

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2019 [IFRS]

Company name:	Konica Minolta, Inc.
Stock exchange listings:	Tokyo (First Section)
Securities code number:	4902
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Scheduled date for submission of securities report:	November 8, 2019
Scheduled date for dividends payment:	November 27, 2019
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 six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)

(1) Consolidated results of operations

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

Six months ended	Revenue		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2019	497,488	-3.8	5,433	-84.3	1,561	-95.3
September 30, 2018	517,087	5.9	34,605	69.1	33,157	74.0

Six 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	%
September 30, 2019	11	-100.0	106	-99.5	(22,725)	—
September 30, 2018	23,268	72.2	23,334	72.6	39,703	39.9

Six months ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
September 30, 2019	0.21	0.21
September 30, 2018	47.18	47.03

(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	%
September 30, 2019	1,276,123	536,707	526,918	41.3
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	—	15.00			
Fiscal Year ending March 31, 2020 (forecast)			—	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	1,045,000	-1.3	20,000	-68.0	7,500	-82.0	15.16

(Note) Changes from the latest consolidated forecasts: Yes

■ Notes

- (1) Changes in significant subsidiaries for the six months ended September 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 September 30, 2019: 502,664,337 shares
 - As of March 31, 2019: 502,664,337 shares
 - b. Number of treasury shares
 - As of September 30, 2019: 7,839,901 shares
 - As of March 31, 2019: 8,008,984 shares
 - c. Average number of issued and outstanding shares during the period
 - The six months ended September 30, 2019: 494,735,526 shares
 - The six months ended September 30, 2018: 494,534,363 shares

(Note) 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 (1,184,094 shares as of September 30, 2019, and 1,250,538 shares as of 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 SIX MONTHS ENDED SEPTEMBER 30, 2019, (3) Explanation Regarding the Forecasts for the Consolidated Financial Results” in the attached Supplementary Information on page 9.

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

The Company will hold a briefing on the quarterly financial results for institutional investors on Friday, November 1, 2019. The proceedings and details of the briefing, along with the supplementary information on the quarterly financial results to be presented at the briefing, will be posted on the website of the Group soon after the briefing.

Supplementary Information

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1. QUALITATIVE INFORMATION ON FINANCIAL RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

(1) Qualitative Information on the Consolidated Operating Results

a. Overview

	Six months ended September 30, 2018	Six months ended September 30, 2019	Increase (Decrease)	
	Billions of yen	Billions of yen	Billions of yen	%
Revenue	517.0	497.4	(19.5)	−3.8
Gross profit	251.5	236.8	(14.6)	−5.8
Operating profit	34.6	5.4	(29.1)	−84.3
Profit before tax	33.1	1.5	(31.5)	−95.3
Profit attributable to owners of the Company	23.3	0.1	(23.2)	−99.5
	Yen	Yen	Yen	%
Basic earnings per share	47.18	0.21	(46.97)	−99.6
	Billions of yen	Billions of yen	Billions of yen	%
Capital expenditures	19.5	24.2	4.6	23.9
Depreciation and amortization expenses	29.1	37.9	8.8	30.4
Research and development expenses	39.7	38.6	(1.0)	−2.7
	Billions of yen	Billions of yen	Billions of yen	%
Free cash flows	10.9	(18.5)	(29.5)	—
	Number	Number	Number	%
Number of employees in the Group	44,179	44,971	792	1.8
	Yen	Yen	Yen	%
Foreign exchange rates				
U.S. dollar	110.26	108.63	(1.63)	−1.5
Euro	129.85	121.42	(8.43)	−6.5

In the six months ended September 30, 2019 (the “current period”), the Group recorded revenue of 497.4 billion yen, a decrease of 3.8% year-on-year. Shrinking capital investments by customers affected by the United States–China trade friction, a slowdown in the Chinese economy, and continuing uncertainties in the European economy, and the strong yen led to a decline in revenue in the Office Business and the Professional Print Business. With respect to the Industrial Business, revenue from the field of optical systems for industrial use fell due to the effects of a shift in demand, while revenue from the field of materials and components remained at the same level as in the six months ended September 30, 2018. Revenue increased in the Healthcare Business. Meanwhile, revenue increased in the new businesses primarily in the field of bio-healthcare, where a new genetic diagnostic service is delivering strong performance.

As for profit, despite a continued shift towards high value-added sales, a decline in the gross profit is largely attributable to a drop in the gross profit margin caused by delay in reduction of new products’ manufacturing costs in addition to the decreases in revenue. Consequently, operating profit for the current period fell significantly to 5.4 billion yen, a decrease of 84.3% year-on-year, partially due to the fact that a temporary gain of 14.9 billion yen that was generated from the liquidation of assets through sale and leaseback arrangements was recorded in the same period in the previous fiscal year.

As a result, profit before tax was 1.5 billion yen, a decrease of 95.3% year-on-year, while profit attributable to owners of the Company was 0.1 billion yen, a decrease of 99.5% year-on-year.

Regarding initiatives undertaken for sustainable growth in the medium- to long-term period, specifically in the new businesses, where investments have been made on an ongoing basis to develop businesses into the future revenue pillars of the Group, the sales area of the Workplace Hub,

an edge IoT platform provided by the Company, has expanded from 9 countries to 21 countries during the current period, and measures have been implemented to reinforce sales activities throughout the current period. In the bio-healthcare field, the ribonucleic acid (RNA) testing, which the Group successfully commercialized to enhance the accuracy of genetic diagnostics dramatically for the first time in the world, was highly recognized by medical institutions, contributing to an increase in the number of orders for genetic testing. Additionally, preparatory work to commence provision of full-scale services to imaging centers has made a steady progress in an effort to further expand the business in the following periods.

b. Overview by Segment

		Six months ended September 30, 2018	Six months ended September 30, 2019	Increase (Decrease)	
		Billions of yen	Billions of yen	Billions of yen	%
Office Business	Revenue	290.7	273.2	(17.5)	–6.0
	Operating profit	22.6	17.1	(5.5)	–24.5
Professional Print Business	Revenue	109.2	103.2	(5.9)	–5.4
	Operating profit	5.4	2.0	(3.3)	–61.4
Healthcare Business	Revenue	40.2	45.0	4.8	12.0
	Operating profit	0.8	0.3	(0.4)	–53.6
Industrial Business	Revenue	59.5	56.0	(3.5)	–6.0
	Operating profit	11.4	9.7	(1.7)	–15.2
Subtotal	Revenue	499.8	477.6	(22.2)	–4.4
	Operating profit	40.3	29.3	(11.0)	–27.4
Others and adjustments (Note 2)	Revenue	17.2	19.8	2.6	15.2
	Operating profit	(5.7)	(23.8)	(18.1)	–
Amount reported in the Condensed Consolidated Statements of Profit or Loss	Revenue	517.0	497.4	(19.5)	–3.8
	Operating profit	34.6	5.4	(29.1)	–84.3

(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. Regarding the color models with low-speed output, the Company commenced the sales of bizhub i-series with a newly designed engine for the first time in seven years, as well as some industry-first robust security features. However, since a switch from the old model to the new model took time, contribution to the overall sales has been postponed to the nine-month period ending December 31, 2019. In addition, there was significant growth in the sales volume, mainly for the high-speed models, in the same period in the previous year, and therefore, the sales volume for the current period was lower year on year.

In the IT services solution business unit, measures, such as narrowing down the scope of IT services offered, were undertaken to enhance profitability, despite stagnant sales of MFP-related solutions caused by the reduced sales volume of MFPs.

As a result of the above and with the effects of the strong yen, the Office Business segment recorded revenue of 273.2 billion yen, a decrease of 6.0% year-on-year, and operating profit of 17.1 billion yen, a decrease of 24.5% year-on-year.

ii. Professional Print Business

In the production print business unit, the sales volume of both color and monochrome models decreased year on year. Regarding the sales of color equipment, in developed countries, while the sales volume of the entry models decreased, sales of other product lines remained at the same level as in the six months ended September 30, 2018, when the Group reported significant growth. In growth countries, there was a considerable increase in the sales volume in the ASEAN region, but sales in China and India lost their momentum in the latter half of the current period,

recording the same level of the sales volume as in the six months ended September 30, 2018. Meanwhile, the sales volume of monochrome equipment decreased by a reactionary fall following the large-scale transactions corresponding to demand from customers in the United States seen in the same period in the previous year and a slowdown in demand in China.

In the industrial printing business unit, the sales volume of “AccurioJet KM-1” digital inkjet press units sold through sales partners decreased, while those sold through direct sales increased significantly. The sales of label printers and digital decoration printing equipment showed a substantial growth in the latter half of the current period and continued to maintain the highest market share in the targeted markets, which drove an increase in revenue.

In the marketing services business unit, despite the continuing efforts into transition as a business that provides high value-added solutions and expanding sales driven by the United States and Asia, revenue fell due to the impact of foreign exchange rates.

As a result, the Professional Print Business segment recorded revenue of 103.2 billion yen, a decrease of 5.4% year-on-year, and operating profit of 2.0 billion yen, a decrease of 61.4% year-on-year.

iii. Healthcare Business

In the healthcare (modality) business unit, there was growth in the sales volume of the digital radiography for hospitals, affected by demand before the consumption tax hike in Japan, and the sales volume also increased in Asia and Europe. In the United States, while sales for hospitals were sluggish, sales for clinics grew steadily. The sales volume of diagnostic ultrasound systems showed constant growth in Japan, supported by favorable sales of a new product for obstetrics and wide recognition of the Company’s brand in the internal medicine field. As a result, revenue in the healthcare (modality) business unit increased year on year. In the medical IT business unit, receiving a large-scale order of the Picture Archiving and Communication System (PACS) in North America and steady sales in Japan contributed to an increase in revenue.

As a result, the Healthcare Business segment recorded revenue of 45.0 billion yen, an increase of 12.0% year-on-year, and operating profit of 0.3 billion yen, a decrease of 53.6% year-on-year, mainly due to the recognition of valuation loss on property, plant and equipment of 0.5 billion yen related to a sale of subsidiaries’ business bases.

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 sales promotion focusing on high value-added products despite effects of an increase in inventories in the display panel market. In the optical component business unit, although the product sales composition ratio was improved, revenue decreased year on year due to decline in the sales affected by a slowdown in the Chinese economy. In the inkjet component business unit, revenue increased year on year by sustaining strong sales performance mainly in Asia throughout the current period. For the field of materials and components as a whole, revenue remained at the same level as in the six months ended September 30, 2018.

In the field of optical systems for industrial use, the measuring instruments business unit recorded sound sales of object color measurement instruments in Europe and the United States; however, revenue decreased year on year for the unit as a whole. This is primarily due to the fact that demand for light source color measurement instruments 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 the United States–China trade friction, as well as key customers’ continual shrinking their capital investments. The Company has acquired Spain-based Eines Systems S.L. in May 2019 to accelerate a building of its business in the automotive visual inspection market, where a further growth is expected.

As a result, the Industrial Business segment recorded revenue of 56.0 billion yen, a decrease of 6.0% year-on-year, and operating profit of 9.7 billion yen, a decrease of 15.2% year-on-year.

(Reference) Overview of the quarterly consolidated accounting period

	Three months ended September 30, 2018	Three months ended September 30, 2019	Increase (Decrease)	
	Billions of yen	Billions of yen	Billions of yen	%
Revenue	261.8	255.7	(6.1)	−2.3
Gross profit	127.8	120.1	(7.6)	−6.0
Operating profit	19.1	4.8	(14.2)	−74.5
Profit before tax	17.8	2.9	(14.9)	−83.6
Profit attributable to owners of the Company	12.1	1.3	(10.8)	−89.2
	Yen	Yen	Yen	%
Basic earnings per share	24.57	2.66	(21.91)	−89.2
	Billions of yen	Billions of yen	Billions of yen	%
Capital expenditures	10.9	14.5	3.6	33.5
Depreciation and amortization expenses	14.5	19.1	4.5	31.6
Research and development expenses	19.3	19.7	0.4	2.1
	Billions of yen	Billions of yen	Billions of yen	%
Free cash flows	11.3	(3.5)	(14.8)	−
	Yen	Yen	Yen	%
Foreign exchange rates				
U.S. dollar	111.46	107.35	(4.11)	−3.7
Euro	129.63	119.34	(10.29)	−7.9

Overview of major segments

		Three months ended September 30, 2018	Three months ended September 30, 2019	Increase (Decrease)	
		Billions of yen	Billions of yen	Billions of yen	%
Office Business	Revenue	147.2	138.6	(8.5)	−5.8
	Operating profit	13.4	9.4	(3.9)	−29.7
Professional Print Business	Revenue	55.8	52.6	(3.1)	−5.7
	Operating profit	3.7	1.0	(2.7)	−72.2
Healthcare Business	Revenue	21.6	26.4	4.7	22.1
	Operating profit	1.0	0.6	(0.3)	−34.4
Industrial Business	Revenue	28.0	27.8	(0.1)	−0.4
	Operating profit	4.6	4.9	0.2	5.6
Subtotal	Revenue	252.7	245.6	(7.1)	−2.8
	Operating profit	22.8	16.0	(6.7)	−29.7
Others and adjustments (Note 2)	Revenue	9.1	10.1	1.0	11.0
	Operating profit	(3.7)	(11.2)	(7.4)	−
Amount reported in the Condensed Consolidated Statements of Profit or Loss	Revenue	261.8	255.7	(6.1)	−2.3
	Operating profit	19.1	4.8	(14.2)	−74.5

(Notes)

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

(2) Qualitative Information on the Consolidated Financial Position

a. Analysis of Financial Position

	As of March 31, 2019	As of September 30, 2019	Increase (Decrease)
	Billions of yen	Billions of yen	Billions of yen
Total assets	1,218.9	1,276.1	57.1
Total liabilities	653.0	739.4	86.4
Total equity	565.9	536.7	(29.2)
Equity attributable to owners of the Company	555.6	526.9	(28.7)
	%	%	%
Equity ratio attributable to owners of the Company	45.6	41.3	-4.3

Total assets as of September 30, 2019, were 1,276.1 billion yen, an increase of 57.1 billion yen (4.7%) from March 31, 2019. This is primarily attributed to an increase of 103.8 billion yen in property, plant and equipment due mainly to the adoption of IFRS 16 *Lease*, an increase of 10.3 billion yen in inventories, a decrease of 36.7 billion yen in cash and cash equivalents, a decrease of 11.0 billion yen in trade and other receivables, and a decrease of 10.4 billion yen in goodwill and intangible assets.

Total liabilities as of September 30, 2019, were 739.4 billion yen, an increase of 86.4 billion yen (13.2%) from March 31, 2019. This is primarily attributed to an increase of 115.4 billion yen in lease liabilities due to the adoption of IFRS 16, a decrease of 10.4 billion yen in trade and other payables, a decrease of 6.1 billion yen in income tax payables, and a decrease of 5.9 billion yen in bonds and borrowings.

Total equity as of September 30, 2019, was 536.7 billion yen, a decrease of 29.2 billion yen (5.2%) from March 31, 2019.

Equity attributable to owners of the Company was 526.9 billion yen as of September 30, 2019, a decrease of 28.7 billion yen (5.2%) from March 31, 2019. This is primarily attributed to a decrease of 21.9 billion yen in other components of equity (mainly exchange differences on translation of foreign operations), and a decrease of 7.4 billion yen in retained earnings due to cash dividends.

As a result of the above, the equity ratio attributable to owners of the Company decreased 4.3 percentage points to 41.3%.

b. Analysis of Cash Flows

	Six months ended September 30, 2018	Six months ended September 30, 2019	Increase (Decrease)
	Billions of yen	Billions of yen	Billions of yen
Cash flows from operating activities	21.4	7.9	(13.4)
Cash flows from investing activities	(10.4)	(26.5)	(16.0)
Total (Free cash flows)	10.9	(18.5)	(29.5)
Cash flows from financing activities	(9.1)	(14.9)	(5.7)

For the six months ended September 30, 2019, net cash provided by operating activities was 7.9 billion yen, and net cash used in investing activities totaled 26.5 billion yen. As a result, free cash flows (the sum of cash flows from operating activities and investing activities) were an outflow of 18.5 billion yen for the current period.

Net cash used in financing activities was 14.9 billion yen.

In addition, cash and cash equivalents as of September 30, 2019, decreased by 36.7 billion yen from the previous fiscal year-end to 88.0 billion yen, reflecting the effect of exchange rate fluctuations on cash and cash equivalents.

Cash flows from operating activities

Net cash provided by operating activities was 7.9 billion yen. This is attributable to net effects of cash inflows due mainly to profit before tax of 1.5 billion yen and depreciation and amortization expenses of 37.9 billion yen, and cash outflows due mainly to an increase in trade and other receivables of 3.5 billion yen, an increase in inventories of 15.9 billion yen, a decrease in trade and other payables of 2.2 billion yen, and payment of income taxes of 8.2 billion yen.

Cash flows from investing activities

Net cash used in investing activities was 26.5 billion yen, due mainly to purchases of property, plant and equipment of 17.3 billion yen, purchases of intangible assets of 5.7 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 18.5 billion yen (an inflow of 10.9 billion yen for the same period in the previous fiscal year).

Cash flows from financing activities

Net cash used in financing activities was 14.9 billion yen (net cash outflows of 9.1 billion yen for the same period in the previous fiscal year), reflecting mainly repayments of lease liabilities of 8.6 billion yen and cash dividends paid of 7.4 billion yen.

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

With regard to the environments surrounding the Group in the six months ended September 30, 2019, (the “current period”), the intensifying United States–China trade friction; uncertainties about the European economy, including the prolongation of issue regarding Brexit; and the slowdown of economic growth in China continued. In these circumstances, the Company aimed to achieve further growth by introducing new products; however, the sales were sluggish due to the prolongation of business negotiation cycle in each region and the decline in client’s appetite for investment, leading to intense rivalry in the market.

In addition, regarding the exchange rate, the yen appreciated further since the last announcement of the forecast. In particular, the appreciation of the yen against European currencies, such as the euro, had a great impact on the profit of the Company.

Concerning the United States–China trade friction, most of the products exported from China to the United States have been subject to tariffs from September 2019, and there have been signs of such effects on the financial results of the Company.

The Company expects that these challenging external environments will continue for the time being. Taking into account of the impact by environmental changes on performance of the Company and the progress made during the current period, the Company has revised full-year consolidated forecasts as follows.

With regard to the exchange rate that forms the basis of the forecasts for the rest of the fiscal year ending March 31, 2020, it has been revised from the rate announced on July 30, 2019. The Company revised the euro exchange rate assumption by 5 yen to 118 yen to reflect the appreciation of yen, while the U.S. dollar exchange rate remained the same at 105 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)	1,085.0	60.0	37.5	75.80
Revised forecasts (B)	1,045.0	20.0	7.5	15.16
Increase/decrease (B–A)	(40.0)	(40.0)	(30.0)	–
Change (%)	–3.7	–66.7	–80.0	–
(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 SIX MONTHS ENDED SEPTEMBER 30, 2019” section.

2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES

(1) Condensed Consolidated Statements of Financial Position

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and cash equivalents	124,830	88,096
Trade and other receivables	275,563	264,503
Inventories	144,703	155,018
Income tax receivables	3,305	1,776
Other financial assets	3,406	2,697
Other current assets	27,128	29,321
Total current assets	578,937	541,413
Non-current assets		
Property, plant and equipment	207,138	310,951
Goodwill and intangible assets	346,133	335,729
Investments accounted for using the equity method	913	791
Other financial assets	46,711	47,799
Deferred tax assets	32,505	33,442
Other non-current assets	6,647	5,995
Total non-current assets	640,048	734,709
Total assets	1,218,986	1,276,123

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Trade and other payables	175,268	164,804
Bonds and borrowings	24,648	36,405
Lease liabilities	—	13,983
Income tax payables	7,875	1,689
Provisions	12,260	12,355
Other financial liabilities	463	1,414
Other current liabilities	50,857	46,519
Total current liabilities	271,374	277,172
Non-current liabilities		
Bonds and borrowings	249,088	231,381
Lease liabilities	—	101,501
Retirement benefit liabilities	38,457	39,127
Provisions	15,540	15,220
Other financial liabilities	58,284	56,309
Deferred tax liabilities	12,497	11,598
Other non-current liabilities	7,760	7,105
Total non-current liabilities	381,628	462,243
Total liabilities	653,002	739,415
Equity		
Share capital	37,519	37,519
Share premium	188,333	189,891
Retained earnings	324,628	316,080
Treasury shares	(9,979)	(9,784)
Share acquisition rights	836	772
Other components of equity	14,350	(7,560)
Equity attributable to owners of the Company	555,689	526,918
Non-controlling interests	10,294	9,788
Total equity	565,983	536,707
Total liabilities and equity	1,218,986	1,276,123

(2) Condensed Consolidated Statements of Profit or Loss

Six months ended September 30, 2018 and 2019

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Revenue	517,087	497,488
Cost of sales	265,555	260,633
Gross profit	251,531	236,855
Other income	16,523	1,152
Selling, general and administrative expenses	228,227	224,554
Other expenses	5,222	8,020
Operating profit	34,605	5,433
Finance income	2,438	2,522
Finance costs	3,597	6,287
Share of profit (loss) of investments accounted for using the equity method	(289)	(106)
Profit before tax	33,157	1,561
Income tax expense	9,889	1,550
Profit for the period	23,268	11
Profit (loss) attributable to:		
Owners of the Company	23,334	106
Non-controlling interests	(66)	(95)
Earnings per share	Yen	Yen
Basic	47.18	0.21
Diluted	47.03	0.21

Three months ended September 30, 2018 and 2019

(Millions of yen)

	Three months ended September 30, 2018	Three months ended September 30, 2019
Revenue	261,872	255,745
Cost of sales	134,002	135,571
Gross profit	127,870	120,174
Other income	6,398	613
Selling, general and administrative expenses	112,925	111,783
Other expenses	2,182	4,125
Operating profit	19,160	4,878
Finance income	1,086	1,057
Finance costs	2,205	2,948
Share of profit (loss) of investments accounted for using the equity method	(158)	(46)
Profit before tax	17,882	2,940
Income tax expense	5,472	1,458
Profit for the period	12,409	1,482
Profit attributable to:		
Owners of the Company	12,153	1,315
Non-controlling interests	255	167
Earnings per share	Yen	Yen
Basic	24.57	2.66
Diluted	24.49	2.65

(3) Condensed Consolidated Statements of Comprehensive Income

Six months ended September 30, 2018 and 2019

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit for the period	23,268	11
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans (net of tax)	278	(407)
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	2	(298)
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	281	(705)
Items that may be subsequently reclassified to profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	(426)	(1,116)
Exchange differences on translation of foreign operations (net of tax)	16,600	(20,899)
Share of other comprehensive income (loss) of investments accounted for using the equity method (net of tax)	(20)	(15)
Total items that may be subsequently reclassified to profit or loss	16,153	(22,031)
Total other comprehensive income (loss)	16,434	(22,736)
Total comprehensive income (loss)	39,703	(22,725)
Total comprehensive income (loss) attributable to:		
Owners of the Company	40,219	(22,219)
Non-controlling interests	(516)	(505)

Three months ended September 30, 2018 and 2019

(Millions of yen)

	Three months ended September 30, 2018	Three months ended September 30, 2019
Profit for the period	12,409	1,482
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans (net of tax)	300	(392)
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	(164)	231
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	136	(160)
Items that may be subsequently reclassified to profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	(881)	(804)
Exchange differences on translation of foreign operations (net of tax)	10,935	(7,064)
Share of other comprehensive income (loss) of investments accounted for using the equity method (net of tax)	(2)	(12)
Total items that may be subsequently reclassified to profit or loss	10,051	(7,881)
Total other comprehensive income (loss)	10,188	(8,042)
Total comprehensive income (loss)	22,597	(6,559)
Total comprehensive income (loss) attributable to:		
Owners of the Company	22,445	(6,560)
Non-controlling interests	152	0

(4) Condensed Consolidated Statements 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	—	—	23,334	—	—	—	23,334	(66)	23,268
Other comprehensive income (loss)	—	—	—	—	—	16,885	16,885	(450)	16,434
Total comprehensive income (loss)	—	—	23,334	—	—	16,885	40,219	(516)	39,703
Dividends	—	—	(7,417)	—	—	—	(7,417)	(23)	(7,441)
Acquisition and disposal of treasury shares	—	—	(40)	112	—	—	71	—	71
Share-based payments	—	205	—	—	(49)	—	156	—	156
Changes in non-controlling interests due to changes in subsidiaries	—	—	—	—	—	—	—	20	20
Put options written on non-controlling interests	—	(2,769)	—	—	—	—	(2,769)	—	(2,769)
Transfer from other components of equity to retained earnings	—	—	281	—	—	(281)	—	—	—
Total transactions with owners	—	(2,563)	(7,176)	112	(49)	(281)	(9,958)	(3)	(9,962)
Balance as of September 30, 2018	37,519	182,278	314,712	(10,077)	885	29,644	554,962	10,554	565,517

(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	—	—	106	—	—	—	106	(95)	11
Other comprehensive income (loss)	—	—	—	—	—	(22,326)	(22,326)	(410)	(22,736)
Total comprehensive income (loss)	—	—	106	—	—	(22,326)	(22,219)	(505)	(22,725)
Dividends	—	—	(7,419)	—	—	—	(7,419)	—	(7,419)
Acquisition and disposal of treasury shares	—	—	(75)	195	—	—	120	—	120
Share-based payments	—	51	—	—	(63)	—	(12)	—	(12)
Equity and other transactions with non-controlling shareholders	—	(21)	—	—	—	—	(21)	(0)	(21)
Put options written on non-controlling interests	—	1,527	—	—	—	—	1,527	—	1,527
Transfer from other components of equity to retained earnings	—	—	(415)	—	—	415	—	—	—
Total transactions with owners	—	1,557	(7,910)	195	(63)	415	(5,805)	(0)	(5,805)
Balance as of September 30, 2019	37,519	189,891	316,080	(9,784)	772	(7,560)	526,918	9,788	536,707

(5) Condensed Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before tax	33,157	1,561
Depreciation and amortization expenses	29,132	37,976
Impairment losses and reversal of impairment losses	9	525
Share of (profit) loss of investments accounted for using the equity method	289	106
Interest and dividends income	(2,321)	(2,354)
Interest expenses	3,218	4,421
(Gain) loss on sales and disposals of property, plant and equipment, and intangible assets	(13,550)	3,037
(Increase) decrease in trade and other receivables	5,055	(3,588)
(Increase) decrease in inventories	(9,035)	(15,953)
Increase (decrease) in trade and other payables	(9,087)	(2,209)
Decrease due to transfer of rental assets	(3,185)	(3,609)
Increase (decrease) in retirement benefit liabilities	534	938
Others	(4,777)	(2,554)
Subtotal	29,438	18,296
Dividends received	341	362
Interest received	1,878	1,990
Interest paid	(3,122)	(4,417)
Income taxes (paid) refunded	(7,121)	(8,272)
Net cash provided by (used in) operating activities	21,414	7,959

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,892)	(17,328)
Purchase of intangible assets	(6,663)	(5,764)
Proceeds from sales of property, plant and equipment, and intangible assets	15,890	732
Purchase of investments in subsidiaries	(869)	(3,324)
Purchase of investment securities	(142)	(201)
Proceeds from sales of investment securities	14	79
Payments for loans receivable	(23)	(6)
Collection of loans receivable	14	12
Payments for transfer of business	(2,579)	(250)
Others	(1,192)	(486)
Net cash provided by (used in) investing activities	(10,444)	(26,537)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	391	3,384
Proceeds from bonds issuance and long-term loans payable	0	2,541
Redemption of bonds and repayments of long-term loans payable	(2,140)	(4,751)
Repayments of lease liabilities	—	(8,680)
Purchase of treasury shares	(2)	(1)
Cash dividends paid	(7,414)	(7,434)
Payment of dividends to non-controlling shareholders	(23)	—
Others	0	0
Net cash provided by (used in) financing activities	(9,190)	(14,942)
Effect of exchange rate changes on cash and cash equivalents	1,169	(3,215)
Net increase (decrease) in cash and cash equivalents	2,950	(36,734)
Cash and cash equivalents at the beginning of the period	149,913	124,830
Cash and cash equivalents at the end of the period	152,864	88,096

(6) Notes to the Condensed Consolidated Financial Statements

[Notes Regarding Going Concern Assumptions]

Not applicable.

[Changes in Accounting Policies]

The Group has changed the following accounting policies effective from the six months ended September 30, 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 three months ended June 30, 2019.

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 recognized 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 three months ended June 30, 2019, 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 by 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)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Loss on sales and disposals of property, plant and equipment, and intangible assets	1,553	3,142
Business structure improvement expenses	1,483	1,252
Others	2,185	3,626
Total	5,222	8,020

[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.

Six months ended September 30, 2018

(Millions of yen)

	Reportable segments					Others	Adjustments (Note 2) (Note 3)	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total			
Revenue								
External	290,769	109,243	40,232	59,583	499,828	17,258	–	517,087
Intersegment (Note 1)	877	207	413	2,642	4,141	9,609	(13,751)	–
Total	291,647	109,450	40,645	62,226	503,970	26,867	(13,751)	517,087
Segment profit (loss)	22,688	5,412	833	11,447	40,381	(7,883)	2,107	34,605

Six months ended September 30, 2019

(Millions of yen)

	Reportable segments					Others	Adjustments (Note 2) (Note 3)	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total			
Revenue								
External	273,214	103,298	45,067	56,027	477,608	19,880	–	497,488
Intersegment (Note 1)	737	329	295	1,664	3,026	8,428	(11,455)	–
Total	273,952	103,628	45,362	57,691	480,635	28,309	(11,455)	497,488
Segment profit (loss)	17,128	2,088	386	9,710	29,313	(11,575)	(12,304)	5,433

(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.

Three months ended September 30, 2018

(Millions of yen)

	Reportable segments					Others	Adjustments (Note 2) (Note 3)	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total			
Revenue								
External	147,235	55,880	21,642	28,004	252,763	9,108	–	261,872
Intersegment (Note 1)	497	102	187	1,255	2,043	5,088	(7,132)	–
Total	147,733	55,982	21,829	29,260	254,806	14,197	(7,132)	261,872
Segment profit (loss)	13,423	3,740	1,042	4,681	22,887	(3,256)	(470)	19,160

Three months ended September 30, 2019

(Millions of yen)

	Reportable segments					Others	Adjustments (Note 2) (Note 3)	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total			
Revenue								
External	138,637	52,692	26,421	27,880	245,631	10,114	–	255,745
Intersegment (Note 1)	319	191	123	815	1,449	4,560	(6,010)	–
Total	138,956	52,884	26,544	28,695	247,081	14,675	(6,010)	255,745
Segment profit (loss)	9,434	1,038	683	4,941	16,098	(5,323)	(5,896)	4,878

(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.