

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

[IFRS]

April 1, 2016 – December 31, 2016

Konica Minolta, Inc.

Stock exchange listings: Tokyo (First Sections)
 Local securities code number: 4902
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 Scheduled date for submission of securities report: February 8, 2017
 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 3Q performance (From April 1, 2016 to December 31, 2016)

(1) Business performance

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

(Millions of yen)

| | Revenue | | Operating profit | | Profit before tax | |
|--|---------|-------|------------------|--------|-------------------|--------|
| Nine months ended December 31, 2016 | 699,636 | -8.2% | 34,454 | -17.2% | 34,103 | -15.8% |
| Nine months ended December 31, 2015 | 762,326 | 4.7% | 41,588 | -11.7% | 40,524 | -16.8% |

(Millions of yen)

| | Profit for the period | | Profit attributable to owners of the company | | Total comprehensive income | |
|--|-----------------------|--------|---|--------|-------------------------------|--------|
| Nine months ended December 31, 2016 | 25,066 | -5.4% | 24,910 | -6.0% | 21,256 | -0.5% |
| Nine months ended December 31, 2015 | 26,497 | -11.3% | 26,492 | -11.3% | 21,355 | -63.7% |

| | Basic earnings per share | Diluted earnings per share |
|--|-----------------------------|-------------------------------|
| Nine months ended December 31, 2016 | 50.27 yen | 50.13 yen |
| Nine months ended December 31, 2015 | 53.32 yen | 53.16 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 December 31, 2016 | 1,030,038 | 530,889 | 521,360 | 50.6% |
| 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 | — | 15.00 | — | | | |
| Fiscal Year ending Mar 2017 (forecast) | | | | 15.00 | 30.00 | |

Note: Changes 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: Changes to the latest consolidated results forecast announced: None

■ 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 December 31, 2016: | 502,664,337 shares |
| As of March 31, 2016: | 502,664,337 shares |
 - b. Treasury shares at period-end

| | |
|--------------------------|------------------|
| As of December 31, 2016: | 7,108,880 shares |
| As of March 31, 2016: | 7,188,993 shares |
 - c. Average number of outstanding shares during the period

| | |
|--------------------------------------|--------------------|
| Nine months ended December 31, 2016: | 495,539,168 shares |
| Nine months ended December 31, 2015: | 496,896,262 shares |

■ Presentation of Present Status of Quarterly Review Procedures

This “Consolidated Financial Results for the Third 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 9 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 Tuesday, January 31, 2017. Descriptions at the briefing and presentation slides providing supplementary information to be used at the briefing will be posted on the website of the Group immediately after the briefing.

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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)

| | Nine months ended December 31, 2016 | Nine months ended December 31, 2015 | Increase (Decrease) | |
|--|---|---|---------------------|--------|
| Revenue | 699.6 | 762.3 | (62.6) | -8.2% |
| Gross profit | 339.0 | 366.9 | (27.8) | -7.6% |
| Operating profit | 34.4 | 41.5 | (7.1) | -17.2% |
| Profit before tax | 34.1 | 40.5 | (6.4) | -15.8% |
| Profit attributable to owners of the company | 24.9 | 26.4 | (1.5) | -6.0% |
| Basic earnings per share [yen] | 50.27 | 53.32 | (3.05) | -5.7% |
| Capital expenditures | 27.5 | 35.1 | (7.6) | -21.8% |
| Depreciation and amortization expenses | 39.0 | 37.4 | 1.6 | 4.3% |
| Research and development expenses | 53.5 | 56.8 | (3.2) | -5.8% |
| Free cash flow | (9.6) | (46.3) | 36.6 | — |
| Number of employees (consolidated) [persons] | 43,913 | 43,392 | 521 | 1.2% |
| Foreign exchange rates [yen] | | | | |
| US dollar | 106.63 | 121.70 | (15.07) | -12.4% |
| euro | 118.02 | 134.36 | (16.34) | -12.2% |

In the nine months ended December 31, 2016 (hereafter, period under review), consolidated revenue of the Konica Minolta Group (hereafter, the Group) amounted to ¥699.6 billion, a decrease of 8.2% year on year. Sales of mainstay products that we are working to establish as “Genre-top” products—such as high-end color products in the Business Technologies Business and digital products in the Healthcare Business—were strong, but this was not sufficient to completely offset the impact of the stronger yen and revenues fell. In the Industrial Business as well, revenue continued to decline on the back of a deteriorating end-product market.

Operating profit was ¥34.4 billion, falling by 17.2% over the same period in the previous fiscal year. In the Business Technologies Business, rising sales of high-end color products and other factors led to an improvement in the gross profit ratio, but the impact of the stronger yen against European currencies was significant and led to a decline in profit. The Healthcare Business recorded lower profit, but due to ¥7.7 billion in patent-related income posted in the Industrial Business as a result of the implementation of management measures aimed at maximizing the value of intellectual property, we were able to secure a year-on-year increase in profit for the period under review.

Profit before tax came to ¥34.1 billion (down 15.8% year on year) and profit attributable to owners of the company was ¥24.9 billion (down 6.0% year on year).

Moreover, during the period under review, fluctuations in foreign exchange rates depressed revenue by ¥84.2 billion year on year, and pushed down operating profit by ¥17.2 billion year on year. Excluding these effects, revenue rose by 2.8% year on year and operating profit increased by 24.4% year on year.

<Progress in the Medium Term Business Plan “TRANSFORM 2016”>

In the field of commercial and industrial printing, which we are positioning as a growth business, we opened a strategic business base in France to facilitate the growth of the industrial printing business. Established as part of a global management strategy, this is the Group’s first overseas business base in its core business area. Nevertheless, together with MGI we will collaborate with leading companies in industrial printing that are gathered in Europe, pushing ahead to create new

markets and generate new customer value in the digital area of industrial printing.

In the areas of drug discovery and clinical trial that constitute the primary focus of the Healthcare Business, in the first half of the period under review we initiated a joint research project with the Institut Pasteur and BioAxial in France, aimed at the development of a pharmaceutical development support system. By tracing the effects on the cells of test subjects, such as mice, to which drugs have been administered by use of fluorescent nanoparticles developed by the Group, this project aims to encourage the development of next-generation treatment techniques that enable observation from outside the specimen's body as well as observation and evaluation under a microscope.

b. Overview by Segment

(Billions of yen)

| | | Nine months ended December 31, 2016 | Nine months ended December 31, 2015 | Increase (Decrease) | |
|---|------------------|--|--|---------------------|--------|
| Business Technologies Business | Revenue | 562.2 | 616.1 | (53.8) | -8.7% |
| | Operating profit | 38.1 | 50.8 | (12.7) | -25.1% |
| Healthcare Business | Revenue | 63.3 | 62.2 | 1.1 | 1.8% |
| | Operating profit | 1.5 | 2.2 | (0.7) | -34.2% |
| Industrial Business | Revenue | 65.5 | 81.7 | (16.2) | -19.8% |
| | Operating profit | 14.4 | 13.2 | 1.1 | 8.7% |
| Subtotal | Revenue | 691.1 | 760.0 | (68.9) | -9.1% |
| | Operating profit | 54.0 | 66.4 | (12.4) | -18.7% |
| “Others” and “Adjustments” (Note 2) | Revenue | 8.5 | 2.2 | 6.2 | 273.4% |
| | Operating profit | (19.5) | (24.8) | 5.2 | — |
| Amount reported in Condensed Consolidated Statement of Profit or Loss | Revenue | 699.6 | 762.3 | (62.6) | -8.2% |
| | Operating profit | 34.4 | 41.5 | (7.1) | -17.2% |

(Note)

1. “Revenue” refers to revenue from external customers.
2. “Revenue” refers to revenue from external customers in “Others” in “3. Condensed Consolidated Financial Statements (6) Notes to the Condensed Consolidated Financial Statements [Segment Information]” and “operating profit” is the total of “Others” and “Adjustments” from the same statement.

i. Business Technologies Business

<Office services>

Sales of mainstay A3 color MFPs (Multi-functional peripherals) also remained strong during the period under review, and sales volumes exceeded previous-year levels in all regions. The highest rates of growth were shown by high-end models in terms of product segment and by Europe and China in terms of sales region.

The environment remains intensely competitive, especially in North America, but by expanding our content management services, including document digitization support services, we have managed to win large-scale orders from customers associated with governmental and public agencies. In addition to enlarging the contact surface with the customer, broadening the scope of the services that we offer also enhances our ability to submit proposals that resolve the customer’s issues, and creates an environment favorable to the spread of the Group’s unique hybrid-type sales.

<Commercial and industrial printing>

In production print, the top-of-the-line “bizhub PRESS C1100” digital color printing system continued to post solid sales, and growth was marked in North America, China, and Asia. Business discussions for the new “AccurioJet KM-1” digital inkjet press gathered momentum in all regions, and the rollout to the market began in earnest.

In industrial inkjet, components such as inkjet printheads saw a slowing of sales due to deteriorating market conditions, but in textile printers the “Nassenger SP-1,” which achieves high productivity through the use of single-pass technology, won orders in France and Turkey and contributed to a rise in revenue.

As a result, revenue of the Business Technologies Business stood at ¥562.2 billion, down 8.7% year on year and operating profit was ¥38.1 billion, down 25.1% year on year. Excluding the impact of exchange rates in the period under review, revenue grew by 3.7% year on year and operating profit rose by 5.8% year on year.

ii. Healthcare Business

During the period under review, by region it was the US and Japan that contributed to higher revenue. In the US, in addition to significant growth in Digital Radiography (DR), sales of solution products for the primary care market also contributed to the expansion of the business. In Japan, sales of digital products were strong. In terms of products, sales of “AeroDR” cassette-type digital X-ray diagnostics imaging systems remained solid, and in December we began sales of our new “AeroDR HD” product, which offers world-leading resolution. Sales expanded steadily for “SONIMAGE HS1” diagnostic ultrasound systems, which we launched in China in September. Solid sales continued in Japan, and in November we introduced a new version to the lineup with probes that use our proprietary high-resolution technology. On the other hand, Computed Radiography (CR) digital X-ray diagnostics imaging systems were hit by amendments to the payment system for medical services in the US, and sales volumes declined.

As a result of these factors, revenue of the Healthcare Business amounted to ¥63.3 billion, an increase of 1.8% year on year and operating profit was ¥1.5 billion, a decrease of 34.2% year on year. Excluding the impact of exchange rates in the period under review, revenue grew by 9.4% year on year and operating profit rose by 35.1% year on year.

iii. Industrial Business

In the field of performance materials, amid intensifying pressure on prices we focused on high value-added products such as phase difference film for televisions and ultra-thin TAC film, with the result that the value of sales remained at levels lower than those of the previous year.

In the field of optical systems for industrial use, a major deal for measuring instruments that had originally been anticipated for the first half of this fiscal year continues to be postponed, while lenses for industrial and professional use were hit by lower sales volumes in their end-product markets. Revenues fell in both areas.

As a result, revenue of the Industrial Business came to ¥65.5 billion, down 19.8% year on year and operating profit stood at ¥14.4 billion, up 8.7% year on year. Gross profit fell as a result of lower sales volumes, but with the addition of patent-related income, revenues fell but profit rose.

(Reference) Overview of 3Q consolidated accounting period

(Billions of yen)

| | Three months ended December 31, 2016 | Three months ended December 31, 2015 | Increase (Decrease) | |
|--|--|--|---------------------|--------|
| Revenue | 237.6 | 255.0 | (17.4) | -6.8% |
| Gross profit | 112.0 | 122.7 | (10.6) | -8.7% |
| Operating profit | 15.9 | 13.3 | 2.5 | 19.0% |
| Profit before tax | 16.6 | 13.1 | 3.4 | 26.1% |
| Profit attributable to owners of the company | 11.6 | 9.1 | 2.5 | 27.3% |
| Basic earnings per share [yen] | 23.54 | 18.49 | 5.05 | 27.3% |
| Capital expenditures | 10.0 | 13.0 | (2.9) | -22.9% |
| Depreciation and amortization expenses | 13.6 | 12.4 | 1.1 | 9.1% |
| Research and development expenses | 17.3 | 18.7 | (1.3) | -7.3% |
| Free cash flow | 4.2 | (5.9) | 10.2 | — |
| Foreign exchange rates [yen] | | | | |
| US dollar | 109.30 | 121.50 | (12.20) | -10.0% |
| euro | 117.78 | 132.95 | (15.17) | -11.4% |

Overview of main segments

(Billions of yen)

| | | Three months ended December 31, 2016 | Three months ended December 31, 2015 | Increase (Decrease) | |
|---|------------------|--|--|---------------------|--------|
| Business Technologies Business | Revenue | 191.5 | 206.8 | (15.2) | -7.4% |
| | Operating profit | 11.9 | 16.5 | (4.5) | -27.7% |
| Healthcare Business | Revenue | 21.9 | 21.9 | (0.0) | -0.1% |
| | Operating profit | 0.2 | 0.7 | (0.5) | -66.8% |
| Industrial Business | Revenue | 21.3 | 25.4 | (4.1) | -16.2% |
| | Operating profit | 9.7 | 2.8 | 6.8 | 243.6% |
| Subtotal | Revenue | 234.9 | 254.3 | (19.3) | -7.6% |
| | Operating profit | 21.9 | 20.1 | 1.7 | 8.8% |
| "Others" and "Adjustments" (Note 2) | Revenue | 2.7 | 0.7 | 1.9 | 257.7% |
| | Operating profit | (6.0) | (6.7) | 0.7 | — |
| Amount reported in Condensed Consolidated Statement of Profit or Loss | Revenue | 237.6 | 255.0 | (17.4) | -6.8% |
| | Operating profit | 15.9 | 13.3 | 2.5 | 19.0% |

(Note)

1. "Revenue" refers to revenue from external customers.
2. "Revenue" refers to revenue from external customers in "Others" in "3. Condensed Consolidated Financial Statements (6) Notes to the Condensed Consolidated Financial Statements [Segment Information]" and "Operating profit" is the total of the "Others" and "Adjustments" items from the same statement.

(2) Qualitative Information on the Consolidated Financial Position

a. Analysis of Financial Position

| | | December 31, 2016 | March 31, 2016 | Increase (Decrease) |
|--|-------------------|-------------------|----------------|------------------------|
| Total assets | [Billions of yen] | 1030.0 | 976.3 | 53.6 |
| Total liabilities | [Billions of yen] | 499.1 | 461.3 | 37.7 |
| Total equity | [Billions of yen] | 530.8 | 514.9 | 15.9 |
| Equity attributable to owners of the company | [Billions of yen] | 521.3 | 514.2 | 7.0 |
| Equity ratio attributable to owners of the company | [%] | 50.6 | 52.7 | -2.1 |

Total assets at December 31, 2016 were ¥1,030.0 billion, an increase of ¥53.6 billion (5.5%) from the previous fiscal year-end. This was primarily attributed to an increase of ¥34.2 billion in goodwill and intangible assets, an increase of ¥26.1 billion in inventories, and a decrease of ¥10.2 billion in trade and other receivables.

Total liabilities at December 31, 2016 were ¥499.1 billion, an increase of ¥37.7 billion (8.2%) from the previous fiscal year-end. This was mainly due to an increase of ¥27.7 billion in bonds and borrowings.

Total equity at December 31, 2016 amounted to ¥530.8 billion, an increase of ¥15.9 billion (3.1%) from the previous fiscal year-end.

Equity attributable to owners of the company totaled ¥521.3 billion at December 31, 2016, an increase of ¥7.0 billion (1.4%) from the previous fiscal year-end. This was mainly the result of profit for the period of ¥24.9 billion, a decrease in retained earnings due to cash dividends of ¥14.8 billion, and other components of equity (mainly, exchange differences on translation of foreign operations) falling by ¥2.9 billion. Equity ratio attributable to owners of the company decreased 2.1 percentage points to 50.6%.

b. Cash Flows

| | (Billions of yen) | | |
|--------------------------------------|--|--|------------------------|
| | Nine months ended December 31, 2016 | Nine months ended December 31, 2015 | Increase (Decrease) |
| Cash flows from operating activities | 48.7 | 31.1 | 17.5 |
| Cash flows from investing activities | (58.4) | (77.4) | 19.0 |
| Total (Free cash flow) | (9.6) | (46.3) | 36.6 |
| Cash flows from financing activities | 6.4 | (19.0) | 25.4 |

During the nine months ended December 31, 2016, net cash provided by operating activities was ¥48.7 billion, while net cash used in investing activities, mainly associated with the purchase of investments in subsidiaries, totaled ¥58.4 billion. As a result, free cash flow (the sum of operating and investing activities) was an outflow of ¥9.6 billion.

Net cash provided by financing activities was ¥6.4 billion.

In addition, cash and cash equivalents at the end of the nine months ended December 31, 2016 decreased ¥5.2 billion compared with the previous fiscal year-end to ¥94.7 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 period under review was ¥48.7 billion, a result largely of cash inflow due to profit before tax of ¥34.1 billion, depreciation and amortization expenses of ¥39.0 billion, and a decrease in trade and other receivables of ¥11.9 billion on the one hand, and cash outflow attributable mainly to an increase in inventories of ¥21.3 billion and payment of income taxes of ¥5.7 billion.

Cash flows from investing activities

Net cash used in investing activities was ¥58.4 billion due mainly to purchases of property, plant and equipment of ¥22.3 billion, purchases of intangible assets of ¥6.6 billion, and purchases of investments in subsidiaries of ¥25.1 billion.

As a result, free cash flow (the sum of operating and investing activities) was an outflow of ¥9.6 billion, compared to net cash used of ¥46.3 billion in the same period of the previous fiscal year.

Cash flows from financing activities

Net cash provided by financing activities was ¥6.4 billion, compared to net cash used of ¥19.0 billion in the same period of the previous fiscal year, reflecting mainly an increase in short-term loans payable of ¥13.2 billion and proceeds from bonds issuance and long-term loans payable of ¥34.0 billion, while expenditures included redemption of bonds and repayments of long-term loans payable of ¥26.5 billion and cash dividends paid of ¥14.6 billion.

(3) Qualitative Information on the Consolidated Results Forecast

Although the outlook for both the domestic and overseas environments in which the Group operates is likely to remain uncertain, we have not made any changes to the results forecasts announced on July 28, 2016.

With regard to the exchange rate assumptions that form the basis of the forecasts for the fourth quarter, a ¥5 depreciation has been applied to the previous US dollar rate assumption announced on July 28, 2016, taking it to ¥110. The euro exchange rate assumption is unchanged at ¥115.

The above operating performance forecasts are based on future-related suppositions, outlooks, and plans at the time this report was released, and as such they involve risks and uncertainties. It should be noted that actual results may differ significantly from these forecasts due to various important factors, such as changes in economic conditions, market trends, and currency exchange rates.

*Units of less than one hundred million yen in the qualitative information section have been omitted.

2. SUMMARY INFORMATION (NOTES)

None.

3. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

| | March 31, 2016 | December 31, 2016 |
|---|----------------|-------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 99,937 | 94,706 |
| Trade and other receivables | 249,498 | 239,297 |
| Inventories | 121,361 | 147,492 |
| Income tax receivables | 3,210 | 986 |
| Other financial assets | 3,327 | 641 |
| Other current assets | 18,249 | 20,807 |
| Subtotal | 495,585 | 503,933 |
| Assets held for sale | 630 | 651 |
| Total current assets | 496,216 | 504,585 |
| Non-current assets | | |
| Property, plant and equipment | 187,322 | 190,964 |
| Goodwill and intangible assets | 178,390 | 212,653 |
| Investments accounted for using the equity method | 3,614 | 3,375 |
| Other financial assets | 38,646 | 51,620 |
| Deferred tax assets | 59,052 | 59,764 |
| Other non-current assets | 13,128 | 7,074 |
| Total non-current assets | 480,154 | 525,453 |
| Total assets | 976,370 | 1,030,038 |

(Millions of yen)

| | March 31, 2016 | December 31, 2016 |
|--|----------------|-------------------|
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 162,907 | 167,694 |
| Bonds and borrowings | 42,624 | 42,170 |
| Income tax payables | 3,317 | 6,329 |
| Provisions | 6,821 | 5,248 |
| Other financial liabilities | 200 | 3,815 |
| Other current liabilities | 39,379 | 37,248 |
| Total current liabilities | 255,251 | 262,507 |
| Non-current liabilities | | |
| Bonds and borrowings | 125,653 | 153,816 |
| Retirement benefit liabilities | 67,913 | 69,590 |
| Provisions | 1,227 | 1,167 |
| Other financial liabilities | 3,611 | 2,023 |
| Deferred tax liabilities | 3,443 | 5,522 |
| Other non-current liabilities | 4,286 | 4,521 |
| Total non-current liabilities | 206,137 | 236,641 |
| Total liabilities | 461,389 | 499,149 |
| Equity | | |
| Share capital | 37,519 | 37,519 |
| Share premium | 203,397 | 203,397 |
| Retained earnings | 258,562 | 268,455 |
| Treasury shares | (9,408) | (9,303) |
| Subscription rights to shares | 1,009 | 1,010 |
| Other components of equity | 23,204 | 20,280 |
| Equity attributable to owners of the company | 514,285 | 521,360 |
| Non-controlling interests | 696 | 9,529 |
| Total equity | 514,981 | 530,889 |
| Total liabilities and equity | 976,370 | 1,030,038 |

(2) Condensed Consolidated Statement of Profit or Loss

Nine months ended December 31, 2015 and 2016

(Millions of yen)

| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 |
|---|--|--|
| Revenue | 762,326 | 699,636 |
| Cost of sales | 395,379 | 360,551 |
| Gross profit | 366,947 | 339,084 |
| Other income | 5,976 | 10,514 |
| Selling, general and administrative expenses | 322,737 | 310,617 |
| Other expenses | 8,597 | 4,527 |
| Operating profit | 41,588 | 34,454 |
| Finance income | 1,633 | 2,045 |
| Finance costs | 2,698 | 2,228 |
| Share of profit (loss) of investments accounted for using the equity method | 0 | (167) |
| Profit before tax | 40,524 | 34,103 |
| Income tax expense | 14,026 | 9,037 |
| Profit for the period | 26,497 | 25,066 |
| Profit attributable to | | |
| Owners of the company | 26,492 | 24,910 |
| Non-controlling interests | 5 | 156 |
| Earnings per share | | |
| Basic | 53.32 yen | 50.27 yen |
| Diluted | 53.16 yen | 50.13 yen |

Three months ended December 31, 2015 and 2016

(Millions of yen)

| | Three months ended December 31, 2015 | Three months ended December 31, 2016 |
|---|---|---|
| Revenue | 255,081 | 237,670 |
| Cost of sales | 132,355 | 125,632 |
| Gross profit | 122,725 | 112,037 |
| Other income | 1,000 | 8,619 |
| Selling, general and administrative expenses | 108,451 | 103,352 |
| Other expenses | 1,896 | 1,388 |
| Operating profit | 13,378 | 15,915 |
| Finance income | 536 | 1,521 |
| Finance costs | 729 | 741 |
| Share of profit (loss) of investments accounted for using the equity method | 0 | (72) |
| Profit before tax | 13,186 | 16,624 |
| Income tax expense | 4,005 | 5,042 |
| Profit for the period | 9,181 | 11,581 |
| Profit attributable to | | |
| Owners of the company | 9,162 | 11,666 |
| Non-controlling interests | 18 | (85) |
| Earnings per share | | |
| Basic | 18.49 yen | 23.54 yen |
| Diluted | 18.44 yen | 23.47 yen |

(3) Condensed Consolidated Statement of Comprehensive Income

Nine months ended December 31, 2015 and 2016

(Millions of yen)

| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 |
|---|--|--|
| Profit for the period | 26,497 | 25,066 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Remeasurements of defined benefit pension plans (net of tax) | 131 | (133) |
| Net gain (loss) on revaluation of financial assets measured at fair value (net of tax) | (1,072) | 3,086 |
| Share of other comprehensive income of investments accounted for using the equity method (net of tax) | 3 | (0) |
| Total items that will not be reclassified to profit or loss | (937) | 2,953 |
| Items that may be subsequently reclassified to profit or loss | | |
| Net gain (loss) on derivatives designated as cash flow hedges (net of tax) | 303 | (1,521) |
| Exchange differences on translation of foreign operations (net of tax) | (4,508) | (5,210) |
| Share of other comprehensive income of investments accounted for using the equity method (net of tax) | — | (31) |
| Total items that may be subsequently reclassified to profit or loss | (4,204) | (6,763) |
| Total other comprehensive income | (5,142) | (3,810) |
| Total comprehensive income | 21,355 | 21,256 |
| Total comprehensive income attributable to | | |
| Owners of the company | 21,643 | 21,854 |
| Non-controlling interests | (287) | (598) |

Three months ended December 31, 2015 and 2016

(Millions of yen)

| | Three months ended December 31, 2015 | Three months ended December 31, 2016 |
|---|---|---|
| Profit for the period | 9,181 | 11,581 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Remeasurements of defined benefit pension plans (net of tax) | 2 | (58) |
| Net gain (loss) on revaluation of financial assets measured at fair value (net of tax) | 799 | 2,951 |
| 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 | 802 | 2,893 |
| Items that may be subsequently reclassified to profit or loss | | |
| Net gain (loss) on derivatives designated as cash flow hedges (net of tax) | 58 | (1,541) |
| Exchange differences on translation of foreign operations (net of tax) | (3,952) | 31,087 |
| Share of other comprehensive income of investments accounted for using the equity method (net of tax) | — | 5 |
| Total items that may be subsequently reclassified to profit or loss | (3,894) | 29,552 |
| Total other comprehensive income | (3,091) | 32,445 |
| Total comprehensive income | 6,089 | 44,027 |
| Total comprehensive income attributable to | | |
| Owners of the company | 6,250 | 43,987 |
| Non-controlling interests | (161) | 39 |

(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 | — | — | 26,492 | — | — | — | 26,492 | 5 | 26,497 |
| Other comprehensive income | — | — | — | — | — | (4,849) | (4,849) | (292) | (5,142) |
| Total comprehensive income | — | — | 26,492 | — | — | (4,849) | 21,643 | (287) | 21,355 |
| Dividends | — | — | (12,448) | — | — | — | (12,448) | — | (12,448) |
| Acquisition and disposal of treasury shares | — | — | (49) | (9,869) | — | — | (9,919) | — | (9,919) |
| Cancellation of the treasury shares | — | — | (11,086) | 11,086 | — | — | — | — | — |
| Share-based payments (Subscription rights to shares) | — | — | — | — | 17 | — | 17 | — | 17 |
| Changes in the ownership interest in subsidiaries | — | 2 | — | — | — | — | 2 | (104) | (102) |
| Transfer from other components of equity to retained earnings | — | — | 21 | — | — | (21) | — | — | — |
| Total transactions with owners | — | 2 | (23,563) | 1,217 | 17 | (21) | (22,348) | (104) | (22,453) |
| Balance at December 31, 2015 | 37,519 | 203,397 | 260,156 | (9,510) | 1,033 | 42,674 | 535,271 | 679 | 535,950 |

(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 | — | — | 24,910 | — | — | — | 24,910 | 156 | 25,066 |
| Other comprehensive income | — | — | — | — | — | (3,055) | (3,055) | (754) | (3,810) |
| Total comprehensive income | — | — | 24,910 | — | — | (3,055) | 21,854 | (598) | 21,256 |
| Dividends | — | — | (14,865) | — | — | — | (14,865) | — | (14,865) |
| Acquisition and disposal of treasury shares | — | — | (20) | 105 | — | — | 85 | — | 85 |
| Share-based payments (Subscription rights to shares) | — | — | — | — | 0 | — | 0 | — | 0 |
| Changes in non-controlling interests due to increase in subsidiaries | — | — | — | — | — | — | — | 9,430 | 9,430 |
| Transfer from other components of equity to retained earnings | — | — | (131) | — | — | 131 | — | — | — |
| Total transactions with owners | — | — | (15,017) | 105 | 0 | 131 | (14,779) | 9,430 | (5,348) |
| Balance at December 31, 2016 | 37,519 | 203,397 | 268,455 | (9,303) | 1,010 | 20,280 | 521,360 | 9,529 | 530,889 |

(5) Condensed Consolidated Statement of Cash Flow

(Millions of yen)

| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before tax | 40,524 | 34,103 |
| Depreciation and amortization expenses | 37,452 | 39,059 |
| Impairment losses | 11 | 43 |
| Share of (profit) loss of investments accounted for using the equity method | (0) | 167 |
| Interest and dividends income | (1,627) | (1,880) |
| Interest expenses | 1,807 | 1,987 |
| (Gain) loss on sales and disposals of property, plant and equipment and intangible assets | (2,653) | 459 |
| (Increase) decrease in trade and other receivables | 8,262 | 11,965 |
| (Increase) decrease in inventories | (22,441) | (21,350) |
| Increase (decrease) in trade and other payables | (3,246) | 6,612 |
| Decrease in transfer of lease assets | (4,856) | (4,372) |
| Increase (decrease) in retirement benefit liabilities | 1,393 | 1,878 |
| Others | (9,623) | (13,826) |
| Subtotal | 45,001 | 54,849 |
| Dividends received | 523 | 512 |
| Interest received | 1,138 | 1,058 |
| Interest paid | (1,971) | (1,959) |
| Income taxes paid | (13,553) | (5,745) |
| Net cash flows from operating activities | 31,137 | 48,716 |

(Millions of yen)

| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 |
|--|--|--|
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (26,469) | (22,364) |
| Proceeds from sales of property, plant and equipment | 8,618 | 833 |
| Purchase of intangible assets | (9,235) | (6,623) |
| Purchase of investments in subsidiaries | (45,159) | (25,144) |
| Purchase of interests in investments accounted for using the equity method | (343) | — |
| Purchase of investment securities | (92) | (177) |
| Proceeds from sales of investment securities | 287 | 73 |
| Payments for loans receivable | (39) | (26) |
| Collection of loans receivable | 104 | 132 |
| Payments for transfer of business | (3,125) | (3,845) |
| Others | (2,042) | (1,273) |
| Net cash flows from investing activities | (77,497) | (58,415) |
| Cash flows from financing activities | | |
| Increase (decrease) in short-term loans payable | 29,838 | 13,283 |
| Proceeds from bonds issuance and long-term loans payable | 4 | 34,046 |
| Redemption of bonds and repayments of long-term loans payable | (26,873) | (26,527) |
| Purchase of treasury shares | (10,014) | (2) |
| Cash dividends paid | (12,299) | (14,687) |
| Payments for acquisition of interests in subsidiaries from non-controlling interests | (102) | — |
| Others | 429 | 370 |
| Net cash flows from financing activities | (19,015) | 6,483 |
| Effect of exchange rate changes on cash and cash equivalents | (1,991) | (2,016) |
| Net increase (decrease) in cash and cash equivalents | (67,367) | (5,230) |
| Cash and cash equivalents at the beginning of the period | 177,496 | 99,937 |
| Cash and cash equivalents at the end of the period | 110,129 | 94,706 |

(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)

| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 |
|--|--|--|
| Patent-related income (Note 1) | — | 7,751 |
| Gain on sales of property, plant and equipment and intangible assets (Note 2) | 3,811 | 153 |
| Others | 2,165 | 2,608 |
| Total | 5,976 | 10,514 |

(Note 1) Patent-related income for the period under review pertains to royalties for the license of patents related to the Industrial Business.

(Note 2) Gain on sales of property, plant and equipment and intangible assets recognized during the nine months ended December 31, 2015 was mainly due to sales of assets in North America.

[Other Expenses]

Components of other expenses are as follows.

(Millions of yen)

| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 |
|---|--|--|
| Loss on disposal of mass-produced trial products (Note 1) | 986 | 1,708 |
| Loss on sales and disposals of property, plant and equipment and intangible assets | 1,157 | 613 |
| Special extra retirement payment (Note 2) | 2,512 | 155 |
| Others | 3,940 | 2,049 |
| Total | 8,597 | 4,527 |

(Note 1) Loss on disposal of mass-produced trial products is mainly attributable to loss arising from the disposal of mass-produced trial products, in connection with the launch of new products in the Industrial Business.

(Note 2) Special extra retirement payment includes extra retirement payment paid to retired employees related to the 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) | Number of treasury shares |
|------------------------------|-----------------------------|--|---------------------------|
| Balance at March 31, 2016 | 1,200,000,000 | 502,664,337 | 7,188,993 |
| Increase | - | - | 2,603 |
| Decrease | - | - | 82,716 |
| Balance at December 31, 2016 | 1,200,000,000 | 502,664,337 | 7,108,880 |

(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.

Nine months ended December 31, 2015

(Millions of yen)

| | Reportable segments | | | | Others | Total |
|---------------------|--------------------------------|---------------------|---------------------|---------|--------|---------|
| | Business Technologies Business | Healthcare Business | Industrial Business | Total | | |
| Revenue | | | | | | |
| External | 616,100 | 62,217 | 81,724 | 760,042 | 2,284 | 762,326 |
| Intersegment (Note) | 1,559 | 475 | 3,146 | 5,181 | 15,942 | 21,124 |
| Total | 617,659 | 62,693 | 84,871 | 765,224 | 18,226 | 783,451 |
| Segment profit | 50,892 | 2,288 | 13,280 | 66,462 | 1,080 | 67,542 |

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

Nine months ended December 31, 2016

(Millions of yen)

| | Reportable segments | | | | Others | Total |
|---------------------|--------------------------------|---------------------|---------------------|---------|--------|---------|
| | Business Technologies Business | Healthcare Business | Industrial Business | Total | | |
| Revenue | | | | | | |
| External | 562,243 | 63,352 | 65,512 | 691,108 | 8,528 | 699,636 |
| Intersegment (Note) | 3,266 | 574 | 3,245 | 7,085 | 14,263 | 21,349 |
| Total | 565,509 | 63,926 | 68,757 | 698,193 | 22,792 | 720,985 |
| Segment profit | 38,110 | 1,505 | 14,437 | 54,053 | (788) | 53,264 |

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

Three months ended December 31, 2015

(Millions of yen)

| | Reportable segments | | | | Others | Total |
|---------------------|--------------------------------|---------------------|---------------------|---------|--------|---------|
| | Business Technologies Business | Healthcare Business | Industrial Business | Total | | |
| Revenue | | | | | | |
| External | 206,857 | 21,977 | 25,477 | 254,311 | 769 | 255,081 |
| Intersegment (Note) | 580 | 277 | 1,138 | 1,996 | 5,887 | 7,883 |
| Total | 207,437 | 22,255 | 26,615 | 256,307 | 6,656 | 262,964 |
| Segment profit | 16,528 | 799 | 2,827 | 20,154 | 449 | 20,604 |

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

Three months ended December 31, 2016

(Millions of yen)

| | Reportable segments | | | | Others | Total |
|---------------------|--------------------------------|---------------------|---------------------|---------|--------|---------|
| | Business Technologies Business | Healthcare Business | Industrial Business | Total | | |
| Revenue | | | | | | |
| External | 191,597 | 21,958 | 21,360 | 234,916 | 2,753 | 237,670 |
| Intersegment (Note) | 1,364 | 206 | 1,087 | 2,658 | 4,727 | 7,385 |
| Total | 192,962 | 22,164 | 22,448 | 237,574 | 7,481 | 245,056 |
| Segment profit | 11,950 | 265 | 9,714 | 21,930 | (173) | 21,757 |

(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 | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 |
|---|--|--|
| Total revenue of reportable segments | 765,224 | 698,193 |
| Revenue categorized in “Others” | 18,226 | 22,792 |
| Total of reportable segments and “Others” | 783,451 | 720,985 |
| Adjustments (Note) | (21,124) | (21,349) |
| Revenue reported in condensed consolidated statement of profit or loss | 762,326 | 699,636 |

(Note) Adjustments are intersegment eliminations.

(Millions of yen)

| Revenue | Three months ended December 31, 2015 | Three months ended December 31, 2016 |
|---|---|---|
| Total revenue of reportable segments | 256,307 | 237,574 |
| Revenue categorized in “Others” | 6,656 | 7,481 |
| Total of reportable segments and “Others” | 262,964 | 245,056 |
| Adjustments (Note) | (7,883) | (7,385) |
| Revenue reported in condensed consolidated statement of profit or loss | 255,081 | 237,670 |

(Note) Adjustments are intersegment eliminations.

(Millions of yen)

| Profit | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 |
|--|--|--|
| Total operating profit of reportable segments | 66,462 | 54,053 |
| Operating profit categorized in “Others” | 1,080 | (788) |
| Total of reportable segments and “Others” | 67,542 | 53,264 |
| Adjustments (Note) | (25,953) | (18,810) |
| Operating profit reported in condensed consolidated statement of profit or loss | 41,588 | 34,454 |

(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 December 31, 2015 | Three months ended December 31, 2016 |
|---|---|---|
| Total operating profit of reportable segments | 20,154 | 21,930 |
| Operating profit categorized in "Others" | 449 | (173) |
| Total of reportable segments and "Others" | 20,604 | 21,757 |
| Adjustments (Note) | (7,226) | (5,841) |
| Operating profit reported in condensed consolidated statement of profit or loss | 13,378 | 15,915 |

(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]

Nine months ended December 31, 2015

(Acquisition of shareholding of Radiant Vision Systems, LLC)

With regard to (b) below, the allocation of acquisition costs has been completed and the figures therefore now reflect revisions to the provisional figures that occurred after the end of the nine-month period ended December 31, 2015.

(a) 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.

(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 | 29,056 |
| Recognized value of assets acquired and liabilities assumed | |
| Cash and cash equivalents | 921 |
| Trade and other receivables | 1,199 |
| Inventories | 678 |
| Property, plant and equipment | 351 |
| Intangible assets | 8,622 |
| Other assets | 58 |
| Liabilities | (722) |
| Goodwill (Note 2) | 17,948 |
| Total | 29,056 |

(Note 1) There was no contingent consideration.

(Note 2) Goodwill largely represents an excess earnings power of Radiant, and the total sum is posted as losses over a certain period for tax purposes.

Acquisition-related costs of ¥618 million incurred in the business combination were recognized in "Selling, general and administrative expenses."

(c) 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 nine months ended December 31, 2015.

(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 previous fiscal year, on April 1, 2015, has no material effect on the condensed consolidated statement of profit or loss and the condensed

consolidated statement of comprehensive income for the nine months ended December 31, 2015, it is not disclosed here.

(Acquisition of shareholding in 20/20 Healthcare LLC)

With regard to (b) below, the allocation of acquisition costs has been completed and the figures therefore now reflect revisions to the provisional figures that occurred after the end of the nine-month period ended December 31, 2015.

(a) Description of the business combination

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).

(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 | 9,124 |
| Recognized value of assets acquired and liabilities assumed | |
| Cash and cash equivalents | 15 |
| Trade and other receivables | 1,042 |
| Inventories | 1,060 |
| Property, plant and equipment | 78 |
| Intangible assets | 2,478 |
| Other current assets | 8 |
| Liabilities | (2,236) |
| Goodwill (Note 2) | 6,676 |
| Total | 9,124 |

(Note 1) There was no contingent consideration.

(Note 2) Goodwill largely represents an excess earnings power of the acquired companies, and the total sum is posted as losses over a certain period for tax purposes.

Acquisition-related costs of ¥273 million incurred in the business combination were recognized in "Selling, general and administrative expenses."

(c) Performance after the acquisition date

Information is not disclosed because the business combination of the acquired companies has no material effect on the condensed consolidated statement of profit or loss and the condensed consolidated statement of comprehensive income for the nine months ended December 31, 2015.

(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 previous fiscal year, on April 1, 2015, has no

material effect on the condensed consolidated statement of profit or loss and the condensed consolidated statement of comprehensive income for the nine months ended December 31, 2015, it is not disclosed here.

Nine months ended December 31, 2016

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

With regard to the business combination 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. Concerning such figures, the allocation of acquisition costs was completed during the six months ended September 30, 2016. The changes from the provisional figures thereby consist of a decrease of ¥2,717 million in intangible assets and a decrease of ¥605 million in deferred tax liabilities, while the associated change in goodwill is an increase of ¥2,112 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 | 1,227 |
| Other assets | 680 |
| Bonds and borrowings | (3,061) |
| Deferred tax liabilities | (16) |
| Other liabilities | (2,566) |
| Goodwill (Note 2) | 8,944 |
| 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.

(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 2) | 3,198 |
| 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 | 7,381 |
| Other assets | 526 |
| Trade and other payables | (1,150) |
| Bonds and borrowings | (1,449) |
| Deferred tax liabilities | (2,182) |
| Other liabilities | (495) |
| Goodwill (Note 3) | 15,495 |
| Total | 24,767 |

(Note 1) There was no contingent consideration.

(Note 2) Non-controlling interests are measured using the ratio of equity attributable to non-controlling interest shareholders to the fair value of the identifiable net assets of the acquired company.

(Note 3) Goodwill largely represents excess earnings power of the acquired company and will not be deductible for tax purposes.

(Note 4) The allocation of acquisition costs was completed during the three months ended September 30, 2016. The changes from the provisional figures consist of an increase of ¥258 million in intangible assets and an increase of ¥77 million in deferred tax liabilities, which resulted in a ¥62 million increase in non-controlling interests. The associated change in goodwill is a decrease of ¥118 million.

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 nine months ended December 31, 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 nine months ended December 31, 2016, it is not disclosed here.