

3. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(1) Condensed Consolidated Statement of Financial Position

[Millions of yen]

	March 31, 2015	September 30, 2015
Assets		
Current assets		
Cash and cash equivalents	177,496	117,955
Trade and other receivables	252,962	249,205
Inventories	120,803	133,692
Income tax receivables	559	1,058
Other financial assets	1,715	1,971
Other current assets	16,431	19,110
Subtotal	569,968	522,993
Assets held for sale	672	670
Total current assets	570,640	523,664
Non-current assets		
Property, plant and equipment	181,641	180,937
Goodwill and intangible assets	126,132	165,078
Investments accounted for using the equity method	524	1,327
Other financial assets	41,420	39,581
Deferred tax assets	64,291	60,966
Other non-current assets	9,605	9,435
Total non-current assets	423,615	457,325
Total assets	994,256	980,990

(Millions of yen)

	March 31, 2015	September 30, 2015
Liabilities		
Current liabilities		
Trade and other payables	177,564	171,271
Bonds and borrowings	53,349	50,404
Income tax payables	7,522	4,998
Provisions	5,542	5,045
Other financial liabilities	1,020	154
Other current liabilities	36,889	35,484
Total current liabilities	281,889	267,360
Non-current liabilities		
Bonds and borrowings	112,236	111,665
Retirement benefit liabilities	62,039	63,304
Provisions	1,135	1,349
Other financial liabilities	539	704
Deferred tax liabilities	2,944	3,061
Other non-current liabilities	3,967	3,815
Total non-current liabilities	182,863	183,900
Total liabilities	464,752	451,261
Equity		
Share capital	37,519	37,519
Share premium	203,395	203,397
Retained earnings	251,323	252,537
Treasury shares	(10,727)	(9,565)
Subscription rights to shares	1,016	1,026
Other components of equity	45,905	43,973
Equity attributable to owners of the company	528,432	528,888
Non-controlling interests	1,071	840
Total equity	529,504	529,729
Total liabilities and equity	994,256	980,990

(2) Condensed Consolidated Statement of Profit or Loss

Six months ended September 30, 2014 and 2015

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Revenue	474,453	507,245
Cost of sales	241,240	263,023
Gross profit	233,213	244,221
Other income	3,579	4,975
Selling, general and administrative expenses	198,332	214,285
Other expenses	7,635	6,700
Operating profit	30,824	28,210
Finance income	2,157	1,096
Finance costs	1,206	1,969
Share of profit (loss) of investments accounted for using the equity method	(3)	0
Profit before tax	31,772	27,338
Income tax expense	12,382	10,021
Profit for the period	19,389	17,316
Profit attributable to		
Owners of the company	19,415	17,330
Non-controlling interests	(25)	(13)
Earnings per share		
Basic	38.17 yen	34.82 yen
Diluted	38.06 yen	34.72 yen

Three months ended September 30, 2014 and 2015

(Millions of yen)

	Three months ended September 30, 2014	Three months ended September 30, 2015
Revenue	247,819	258,601
Cost of sales	127,490	134,115
Gross profit	120,329	124,485
Other income	1,304	4,233
Selling, general and administrative expenses	99,866	107,153
Other expenses	5,326	3,377
Operating profit	16,440	18,188
Finance income	1,487	382
Finance costs	622	1,631
Share of profit (loss) of investments accounted for using the equity method	(4)	3
Profit before tax	17,300	16,942
Income tax expense	7,255	6,196
Profit for the period	10,045	10,746
Profit attributable to		
Owners of the company	10,050	10,737
Non-controlling interests	(5)	8
Earnings per share		
Basic	19.83 yen	21.68 yen
Diluted	19.78 yen	21.61 yen

(3) Condensed Consolidated Statement of Comprehensive Income

Six months ended September 30, 2014 and 2015

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Profit for the period	19,389	17,316
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans (net of tax)	34	128
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	1,194	(1,872)
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	(0)	3
Total items that will not be reclassified to profit or loss	1,229	(1,739)
Items that may be subsequently reclassified to profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	103	245
Exchange differences on translation of foreign operations (net of tax)	6,850	(542)
Total items that may be subsequently reclassified to profit or loss	6,954	(297)
Total other comprehensive income	8,183	(2,037)
Total comprehensive income	27,573	15,279
Total comprehensive income attributable to		
Owners of the company	27,581	15,405
Non-controlling interests	(8)	(126)

Three months ended September 30, 2014 and 2015

(Millions of yen)

	Three months ended September 30, 2014	Three months ended September 30, 2015
Profit for the period	10,045	10,746
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans (net of tax)	17	130
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	901	(3,019)
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	(0)	4
Total items that will not be reclassified to profit or loss	919	(2,885)
Items that may be subsequently reclassified to profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	212	398
Exchange differences on translation of foreign operations (net of tax)	10,656	(8,687)
Total items that may be subsequently reclassified to profit or loss	10,869	(8,288)
Total other comprehensive income	11,788	(11,174)
Total comprehensive income	21,833	(427)
Total comprehensive income attributable to		
Owners of the company	21,831	(469)
Non-controlling interests	1	41

(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, 2014	37,519	203,421	239,453	(17,322)	910	28,100	492,081	740	492,822
Profit for the period	—	—	19,415	—	—	—	19,415	(25)	19,389
Other comprehensive income (loss)	—	—	—	—	—	8,166	8,166	17	8,183
Total comprehensive income	—	—	19,415	—	—	8,166	27,581	(8)	27,573
Dividends	—	—	(3,862)	—	—	—	(3,862)	—	(3,862)
Acquisition and disposal of treasury shares	—	—	(14)	(11,761)	—	—	(11,775)	—	(11,775)
Cancellation of the treasury shares	—	—	(20,765)	20,765	—	—	—	—	—
Share-based payments (Subscription rights to shares)	—	—	—	—	31	—	31	—	31
Changes in the consolidation scope	—	—	124	—	—	—	124	—	124
Transfer from other components of equity to retained earnings	—	—	36	—	—	(36)	—	—	—
Total transactions with owners	—	—	(24,481)	9,004	31	(36)	(15,481)	—	(15,481)
Balance at September 30, 2014	37,519	203,421	234,387	(8,318)	942	36,229	504,181	732	504,913

(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, 2015	37,519	203,395	251,323	(10,727)	1,016	45,905	528,432	1,071	529,504
Profit for the period	—	—	17,330	—	—	—	17,330	(13)	17,316
Other comprehensive income (loss)	—	—	—	—	—	(1,924)	(1,924)	(112)	(2,037)
Total comprehensive income	—	—	17,330	—	—	(1,924)	15,405	(126)	15,279
Dividends	—	—	(5,018)	—	—	—	(5,018)	—	(5,018)
Acquisition and disposal of treasury shares	—	—	(18)	(9,925)	—	—	(9,943)	—	(9,943)
Cancellation of the treasury shares	—	—	(11,086)	11,086	—	—	—	—	—
Share-based payments (Subscription rights to shares)	—	—	—	—	9	—	9	—	9
Changes in the ownership interest in subsidiaries	—	2	—	—	—	—	2	(104)	(102)
Transfer from other components of equity to retained earnings	—	—	7	—	—	(7)	—	—	—
Total transactions with owners	—	2	(16,116)	1,161	9	(7)	(14,949)	(104)	(15,054)
Balance at September 30, 2015	37,519	203,397	252,537	(9,565)	1,026	43,973	528,888	840	529,729

(5) Condensed Consolidated Statement of Cash Flow

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Cash flows from operating activities		
Profit before tax	31,772	27,338
Depreciation and amortization expenses	22,759	24,962
Impairment losses	3,356	11
Share of (profit) loss of investments accounted for using the equity method	3	(0)
Interest and dividend income	(1,381)	(1,089)
Interest expenses	1,206	1,275
(Gain) loss on sales and disposals of property, plant and equipment and intangible assets	(943)	(2,287)
(Increase) decrease in trade and other receivables	18,144	6,226
(Increase) decrease in inventories	(2,375)	(12,386)
Increase (decrease) in trade and other payables	(19,655)	(7,673)
Decrease in transfer of lease assets	(2,891)	(3,562)
Increase (decrease) in retirement benefit liabilities	314	1,143
Others	457	(6,597)
Subtotal	50,768	27,360
Dividends received	597	312
Interest received	771	817
Interest paid	(1,192)	(1,217)
Income taxes paid	(6,302)	(8,841)
Net cash flows from operating activities	44,643	18,432

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,087)	(15,569)
Proceeds from sales of property, plant and equipment	4,294	5,511
Purchase of intangible assets	(3,589)	(7,289)
Purchase of investments in subsidiaries	(2,563)	(36,400)
Purchase of interests in investments accounted for using equity method	—	(343)
Purchase of investment securities	(3)	(89)
Proceeds from sales of investment securities	2	287
Payments for loans receivable	(83)	(25)
Collection of loans receivable	244	82
Payments for transfer of business	(5,350)	(3,125)
Others	(3,621)	(1,852)
Net cash flows from investing activities	(28,759)	(58,813)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(12,456)	(2,540)
Redemption of bonds and repayments of long-term loans payable	(6,056)	(1,265)
Purchase of treasury shares	(11,073)	(10,011)
Cash dividends paid	(3,867)	(5,019)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(293)	(102)
Others	0	335
Net cash flows from financing activities	(33,747)	(18,602)
Effect of exchange rate changes on cash and cash equivalents	(1,150)	(558)
Net increase (decrease) in cash and cash equivalents	(19,012)	(59,541)
Cash and cash equivalents at the beginning of the period	188,489	177,496
Cash and cash equivalents at the end of the period	169,476	117,955

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

None.

[Other Income]

Components of other income are as follows.

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Gain on sales of property, plant and equipment and intangible assets (Note)	1,549	3,305
Others	2,030	1,670
Total	3,579	4,975

(Note) Gain on sales of property, plant and equipment and intangible assets recognized during the six months ended September 30, 2015 was mainly due to sales of assets in North America.

[Other Expenses]

Components of other expenses are as follows.

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Special extra retirement payment (Note 1)	—	2,510
Loss on sales and disposals of property, plant and equipment and intangible assets	606	1,018
Impairment losses (Note 2)	3,356	11
Others	3,672	3,161
Total	7,635	6,700

(Note 1) Special extra retirement payment for the six months ended September 30, 2015 includes extra retirement payment paid to retired employees related to an implementation of a special early retirement program.

(Note 2) Impairment losses for the six months ended September 30, 2014 were mainly recognized for goodwill related to sales sites in Europe.

[Share Capital and Treasury Shares]

(Shares)

	Number of authorized shares	Number of issued shares (Note 1) (Note 2)	Treasury shares
Balance at previous fiscal year-end (March 31, 2015)	1,200,000,000	511,664,337	9,801,071
Increase (Note 3)	—	—	6,575,994
Decrease (Note 4)	—	9,000,000	9,068,060
Balance at end of period (September 30, 2015)	1,200,000,000	502,664,337	7,309,005

(Note 1) Shares issued by the Company are non-par value ordinary shares.

(Note 2) Issued shares have been fully paid.

(Note 3) On July 23, 2015, the acquisition of own shares based on the resolutions at the Board of Directors meeting held on May 13, 2015 was completed. Accordingly, the number of treasury shares increased by 6,571,500 shares (¥9,999 million).

(Note 4) 9,000,000 shares of treasury shares (¥11,086 million) were canceled on June 30, 2015, based on the resolutions at the Board of Directors meeting held on May 13, 2015.

[Segment Information]

(a) Reportable segments

Reportable segments of the Group are the constituent business units of the Group for which separate financial data is available and that are examined on a regular basis for the purpose of enabling the Group's management to decide on the allocation of resources and evaluate results of operations. The Group establishes business segments by product and service category and formulates comprehensive strategies and conducts business activities in Japan and overseas for the products and services of each business category. Consequently, the operations of the Group are divided into business segments based on products and services of each business category. This results in three reportable business segments: "Business Technologies Business," "Healthcare Business" and "Industrial Business." "Others" includes the planetarium business and other businesses not included in these reportable segments.

The business content of each reportable segment is as follows:

	Business content	
Business Technologies Business	<Office Services> Development, manufacture and sales of multi-functional peripherals (MFPs) and IT services, and the provision of related consumables, solutions and services	<Commercial and Industrial Printing> Development, manufacture and sales of digital printing systems, various printing services and industrial inkjet printers, and the provision of related consumables, solutions and services
Healthcare Business	Development, manufacture, sales and provision of services for diagnostic imaging systems (digital X-ray diagnostic imaging systems, diagnostic ultrasound systems, etc.)	
Industrial Business	<Optical Systems for Industrial Use> Development, manufacture and sales of measuring instruments, lenses for industrial and professional use, etc.	<Performance Materials> Development, manufacture and sales of TAC films used in liquid crystal displays, Organic Light Emitting Diode (OLED) lighting, functional films, etc.

(b) Information on reportable segments

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

Six Months Ended September 30, 2014

(Millions of yen)

	Reportable segments				Others	Total
	Business Technologies Business	Healthcare Business	Industrial Business	Total		
Revenue						
External	377,075	36,450	59,497	473,022	1,430	474,453
Intersegment (Note)	1,049	115	1,169	2,334	11,752	14,086
Total	378,124	36,565	60,666	475,357	13,183	488,540
Segment profit	30,893	1,216	13,082	45,193	216	45,409

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

Six Months Ended September 30, 2015

(Millions of yen)

	Reportable segments				Others	Total
	Business Technologies Business	Healthcare Business	Industrial Business	Total		
Revenue						
External	409,242	40,240	56,247	505,730	1,514	507,245
Intersegment (Note)	979	197	2,008	3,185	10,055	13,241
Total	410,222	40,438	58,255	508,916	11,569	520,486
Segment profit	34,364	1,489	10,453	46,307	630	46,937

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

Three months ended September 30, 2014

(Millions of yen)

	Reportable segments				Others	Total
	Business Technologies Business	Healthcare Business	Industrial Business	Total		
Revenue						
External	197,335	20,378	29,427	247,141	677	247,819
Intersegment (Note)	595	93	648	1,337	6,595	7,933
Total	197,930	20,472	30,076	248,479	7,273	255,753
Segment profit	17,959	1,134	5,202	24,296	104	24,400

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

Three months ended September 30, 2015

(Millions of yen)

	Reportable segments				Others	Total
	Business Technologies Business	Healthcare Business	Industrial Business	Total		
Revenue						
External	207,445	22,363	28,062	257,872	729	258,601
Intersegment (Note)	453	119	1,069	1,643	5,288	6,931
Total	207,899	22,483	29,132	259,515	6,017	265,533
Segment profit	21,089	1,363	4,590	27,043	399	27,442

(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	Six months ended September 30, 2014	Six months ended September 30, 2015
Total revenue of reportable segments	475,357	508,916
Revenue categorized in “Others”	13,183	11,569
Total of reportable segments and “Others”	488,540	520,486
Adjustments (Note)	(14,086)	(13,241)
Revenue reported in condensed consolidated statement of profit or loss	474,453	507,245

(Note) Adjustments are intersegment eliminations.

(Millions of yen)

Revenue	Three months ended September 30, 2014	Three months ended September 30, 2015
Total revenue of reportable segments	248,479	259,515
Revenue categorized in “Others”	7,273	6,017
Total of reportable segments and “Others”	255,753	265,533
Adjustments (Note)	(7,933)	(6,931)
Revenue reported in condensed consolidated statement of profit or loss	247,819	258,601

(Note) Adjustments are intersegment eliminations.

(Millions of yen)

Profit	Six months ended September 30, 2014	Six months ended September 30, 2015
Total operating profit of reportable segments	45,193	46,307
Operating profit categorized in “Others”	216	630
Total of reportable segments and “Others”	45,409	46,937
Adjustments (Note)	(14,584)	(18,727)
Operating profit reported in condensed consolidated statement of profit or loss	30,824	28,210

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

(Millions of yen)

Profit	Three months ended September 30, 2014	Three months ended September 30, 2015
Total operating profit of reportable segments	24,296	27,043
Operating profit categorized in "Others"	104	399
Total of reportable segments and "Others"	24,400	27,442
Adjustments (Note)	(7,960)	(9,254)
Operating profit reported in condensed consolidated statement of profit or loss	16,440	18,188

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

[Business Combinations]

Business combinations that occurred during the six months ended September 30, 2014 were not material.

The major business combination that occurred during the six months ended September 30, 2015 was as follows.

(Acquisition of shareholding of Radiant Vision Systems, LLC)

(1) Description of the business combination

As of August 3, 2015, the Group used cash to acquire 100% of shareholding of Radiant Vision Systems, LLC (hereafter, "Radiant"), a US-based leading provider of testing and measurement systems for flat panel displays. Radiant develops and offers fully integrated testing and measurement systems precisely engineered to meet specific customer requirements in the global display testing and measurement industry.

Through the acquisition of Radiant, the Group will solidify the foundation of its business of optical systems for industrial use within the Industrial Business by integrating Radiant's products and solutions with the existing business of light-source color measurement.

Furthermore, to pursue its future growth, the Group will gain the technological strength necessary to enter the field of manufacturing inspection systems, including visual surface inspections, where automation and integration will improve productivity.

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

(Millions of yen)

Fair value of the consideration for acquisition (Note 2)	29,292
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	921
Trade and other receivables	1,261
Inventories	465
Property, plant and equipment	262
Intangible assets	907
Other assets	58
Liabilities	(822)
Goodwill (Note 4)	26,238
Total	29,292

(Note 1) There was no contingent consideration.

(Note 2) Fair value of the consideration for acquisition may vary in the future.

(Note 3) The amounts were computed provisionally as an allocation of acquisition costs has not yet been completed.

(Note 4) Goodwill largely represents an excess earnings power of Radiant.

Acquisition-related costs of ¥645 million incurred in the business combination were recognized in "Selling, general and administrative expenses."

(3) Performance after the acquisition date

Information is not disclosed because the business combination of Radiant has no material effect on the condensed consolidated statement of profit or loss and the condensed consolidated statement of comprehensive income for the six months ended September 30, 2015.

(4) Pro-forma information

Pro-forma financial information assuming the business combination of Radiant was executed on April 1, 2015, the

beginning of the six months ended September 30, 2015, is not disclosed since accurate financial information of Radiant prior to the acquisition by the Group is unavailable.

[Events After the Reporting Period]

As of October 1, 2015, the Group used cash to acquire 100% of shareholding of 20/20 Healthcare LLC, a US-based company, which led to the acquisition of its subsidiaries, Viztek LLC (hereafter, "Viztek") and 20/20 Imaging LLC. Viztek is a provider of healthcare products and IT solutions.

Through this acquisition, the Group will strengthen its capabilities to provide value in the primary care market with a high growth potential in the U.S., the world's largest healthcare market. The synergy with Viztek will enhance the Group's healthcare IT solutions services centered on digital X-ray diagnostic imaging, low-invasive diagnostic ultrasound imaging and picture archiving and communication systems (PACS).

Fair value of the consideration for acquisition will be US\$75 million. Detailed information related to the accounting for this business combination is not disclosed since the initial accounting for acquisition of shareholding of 20/20 Healthcare LLC has not been completed as of the date for submission of the Second Quarter Consolidated Financial Results for the fiscal year ending March 31, 2016.

Pro-forma financial information assuming the business combination was executed as of April 1, 2015, the beginning of six months ended September 30, 2015, is not disclosed since the Group has just completed the acquisition and accurate financial information of the acquiree prior to the acquisition is currently unavailable.