

July 28, 2016

Consolidated Financial Results for the First Quarter of the Fiscal Year ending March 31, 2017

[IFRS]

April 1, 2016 – June 30, 2016

Konica Minolta, Inc.

Stock exchange listings: Tokyo (First Sections)
Local securities code number: 4902
URL: <http://konicaminolta.com>
Listed company name: Konica Minolta, Inc.
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Scheduled date for submission of securities report: August 12, 2016
Scheduled date for dividends payment: –
Availability of supplementary information: Yes
Organization of financial results briefing: Yes (for institutional investors)

(Units of less than 1 million yen have been omitted.)

1. Overview of the 1Q performance (From April 1, 2016 to June 30, 2016)

(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, 2016	229,131	-7.8%	8,911	-11.1%	8,528	-18.0%
Three months ended June 30, 2015	248,643	9.7%	10,022	-30.3%	10,395	-28.2%

	Profit for the period		Profit attributable to owners of the company		Total comprehensive income	
Three months ended June 30, 2016	6,267	-4.6%	6,386	-3.1%	(24,245)	—%
Three months ended June 30, 2015	6,570	-29.7%	6,592	-29.6%	15,850	181.0%

	Basic earnings per share	Diluted earnings per share
Three months ended June 30, 2016	12.89 yen	12.85 yen
Three months ended June 30, 2015	13.19 yen	13.15 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	(Millions of yen) Equity attributable to owners of the company	Equity ratio attributable to owners of the company
As of June 30, 2016	940,749	486,468	483,013	51.3%
As of March 31, 2016	976,370	514,981	514,285	52.7%

2. Dividends per share

	1Q	2Q	3Q	Year-end	Total annual (yen)
Fiscal Year ended Mar 2016	—	15.00	—	15.00	30.00
Fiscal Year ending Mar 2017	—				
Fiscal Year ending Mar 2017 (forecast)	—	15.00	—	15.00	30.00

Note: Change to the latest dividend forecast announced: None

3. Consolidated results forecast for fiscal year ending March 31, 2017 (From April 1, 2016 to March 31, 2017)

Percentage figures represent the change from the previous fiscal year.

	(Millions of yen)							
	Revenue		Operating profit		Profit attributable to owners of the company		Basic earnings per share	
Full year	1,030,000	-0.2%	55,000	-8.4%	36,000	12.6%	72.65 yen	

Note: Change 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: None
 - 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, 2016:	502,664,337 shares
As of March 31, 2016:	502,664,337 shares
 - b. Treasury shares at period-end

As of June 30, 2016:	7,116,534 shares
As of March 31, 2016:	7,188,993 shares
 - c. Average number of outstanding shares during the period

Three months ended June 30, 2016:	495,504,394 shares
Three months ended June 30, 2015:	499,947,567 shares

■ Presentation of Present Status of Quarterly Review Procedures

This "Consolidated Financial Results for the First Quarter" is not subject to quarterly review procedures in accordance with the Financial Instruments and Exchange Law and, as of the date of publication of these quarterly consolidated financial results, the quarterly review procedures for the Condensed Consolidated Financial Statements are currently in progress.

■ 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 "(3) Qualitative Information on the Consolidated Results Forecast" in section 1. QUALITATIVE INFORMATION on the RESULTS of the PERIOD UNDER REVIEW on page 6 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 Thursday, July 28, 2016. Descriptions at the briefing and presentation slides to be used at the briefing will be posted on the website of the Group immediately after the briefing.

Supplementary Information

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

(1) Qualitative Information on the Consolidated Business Performance

a. Overview of Performance

(Billions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2015	Increase (Decrease)	
Revenue	229.1	248.6	(19.5)	-7.8%
Gross profit	114.2	119.7	(5.4)	-4.5%
Operating profit	8.9	10.0	(1.1)	-11.1%
Profit before tax	8.5	10.3	(1.8)	-18.0%
Profit attributable to owners of the company	6.3	6.5	(0.2)	-3.1%
Basic earnings per share [yen]	12.89	13.19	(0.30)	-2.3%
Capital expenditures	7.8	7.8	0.0	0.5%
Depreciation and amortization expenses	12.7	12.5	0.2	1.8%
Research and development expenses	18.2	19.2	(1.0)	-5.2%
Free cash flow	(25.2)	(21.1)	(4.0)	—
Number of employees (consolidated) [persons]	44,046	42,321	1,725	4.1%
Foreign exchange rates [yen]				
US dollar	108.14	121.36	(13.22)	-10.9%
euro	122.02	134.16	(12.14)	-9.0%

In the first quarter of this fiscal year (hereafter, “period under review”), consolidated revenue for the Konica Minolta Group (“the Group”) amounted to ¥229.1 billion, down 7.8% year on year. In the Healthcare Business, overseas sales grew, leading to higher revenue, but the Business Technologies Business was hit hard by the effects of the stronger yen, and in the Industrial Business sales volumes were affected by falling demand for end products, leading to lower revenue for the business and for the Group as a whole.

Operating profit totaled ¥8.9 billion, down 11.1% year on year. In the Business Technologies Business, gross profit ratio improved due to higher sales of color products, high-end models in particular. This offset the rise in SG&A expenses caused by newly consolidated companies and the impact of the stronger yen against the euro, allowing profits to be maintained at previous-year levels. Rising overseas sales helped the Healthcare Business, which was flat compared to the same period in the previous fiscal year, but in the Industrial Business, falling sales, primarily in performance materials, caused gross profit to decline, leading to lower profit. Profit before tax totaled ¥8.5 billion, down 18.0% year on year and profit attributable to owners of the company was down 3.1% year on year to ¥6.3 billion.

During the period under review, the yen exchange rate rose sharply year on year, by ¥13.2 against the US dollar and by ¥12.1 against the euro, pushing down revenue by ¥23.8 billion and operating profit by ¥3.2 billion.

<Progress in the Business Transformation>

In pursuit of sustainable growth, we are accelerating the transformation in the focus of our business towards that of “a problem solving digital company.” In “Care Support Solutions,” the first order for which we won at the end of the previous fiscal year, we also gained a major contract during the period under review. We are pushing forward with measures to generate results from our investments at an early date, for example by preparing to leverage our customer base and global sales network to expand sales of solutions from MOBOTIX (headquartered in Germany), a manufacturer of IP video surveillance cameras in which we acquired a 65.5% stake in order to obtain technology for use in the creation of new businesses. In Japan, our initiatives to transform the focus

of our business by leveraging ICT have been well received, and we have been selected as one of the 26 companies designated jointly by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as “2016 Competitive IT Strategy Company Stock Selection.”

b. Overview by Segment

		(Billions of yen)			
		Three months ended June 30, 2016	Three months ended June 30, 2015	Increase (Decrease)	
Business Technologies Business	Revenue	186.3	201.7	(15.4)	-7.7%
	Operating profit	13.3	13.2	0.0	0.5%
Healthcare Business	Revenue	18.4	17.8	0.5	3.2%
	Operating profit	0.1	0.1	0.0	53.2%
Industrial Business	Revenue	21.7	28.1	(6.4)	-22.9%
	Operating profit	2.3	5.8	(3.5)	-60.4%

(Note) “Revenue” refers to revenue from external customers.

i. Business Technologies Business

<Office services>

A3 color MFPs (multi-functional peripherals) sustained their momentum during the period under review, with sales volume increasing in the developed markets of Japan, the US, and Europe relative to the previous fiscal year. In particular, there was an increase in the proportion of sales to the high-end models that lead to future expansion in print volumes, and also contributed to an improvement in the gross profit ratio.

In Optimized Print Services for major accounts, in addition to securing new contracts in Europe, we have also won new large-scale contracts with a dominant financial institution and an energy-related company in China, in a clear demonstration of the results of our efforts to reinforce our global support network.

<Commercial and industrial printing>

In production print, the top-of-the-line “bizhub PRESS C1100” digital color printing system continued to post solid sales.

In addition we have generated many leads, such as by beginning to take orders for the new “AccurioJet KM-1” digital inkjet press at “drupa 2016,” the world’s largest printing and cross media solutions exhibition, which was held in Germany in May, as well as by exhibiting our full color digital label press “bizhub PRESS C71cf” and products from MGI (headquartered in France), in which we made an additional investment in April of this year.

As a result, revenue of the Business Technologies Business from external customers stood at ¥186.3 billion, down 7.7% year on year and operating profit was ¥13.3 billion, up 0.5% year on year. Sales of mainstay products rose, especially those of high-end models, compensating for the rise in SG&A expenses caused by newly consolidated companies and the impact of the stronger yen against the euro, and allowing the business to maintain profits at a year-on-year level. Furthermore, negative impacts of the stronger yen were ¥21.3 billion on revenue and ¥2.4 billion at the operating profit level.

ii. Healthcare Business

In the period under review, overseas sales grew steadily, primarily in the Americas, where we executed M&A and strengthened sales channels during the previous fiscal year. In mainstay products, sales of the “AeroDR” cassette-type digital X-ray diagnostics imaging system rose in Japan and overseas, while unit sales of the “SONIMAGE HS1” diagnostic ultrasound systems doubled, driven mostly by Japan.

As a result of these factors, revenue of the Healthcare Business from external customers amounted to ¥18.4 billion, an increase of 3.2% year on year. Operating profit was ¥193 million, an increase of 53.2% over the ¥126 million in the same period of the previous fiscal year.

iii. Industrial Business

In the field of performance materials, the slump in sales of display products that had become clear in the latter half of the previous fiscal year continued until the first half of the period under review and had an impact on TAC film, recording lower sales volumes. In the field of optical systems for industrial use, measuring instruments were solid as a result of M&A, but lenses for industrial and professional use were affected by waning demand and sales volumes fell year on year.

As a result, revenue from external customers in the Industrial Business came to ¥21.7 billion, down 22.9% year on year and operating profit stood at ¥2.3 billion, down 60.4% year on year.

(2) Qualitative Information on the Consolidated Financial Position

a. Analysis of Financial Position

		June 30, 2016	March 31, 2016	Increase (Decrease)
Total assets	[Billions of yen]	940.7	976.3	(35.6)
Total liabilities	[Billions of yen]	454.2	461.3	(7.1)
Total equity	[Billions of yen]	486.4	514.9	(28.5)
Equity attributable to owners of the company	[Billions of yen]	483.0	514.2	(31.2)
Equity ratio attributable to owners of the company	[%]	51.3	52.7	-1.4

Total assets at June 30, 2016 were ¥940.7 billion, a decrease of ¥35.6 billion (3.6%) from the previous fiscal year-end. This was mainly due to a decrease of ¥17.9 billion in cash and cash equivalents, and a decrease of ¥28.9 billion in trade and other receivables.

Total liabilities at June 30, 2016 were ¥454.2 billion, a decrease of ¥7.1 billion (1.5%) from the previous fiscal year-end. This was mainly due to an increase of ¥17.3 billion in bonds and borrowings, and a decrease of ¥18.0 billion in trade and other payables.

Total equity at June 30, 2016 amounted to ¥486.4 billion, a decrease of ¥28.5 billion (5.5%) from the previous fiscal year-end. This was mainly the result of profit for the period of ¥6.2 billion, a decrease in retained earnings due to cash dividends of ¥7.4 billion, and other components of equity (mainly, exchange differences on translation of foreign operations) falling by ¥30.2 billion.

Equity attributable to owners of the company totaled ¥483.0 billion at June 30, 2016, a decrease of ¥31.2 billion (6.1%) from the previous fiscal year-end, and the equity ratio attributable to owners of the company decreased 1.4 percentage points to 51.3%.

b. Cash Flows

	(Billions of yen)		
	Three months ended June 30, 2016	Three months ended June 30, 2015	Increase (Decrease)
Cash flows from operating activities	13.6	(4.5)	18.2
Cash flows from investing activities	(38.9)	(16.5)	(22.3)
Total (Free cash flow)	(25.2)	(21.1)	(4.0)
Cash flows from financing activities	12.4	(18.1)	30.6

During the three months ended June 30, 2016, net cash provided by operating activities was ¥13.6 billion, while net cash used in investing activities, mainly associated with purchases of investments in subsidiaries, totaled ¥38.9 billion. As a result, free cash flow (the sum of operating and investing activities) was an outflow of ¥25.2 billion.

Net cash provided by financing activities was ¥12.4 billion.

In addition, cash and cash equivalents at the end of the three months ended June 30, 2016 decreased by ¥17.9 billion compared with the previous fiscal year-end to ¥81.9 billion, reflecting the effect of exchange rate changes on cash and cash equivalents.

Cash flows from operating activities

Net cash provided by operating activities for the three months ended June 30, 2016 was ¥13.6 billion, as a result of cash inflow due to profit before tax of ¥8.5 billion, depreciation and amortization expenses of ¥12.7 billion and a decrease in trade and other receivables of ¥5.1 billion; and cash outflow due to income taxes paid of ¥2.3 billion and an increase in inventories of ¥6.8 billion.

Cash flows from investing activities

Purchase of property, plant and equipment of ¥8.7 billion and purchase of investments in subsidiaries of ¥22.5 billion were recognized. As a result, net cash used in investing activities was ¥38.9 billion.

As a result, free cash flow (the sum of operating and investing activities) was an outflow of ¥25.2 billion (an outflow of ¥21.1 billion in the same period of the previous fiscal year).

Cash flows from financing activities

Net cash provided by financing activities was ¥12.4 billion, compared to net cash used of ¥18.1 billion in the same period of the previous fiscal year, due to a net increase in short-term loans payable of ¥10.1 billion, proceeds from long-term loans payable of ¥10.0 billion, and cash dividends paid of ¥7.2 billion.

(3) Qualitative Information on the Consolidated Results Forecast

Looking ahead at the global economy from 2Q of the consolidated fiscal year onward, we expect concerns about the impact on business activity of the UK's decision to leave the EU to continue the foreign exchange market tendency toward a strong yen. By region, we expect the US economy to be relatively strong against the backdrop of an improving environment for employment, but overall it seems likely that the trend of deceleration in the global economy will strengthen.

With this upcoming business environment in mind, we have revised our results forecasts for the current consolidated fiscal year as follows. In addition, we have altered the exchange rate assumption underlying these results forecasts for 2Q and beyond by 5 yen against the euro compared to our initial assumption of 120 yen [US\$: ¥105, euro ¥115].

Revision of consolidated financial results forecast for the fiscal year ending March 31, 2017 (April 1, 2016 – March 31, 2017)

	Revenue	Operating profit	Profit attributable to owners of the company	Basic earnings per share
	[Billions of yen]	[Billions of yen]	[Billions of yen]	[Yen]
Forecast previously announced (A)	1,060.0	66.0	44.0	88.80
Revised forecast (B)	1,030.0	55.0	36.0	72.65
Increase (decrease) (B - A)	(30.0)	(11.0)	(8.0)	—
Rate of change (%)	-2.8	-16.7	-18.2	—
(Ref.) Results for the fiscal year ended March 31, 2016	1,031.7	60.0	31.9	64.39

(Reference) Results forecasts for 3 main segments (April 1, 2016 – March 31, 2017)

	[Billions of yen]					
	Forecast previously announced (A)		Revised forecast (B)		Increase (decrease) (B - A)	
	Revenue	Operating profit	Revenue	Operating profit	Revenue	Operating profit
Business Technologies Business	830.0	68.0	810.0	62.0	(20.0)	(6.0)
Healthcare Business	100.0	5.0	100.0	5.0	—	—
Industrial Business	125.0	22.0	115.0	17.0	(10.0)	(5.0)

(Note) "Revenue" refers to revenue from external customers.

*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.

Figures in qualitative information sections given as billions of yen have been rounded off to the nearest hundred million yen.

2. SUMMARY INFORMATION (NOTES)

None.

3. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	March 31, 2016	June 30, 2016
Assets		
Current assets		
Cash and cash equivalents	99,937	81,969
Trade and other receivables	249,498	220,569
Inventories	121,361	120,954
Income tax receivables	3,210	3,030
Other financial assets	3,327	3,989
Other current assets	18,249	20,306
Subtotal	495,585	450,819
Assets held for sale	630	575
Total current assets	496,216	451,394
Non-current assets		
Property, plant and equipment	187,322	183,605
Goodwill and intangible assets	178,390	189,069
Investments accounted for using the equity method	3,614	13,900
Other financial assets	38,646	39,147
Deferred tax assets	59,052	56,311
Other non-current assets	13,128	7,318
Total non-current assets	480,154	489,354
Total assets	976,370	940,749

(Millions of yen)

	March 31, 2016	June 30, 2016
Liabilities		
Current liabilities		
Trade and other payables	162,907	144,842
Bonds and borrowings	42,624	52,468
Income tax payables	3,317	2,818
Provisions	6,821	5,453
Other financial liabilities	200	51
Other current liabilities	39,379	32,165
Total current liabilities	255,251	237,800
Non-current liabilities		
Bonds and borrowings	125,653	133,172
Retirement benefit liabilities	67,913	67,489
Provisions	1,227	1,234
Other financial liabilities	3,611	6,225
Deferred tax liabilities	3,443	4,335
Other non-current liabilities	4,286	4,022
Total non-current liabilities	206,137	216,480
Total liabilities	461,389	454,280
Equity		
Share capital	37,519	37,519
Share premium	203,397	203,397
Retained earnings	258,562	257,508
Treasury shares	(9,408)	(9,313)
Subscription rights to shares	1,009	954
Other components of equity	23,204	(7,054)
Equity attributable to owners of the company	514,285	483,013
Non-controlling interests	696	3,455
Total equity	514,981	486,468
Total liabilities and equity	976,370	940,749

(2) Condensed Consolidated Statement of Profit or Loss

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Revenue	248,643	229,131
Cost of sales	128,907	114,836
Gross profit	119,735	114,295
Other income	742	1,319
Selling, general and administrative expenses	107,132	105,221
Other expenses	3,322	1,481
Operating profit	10,022	8,911
Finance income	1,014	723
Finance costs	638	1,038
Share of profit (loss) of investments accounted for using the equity method	(2)	(68)
Profit before tax	10,395	8,528
Income tax expense	3,825	2,260
Profit for the period	6,570	6,267
Profit attributable to		
Owners of the company	6,592	6,386
Non-controlling interests	(22)	(119)
Earnings per share		
Basic	13.19 yen	12.89 yen
Diluted	13.15 yen	12.85 yen

(3) Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Profit for the period	6,570	6,267
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans (net of tax)	(1)	—
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	1,147	(796)
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	1,145	(797)
Items that may be subsequently reclassified to profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	(153)	393
Exchange differences on translation of foreign operations (net of tax)	8,288	(30,095)
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	—	(13)
Total items that may be subsequently reclassified to profit or loss	8,134	(29,715)
Total other comprehensive income	9,280	(30,513)
Total comprehensive income	15,850	(24,245)
Total comprehensive income attributable to		
Owners of the company	16,018	(23,868)
Non-controlling interests	(167)	(377)

(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, 2015	37,519	203,395	257,227	(10,727)	1,016	47,545	535,976	1,071	537,048
Profit for the period	—	—	6,592	—	—	—	6,592	(22)	6,570
Other comprehensive income	—	—	—	—	—	9,425	9,425	(145)	9,280
Total comprehensive income	—	—	6,592	—	—	9,425	16,018	(167)	15,850
Dividends	—	—	(5,018)	—	—	—	(5,018)	—	(5,018)
Acquisition and disposal of treasury shares	—	—	(2)	(6,780)	—	—	(6,782)	—	(6,782)
Cancellation of the treasury shares	—	—	(11,086)	11,086	—	—	—	—	—
Share-based payments (Subscription rights to shares)	—	—	—	—	18	—	18	—	18
Changes in the ownership interest in subsidiaries	—	2	—	—	—	—	2	(104)	(102)
Transfer from other components of equity to retained earnings	—	—	(3)	—	—	3	—	—	—
Total transactions with owners	—	2	(16,111)	4,306	18	3	(11,780)	(104)	(11,884)
Balance at June 30, 2015	37,519	203,397	247,709	(6,421)	1,034	56,974	540,214	799	541,013

(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, 2016	37,519	203,397	258,562	(9,408)	1,009	23,204	514,285	696	514,981
Profit for the period	—	—	6,386	—	—	—	6,386	(119)	6,267
Other comprehensive income	—	—	—	—	—	(30,255)	(30,255)	(258)	(30,513)
Total comprehensive income	—	—	6,386	—	—	(30,255)	(23,868)	(377)	(24,245)
Dividends	—	—	(7,432)	—	—	—	(7,432)	—	(7,432)
Acquisition and disposal of treasury shares	—	—	(11)	95	—	—	83	—	83
Share-based payments (Subscription rights to shares)	—	—	—	—	(54)	—	(54)	—	(54)
Changes in non-controlling interests due to increase in subsidiaries	—	—	—	—	—	—	—	3,136	3,136
Transfer from other components of equity to retained earnings	—	—	3	—	—	(3)	—	—	—
Total transactions with owners	—	—	(7,440)	95	(54)	(3)	(7,403)	3,136	(4,267)
Balance at June 30, 2016	37,519	203,397	257,508	(9,313)	954	(7,054)	483,013	3,455	486,468

(5) Condensed Consolidated Statement of Cash Flow

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Cash flows from operating activities		
Profit before tax	10,395	8,528
Depreciation and amortization expenses	12,520	12,747
Impairment losses	2	0
Share of (profit) loss of investments accounted for using the equity method	2	68
Interest and dividends income	(684)	(687)
Interest expenses	570	647
(Gain) loss on sales and disposals of property, plant and equipment and intangible assets	111	62
(Increase) decrease in trade and other receivables	12,640	5,122
(Increase) decrease in inventories	(4,879)	(6,834)
Increase (decrease) in trade and other payables	(20,257)	1,808
Decrease in transfer of lease assets	(1,466)	(1,395)
Increase (decrease) in retirement benefit liabilities	416	816
Others	(7,506)	(4,655)
Subtotal	1,866	16,229
Dividends received	290	274
Interest received	411	298
Interest paid	(668)	(757)
Income taxes paid	(6,440)	(2,350)
Net cash flows from operating activities	(4,540)	13,695

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,838)	(8,720)
Proceeds from sales of property, plant and equipment	425	204
Purchase of intangible assets	(1,625)	(1,544)
Purchase of investments in subsidiaries	(4,607)	(22,540)
Purchase of interests in investments accounted for using the equity method	—	(4,337)
Purchase of investment securities	(87)	(53)
Proceeds from sales of investment securities	287	12
Payments for loans receivable	(8)	(12)
Collection of loans receivable	72	17
Payments for transfer of business	(2,883)	(760)
Others	(1,331)	(1,179)
Net cash flows from investing activities	(16,597)	(38,915)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(5,822)	10,158
Proceeds from bonds issuance and long-term loans payable	—	10,080
Redemption of bonds and repayments of long-term loans payable	(619)	(671)
Purchase of treasury shares	(6,816)	(0)
Cash dividends paid	(4,915)	(7,274)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(102)	—
Others	143	191
Net cash flows from financing activities	(18,132)	12,482
Effect of exchange rate changes on cash and cash equivalents	1,418	(5,232)
Net increase (decrease) in cash and cash equivalents	(37,852)	(17,968)
Cash and cash equivalents at the beginning of the period	177,496	99,937
Cash and cash equivalents at the end of the period	139,644	81,969

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

None.

[Other Expenses]

Components of other expenses are as follows.

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Special extra retirement payment (Note)	2,021	—
Loss on sales and disposals of property, plant and equipment and intangible assets	281	115
Others	1,020	1,365
Total	3,322	1,481

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

[Share Capital and Treasury Shares]

(Shares)

	Number of authorized shares	Number of issued shares (Note 1) (Note 2)	Treasury shares
Balance at March 31, 2016	1,200,000,000	502,664,337	7,188,993
Increase	—	—	623
Decrease	—	—	73,082
Balance at June 30, 2016	1,200,000,000	502,664,337	7,116,534

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

(Note 2) Issued shares have been fully paid.

[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 businesses involving IP video surveillance cameras, planetariums, etc. 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 MFPs and IT services; 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; 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.

Three months ended June 30, 2015

(Millions of yen)

	Reportable segments				Others	Total
	Business Technologies Business	Healthcare Business	Industrial Business	Total		
Revenue						
External	201,797	17,876	28,184	247,858	784	248,643
Intersegment (Note)	525	77	938	1,542	4,767	6,309
Total	202,323	17,954	29,123	249,400	5,552	254,952
Segment profit	13,275	126	5,862	19,264	231	19,495

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

Three months ended June 30, 2016

(Millions of yen)

	Reportable segments				Others	Total
	Business Technologies Business	Healthcare Business	Industrial Business	Total		
Revenue						
External	186,328	18,451	21,725	226,506	2,625	229,131
Intersegment (Note)	791	195	1,454	2,441	4,356	6,797
Total	187,120	18,646	23,179	228,947	6,981	235,929
Segment profit	13,345	193	2,323	15,862	(927)	14,934

(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, 2015	Three months ended June 30, 2016
Total revenue of reportable segments	249,400	228,947
Revenue categorized in “Others”	5,552	6,981
Total of reportable segments and “Others”	254,952	235,929
Adjustments (Note)	(6,309)	(6,797)
Revenue reported in condensed consolidated statement of profit or loss	248,643	229,131

(Note) Adjustments are intersegment eliminations.

(Millions of yen)

Profit	Three months ended June 30, 2015	Three months ended June 30, 2016
Total operating profit of reportable segments	19,264	15,862
Operating profit categorized in “Others”	231	(927)
Total of reportable segments and “Others”	19,495	14,934
Adjustments (Note)	(9,473)	(6,023)
Operating profit reported in condensed consolidated statement of profit or loss	10,022	8,911

(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]

Three months ended June 30, 2015

Business combinations that occurred during the three months ended June 30, 2015 were not material.

Three months ended June 30, 2016

(Finalization of acquisition cost allocation for Dactyl Buro du Centre and OMR Impressions)

With regard to the business combination below that occurred in the previous consolidated fiscal year, because during the previous consolidated fiscal year the allocation of acquisition costs had not been completed, the provisional calculations were made for fair value of the consideration for acquisition and recognized value of assets acquired and liabilities assumed as of the acquisition date, but in the first quarter of the current consolidated fiscal year the allocation of acquisition costs was completed. The changes from the provisional figures consist of a decrease of ¥1,757 million in intangible assets and a decline of ¥605 million in deferred tax liabilities, while the associated change in goodwill is an increase of ¥1,152 million.

The breakdown after this finalization is 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	10,856
Recognized value of assets acquired and liabilities assumed	
Cash and cash equivalents	966
Trade and other receivables	2,112
Inventories	452
Property, plant and equipment	2,117
Intangible assets	2,187
Other assets	680
Bonds and borrowings	(3,061)
Deferred tax liabilities	(16)
Other liabilities	(2,566)
Goodwill (Note 2)	7,984
Total	10,856

(Note 1) There was no contingent consideration.

(Note 2) Goodwill largely represents excess earnings power of the acquired companies and will not be deductible for tax purposes.

The major business combination that occurred during the three months ended June 30, 2016 was as follows.

(Acquisition of shares of MOBOTIX AG)

(a) Description of the business combination

As of May 10, 2016, the Group acquired 65.5% of shares (65.5% of voting rights) of MOBOTIX AG (hereafter, "MOBOTIX"), a German manufacturer of IP video surveillance cameras and video management software, in an all-cash transaction.

Through the acquisition of MOBOTIX, the Group intends to acquire MOBOTIX's technologies including decentralized processing (edge computing) IP cameras, image data compression, and image data analytics technologies.

(b) 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	21,568
Non-controlling interests (Note 3)	3,136
Recognized value of assets acquired and liabilities assumed	
Cash and cash equivalents	219
Trade and other receivables	2,123
Inventories	1,847
Property, plant and equipment	2,451
Intangible assets	7,122
Other assets	526
Trade and other payables	(1,150)
Bonds and borrowings	(1,449)
Deferred tax liabilities	(2,104)
Other liabilities	(495)
Goodwill (Note 4)	15,614
Total	24,705

(Note 1) There was no contingent consideration.

(Note 2) The amounts were computed provisionally as an allocation of acquisition costs has not yet been completed.

(Note 3) 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.

(Note 4) Goodwill largely represents excess earnings power of the acquired company and will not be deductible for tax purposes.

Acquisition-related costs of ¥521 million for the business combination (of which ¥79 million was incurred in the previous fiscal year) were recognized in "Selling, general and administrative expenses."

(c) Performance after the acquisition date

Information is not disclosed because the business combination of the said company has no material effect on the condensed consolidated statement of profit or loss and the condensed consolidated statement of comprehensive income for the three months ended June 30, 2016.

(d) Pro-forma information

Because pro forma information based on the assumption that the business combination of the said company took place at the beginning of the period under review, on April 1, 2016, has no material effect on the condensed consolidated statement of profit or loss and the condensed consolidated statement of comprehensive income for the three months ended June 30, 2016, it is not disclosed here.

[Events after the Reporting Period]

The Company, with the intention of procuring funds for part of the acquisition of MOBOTIX, used the "Overseas Business Deployment Funding Assistance Facility" credit line provided by the Japan Bank for International Cooperation to borrow funds as follows.

(1) Lenders	Loan syndicate with Sumitomo Mitsui Banking Corporation as lead manager
(2) Amount borrowed	Foreign currency borrowings: US\$114,750 thousand Yen borrowings: ¥8,628 million
(3) Interest rate on borrowings	Foreign currency borrowings: Base rate + spread Yen borrowings: Fixed interest rate
(4) Date borrowings executed	July 28, 2016
(5) Repayment date	July 28, 2021
(6) Collateral provided	None