect.

	Yen		U.S. dollars
	2020	2019	2020
Basic earnings (loss) per share attributable to owners of the Company	(¥6.21)	¥84.33	($0.06)
Diluted earnings (loss) per share attributable to owners of the Company	(¥6.21)	¥84.03	($0.06)

30. Other comprehensive income

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plans			
Amount arising during the year	¥ 1,660	(¥ 2,435)	$ 15,253
Income tax expense	(628)	664	(5,770)
Net of tax effects	1,031	(1,770)	9,473
Net gain (loss) on revaluation of financial assets measured at fair value			
Amount arising during the year	(3,985)	(2,447)	(36,617)
Income tax expense	1,203	745	11,054
Net of tax effects	(2,782)	(1,701)	(25,563)
Share of other comprehensive income of investments accounted for using the equity method	–	0	–
Subtotal	(1,750)	(3,471)	(16,080)
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	1,906	3,438	17,514
Reclassification adjustments	(3,030)	(2,030)	(27,842)
Income tax expense	344	(431)	3,161
Net of tax effects	(779)	977	(7,158)
Exchange differences on translation of foreign operations			
Amount arising during the year	(18,474)	2,918	(169,751)
Reclassification adjustments	–	(5)	–
Income tax expense	(524)	(474)	(4,815)
Net of tax effects	(18,998)	2,438	(174,566)
Share of other comprehensive income of investments accounted for using the equity method	(13)	(18)	(119)
Subtotal	(19,791)	3,396	(181,852)
Total	(¥ 21,542)	(¥ 75)	($ 197,942)

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Exchange differences on translation of foreign operations	(¥402)	(¥681)	($3,694)
Total	(¥402)	(¥681)	($3,694)

31. Share-based payment

(1) Share option plan

The Group's share-based payments arise from the share options given 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 share acquisition rights 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 share acquisition rights 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 and recognizes them as selling, general and administrative expenses in the consolidated statement of profit or loss. The Group uses valuation technique, i.e. Black-Scholes model, to estimate the fair value of the share options.

Since the Group has decided not to grant new share options after the 12th share options, which were issued in August 2016, being the last ones, expenses for this transaction were not recorded in the current fiscal year.

	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

	2020		2019	
	Number of shares	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)
Outstanding, beginning of the year	**1,120,400**	**¥1**	1,268,700	¥1
Exercised	**181,000**	**1**	148,300	1
Outstanding, end of the year	**939,400**	**1**	1,120,400	1
Exercisable, end of the year	**939,400**	**¥1**	1,120,400	¥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 ¥774 ($7.11) (previous fiscal year: ¥1,029).
(Note 3) The weighted average remaining number of years for unexercised share options as of the end of the current fiscal year was 19 years (previous fiscal year: 19 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, etc. according to the corporate position and achievement level of performance targets in the Medium Term Business Plan. 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 ¥1,077 million ($9,896 thousand) (previous fiscal year: ¥1,138 million) and recorded as treasury shares in the consolidated statement of financial position.

	2020	2019
Number of points	**82,911**	339,184
Fair value (Note 1) (Yen)	**¥910**	¥910
Amount recorded as expenses (Note 2) (Millions of yen)	**¥75**	¥308

(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 payment 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:

	2020	2019
ROE (Note 1)	**(0.6%)**	7.7%
Equity ratio attributable to owners of the Company (Note 2)	**41.0%**	45.6%
D/E ratio (Note 3)	**0.55 times**	0.49 times
Net D/E ratio (Note 4)	**0.38 times**	0.27 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
	2020	2019	2020
Financial assets			
Financial assets measured at amortized cost			
Cash and cash equivalents	¥ 89,901	¥ 124,830	$ 826,068
Trade and other receivables	225,769	241,464	2,074,511
Other financial assets	13,982	14,746	128,476
Financial assets measured at FVTOCI			
Other financial assets	16,982	23,947	156,042
Financial assets measured at FVTPL			
Other financial assets	13,541	11,423	124,423
Financial liabilities			
Financial liabilities measured at amortized cost			
Trade and other payables	162,886	175,268	1,496,701
Bonds and borrowings	289,294	268,290	2,658,219
Other financial liabilities	5,713	4,483	52,495
Financial liabilities measured at FVTPL			
Other financial liabilities	¥ 2,675	¥ 2,603	$ 24,580

Other than the above, there are finance lease receivables of ¥34,849 million ($320,215 thousand) (previous fiscal year: ¥33,805 million), contract assets of ¥231 million ($2,123 thousand) (previous fiscal year: ¥293 million), put options written on non-controlling interests of ¥40,920 million ($375,999 thousand) (previous fiscal year: ¥51,660 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
	2020	2019	2020
OMRON Corporation	¥ 3,057	¥ 2,802	$ 28,090
Marubeni Corporation	1,924	2,799	17,679
ROHM Co., Ltd.	1,288	1,505	11,835
Dai Nippon Printing Co., Ltd.	1,042	1,140	9,575
MS&AD Insurance Group Holdings, Inc.	960	1,058	8,821
Mitsubishi Logistics Corporation	942	1,259	8,656
Sumitomo Mitsui Financial Group, Inc.	743	1,117	6,827
T&D Holdings, Inc.	666	922	6,120
The Hyakujushi Bank, Ltd.	603	729	5,541
Mebuki Financial Group, Inc.	501	671	4,604
Other	5,251	9,940	48,250
Total	¥ 16,982	¥ 23,947	$ 156,042

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 and cumulative gains or losses recognized in other components of equity (before tax effects) are as follows.

Cumulative gains or losses on financial assets measured at FVTOCI recognized in other components of equity are transferred from other components of equity to retained earnings when the investment is disposed.

In addition, such gains or losses are also transferred from other components of equity to retained earnings when the fair value declined significantly. In the current fiscal year, cumulative gains or losses in OCI (after tax effects) transferred to retained earnings were losses of ¥181 million ($1,663 thousand).

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Fair value at time of sale	¥ 1,521	¥ 2,227	$ 13,976
Cumulative gains (net of tax effects)	¥ 588	¥ 1,564	$ 5,403

Breakdown of dividends income recognized from equity financial instruments is as follows:

Millions of yen				Thousands of U.S. dollars	
2020		2019		**2020**	
Financial assets derecognized during the period	Financial assets held as of March 31, 2020	Financial assets derecognized during the period	Financial assets held as of March 31, 2019	Financial assets derecognized during the period	Financial assets held as of March 31, 2020
¥ 38	**¥ 637**	¥ 38	¥ 601	**$ 349**	**$ 5,853**

(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. Basically, if receivables are significantly past due and it is considered impossible or extremely difficult to recover all or part of the receivables, it is deemed that default has occurred. In addition, if material financial difficulty has arisen in the borrower and it is considered difficult to recover receivables, it is also deemed that default has occurred. The Group determines whether or not credit risk has increased, based on changes in the risk of default occurring. 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) Credit exposures related to trade and other receivables

The Group estimates expected credit loss and recognizes allowance for doubtful accounts, taking into consideration the recoverability of receivables and the estimated recoverable amount. The Group judges trade and other receivables in light of business partners' financial conditions, past due status of receivables, past records of bad debts losses reported, etc., taking into account projection of future economic conditions and others. Allowance for doubtful accounts for trade and other receivables is always measured at an amount equal to lifetime expected credit loss.

In cases where one or more events that have adverse effects on estimated future cash flows of financial assets, such as cases where the number of months past due is more than six months and where the number of months past due is six months or less and material financial difficulty has arisen in the borrower, the receivables are classified as credit-impaired financial assets.

Past due information on trade and other receivables is as follows:

As of March 31, 2019

	Millions of yen	
Number of months past due	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit loss	Credit-impaired financial assets
No days past due	¥ 235,119	¥ -
3 months or less	31,309	-
More than 3 months, 6 months or less	6,966	1
More than 6 months	-	7,604
Total	¥ 273,396	¥ 7,606

As of March 31, 2020

	Millions of yen	
Number of months past due	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit loss	Credit-impaired financial assets
No days past due	**¥ 210,818**	**¥ -**
3 months or less	**37,739**	**-**
More than 3 months, 6 months or less	**7,625**	**-**
More than 6 months	**-**	**11,102**
Total	**¥ 256,183**	**¥ 11,102**

Number of months past due	Thousands of U.S. dollars Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit loss	Credit-impaired financial assets
No days past due	$ 1,937,131	$ -
3 months or less	346,770	-
More than 3 months, 6 months or less	70,063	-
More than 6 months	-	102,012
Total	$ 2,353,974	$ 102,012

With regard to other financial assets, the balances for the fiscal years ended March 31, 2019 and 2020 are not significant.

(b) Allowance for doubtful accounts

The Group uses the allowance for doubtful accounts to record impairment losses at the non-recoverable amount for individually significant financial assets, and to record impairment losses based on projection of future economic conditions and others, taking into account past records of bad debts losses reported, etc., for financial assets that are not individually significant. 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.

Previous fiscal year (From April 1, 2018 to March 31, 2019)
Trade and other receivables

	Millions of yen Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit loss	Credit-impaired financial assets
Balance, beginning of the year	¥ 2,681	¥ 4,035
Provisions made	1,404	271
Transfer to credit-impaired financial assets	(292)	292
Provisions utilized	(381)	(352)
Provisions reversed	(745)	(564)
Effects of changes in foreign exchange rates	12	(96)
Balance, end of the year	¥ 2,678	¥ 3,585

Current fiscal year (From April 1, 2019 to March 31, 2020)
Trade and other receivables

	Millions of yen Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit loss	Credit-impaired financial assets
Balance, beginning of the year	¥ 2,678	¥ 3,585
Provisions made	3,275	1,432
Transfer to credit-impaired financial assets	(1,620)	1,620
Provisions utilized	(740)	(280)
Provisions reversed	(1,029)	(1,630)
Effects of changes in foreign exchange rates	20	(143)
Balance, end of the year	¥ 2,582	¥ 4,584

	Thousands of U.S. dollars Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit loss	Credit-impaired financial assets
Balance, beginning of the year	$ 24,607	$ 32,941
Provisions made	30,093	13,158
Transfer to credit-impaired financial assets	(14,886)	14,886
Provisions utilized	(6,800)	(2,573)
Provisions reversed	(9,455)	(14,977)
Effects of changes in foreign exchange rates	184	(1,314)
Balance, end of the year	$ 23,725	$ 42,121

Changes in allowances for doubtful accounts for other financial assets are not significant.

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 dates, 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. Notes to "trade and other payables," and "short-term loans payable," have been omitted because they are settled in the short term.

As of March 31, 2019

	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 --	¥ 220,541	¥ 223,516	¥ 14,617	¥ 37,364	¥ 32,215	¥ 29,026	¥ 10,212	¥ 100,080
Bonds -------------------	39,844	40,000	-	10,000	-	-	-	30,000
Lease obligations ---------	5,446	5,446	2,126	1,481	1,011	561	54	211
Derivative financial liabilities-----------------	54,264	54,264	445	1,171	50,742	1,905	-	-
Others-------------------	4,483	4,483	17	4,465	-	-	-	-
Total---------------------	¥ 324,580	¥ 327,711	¥ 17,207	¥ 54,482	¥ 83,968	¥ 31,493	¥ 10,266	¥ 130,292

As of March 31, 2020

	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 --	¥ 231,065	¥ 233,190	¥ 30,926	¥ 32,357	¥ 28,416	¥ 27,797	¥ 4,572	¥ 109,118
Bonds -------------------	39,878	40,000	10,000	-	-	-	15,000	15,000
Lease liabilities-----------	114,216	149,299	20,995	16,056	12,006	9,536	7,482	83,221
Derivative financial liabilities-----------------	43,440	43,440	190	40,920	2,254	74	-	-
Others-------------------	5,868	5,868	2,736	3,132	-	-	-	-
Total---------------------	¥ 434,469	¥ 471,798	¥ 64,849	¥ 92,466	¥ 42,677	¥ 37,409	¥ 27,055	¥ 207,340

	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 --	$ 2,123,174	$ 2,142,700	$ 284,168	$ 297,317	$ 261,104	$ 255,417	$ 42,010	$ 1,002,646
Bonds -------------------	366,425	367,546	91,886	–	–	–	137,830	137,830
Lease liabilities -----------	1,049,490	1,371,855	192,916	147,533	110,319	87,623	68,749	764,688
Derivative financial liabilities -----------------	399,155	399,155	1,746	375,999	20,711	680	–	–
Others -------------------	53,919	53,919	25,140	28,779	–	–	–	–
Total ---------------------	$ 3,992,180	$ 4,335,183	$ 595,874	$ 849,637	$ 392,144	$ 343,738	$ 248,599	$ 1,905,173

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. In addition, foreign currency borrowings are used in hedge mainly to avoid foreign exchange risk of net investments in foreign operations.

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. The analysis is based on the assumption that currencies other than each currency used in the calculation do not fluctuate, and does not include financial instruments in the functional currency and effects of the translation of assets, liabilities, revenue and expenses of foreign operations to Japanese yen.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
U.S. dollar	¥ 183	¥ 266	$ 1,682
Euro	(43)	25	(395)
Pound sterling	(¥ 12)	¥ 12	($ 110)

(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 reinforcing business alliances and business synergies, 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 ¥147 million ($1,351 thousand) impact on other components of equity (before tax effects) as of the end of the current fiscal year (previous fiscal year: ¥200 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 or loss of the Group.

(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 loans payable 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 loans payable 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 2.

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 their 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	
	2020		2019		2020	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Long-term loans payable	¥ 231,065	¥ 244,158	¥ 220,541	¥ 215,833	$ 2,123,174	$ 2,243,481
Bonds	39,878	40,017	39,844	40,292	366,425	367,702
Total	¥ 270,943	¥ 284,175	¥ 260,386	¥ 256,125	$ 2,489,598	$ 2,611,183

(Note 1) Long-term loans payable and bonds include balances redeemable within one year.
(Note 2) Financial instruments that are to be settled in a short period of time are not included in the above table because their fair value approximates their carrying amounts.

(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			
	2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Investment securities	¥ 20,070	¥ -	¥ 3,969	¥ 24,040
Derivative financial assets	-	5,777	-	5,777
Others	4,707	-	844	5,552
Total	24,778	5,777	4,814	35,370
Financial liabilities				
Derivative financial liabilities	-	2,603	51,660	54,264
Total	¥ -	¥ 2,603	¥ 51,660	¥ 54,264

	Millions of yen			
	2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Investment securities	¥ 14,720	¥ -	¥ 4,255	¥ 18,975
Derivative financial assets	-	6,011	-	6,011
Others	4,652	-	884	5,536
Total	19,372	6,011	5,139	30,524
Financial liabilities				
Derivative financial liabilities	-	2,519	40,920	43,440
Others	-	-	155	155
Total	¥ -	¥ 2,519	¥ 41,076	¥ 43,595

(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			
	2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Investment securities	$ 135,257	$ -	$ 39,098	$ 174,354
Derivative financial assets	-	55,233	-	55,233
Others	42,746	-	8,123	50,868
Total	178,002	55,233	47,220	280,474
Financial liabilities				
Derivative financial liabilities	-	23,146	375,999	399,155
Others	-	-	1,424	1,424
Total	$ -	$ 23,146	$ 377,433	$ 400,579

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, 2018	¥ 4,917	¥ 56,119
Gains (losses) (Note 1)		
Profit for the year	(187)	–
Other comprehensive income	96	–
Acquisitions	30	–
Disposals and settlements	(30)	–
Others (Note 3)	(12)	(4,515)
Effects of changes in foreign exchange rates	(0)	57
Balance at March 31, 2019	4,814	51,660
Gains (losses) (Note 1)		
Profit for the year	**54**	**–**
Other comprehensive income	**(113)**	**–**
Acquisitions	**465**	**–**
Business combinations (Note 2)	**–**	**159**
Disposals and settlements	**(81)**	**–**
Others (Note 3)	**0**	**(10,740)**
Effects of changes in foreign exchange rates	**0**	**(3)**
Balance at March 31, 2020	**¥ 5,139**	**¥ 41,076**

(Note 1) Gains or losses recognized in profit for the year are presented in the consolidated statement 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 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) Other financial liabilities principally include the difference in change arising from subsequently measuring fair value of put options written on non-controlling interests, and the difference in change was recorded as share premium.

	Thousands of U.S. dollars	
	Financial assets	Financial liabilities
Balance at March 31, 2019	$ 44,234	$ 474,685
Gains (losses)		
Profit for the year	**496**	**–**
Other comprehensive income	**(1,038)**	**–**
Acquisitions	**4,273**	**–**
Business combinations	**–**	**1,461**
Disposals and settlements	**(744)**	**–**
Others	**0**	**(98,686)**
Effects of changes in foreign exchange rates	**0**	**(28)**
Balance at March 31, 2020	**$ 47,220**	**$ 377,433**

(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 net investments in foreign operations mainly.

The fair value of derivatives are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Derivatives employing hedge accounting			
Currency derivatives	**¥ 114**	¥ 1,441	**$ 1,048**
Interest rate derivatives	**(25)**	(193)	**(230)**
Net investment hedge derivatives	**3,791**	2,000	**34,834**
Derivatives not employing hedge accounting			
Currency derivatives	**(389)**	(73)	**(3,574)**
Put options written on non-controlling interests	**(40,920)**	(51,660)	**(375,999)**
Total	**(¥ 37,428)**	(¥ 48,486)	**($ 343,913)**

(Note) In addition to the above items, foreign-currency borrowings of ¥5,060 million ($46,495 thousand) (previous fiscal year: ¥5,161 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 with the same business partner is as follows:

Previous fiscal year (From April 1, 2018 to March 31, 2019)

		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	¥ 12,591	¥ 12,407	¥ 183

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	¥ 12,407	¥ 12,407	¥ –

Current fiscal year (From April 1, 2019 to March 31, 2020)

		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	**¥ 13,136**	**¥ 12,566**	**¥ 569**

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	**¥ 12,566**	**¥ 12,566**	**¥ –**

		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	**$ 120,702**	**$ 115,464**	**$ 5,228**

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	**$ 115,464**	**$ 115,464**	**$ –**

33. Related parties

Remuneration for directors and audit and supervisory board members for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Fixed remuneration	¥ 966	¥ 967	$ 8,876
Performance-linked remuneration	144	395	1,323
Share-based remuneration	65	260	597
Total	¥ 1,176	¥ 1,623	$ 10,806

34. Commitments

The amount of contractual commitments to acquire assets is negligible.

35. Contingencies

The Group guarantees lease liabilities, etc., for companies outside the Group. As of the end of the current fiscal year, guarantee obligations totaled to ¥183 million ($1,682 thousand) (previous fiscal year: ¥233 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, 2020 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 Mechatronics Co., Ltd.	Toyokawa, Aichi	100
Konica Minolta Technoproducts Co., Ltd.	Sayama, Saitama	100
Konica Minolta Planetarium Co., Ltd.	Toshima-ku, Tokyo	100
Konica Minolta Business Associates Co., Ltd.	Hachioji, 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	London, 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 Solutions Asia Pte. Ltd.	Mapletree Business City, Singapore	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
138 other companies		

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

Not applicable.

Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of Konica Minolta, Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at March 31, 2020, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. 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.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Akihiro Ohtani
Designated Engagement Partner
Certified Public Accountant

Michiaki Yamabe
Designated Engagement Partner
Certified Public Accountant

Yosuke Sato
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

July 21, 2020

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

KONICA MINOLTA