

Summary of Consolidated Financial Results for the Three Months Ended June 30, 2019 [IFRS]

Company name:	Konica Minolta, Inc.
Stock exchange listings:	Tokyo (First Section)
Securities code number:	4902
URL:	http://konicaminolta.com
Representative:	Shoei Yamana President and CEO, Representative Executive Officer
Contact:	Toru Tanaka General Manager, Corporate Accounting Division
Telephone number:	(81) 3-6250-2100
Scheduled date for submission of securities report:	August 9, 2019
Scheduled date for dividends payment:	–
Availability of supplementary information for the quarterly financial results:	Yes
Organization of briefing on the quarterly financial results:	Yes (for institutional investors)

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

1. Consolidated financial results for the three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)

(1) Consolidated results of operations

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

Three months ended	Revenue		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2019	241,743	-5.3	554	-96.4	(1,378)	–
June 30, 2018	255,214	9.8	15,445	77.2	15,274	86.1

Three months ended	Profit for the period		Profit attributable to owners of the Company		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2019	(1,470)	–	(1,208)	–	(16,165)	–
June 30, 2018	10,858	102.2	11,180	108.3	17,105	64.8

Three months ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
June 30, 2019	(2.44)	(2.44)
June 30, 2018	22.61	22.54

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

(2) Consolidated financial position

As of	Total assets	Total equity	Equity attributable to owners of the Company	Equity ratio attributable to owners of the Company
	Millions of yen	Millions of yen	Millions of yen	%
June 30, 2019	1,279,227	543,246	533,458	41.7
March 31, 2019	1,218,986	565,983	555,689	45.6

2. Dividends per share

	End of the three-month period	End of the six-month period	End of the nine-month period	End of the year	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2019	—	15.00	—	15.00	30.00
Fiscal year ending March 31, 2020	—				
Fiscal year ending March 31, 2020 (forecast)		15.00	—	15.00	30.00

(Note) Changes from the latest dividend forecasts: None

3. Consolidated forecasts for the fiscal year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

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

Fiscal year ending	Revenue		Operating profit		Profit attributable to owners of the Company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
March 31, 2020	1,085,000	2.4	60,000	-3.9	37,500	-10.1	75.80

(Note) Changes from the latest consolidated forecasts: Yes

■ Notes

- (1) Changes in significant subsidiaries for the three months ended June 30, 2019 (changes in the scope of consolidation): None
- (2) Changes in accounting policies or changes in accounting estimates
- | | |
|---|------|
| a. Changes in accounting policies required by International Financial Reporting Standards (IFRS): | Yes |
| b. Changes in accounting policies other than the above a.: | None |
| c. Changes in accounting estimates: | None |
- (3) Number of issued and outstanding shares (common stock)
- | | |
|--|--------------------|
| a. Number of issued and outstanding shares (including treasury shares) | |
| As of June 30, 2019: | 502,664,337 shares |
| As of March 31, 2019: | 502,664,337 shares |
| b. Number of treasury shares | |
| As of June 30, 2019: | 7,959,279 shares |
| As of March 31, 2019: | 8,008,984 shares |
| c. Average number of issued and outstanding shares during the period | |
| The three months ended June 30, 2019: | 494,690,678 shares |
| The three months ended June 30, 2018: | 494,498,624 shares |

Konica Minolta, Inc. (the “Company”) has established the Board Incentive Plan trust in which beneficiaries include Directors, Executive Officers, Group Executives, and Technology Fellows. The shares owned by the trust account relating to this trust are accounted for as treasury shares (1,250,538 shares as of June 30, 2019, and March 31, 2019).

■ This summary of quarterly consolidated financial results falls outside the scope of quarterly review procedures to be performed by certified public accountants or an audit firm.

■ Explanation concerning the appropriate use of the forecasts for results of operations and other special matters

(Note on the forecasts for the consolidated financial results)

The forecasts for results of operations in this report are based on information currently available to the Company and its subsidiaries (the “Group”), and assumptions determined to be reasonable, and are not intended to assure achievement of the Group’s operations. Actual results may differ significantly from the forecasts due to various factors. For further details of the assumptions and other factors considered by the Company in preparing the forecasts above, refer to “1. QUALITATIVE INFORMATION ON FINANCIAL RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2019, (3) Explanation Regarding the Forecasts for the Consolidated Financial Results” in the attached Supplementary Information on page 7.

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

The Company will hold a briefing on the quarterly financial results for institutional investors on Tuesday, July 30, 2019. The proceedings and details of the briefing, along with the supplementary information on the quarterly financial results to be presented at the briefing, will be posted on the website of the Group soon after the briefing.

Supplementary Information

Table of Contents

1. QUALITATIVE INFORMATION ON FINANCIAL RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2019	2
(1) Qualitative Information on the Consolidated Operating Results	2
(2) Qualitative Information on the Consolidated Financial Position	5
(3) Explanation Regarding the Forecasts for the Consolidated Financial Results	7
2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES	8
(1) Condensed Consolidated Statement of Financial Position	8
(2) Condensed Consolidated Statement of Profit or Loss	10
(3) Condensed Consolidated Statement of Comprehensive Income	11
(4) Condensed Consolidated Statement of Changes in Equity	12
(5) Condensed Consolidated Statement of Cash Flows	14
(6) Notes to the Condensed Consolidated Financial Statements	16
[Notes Regarding Going Concern Assumptions]	16
[Changes in Accounting Policies]	16
[Other Expenses]	17
[Segment Information]	18

1. QUALITATIVE INFORMATION ON FINANCIAL RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2019

(1) Qualitative Information on the Consolidated Operating Results

a. Overview

	Three months ended June 30, 2018	Three months ended June 30, 2019	Increase (Decrease)	
	Billions of yen	Billions of yen	Billions of yen	%
Revenue	255.2	241.7	(13.4)	-5.3
Gross profit	123.6	116.6	(6.9)	-5.6
Operating profit	15.4	0.5	(14.8)	-96.4
Profit (loss) before tax	15.2	(1.3)	(16.6)	-
Profit (loss) attributable to owners of the Company	11.1	(1.2)	(12.3)	-
	Yen	Yen	Yen	%
Basic earnings (loss) per share	22.61	(2.44)	(25.05)	-
	Billions of yen	Billions of yen	Billions of yen	%
Capital expenditures	8.6	9.6	1.0	11.8
Depreciation and amortization expenses	14.6	18.8	4.2	29.1
Research and development expenses	20.4	18.9	(1.4)	-7.3
	Billions of yen	Billions of yen	Billions of yen	%
Free cash flows	(0.3)	(15.0)	(14.6)	-
	Number	Number	Number	%
Number of employees in the Group	43,818	44,600	782	1.8
	Yen	Yen	Yen	%
Foreign exchange rates				
U.S. dollar	109.07	109.90	0.83	0.8
Euro	130.06	123.49	(6.57)	-5.1

In the three months ended June 30, 2019 (the “current period”), the Group recorded revenue of 241.7 billion yen, a decrease of 5.3% year-on-year. The United States-China trade friction, a slowdown in the Chinese economy, and continuing uncertainties in the European economy are restraining investment activities of customers, and a weak euro led to a decline in revenue in the Office Business, the Professional Print Business, and the Industrial Business. Revenue in the Healthcare Business remained at the same level as in the same period in the previous fiscal year. Revenue in the new businesses increased, primarily in the bio-healthcare field.

A shift towards high value-added sales continued in the current period, and the gross profit margin remained at the same level year on year; however, operating profit fell significantly to 0.5 billion yen, a decrease of 96.4% year-on-year. This was primarily due to lower revenue, and thus, lower gross profit in the current period, and also because 9.5 billion yen of temporary income that was generated from the liquidation of assets through sale and leaseback arrangements was recorded in the same period in the previous fiscal year.

Loss before tax was 1.3 billion yen (profit before tax of 15.2 billion yen in the same period in the previous fiscal year), while loss attributable to owners of the Company was 1.2 billion yen (profit attributable to owners of the Company of 11.1 billion yen in the same period in the previous fiscal year).

Investments are made on an ongoing basis in new businesses to develop businesses into the future revenue pillars of the Group. The sales area of the Workplace Hub, an edge Internet of Things (IoT) platform provided by the Company, has now expanded to 20 countries, and the customer unit price has also increased. In the bio-healthcare field, the Company is working on numerous initiatives to accelerate business expansion. For example, the Company launched genetic diagnostic services

jointly with LSI Medience Corporation in Japan and is now in the application process for insurance coverage of the genetic diagnostic services under the health insurance system. Also, in June 2019, the Company entered into an agreement with the University of Tokyo and the National Cancer Center Japan to jointly research and develop the next-generation comprehensive gene panel test.

b. Overview by Segment

		Three months ended June 30, 2018	Three months ended June 30, 2019	Increase (Decrease)	
		Billions of yen	Billions of yen	Billions of yen	%
Office Business	Revenue	143.5	134.5	(8.9)	-6.2
	Operating profit	9.2	7.6	(1.5)	-17.0
Professional Print Business	Revenue	53.3	50.6	(2.7)	-5.2
	Operating profit	1.6	1.0	(0.6)	-37.2
Healthcare Business	Revenue	18.5	18.6	0	0.3
	Operating profit (loss)	(0.2)	(0.2)	(0)	-
Industrial Business	Revenue	31.5	28.1	(3.4)	-10.9
	Operating profit	6.7	4.8	(1.9)	-29.0
Subtotal	Revenue	247.0	231.9	(15.0)	-6.1
	Operating profit	17.4	13.2	(4.2)	-24.2
Others and adjustments (Note 2)	Revenue	8.1	9.7	1.6	19.8
	Operating profit	(2.0)	(12.6)	(10.6)	-
Amount reported in the Condensed Consolidated Statement of Profit or Loss	Revenue	255.2	241.7	(13.4)	-5.3
	Operating profit	15.4	0.5	(14.8)	-96.4

(Notes)

1. "Revenue" refers to revenue from external customers.
2. "Revenue" refers to revenue from external customers in "Others" in "2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES, (6) Notes to the Condensed Consolidated Financial Statements [Segment Information]." "Operating profit" is the total of "Others" and "Adjustments" within the same table.

i. Office Business

In the office products business unit, the sales volume of A3 MFPs declined year on year in both color and monochrome models. This is primarily because a switch from the old model to the new model took time while the Company launched a new product line of color models with a newly designed engine for the first time in seven years, as well as some industry-first robust security features. Meanwhile, there was significant growth in the sales volume, mainly for the high-speed models, in the same period in the previous year.

In the information technology (IT) services solution business unit, a full-scale sales support for the Workplace Hub, an edge IoT platform, commenced and a steady sales level was maintained.

In addition to the above, the Office Business segment was affected by the weak euro. As a result, the Office Business segment recorded revenue of 134.5 billion yen, a decrease of 6.2% year-on-year, and operating profit of 7.6 billion yen, a decrease of 17.0% year-on-year.

ii. Professional Print Business

In the production print business unit, the sales volume of color models remained the same level, while the monochrome models increased year on year. Regarding the sales of color equipment, in developed countries, the sales volume of the entry models decreased, while the other models' sales level remained the same as the same period in the previous fiscal year,

when reported significant growth. In growth countries, including China and the ASEAN region, there was a considerable increase in the sales volume. The sales volume of monochrome models increased primarily in developed countries.

In the industrial printing business unit, the sales volume of “AccurioJet KM-1” digital inkjet press units of sales partners decreased, while those sold through direct sales remained at the same level year on year. The sales of label printers and digital decoration equipment continued to maintain the highest market share in the targeted markets; however, the sales volume decreased as some sales have been delayed into the next quarterly period.

In the marketing services business unit, despite the continuing efforts into transition as a business that provides high value-added solutions, sales fell mainly in Europe, leading to a decrease in revenue overall.

As a result, the Professional Print Business segment recorded revenue of 50.6 billion yen, a decrease of 5.2% year-on-year, and operating profit of 1.0 billion yen, a decrease of 37.2% year-on-year.

iii. Healthcare Business

In the healthcare (modality) business unit, there was growth in the sales volume of the digital radiography in Asia, primarily in Japan. The sales volume in the United States remained at the same level year on year; however, there was a drop in selling prices as a result of a shift in demand for products from the hospital market to the clinic market. With the launch of a new product, sales promotion of diagnostic ultrasound systems to the obstetric and internal medicine fields has been enhanced and, as a result, the sales volume grew primarily in Japan. For the healthcare business unit, sales stood at the same level year on year. In the medical IT business unit, the sales volume of the Picture Archiving and Communication System (PACS) in Japan and the United States grew, leading to an increase in revenue.

As a result, the Healthcare Business segment recorded revenue of 18.6 billion yen, an increase of 0.3% year-on-year, and operating loss of 0.2 billion yen.

iv. Industrial Business

In the field of materials and components, sales generated from the performance materials business unit grew steadily as a result of a strategic shift to high value-added products in a product mix. In the optical component business unit, despite the signs of a recovery in the number of lenses sold, revenue decreased year on year affected by a slowdown in the Chinese economy. In the inkjet component business unit, revenue increased year on year by sustaining strong sales performance of the previous fiscal year mainly in Asia.

In the field of optical systems for industrial use, the measuring instruments business unit maintained the same sales level for object color measurement instrument as the same period in the previous fiscal year; however, revenue decreased year on year for the business segment as a whole. This is primarily due to the fact that demand for light source color measurement instrument in the same period in the previous fiscal year increased thanks to the diversification of the display products, and that sales declined as a result of key customers' shrinking their capital investments.

As a result, the Industrial Business segment recorded revenue of 28.1 billion yen, a decrease of 10.9% year-on-year, and operating profit of 4.8 billion yen, a decrease of 29.0% year-on-year.

(2) Qualitative Information on the Consolidated Financial Position

a. Analysis of Financial Position

	As of March 31, 2019	As of June 30, 2019	Increase (Decrease)
	Billions of yen	Billions of yen	Billions of yen
Total assets	1,218.9	1,279.2	60.2
Total liabilities	653.0	735.9	82.9
Total equity	565.9	543.2	(22.7)
Equity attributable to owners of the Company	555.6	533.4	(22.2)
	%	%	%
Equity ratio attributable to owners of the Company	45.6	41.7	-3.9

Total assets as of June 30, 2019, were 1,279.2 billion yen, an increase of 60.2 billion yen (4.9%) from March 31, 2019. This is primarily attributed to an increase of 102.8 billion yen in property, plant and equipment due mainly to the adoption of IFRS 16 *Lease*, an increase of 10.9 billion yen in inventories, a decrease of 28.6 billion yen in cash and cash equivalents, and a decrease of 20.8 billion yen in trade and other receivables.

Total liabilities as of June 30, 2019, were 735.9 billion yen, an increase of 82.9 billion yen (12.7%) from March 31, 2019. This is primarily attributed to an increase of 115.7 billion yen in lease liabilities due to the adoption of IFRS 16, a decrease of 12.7 billion yen in trade and other payables, a decrease of 6.5 billion yen in bonds and borrowings, and a decrease of 5.8 billion yen in other current liabilities.

Total equity as of June 30, 2019, was 543.2 billion yen, a decrease of 22.7 billion yen (4.0%) from March 31, 2019.

Equity attributable to owners of the Company was 533.4 billion yen as of June 30, 2019, a decrease of 22.2 billion yen (4.0%) from March 31, 2019. This is primarily attributed to a decrease of 14.4 billion yen in other components of equity (mainly exchange differences on translation of foreign operations), a decrease of 7.4 billion yen in retained earnings due to cash dividends, and recording of 1.2 billion yen in loss attributable to owners of the Company for the current period.

As a result of the above, the equity ratio attributable to owners of the Company decreased by 3.9 percentage points to 41.7%.

b. Analysis of Cash Flows

	Three months ended June 30, 2018	Three months ended June 30, 2019	Increase (Decrease)
	Billions of yen	Billions of yen	Billions of yen
Cash flows from operating activities	3.7	(0.4)	(4.1)
Cash flows from investing activities	(4.1)	(14.5)	(10.4)
Total (Free cash flows)	(0.3)	(15.0)	(14.6)
Cash flows from financing activities	(8.1)	(11.6)	(3.4)

For the three months ended June 30, 2019, net cash used in operating activities was 0.4 billion yen, and net cash used in investing activities totaled 14.5 billion yen. As a result, free cash flows (the sum of cash flows from operating activities and investing activities) were an outflow of 15.0 billion yen for the current period.

Net cash used in financing activities was 11.6 billion yen.

In addition, cash and cash equivalents as of June 30, 2019, decreased by 28.6 billion yen from the previous fiscal year-end to 96.1 billion yen, reflecting the effect of exchange rate fluctuations on cash and cash equivalents.

Cash flows from operating activities

Net cash used in operating activities was 0.4 billion yen. This is attributable to net effects of cash inflows due mainly to loss before tax of 1.3 billion yen, depreciation and amortization expenses of 18.8 billion yen, and a decrease in trade and other receivables of 13.2 billion yen, and cash outflows due mainly to an increase in inventories of 13.9 billion yen, a decrease in trade and other payables of 5.5 billion yen, and payment of income taxes of 5.7 billion yen.

Cash flows from investing activities

Net cash used in investing activities was 14.5 billion yen, due mainly to purchases of property, plant and equipment of 8.3 billion yen, purchases of intangible assets of 3.0 billion yen, and purchases of investments in subsidiaries of 3.3 billion yen.

As a result, free cash flows (the sum of cash flows from operating and investing activities) were an outflow of 15.0 billion yen (an outflow of 0.3 billion yen for the same period in the previous fiscal year).

Cash flows from financing activities

Net cash used in financing activities was 11.6 billion yen (net cash outflows of 8.1 billion yen for the same period in the previous fiscal year), reflecting mainly cash dividends paid of 7.2 billion yen, and repayments of lease liabilities of 4.6 billion yen.

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

Taking into account of the progress made during the current period and a revision of the euro exchange rate, which has an impact on the Group's profit or loss, the Company has revised full-year consolidated forecasts as follows.

With regard to the exchange rates that form the basis of the forecasts for the rest of the fiscal year ending March 31, 2020, they have been revised from the rates announced on May 13, 2019. The Company revised the U.S. dollar exchange rate assumption by 5 yen to 105 yen, and the euro exchange rate by 2 yen to 123 yen, respectively, to reflect the appreciation of yen.

Revision of consolidated forecasts for the fiscal year ending March 31, 2020
(From April 1, 2019 to March 31, 2020)

	Revenue	Operating profit	Profit attributable to owners of the Company	Basic earnings per share
	Billions of yen	Billions of yen	Billions of yen	Yen
Forecasts previously announced (A)	1,120.0	66.0	45.5	91.98
Revised forecasts (B)	1,085.0	60.0	37.5	75.80
Increase/decrease (B-A)	(35.0)	(6.0)	(8.0)	—
Change (%)	-3.1	-9.1	-17.6	—
(Reference) Results for the fiscal year ended March 31, 2019	1,059.1	62.4	41.7	84.33

The above forecasts for results of operations are based on suppositions, outlooks, and plans as of the release date of this report, and as such they involve risks and uncertainties. Actual results may differ significantly from these forecasts due to various important factors, such as changes in economic conditions, market trends, and currency exchange rates.

Amounts less than one hundred million yen are rounded down to the nearest million yen in the "1. QUALITATIVE INFORMATION ON FINANCIAL RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2019" section.

2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and cash equivalents	124,830	96,153
Trade and other receivables	275,563	254,671
Inventories	144,703	155,652
Income tax receivables	3,305	2,519
Other financial assets	3,406	2,670
Other current assets	27,128	30,759
Total current assets	578,937	542,426
Non-current assets		
Property, plant and equipment	207,138	309,945
Goodwill and intangible assets	346,133	339,709
Investments accounted for using the equity method	913	850
Other financial assets	46,711	46,294
Deferred tax assets	32,505	33,737
Other non-current assets	6,647	6,262
Total non-current assets	640,048	736,800
Total assets	1,218,986	1,279,227

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Trade and other payables	175,268	162,544
Bonds and borrowings	24,648	38,254
Lease liabilities	–	13,570
Income tax payables	7,875	2,993
Provisions	12,260	12,069
Other financial liabilities	463	671
Other current liabilities	50,857	45,035
Total current liabilities	271,374	275,139
Non-current liabilities		
Bonds and borrowings	249,088	228,889
Lease liabilities	–	102,200
Retirement benefit liabilities	38,457	38,492
Provisions	15,540	15,123
Other financial liabilities	58,284	57,306
Deferred tax liabilities	12,497	11,705
Other non-current liabilities	7,760	7,122
Total non-current liabilities	381,628	460,840
Total liabilities	653,002	735,980
Equity		
Share capital	37,519	37,519
Share premium	188,333	189,946
Retained earnings	324,628	315,175
Treasury shares	(9,979)	(9,914)
Share acquisition rights	836	808
Other components of equity	14,350	(77)
Equity attributable to owners of the Company	555,689	533,458
Non-controlling interests	10,294	9,788
Total equity	565,983	543,246
Total liabilities and equity	1,218,986	1,279,227

(2) Condensed Consolidated Statement of Profit or Loss

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Revenue	255,214	241,743
Cost of sales	131,553	125,061
Gross profit	123,661	116,681
Other income	10,125	539
Selling, general and administrative expenses	115,301	112,770
Other expenses	3,040	3,895
Operating profit	15,445	554
Finance income	1,628	1,465
Finance costs	1,667	3,339
Share of profit (loss) of investments accounted for using the equity method	(130)	(59)
Profit (loss) before tax	15,274	(1,378)
Income tax expense	4,416	92
Profit (loss) for the period	10,858	(1,470)
Profit (loss) attributable to:		
Owners of the Company	11,180	(1,208)
Non-controlling interests	(322)	(262)
Earnings (loss) per share	Yen	Yen
Basic	22.61	(2.44)
Diluted	22.54	(2.44)

(3) Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Profit (loss) for the period	10,858	(1,470)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans (net of tax)	(21)	(15)
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	166	(529)
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	(0)	–
Total items that will not be reclassified to profit or loss	144	(544)
Items that may be subsequently reclassified to profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	454	(311)
Exchange differences on translation of foreign operations (net of tax)	5,665	(13,834)
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	(17)	(3)
Total items that may be subsequently reclassified to profit or loss	6,102	(14,149)
Total other comprehensive income	6,246	(14,694)
Total comprehensive income	17,105	(16,165)
Total comprehensive income attributable to:		
Owners of the Company	17,774	(15,659)
Non-controlling interests	(669)	(506)

(4) Condensed Consolidated Statement of Changes in Equity

(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
Balance as of April 1, 2018	37,519	184,841	298,366	(10,189)	934	13,041	524,513	11,075	535,588
Effect of changes in accounting policies	–	–	188	–	–	–	188	–	188
Restated balance as of April 1, 2018	37,519	184,841	298,554	(10,189)	934	13,041	524,701	11,075	535,776
Profit (loss) for the period	–	–	11,180	–	–	–	11,180	(322)	10,858
Other comprehensive income	–	–	–	–	–	6,594	6,594	(347)	6,246
Total comprehensive income	–	–	11,180	–	–	6,594	17,774	(669)	17,105
Dividends	–	–	(7,417)	–	–	–	(7,417)	(23)	(7,441)
Acquisition and disposal of treasury shares	–	–	(1)	13	–	–	11	–	11
Share-based payments	–	155	–	–	(11)	–	143	–	143
Changes in non-controlling interests due to changes in subsidiaries	–	–	–	–	–	–	–	20	20
Put options written on non-controlling interests	–	(1,903)	–	–	–	–	(1,903)	–	(1,903)
Transfer from other components of equity to retained earnings	–	–	(22)	–	–	22	–	–	–
Total transactions with owners	–	(1,748)	(7,441)	13	(11)	22	(9,165)	(3)	(9,169)
Balance as of June 30, 2018	37,519	183,093	302,293	(10,176)	923	19,657	533,310	10,402	543,712

(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
Balance as of April 1, 2019	37,519	188,333	324,628	(9,979)	836	14,350	555,689	10,294	565,983
Effect of changes in accounting policies	–	–	(744)	–	–	–	(744)	–	(744)
Restated balance as of April 1, 2019	37,519	188,333	323,884	(9,979)	836	14,350	554,944	10,294	565,238
Profit (loss) for the period	–	–	(1,208)	–	–	–	(1,208)	(262)	(1,470)
Other comprehensive income	–	–	–	–	–	(14,451)	(14,451)	(243)	(14,694)
Total comprehensive income	–	–	(1,208)	–	–	(14,451)	(15,659)	(506)	(16,165)
Dividends	–	–	(7,438)	–	–	–	(7,438)	–	(7,438)
Acquisition and disposal of treasury shares	–	–	(37)	65	–	–	27	–	27
Share-based payments	–	70	–	–	(27)	–	42	–	42
Equity and other transactions with non-controlling shareholders	–	(22)	–	–	–	–	(22)	(0)	(22)
Put options written on non-controlling interests	–	1,565	–	–	–	–	1,565	–	1,565
Transfer from other components of equity to retained earnings	–	–	(23)	–	–	23	–	–	–
Total transactions with owners	–	1,612	(7,499)	65	(27)	23	(5,826)	(0)	(5,826)
Balance as of June 30, 2019	37,519	189,946	315,175	(9,914)	808	(77)	533,458	9,788	543,246

(5) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Cash flows from operating activities		
Profit (loss) before tax	15,274	(1,378)
Depreciation and amortization expenses	14,616	18,871
Impairment losses and reversal of impairment losses	5	8
Share of (profit) loss of investments accounted for using the equity method	130	59
Interest and dividends income	(1,313)	(1,415)
Interest expenses	1,371	2,199
(Gain) loss on sales and disposals of property, plant and equipment, and intangible assets	(8,356)	2,482
(Increase) decrease in trade and other receivables	7,464	13,243
(Increase) decrease in inventories	(3,435)	(13,929)
Increase (decrease) in trade and other payables	(4,915)	(5,592)
Decrease due to transfer of rental assets	(1,319)	(1,364)
Increase (decrease) in retirement benefit liabilities	262	387
Others	(10,213)	(7,062)
Subtotal	9,571	6,508
Dividends received	313	345
Interest received	1,064	1,137
Interest paid	(1,886)	(2,622)
Income taxes (paid) refunded	(5,311)	(5,789)
Net cash provided by (used in) operating activities	3,751	(420)

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,973)	(8,310)
Purchase of intangible assets	(3,001)	(3,074)
Proceeds from sale of property, plant and equipment, and intangible assets	10,279	636
Purchase of investments in subsidiaries	(869)	(3,324)
Purchase of investment securities	(0)	(200)
Payments for loans receivable	(4)	(2)
Collection of loans receivable	7	8
Payments for transfer of business	(1,845)	–
Others	(698)	(327)
Net cash provided by (used in) investing activities	(4,106)	(14,595)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	111	283
Proceeds from bonds issuance and long-term loans payable	0	22
Redemption of bonds and repayments of long-term loans payable	(1,046)	(104)
Repayments of lease liabilities	–	(4,612)
Purchase of treasury shares	(1)	(0)
Cash dividends paid	(7,232)	(7,279)
Payment of dividends to non-controlling shareholders	(23)	–
Others	0	0
Net cash provided by (used in) financing activities	(8,191)	(11,691)
Effect of exchange rate changes on cash and cash equivalents	382	(1,969)
Net increase (decrease) in cash and cash equivalents	(8,165)	(28,676)
Cash and cash equivalents at the beginning of the period	149,913	124,830
Cash and cash equivalents at the end of the period	141,748	96,153

(6) Notes to the Condensed Consolidated Financial Statements

[Notes Regarding Going Concern Assumptions]

Not applicable.

[Changes in Accounting Policies]

The Group has changed the following accounting policies effective April 1, 2019. Other than these policies, there is no change in the significant accounting policies applied to the Group's condensed consolidated financial statements from those applied to the consolidated financial statements of the fiscal year ended March 31, 2019.

(Adoption of IFRS 16 *Leases*)

The Group adopted IFRS 16 *Leases* (issued in January 2016) ("IFRS 16") effective from the current period.

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

The Group measures lease liabilities 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 Group uses the lessee's incremental borrowing rate.

The Group measures right-of-use assets 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 commencement date, the Group presents the right-of-use assets at cost less any accumulated depreciation and any accumulated impairment losses. 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 short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

The Group has applied IFRS 16 retrospectively in accordance with the transitional provisions and recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings for the three months ended June 30, 2019. The comparative information included in the condensed 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* and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

Associated with the adoption of IFRS 16, the Group recognizes right-of-use assets and lease liabilities at the date of initial application of IFRS 16 for leases previously classified as an operating lease 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 at the commencement date, discounted using the lessee's incremental borrowing rate. 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, 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 Group uses the following practical expedients under IFRS 16 when applying IFRS 16 to leases previously classified as an operating lease 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 yen and 111,979 million yen, respectively, and retained earnings decreased by 744 million yen in the condensed consolidated statement of financial position at the beginning of the current period, 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 difference between minimum lease payments based on non-cancellable operating lease contracts, which were disclosed applying IAS 17 at the end of the previous fiscal year, and lease liabilities recognized at the date of initial application of IFRS 16 is due mainly to the recognition of lease liabilities for the lease terms exceeding the non-cancellable period of the leases of buildings and land.

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

[Other Expenses]

Components of other expenses are as follows:

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Loss on sale and disposals of property, plant and equipment, and intangible assets	1,252	2,529
Others	1,788	1,366
Total	3,040	3,895

[Segment Information]

(a) Reportable segments

Reportable segments of the Group are its constituent business units for which separate financial data are available and that are examined on a regular basis for the purpose of enabling the Group's management to decide on the allocation of resources and evaluate results of operations. The Group has established business segments by product and service category and formulates comprehensive strategies and conducts business activities in Japan and overseas for the products and services of each business category. Since the Group comprises segments organized by product and service category, the Group has established four reportable segments as the "Office Business," "Professional Print Business," "Healthcare Business," and "Industrial Business" after taking into account the primary usage of products of the respective businesses in the markets and their similarities. The new businesses not included in these reportable segments, such as Bio-Healthcare, are reported as the "Others."

The business of each reportable segment is as follows:

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

(b) Information by reportable segment

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

Three months ended June 30, 2018

(Millions of yen)

	Reportable segments					Others	Adjustments (Note2) (Note3)	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total			
Revenue								
External	143,534	53,362	18,589	31,578	247,065	8,149	—	255,214
Intersegment (Note1)	380	105	226	1,386	2,097	4,520	(6,618)	—
Total	143,914	53,467	18,815	32,965	249,163	12,670	(6,618)	255,214
Segment profit (loss)	9,264	1,672	(208)	6,766	17,494	(4,627)	2,578	15,445

Three months ended June 30, 2019

(Millions of yen)

	Reportable segments					Others	Adjustments (Note2) (Note3)	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total			
Revenue								
External	134,577	50,606	18,646	28,147	231,977	9,765	—	241,743
Intersegment (Note1)	418	137	171	1,105	1,832	3,868	(5,701)	—
Total	134,995	50,743	18,818	29,252	233,809	13,634	(5,701)	241,743
Segment profit (loss)	7,693	1,050	(297)	4,805	13,252	(6,252)	(6,445)	554

(Notes)

1. Intersegment revenue is based on market prices and others.
2. Adjustments of revenue are elimination of intersegment transactions.
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. They include other revenue and other expenses not attributable to any of the reportable segments.