

Consolidated Financial Results for the First Quarter of the Fiscal Year ending March 31, 2019

[IFRS]

April 1, 2018 – June 30, 2018

Konica Minolta, Inc.

Stock exchange listings: Tokyo (First Section)
 Local securities code number: 4902
 URL: <http://konicaminolta.com>
 Listed company name: Konica Minolta, Inc.
 Representative: Shoei Yamana
 President and CEO, Representative Executive Officer
 Inquiries: Tetsuya Hiruta
 General Manager, Corporate Accounting Div.
 Telephone number: (81) 3-6250-2100
 Scheduled date for submission of securities report: August 9, 2018
 Scheduled date for dividends payment: –
 Availability of supplementary information: Yes
 Organization of financial results briefing: Yes (for institutional investors)

(Amounts less than one million yen have been omitted.)

1. Overview of the 1Q performance (From April 1, 2018 to June 30, 2018)

(1) Business performance

Percentage figures represent the change from the same period of the previous fiscal year.

	Revenue		Operating profit		Profit before tax	
		(%)		(%)		(%)
Three months ended June 30, 2018	255,214	9.8%	15,445	77.2%	15,274	86.1%
Three months ended June 30, 2017	232,351	1.4%	8,714	-2.2%	8,207	-3.8%

	Profit for the period		Profit attributable to owners of the company		Total comprehensive income	
		(%)		(%)		(%)
Three months ended June 30, 2018	10,858	102.2%	11,180	108.3%	17,105	64.8%
Three months ended June 30, 2017	5,370	-14.3%	5,367	-16.0%	10,380	—%

	Basic earnings per share	Diluted earnings per share
Three months ended June 30, 2018	22.61 yen	22.54 yen
Three months ended June 30, 2017	10.83 yen	10.80 yen

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

(2) Financial position

	Total assets	Total equity	Equity attributable to owners of the company	Equity ratio attributable to owners of the company
As of June 30, 2018	1,203,432	543,712	533,310	44.3%
As of March 31, 2018	1,203,907	535,588	524,513	43.6%

2. Dividends per share

	1Q	2Q	3Q	Year-end	Total
Fiscal Year ended Mar 2018	—	15.00	—	15.00	30.00
Fiscal Year ending Mar 2019	—				
Fiscal Year ending Mar 2019 (forecast)		15.00	—	15.00	30.00

(Note) Changes to the latest dividend forecast announced: None

3. Consolidated results forecast for fiscal year ending March 31, 2019 (From April 1, 2018 to March 31, 2019)

Percentage figures represent the change from the previous fiscal year.

	Revenue		Operating profit		Profit attributable to owners of the company		Basic earnings per share
Full year	1,080,000	4.7%	62,000	15.1%	38,500	19.4%	77.85 yen

(Note) Changes to the latest consolidated results forecast announced: Yes

■ Notes

- (1) Changes in status of material subsidiaries during the period under review (Changes to specified subsidiaries accompanying the additional consolidation or removal from consolidation of companies): None
- (2) Changes in accounting policies, or changes in accounting estimates
- a. Changes in accounting policies required by IFRS: Yes
 - b. Changes in accounting policies other than “a.”: None
 - c. Changes in accounting estimates: None
- (3) Number of shares (common stock)
- a. Issued shares at period-end (including treasury shares)
 - As of June 30, 2018: 502,664,337 shares
 - As of March 31, 2018: 502,664,337 shares
 - b. Treasury shares at period-end
 - As of June 30, 2018: 8,166,107 shares
 - As of March 31, 2018: 8,175,975 shares
 - c. Average number of outstanding shares during the period
 - Three months ended June 30, 2018: 494,498,624 shares
 - Three months ended June 30, 2017: 495,673,984 shares

Starting from the second quarter of fiscal year 2018, the Company has established “Directors’ Compensation Board Incentive Plan (BIP) Trust.” The 1,274,000 shares of the Company’s stock owned by the trust account relating to this trust are recognized as treasury shares.

■ This “Consolidated Financial Results for the First Quarter” report is not subject to quarterly review procedures by certified public accountant or by auditing firm.

■ Explanation of Appropriate Use of Performance Projections and Other Special Items

(Note on forward-looking statements)

This document contains projections of performance and other projections that were made based on information currently available and certain assumptions judged to be reasonable. The Konica Minolta Group makes no warranty as to the achievability of the projections. There is a possibility that diverse factors may cause actual performance, etc. to differ materially from the projections. Please see Supplementary Information on page 7, under “(3) Explanation of forward-looking statements with regard to consolidated results forecasts” in “Section 1. QUALITATIVE INFORMATION on the RESULTS of the PERIOD UNDER REVIEW” for more information on points to be remembered in connection with assumptions for projections and the use of projections.

(How to obtain supplementary information and information on a financial results briefing)

Konica Minolta, Inc. will hold a financial results briefing for institutional investors on Wednesday, August 1, 2018. The proceedings and details of the briefing, along with the presentation slides to be used at the briefing, will promptly be posted on the website of the Group after the briefing.

Supplementary Information

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1. QUALITATIVE INFORMATION on the RESULTS of the PERIOD UNDER REVIEW

(1) Explanation of Business Performance

a. Overview of Performance

(Billions of yen, unless otherwise stated)

	Three months ended June 30, 2017	Three months ended June 30, 2018	Increase (Decrease)	
Revenue	232.3	255.2	22.8	9.8%
Gross profit	111.9	123.6	11.6	10.4%
Operating profit	8.7	15.4	6.7	77.2%
Profit before tax	8.2	15.2	7.0	86.1%
Profit attributable to owners of the company	5.3	11.1	5.8	108.3%
Basic earnings per share [yen]	10.83	22.61	11.78	108.8%
Capital expenditures	8.2	8.6	0.4	5.1%
Depreciation and amortization expenses	13.6	14.6	1.0	7.4%
Research and development expenses	18.5	20.4	1.8	10.2%
Free cash flow	(8.6)	(0.3)	8.2	—
Number of employees (consolidated) [persons]	43,449	43,818	369	0.8%
Foreign exchange rates [yen]				
US dollar	111.09	109.07	(2.02)	-1.8%
euro	122.19	130.06	7.87	6.4%

In the first quarter of this fiscal year (hereafter, “period under review”), consolidated revenue for the Konica Minolta Group (“the Group”) came to ¥255.2 billion, up 9.8% year on year. By business segment, revenue in the Office Business segment rose in all regions, and the Professional Print Business segment also posted increases in revenue, driven by Europe and China. In the Healthcare Business, revenue fell due to the impact of discontinuing the selling of certain purchased products in the period under review. Industrial Business revenue increased, with higher sales of Performance Materials offsetting declines in revenue, caused by a slowing of demand, in the Measuring Instruments business unit.

In a continuation from the previous period, as part of its program of optimizing the use of facilities (land, buildings) under the Group’s corporate real estate strategy, ¥9.5 billion in income from asset liquidation through sale and lease back was posted during the period under review.

As a result of the above, operating profit was ¥15.4 billion (up 77.2% year on year). Due to the strengthening of profitability in core businesses, all business segments recorded growth in profits, in addition to which measures to liquidate assets through sale and lease back also generated income, leading to a significant year-on-year increase in profit for the Group as a whole.

Profit before tax came in at ¥15.2 billion (up 86.1% year on year), while profit attributable to owners of the company amounted to ¥11.1 billion (up 108.3% year on year).

b. Overview by Segment

(Billions of yen)

		Three months ended June 30, 2017	Three months ended June 30, 2018	Increase (Decrease)	
Office Business	Revenue	133.0	143.5	10.4	7.9%
	Operating profit	5.3	9.2	3.9	73.2%
Professional Print Business	Revenue	49.0	53.3	4.3	8.9%
	Operating profit	1.5	1.6	0.0	5.5%
Healthcare Business	Revenue	19.5	18.5	(0.9)	-4.9%
	Operating profit	(0.4)	(0.2)	0.2	—
Industrial Business	Revenue	28.6	31.5	2.9	10.2%
	Operating profit	6.0	6.7	0.6	11.1%
Subtotal	Revenue	230.2	247.0	16.8	7.3%
	Operating profit	12.5	17.4	4.9	39.6%
“Others” and “Adjustments” (Note 2)	Revenue	2.0	8.1	6.0	290.5%
	Operating profit	(3.8)	(2.0)	1.7	—
Amount reported in Condensed Consolidated Statement of Profit or Loss	Revenue	232.3	255.2	22.8	9.8%
	Operating profit	8.7	15.4	6.7	77.2%

(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]” and “operating profit” is the total of “Others” and “Adjustments” from the same statement.

i. Office Business

In the office products business unit, sales volumes of monochrome A3 MFPs declined year on year, but color models grew considerably, resulting in an overall increase. Among color models, the high-speed product launched in the previous fiscal year continued to perform at high rates of increase in developed countries, primarily Europe. In growth countries such as China, India, and those in ASEAN, there was considerable expansion, from low-speed machines to high-speed equipment, resulting in progress in line with the Company's regional strategy.

In the IT services solutions business unit, in addition to the continued impact of newly consolidated subsidiaries, sales of security solutions, etc. contributed to increased revenue in the US. In Europe also, there was a contribution to revenue from newly consolidated subsidiaries and from higher sales of Managed Content Services, where service provision capabilities had been expanded.

As a result of the above, revenue for this business came in at ¥143.5 billion (up 7.9% year on year), while operating profit was ¥9.2 billion (up 73.2% year on year).

ii. Professional Print Business

In the production print business unit, there were year-on-year increases for both monochrome and color equipment. Sales volumes in North America fell slightly year on year, but sales in Europe expanded, centered on top-of-the-line color models. In China and the ASEAN region, sales volumes rose significantly for all models.

In the industrial printing business unit, sales of the “AccurioJet KM-1” digital inkjet press, label printers, and digital decoration printing equipment made by MGI increased, primarily in North America and Europe. Overall sales volumes, including those in other regions, rose considerably, and we continued to implement upfront investment in boosting sales resources and so on, in order to accelerate growth.

In the marketing services business unit, on-demand printing, which is being developed under the Kinko's brand, continued to post stable earnings. In marketing print, in addition to recovering demand at major customers, digital marketing services grew, and profitability also improved.

As a result of the above, revenue for this business came in at ¥53.3 billion (up 8.9% year on year), while operating profit was ¥1.6 billion (up 5.5% year on year).

iii. Healthcare Business

In the healthcare (modality) business unit, digital radiography (DR) was strong in both Japan and the US, and in the latter region, sales volumes of medical systems grew in addition to sales of stand-alone DR products. Sales volumes of diagnostic ultrasound systems grew considerably in the US and in China. There was also a contribution to sales from the obstetrics and gynecology business acquired in the previous fiscal year.

In the medical IT business unit, the winning of some major contracts related to hospitals in Japan, and steady growth in service contracts, resulted in higher revenue.

For the business as a whole, the discontinuation of sales of low-margin purchased products led to a year-on-year decrease in revenue.

The result of the above circumstances was revenue for the business of ¥18.5 billion (down 4.9% year on year). The operating loss of ¥200 million represented a year-on-year improvement of approximately ¥200 million.

iv. Industrial Business

In the field of materials and components, the strategy of shifting to high value-added products, such as new water-resistant VA-TAC films for large LCD TVs and ZeroTAC films for IPS panels, bore fruit in the performance materials business unit, and revenue grew year on year. In the optical component business unit, sales of optical materials for projectors and of interchangeable lenses for cameras grew. In the IJ (inkjet) component business unit, solid sales of inkjet printheads for solvent ink in China, and of printheads for UV inks in Europe and China, led to higher revenue in both cases.

In the field of optical systems for industrial use, we continued to expand business opportunities by capturing the surge of demand from customers in the measuring instruments business unit, but due to a temporary slowdown in display-related customer investments, which was the driver for the growth in sales last year, revenue fell year on year.

As a result of the above, revenue for the Industrial Business came in at ¥31.5 billion (up 10.2% year on year), while operating profit was ¥6.7 billion (up 11.1% year on year).

(2) Explanation of Financial Position

a. Analysis of Financial Position

	March 31, 2018	June 30, 2018	Increase (Decrease)
Total assets [Billions of yen]	1,203.9	1,203.4	(0.4)
Total liabilities [Billions of yen]	668.3	659.7	(8.5)
Total equity [Billions of yen]	535.5	543.7	8.1
Equity attributable to owners of the company [Billions of yen]	524.5	533.3	8.7
Equity ratio attributable to owners of the company [%]	43.6	44.3	0.7

Total assets at June 30, 2018 were ¥1,203.4 billion, a decrease of ¥0.4 billion from the previous fiscal year-end. This was primarily attributed to a decrease of ¥9.4 billion in trade and other receivables, a decrease of ¥8.1 billion in cash and cash equivalents, an increase of ¥6.0 billion in goodwill and intangible assets, an increase of ¥5.1 billion in other current assets, and an increase of ¥4.1 billion in inventories.

Total liabilities at June 30, 2018 were ¥659.7 billion, a decrease of ¥8.5 billion (1.3%) from the previous fiscal year-end. This was primarily attributed to a decrease of ¥10.3 billion in trade and other payables.

Total equity at June 30, 2018 amounted to ¥543.7 billion, an increase of ¥8.1 billion (1.5%) from the previous fiscal year-end.

Equity attributable to owners of the company totaled ¥533.3 billion at June 30, 2018, an increase of ¥8.7 billion (1.7%) from the previous fiscal year-end. This was mainly the result of ¥11.1 billion in profit for the period attributable to owners of the company, a decrease in retained earnings due to cash dividends of ¥7.4 billion, and an increase of ¥6.6 billion in other components of equity (mainly exchange differences on translation of foreign operations).

As a result of the above, equity ratio attributable to owners of the company increased 0.7 percentage points to 44.3%.

b. Analysis of Cash Flows

(Billions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018	Increase (Decrease)
Cash flows from operating activities	(1.6)	3.7	5.3
Cash flows from investing activities	(6.9)	(4.1)	2.8
Total (Free cash flow)	(8.6)	(0.3)	8.2
Cash flows from financing activities	(10.9)	(8.1)	2.7

During the three months ended June 30, 2018, net cash provided by operating activities was ¥3.7 billion, while net cash used in investing activities totaled ¥4.1 billion. As a result, free cash flow (the sum of cash flows from operating and investing activities) was an outflow of ¥0.3 billion.

Net cash used in financing activities was ¥8.1 billion.

In addition, cash and cash equivalents at June 30, 2018 decreased by ¥8.1 billion from the previous fiscal year-end to ¥141.7 billion, reflecting the effect of exchange rate fluctuations on cash and cash equivalents.

Cash flows from operating activities

Net cash provided by operating activities was ¥3.7 billion, a result largely of cash inflow due to profit before tax of ¥15.2 billion, depreciation and amortization expenses of ¥14.6 billion, and a decrease in trade and other receivables of ¥7.4 billion, cash outflow attributable largely to an adjustment for gain/loss from sales and disposals of property, plant and equipment, and intangible assets of ¥8.3 billion, a decrease in trade and other payables of ¥4.9 billion, an increase in inventories of ¥3.4 billion, and payment of income taxes of ¥5.3 billion.

Cash flows from investing activities

Net cash used in investing activities was ¥4.1 billion, due mainly to purchases of property, plant and equipment of ¥7.9 billion, purchases of intangible assets of ¥3.0 billion, and proceeds from sales of property, plant and equipment, and intangible assets of ¥10.2 billion, etc.

As a result, free cash flow (the sum of cash flows from operating and investing activities) was an outflow of ¥0.3 billion, compared to an outflow of ¥8.6 billion in the same period of the previous fiscal year.

Cash flows from financing activities

Net cash used in financing activities was ¥8.1 billion, compared to net cash used of ¥10.9 billion in the same period of the previous fiscal year, reflecting mainly cash dividend paid of ¥7.2 billion.

(3) Explanation of forward-looking statements with regard to consolidated results forecasts

With regard to full-year earnings forecasts, having taken into account the positive impact from asset liquidations through sale and lease-back exceeding projections from the beginning of the fiscal year, the increasing probability of results meeting forecasts as a result of strengthened profitability in core businesses and, on the other hand, the economic uncertainty caused by trade friction, etc., we have revised forecasts as follows.

As for the exchange rates that form the basis of the forecasts for the second quarter and beyond, we have left the US dollar exchange rate assumption at ¥105 and the euro rate at ¥125, unchanged from those announced at the beginning of the fiscal year.

Revision of consolidated financial results forecast for fiscal year ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(Billions of yen)

	Revenue	Operating profit	Profit attributable to owners of the company	Basic earnings per share
Forecast previously announced (A)	1,080.0	60.0	37.0	74.82 yen
Revised forecast (B)	1,080.0	62.0	38.5	77.85 yen
Change (B-A)	–	2.0	1.5	–
Change (%)	–	3.3	4.1	–
(Reference) Results for the previous fiscal year (ended March 31, 2018)	1,031.2	53.8	32.2	65.17 yen

The above operating performance forecasts are based on future-related suppositions, outlooks, and plans at the time this report was released, and as such they involve risks and uncertainties. It should be noted that 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.

Units of less than one hundred million yen in the “1. QUALITATIVE INFORMATION on the RESULTS of the PERIOD UNDER REVIEW” section have been omitted.

2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS and RELATED NOTES

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	March 31, 2018	June 30, 2018
Assets		
Current assets		
Cash and cash equivalents	149,913	141,748
Trade and other receivables	263,453	254,043
Inventories	139,536	143,678
Income tax receivables	4,327	3,601
Other financial assets	1,427	1,994
Other current assets	23,018	28,191
Total current assets	581,676	573,258
Non-current assets		
Property, plant and equipment	192,941	192,504
Goodwill and intangible assets	332,699	338,755
Investments accounted for using the equity method	3,601	3,441
Other financial assets	47,507	49,999
Deferred tax assets	37,540	37,950
Other non-current assets	7,942	7,522
Total non-current assets	622,230	630,174
Total assets	1,203,907	1,203,432

(Millions of yen)

	March 31, 2018	June 30, 2018
Liabilities		
Current liabilities		
Trade and other payables	173,996	163,661
Bonds and borrowings	33,136	31,918
Income tax payables	5,038	5,502
Provisions	8,472	11,585
Other financial liabilities	1,874	183
Other current liabilities	48,888	44,344
Total current liabilities	271,407	257,195
Non-current liabilities		
Bonds and borrowings	260,530	262,453
Retirement benefit liabilities	51,599	51,698
Provisions	4,288	6,129
Other financial liabilities	59,781	60,881
Deferred tax liabilities	12,558	12,949
Other non-current liabilities	8,152	8,411
Total non-current liabilities	396,911	402,524
Total liabilities	668,318	659,719
Equity		
Share capital	37,519	37,519
Share premium	184,841	183,093
Retained earnings	298,366	302,293
Treasury shares	(10,189)	(10,176)
Subscription rights to shares	934	923
Other components of equity	13,041	19,657
Equity attributable to owners of the company	524,513	533,310
Non-controlling interests	11,075	10,402
Total equity	535,588	543,712
Total liabilities and equity	1,203,907	1,203,432

(2) Condensed Consolidated Statement of Profit or Loss

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Revenue	232,351	255,214
Cost of sales	120,367	131,553
Gross profit	111,984	123,661
Other income	4,779	10,125
Selling, general and administrative expenses	106,062	115,301
Other expenses	1,986	3,040
Operating profit	8,714	15,445
Finance income	789	1,628
Finance costs	1,220	1,667
Share of loss of investments accounted for using the equity method	76	130
Profit before tax	8,207	15,274
Income tax expense	2,837	4,416
Profit for the period	5,370	10,858
Profit attributable to:		
Owners of the company	5,367	11,180
Non-controlling interests	2	(322)
Earnings per share		
Basic	10.83 yen	22.61 yen
Diluted	10.80 yen	22.54 yen

(3) Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit for the period	5,370	10,858
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans (net of tax)	(32)	(21)
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	96	166
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	0	(0)
Total items that will not be reclassified to profit or loss	64	144
Items that may be subsequently reclassified to profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	(2,171)	454
Exchange differences on translation of foreign operations (net of tax)	7,107	5,665
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	10	(17)
Total items that may be subsequently reclassified to profit or loss	4,946	6,102
Total other comprehensive income	5,010	6,246
Total comprehensive income	10,380	17,105
Total comprehensive income attributable to:		
Owners of the company	10,329	17,774
Non-controlling interests	51	(669)

(4) Condensed Consolidated Statement of Changes in Equity

(Millions of yen)

	Share capital	Share premium	Retained earnings	Treasury shares	Subscription rights to shares	Other components of equity	Equity attributable to owners of the company	Non-controlling interests	Total equity
Balance at April 1, 2017	37,519	202,631	276,709	(9,214)	998	15,685	524,331	9,818	534,149
Profit for the period	—	—	5,367	—	—	—	5,367	2	5,370
Other comprehensive income	—	—	—	—	—	4,961	4,961	48	5,010
Total comprehensive income	—	—	5,367	—	—	4,961	10,329	51	10,380
Dividends	—	—	(7,434)	—	—	—	(7,434)	—	(7,434)
Acquisition and disposal of treasury shares	—	—	(47)	91	—	—	43	—	43
Share-based payments	—	—	—	—	(9)	—	(9)	—	(9)
Changes in non-controlling interests due to changes in subsidiaries	—	—	—	—	—	—	—	5	5
Equity transactions, etc. with non-controlling shareholders	—	—	—	—	—	—	—	(73)	(73)
Put options written on non-controlling interests	—	(1,593)	—	—	—	—	(1,593)	—	(1,593)
Transfer from other components of equity to retained earnings	—	—	(29)	—	—	29	—	—	—
Total transactions with owners	—	(1,593)	(7,511)	91	(9)	29	(8,994)	(68)	(9,063)
Balance at June 30, 2017	37,519	201,038	274,566	(9,123)	988	20,676	525,666	9,800	535,466

(Millions of yen)

	Share capital	Share premium	Retained earnings	Treasury shares	Subscription rights to shares	Other components of equity	Equity attributable to owners of the company	Non-controlling interests	Total equity
Balance at April 1, 2018	37,519	184,841	298,366	(10,189)	934	13,041	524,513	11,075	535,588
Effect of changes in accounting policies	—	—	188	—	—	—	188	—	188
Restated balance at April 1, 2018	37,519	184,841	298,554	(10,189)	934	13,041	524,701	11,075	535,776
Profit for the period	—	—	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 at June 30, 2018	37,519	183,093	302,293	(10,176)	923	19,657	533,310	10,402	543,712

(5) Condensed Consolidated Statement of Cash Flow

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Cash flows from operating activities		
Profit before tax	8,207	15,274
Depreciation and amortization expenses	13,609	14,616
Impairment losses and reversal of impairment losses	6	5
Share of profit or loss of investments accounted for using the equity method	76	130
Interest and dividends income	(777)	(1,313)
Interest expenses	707	1,371
(Gain) loss on sales and disposals of property, plant and equipment, and intangible assets	(3,883)	(8,356)
(Increase) decrease in trade and other receivables	16,115	7,464
(Increase) decrease in inventories	(3,073)	(3,435)
Increase (decrease) in trade and other payables	(19,145)	(4,915)
Decrease in transfer of lease assets	(1,239)	(1,319)
Increase (decrease) in retirement benefit liabilities	4	262
Others	(6,619)	(10,213)
Subtotal	3,988	9,571
Dividends received	290	313
Interest received	379	1,064
Interest paid	(714)	(1,886)
Income taxes paid	(5,589)	(5,311)
Net cash flows from operating activities	(1,645)	3,751

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,312)	(7,973)
Purchase of intangible assets	(2,518)	(3,001)
Proceeds from sales of property, plant and equipment, and intangible assets	4,202	10,279
Purchase of investments in subsidiaries	(9)	(869)
Purchase of investments accounted for using the equity method	(490)	—
Purchase of investment securities	(140)	(0)
Proceeds from sales of investment securities	32	—
Payments for loans receivable	(13)	(4)
Collection of loans receivable	18	7
Payments for transfer of business	—	(1,845)
Others	(1,758)	(698)
Net cash flows from investing activities	(6,989)	(4,106)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(7,259)	111
Proceeds from bonds issuance and long-term loans payable	4,276	0
Redemption of bonds and repayments of long-term loans payable	(709)	(1,046)
Purchase of treasury shares	(1)	(1)
Cash dividends paid	(7,275)	(7,232)
Payment of dividends to non-controlling shareholders	—	(23)
Others	0	0
Net cash flows from financing activities	(10,969)	(8,191)
Effect of exchange rate changes on cash and cash equivalents	(634)	382
Net increase (decrease) in cash and cash equivalents	(20,240)	(8,165)
Cash and cash equivalents at the beginning of the period	92,628	149,913
Cash and cash equivalents at the end of the period	72,387	141,748

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

None.

[Changes in Accounting Policies]

There is no change in the significant accounting policies applied to the Group's condensed consolidated financial statements from those applied to the consolidated financial statements of the fiscal year ended March 31, 2018, with the exception of the items described below.

(Adoption of IFRS 15 "Revenue from Contracts with Customers")

From the first quarter of the fiscal year ending March 31, 2019, the Group has adopted IFRS 15 "Revenue from Contracts with Customers" (issued in May 2014) and "Clarification to IFRS 15" (issued in April 2016) (hereinafter collectively referred to as "IFRS 15").

The Group applies IFRS 15 retrospectively in accordance with the transitional provisions, with the cumulative effect of the initial application of the standard being recognized as an adjustment to the opening balance of retained earnings for the first quarter of the fiscal year ending March 31, 2019.

Pursuant to the adoption of IFRS 15, revenue is recognized based on the following five steps.

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

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

(Adoption of IFRS 9 (2014) "Financial Instruments")

From the first quarter of the fiscal year ending March 31, 2019, the Group has adopted IFRS 9 "Financial Instruments" (revised in July 2014) (hereinafter referred to as "IFRS 9").

As a result of the adoption of IFRS 9, the Group has changed the recognition of impairment of financial assets measured at amortized cost by recognizing an allowance for doubtful accounts for an expected credit loss on those financial assets. Further, the Group is applying the hedge accounting requirements of IFRS 9.

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

[Other Income]

Components of other income are as follows:

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Gain on sales of property, plant and equipment, and intangible assets	4,011	9,608
Others	768	516
Total	4,779	10,125

[Other Expenses]

Components of other expenses are as follows:

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Loss on sales and disposals of property, plant and equipment, and intangible assets	127	1,252
Others	1,858	1,788
Total	1,986	3,040

[Segment Information]

(a) Reportable segments

Business 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. The Group comprises segments organized by products and services depending on business categories. Based on these business segments, and after taking into account the primary indications in the markets for these products, the Group has established reportable segments for the four business categories of "Office Business," "Professional Print Business," "Healthcare Business" and "Industrial Business." Moreover, "Other" incorporates New Businesses not included in these reportable segments, such as Bio-Healthcare.

The business content 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, etc.); provision of digitalization, networking, solutions, and services in the medical field
Industrial Business	<Materials and Components> Development, manufacture, and sales of such products as TAC film for LCD displays, 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.

(b) Information on reportable segments

Information on each reportable segment of the Group is provided below. Segment profit refers to operating profit.

Three months ended June 30, 2017

(Millions of yen)

	Reportable segments					Others	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total		
Revenue							
External	133,040	49,009	19,545	28,668	230,264	2,086	232,351
Intersegment (Note)	390	63	213	1,107	1,775	5,162	6,937
Total	133,430	49,073	19,758	29,775	232,039	7,249	239,289
Segment profit (loss)	5,349	1,584	(491)	6,092	12,535	(2,456)	10,079

(Note) Intersegment revenue is based on market prices, etc.

Three months ended June 30, 2018

(Millions of yen)

	Reportable segments					Others	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 (Note)	380	105	226	1,386	2,097	4,520	6,618
Total	143,914	53,467	18,815	32,965	249,163	12,670	261,833
Segment profit (loss)	9,264	1,672	(208)	6,766	17,494	(4,627)	12,866

(Note) Intersegment revenue is based on market prices, etc.

Differences between the amount of “Totals” for reportable segments and the amount of “Condensed consolidated statement of profit or loss” and the principal content of these differences are provided below.

(Millions of yen)

Revenue	Three months ended June 30, 2017	Three months ended June 30, 2018
Total revenue of reportable segments	232,039	249,163
Revenue categorized in “Others”	7,249	12,670
Total of reportable segments and “Others”	239,289	261,833
Adjustments (Note)	(6,937)	(6,618)
Revenue reported in condensed consolidated statement of profit or loss	232,351	255,214

(Note) Adjustments are intersegment eliminations.

(Millions of yen)

Profit	Three months ended June 30, 2017	Three months ended June 30, 2018
Total operating profit of reportable segments	12,535	17,494
Operating profit (loss) categorized in “Others”	(2,456)	(4,627)
Total of reportable segments and “Others”	10,079	12,866
Adjustments (Note)	(1,364)	2,578
Operating profit reported in condensed consolidated statement of profit or loss	8,714	15,445

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

[Business Combinations]

Three months ended June 30, 2018

(Adjustments of consideration for acquisition and revision of the allocation of consideration for acquisition of Ambray Genetics Corporation)

The Group has adjusted the consideration for acquisition and reviewed the allocation of the consideration for acquisition of Ambray Genetics Corporation as of October 18, 2017, and it has changed the fair values of the consideration, assets acquired, and of liabilities assumed as of the acquisition date. Major changes are an increase of ¥1,616 million in intangible assets, an increase of ¥614 million in deferred tax liabilities, and a decrease of ¥1,003 million in goodwill. Results reflecting the above changes are as follows:

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

(Millions of yen)

Fair value of the consideration for acquisition (Note 1)	
Cash	86,591
Payable amount (Note 2)	2,369
Contingent consideration (Note 3)	1,914
Total	90,875
Recognized value of assets acquired and liabilities assumed	
Cash and cash equivalents	2,162
Trade and other receivables	2,991
Inventories	474
Property, plant and equipment	4,052
Intangible assets	37,110
Other assets	2,711
Trade and other payables	(723)
Bonds and borrowings	(1,995)
Deferred tax liabilities	(13,903)
Other liabilities	(2,761)
Total	30,118
Goodwill (Note 4)	60,757

(Notes)

1. The fair value of the consideration for acquisition includes proceeds from share issuance to non-controlling shareholders. Non-controlling interests are transferred to financial liabilities because put options are attached. The difference between the fair value of such financial liabilities and the transfer amount of ¥35,419 million is recorded as share premium.
2. Payable amount is the amount as of the acquisition date, of which ¥1,552 million has been paid as of June 30, 2018.
3. Contingent consideration is based on the agreement to pay an additional consideration in proportion to the performance level that will be achieved over the two fiscal years following the date of the acquisition of Ambray. There is a possibility that payment of US\$200 million at a maximum may occur. The fair value of the contingent consideration is calculated using Monte Carlo simulation. Balance as of June 30, 2018 is ¥1,326 million.
4. Goodwill largely represents excess earnings power of the acquired company and synergy effect expected from the acquisition, no part of which is expected to be tax-deductible.

The above amounts are calculated on a tentative basis because the adjustment of the consideration for acquisition and the allocation of the consideration for acquisition to

identifiable assets and liabilities on the basis of fair value assets have not been completed.

(Completion of the adjustment and allocation of the consideration for acquisition of equity interest in Invicro, LLC)

With respect to the acquisition of equity interest in Invicro, LLC on November 10, 2017, the financial statements for the previous fiscal year stated provisional amounts because the adjustment and allocation of the consideration for acquisition had not been completed. That process was completed during the three months ended June 30, 2018. Major changes from the provisional amounts are an increase of ¥187 million in consideration for acquisition, a decrease of ¥193 million in trade and other payables, a decrease of ¥215 million in other liabilities, and a decrease of ¥193 million in goodwill. Details of the final amounts are as follows:

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

(Millions of yen)

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

(Notes)

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