

**2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS and RELATED NOTES**  
**(1) Condensed Consolidated Statement of Financial Position**

(Millions of yen)

	March 31, 2017	September 30, 2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	92,628	98,650
Trade and other receivables	243,195	249,906
Inventories	136,020	141,293
Income tax receivables	1,878	838
Other financial assets	6,924	2,588
Other current assets	18,799	22,082
<b>Total current assets</b>	<b>499,446</b>	<b>515,359</b>
<b>Non-current assets</b>		
Property, plant and equipment	190,580	190,211
Goodwill and intangible assets	209,577	215,511
Investments accounted for using the equity method	3,489	3,941
Other financial assets	47,542	48,566
Deferred tax assets	48,129	49,304
Other non-current assets	6,668	7,766
<b>Total non-current assets</b>	<b>505,988</b>	<b>515,301</b>
<b>Total assets</b>	<b>1,005,435</b>	<b>1,030,660</b>

(Millions of yen)

	March 31, 2017	September 30, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	156,090	159,150
Bonds and borrowings	41,294	32,086
Income tax payables	5,554	2,254
Provisions	5,659	6,023
Other financial liabilities	372	5,691
Other current liabilities	41,275	42,174
<b>Total current liabilities</b>	<b>250,246</b>	<b>247,379</b>
<b>Non-current liabilities</b>		
Bonds and borrowings	144,218	150,514
Retirement benefit liabilities	61,267	61,744
Provisions	1,136	2,545
Other financial liabilities	4,362	5,978
Deferred tax liabilities	5,222	5,210
Other non-current liabilities	4,833	5,126
<b>Total non-current liabilities</b>	<b>221,040</b>	<b>231,120</b>
<b>Total liabilities</b>	<b>471,286</b>	<b>478,500</b>
<b>Equity</b>		
Share capital	37,519	37,519
Share premium	202,631	200,893
Retained earnings	276,709	282,735
Treasury shares	(9,214)	(10,250)
Subscription rights to shares	998	967
Other components of equity	15,685	29,992
<b>Equity attributable to owners of the company</b>	<b>524,331</b>	<b>541,857</b>
Non-controlling interests	9,818	10,302
<b>Total equity</b>	<b>534,149</b>	<b>552,159</b>
<b>Total liabilities and equity</b>	<b>1,005,435</b>	<b>1,030,660</b>

**(2) Condensed Consolidated Statement of Profit or Loss**  
**Six months ended September 30, 2016 and 2017**

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Revenue	461,966	488,102
Cost of sales	234,919	256,208
Gross profit	227,047	231,893
Other Income	1,895	12,942
Selling, general and administrative expenses	207,265	215,093
Other expenses	3,138	9,276
Operating profit	18,538	20,466
Finance income	1,202	1,573
Finance costs	2,166	2,948
Share of profit (loss) of investments accounted for using the equity method	(95)	(32)
Profit before tax	17,479	19,058
Income tax expense	3,994	5,546
Profit for the period	13,484	13,512
Profit attributable to		
Owners of the company	13,243	13,515
Non-controlling interests	241	(3)
Earnings per share		
Basic	26.73 yen	27.29 yen
Diluted	26.65 yen	27.22 yen

### Three months ended September 30, 2016 and 2017

(Millions of yen)

	Three months ended September 30, 2016	Three months ended September 30, 2017
Revenue	232,834	255,750
Cost of sales	120,082	135,841
Gross profit	112,752	119,909
Other Income	575	8,162
Selling, general and administrative expenses	102,044	109,030
Other expenses	1,656	7,289
Operating profit	9,626	11,751
Finance income	479	783
Finance costs	1,127	1,728
Share of profit (loss) of investments accounted for using the equity method	(27)	44
Profit before tax	8,950	10,851
Income tax expense	1,733	2,708
Profit for the period	7,217	8,142
Profit attributable to		
Owners of the company	6,856	8,148
Non-controlling interests	360	(5)
Earnings per share		
Basic	13.84 yen	16.47 yen
Diluted	13.80 yen	16.42 yen

**(3) Condensed Consolidated Statement of Comprehensive Income**  
**Six months ended September 30, 2016 and 2017**

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit for the period	13,484	13,512
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans (net of tax)	(74)	(11)
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	135	507
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	(1)	0
Total items that will not be reclassified to profit or loss	59	496
Items that may be subsequently reclassified to profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	19	(1,209)
Exchange differences on translation of foreign operations (net of tax)	(36,298)	15,575
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	(37)	3
Total items that may be subsequently reclassified to profit or loss	(36,315)	14,369
Total other comprehensive income	(36,255)	14,865
Total comprehensive income	(22,770)	28,378
Total comprehensive income attributable to		
Owners of the company	(22,133)	27,825
Non-controlling interests	(637)	553

### Three months ended September 30, 2016 and 2017

(Millions of yen)

	Three months ended September 30, 2016	Three months ended September 30, 2017
Profit for the period	7,217	8,142
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans (net of tax)	(74)	20
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	932	411
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	857	432
Items that may be subsequently reclassified to profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	(373)	961
Exchange differences on translation of foreign operations (net of tax)	(6,202)	8,468
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	(24)	(6)
Total items that may be subsequently reclassified to profit or loss	(6,599)	9,422
Total other comprehensive income	(5,742)	9,855
Total comprehensive income	1,474	17,997
Total comprehensive income attributable to		
Owners of the company	1,734	17,496
Non-controlling interests	(259)	501

#### (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, 2016	37,519	203,397	258,562	(9,408)	1,009	23,204	514,285	696	514,981
Profit for the period	—	—	13,243	—	—	—	13,243	241	13,484
Other comprehensive income	—	—	—	—	—	(35,376)	(35,376)	(879)	(36,255)
Total comprehensive income	—	—	13,243	—	—	(35,376)	(22,133)	(637)	(22,770)
Dividends	—	—	(7,432)	—	—	—	(7,432)	—	(7,432)
Acquisition and disposal of treasury shares	—	—	(20)	107	—	—	86	—	86
Share-based payments	—	—	—	—	(35)	—	(35)	—	(35)
Changes in non-controlling interests due to changes in subsidiaries	—	—	—	—	—	—	—	9,090	9,090
Transfer from other components of equity to retained earnings	—	—	(72)	—	—	72	—	—	—
Total transactions with owners	—	—	(7,525)	107	(35)	72	(7,380)	9,090	1,710
Balance at September 30, 2016	37,519	203,397	264,280	(9,301)	974	(12,099)	484,771	9,149	493,920

(Millions of yen)

	Share capital	Share premium	Retained earnings	Treasury shares	Subscription rights to shares	Other components of equity	Equity attributable to owners of the company	Non-controlling interests	Total equity
Balance at April 1, 2017	37,519	202,631	276,709	(9,214)	998	15,685	524,331	9,818	534,149
Profit for the period	—	—	13,515	—	—	—	13,515	(3)	13,512
Other comprehensive income	—	—	—	—	—	14,309	14,309	556	14,865
Total comprehensive income	—	—	13,515	—	—	14,309	27,825	553	28,378
Dividends	—	—	(7,434)	—	—	—	(7,434)	—	(7,434)
Acquisition and disposal of treasury shares	—	—	(59)	(1,036)	—	—	(1,095)	—	(1,095)
Share-based payments	—	84	—	—	(31)	—	52	—	52
Changes in non-controlling interests due to changes in subsidiaries	—	—	—	—	—	—	—	5	5
Equity transactions, etc. with non-controlling shareholders	—	—	—	—	—	—	—	(73)	(73)
Put options written on non-controlling interests	—	(1,822)	—	—	—	—	(1,822)	—	(1,822)
Transfer from other components of equity to retained earnings	—	—	3	—	—	(3)	—	—	—
Total transactions with owners	—	(1,738)	(7,490)	(1,036)	(31)	(3)	(10,299)	(68)	(10,368)
Balance at September 30, 2017	37,519	200,893	282,735	(10,250)	967	29,992	541,857	10,302	552,159



**(5) Condensed Consolidated Statement of Cash Flow**

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Profit before tax	17,479	19,058
Depreciation and amortization expenses	25,431	27,097
Impairment losses and reversal of impairment losses	22	18
Share of (profit) loss of investments accounted for using the equity method	95	32
Interest and dividends income	(1,166)	(1,546)
Interest expenses	1,316	1,834
(Gain) loss on sales and disposals of property, plant and equipment and intangible assets	285	(10,770)
(Increase) decrease in trade and other receivables	1,642	9,287
(Increase) decrease in inventories	(12,726)	1,146
Increase (decrease) in trade and other payables	6,714	(5,788)
Decrease in transfer of lease assets	(3,138)	(2,842)
Increase (decrease) in retirement benefit liabilities	1,290	(338)
Others	2,570	(1,603)
Subtotal	39,818	35,585
Dividends received	292	310
Interest received	724	1,151
Interest paid	(1,265)	(1,786)
Income taxes paid	(3,824)	(6,950)
Cash flows from operating activities	35,745	28,311

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from Investing activities		
Purchase of property, plant and equipment	(15,765)	(12,291)
Purchase of intangible assets	(4,448)	(4,826)
Proceeds from sales of property, plant and equipment, and intangible assets	633	11,859
Purchase of investments in subsidiaries	(25,144)	(1,055)
Purchase of interests in investments accounted for using the equity method	—	(490)
Purchase of investment securities	(115)	(142)
Proceeds from sales of investment securities	12	34
Payments for loans receivable	(19)	(17)
Collection of loans receivable	110	68
Payments for transfer of business	(3,845)	(645)
Others	(1,082)	(899)
Cash flows from Investing activities	(49,666)	(8,406)
Cash flows from Financing activities		
Increase (decrease) in short-term loans payable	743	(9,321)
Proceeds from bonds issuance and long-term loans payable	30,504	5,710
Redemption of bonds and repayments of long-term loans payable	(1,710)	(1,617)
Purchase of treasury shares	(1)	(1,161)
Cash dividends paid	(7,428)	(7,431)
Others	370	0
Cash flows from Financing activities	22,478	(13,821)
Effect of exchange rate changes on cash and cash equivalents	(6,112)	(60)
Net increase (decrease) in cash and cash equivalents	2,445	6,021
Cash and cash equivalents at the beginning of the period	99,937	92,628
Cash and cash equivalents at the end of the period	102,382	98,650

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

None.

**[Other Income]**

Components of other income are as follows.

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Gain on sales of property, plant and equipment and intangible assets	128	11,107
Others	1,766	1,834
Total	1,895	12,942

**[Other Expenses]**

Components of other expenses are as follows.

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Special extra retirement payments	—	5,095
Loss on sales and disposals of property, plant and equipment and intangible assets	414	337
Others	2,724	3,843
Total	3,138	9,276

**[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.

Previously, reportable segments were classified into three segments, namely "Business Technologies Business," "Healthcare Business," and "Industrial Business." A change to this business segmentation has been made and starting from the first quarter of this fiscal year, segment information is presented for the four segments of "Office Business," "Professional Print Business," "Healthcare Business," and "Industrial Business."

This change reflects organizational realignment carried out to promote strategies as set out in "SHINKA 2019," our Medium Term Business Plan that is implemented from this fiscal year. In "SHINKA 2019," businesses are grouped into "core business," "growth business," and "new business," this last group comprising areas for which a management base will be built in the medium term. "Core business" and "growth business" are classified into the four reporting segments, while "new business" is included in "others." In conjunction with this realignment, the previous segment of "Business Technologies Business" is split into "Office Business" and "Professional Print Business," and the industrial inkjet component business unit, which was previously included in the "Business Technologies Business" segment, is now reported under "Industrial Business."

The segment information for the second quarter of fiscal 2016 in this report is presented while reflecting the new business segmentation.

The business content of each reportable segment is as follows:

	Business content
Office Business	Development, manufacture, and sales of MFPs and related consumables; provision of related solutions and services
Professional Print Business	Development, manufacture, and sales of digital printing systems and related consumables; provision of various printing services, solutions, and services
Healthcare Business	Development, manufacture, and sales of, and provision of services for, diagnostic imaging systems (digital X-ray diagnostic imaging, diagnostic ultrasound systems, etc.); provision of digitalization, networking, solutions, and services in the medical field
Industrial Business	<Materials and Components> Development, manufacture, and sales of such products as TAC film for LCD displays, OLED lighting, Industrial inkjet printheads, and lenses for industrial and professional use, etc.
	<Optical Systems for Industrial Use> Development, manufacture, and sales of measuring instruments, etc.

(b) Information on reportable segments

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

Six months ended September 30, 2016

(Millions of yen)

	Reportable segments					Others	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total		
Revenue							
External	268,756	97,078	41,393	49,964	457,194	4,772	461,966
Intersegment (Note)	1,222	675	367	2,162	4,427	9,535	13,963
Total	269,978	97,754	41,761	52,126	461,622	14,308	475,930
Segment profit (loss)	21,675	4,311	1,239	6,392	33,620	(4,758)	28,861

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

Six months ended September 30, 2017

(Millions of yen)

	Reportable segments					Others	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total		
Revenue							
External	279,554	101,171	42,832	59,974	483,532	4,569	488,102
Intersegment (Note)	879	165	475	2,404	3,925	9,991	13,917
Total	280,434	101,337	43,308	62,378	487,458	14,561	502,019
Segment profit (loss)	20,152	2,445	2,901	12,008	37,508	(5,439)	32,069

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

Three months ended September 30, 2016

(Millions of yen)

	Reportable segments					Others	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total		
Revenue							
External	132,547	49,608	22,942	25,087	230,185	2,648	232,834
Intersegment (Note)	759	350	172	703	1,986	5,179	7,166
Total	133,307	49,959	23,114	25,791	232,172	7,828	240,001
Segment profit (loss)	10,262	2,672	1,046	3,033	17,014	(2,020)	14,994

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

Three months ended September 30, 2017

(Millions of yen)

	Reportable segments					Others	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total		
Revenue							
External	146,513	52,161	23,286	31,305	253,268	2,482	255,750
Intersegment (Note)	489	101	262	1,296	2,150	4,828	6,979
Total	147,003	52,263	23,549	32,602	255,419	7,311	262,730
Segment profit (loss)	14,803	860	3,392	5,916	24,972	(2,983)	21,989

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

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

(Millions of yen)

Revenue	Six months ended September 30, 2016	Six months ended September 30, 2017
Total revenue of reportable segments	461,622	487,458
Revenue categorized in “Others”	14,308	14,561
Total of reportable segments and “Others”	475,930	502,019
Adjustments (Note)	(13,963)	(13,917)
Revenue reported in condensed consolidated statement of profit or loss	461,966	488,102

(Note) Adjustments are intersegment eliminations.

(Millions of yen)

Revenue	Three months ended September 30, 2016	Three months ended September 30, 2017
Total revenue of reportable segments	232,172	255,419
Revenue categorized in “Others”	7,828	7,311
Total of reportable segments and “Others”	240,001	262,730
Adjustments (Note)	(7,166)	(6,979)
Revenue reported in condensed consolidated statement of profit or loss	232,834	255,750

(Note) Adjustments are intersegment eliminations.

(Millions of yen)

Profit	Six months ended September 30, 2016	Six months ended September 30, 2017
Total profit of reportable segments	33,620	37,508
Operating profit (loss) categorized in “Others”	(4,758)	(5,439)
Total of reportable segments and “Others”	28,861	32,069
Adjustments (Note)	(10,323)	(11,603)
Operating profit reported in condensed consolidated statement of profit or loss	18,538	20,466

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

(Millions of yen)

Profit	Three months ended September 30, 2016	Three months ended September 30, 2017
Total profit of reportable segments	17,014	24,972
Operating profit (loss) categorized in "Others"	(2,020)	(2,983)
Total of reportable segments and "Others"	14,994	21,989
Adjustments (Note)	(5,367)	(10,238)
Operating profit reported in condensed consolidated statement of profit or loss	9,626	11,751

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



## [Additional Information]

(Funding through a hybrid loan (subordinated term loan))

On August 28, 2017, the Company concluded the following agreement regarding funding through a hybrid loan (subordinated term loan, hereafter “the Loan”).

(1) Lenders: Syndicate of lenders lead-managed by the Bank of Tokyo-Mitsubishi UFJ, Ltd.

(2) Amount: 100 billion yen

(3) Drawdown Date: October 31, 2017

(4) Maturity Date: October 29, 2077

However, unless any of the subordination events has occurred and continues, the Company may prepay all or part of the principal of the Loan on each interest payment date on or after October 31, 2022

(5) Use of proceeds: General business funds

(6) Interest payment: The Company may, at its discretion, defer payment of all or part of interest on the Loan

(7) Subordination

The right to request payment under the Loan is subordinated to all senior creditors in the Company’s liquidation proceedings, bankruptcy proceedings, corporate reorganization proceedings, and civil rehabilitation proceedings. No terms and conditions of the Loan may be changed in any respect to the disadvantage of any creditor of the Company other than the creditors of the subordinated receivables (meaning the receivables that have substantially equal subordination condition as the Loan).

(8) Evaluation of equity credit

Class 3, 50% (Rating and Investment Information, Inc.)

Middle Level, 50% (Japan Credit Rating Agency Ltd.)

(Purchase of a company through acquisition of equity interest)

On September 25, 2017, the Group concluded an agreement to acquire 95% of equity interest in Invicro, LLC, a US-based firm in drug discovery and development services. As consideration of said equity interest, the Group expects to make an all-cash payment of US\$285 million after making price adjustments as provided for in the agreement.

Consummation of the acquisition is scheduled for November 2017.

### **[Events after the Reporting Period]**

(Merger between the Company's subsidiary and Ambry Genetics Corporation)

On October 18, 2017, the Group completed merger procedures between Konica Minolta Geno., Inc. (hereafter, "SPC2") and Ambry Genetics Corporation (hereafter, "Ambry"), a US firm engaged in genetic testing, with Ambry as the surviving company. SPC2 is a wholly owned subsidiary of Konica Minolta PM., Inc. (hereafter, "SPC1"), which is a company set up through joint investment with Innovation Network Corporation of Japan (hereafter, "INCJ") for the purpose of acquisition of Ambry.

Ambry was made a subsidiary by making a cash payment to shareholders of Ambry as a merger consideration, and converting SPC2 shares owned by SPC1 into shares of the surviving company.

Following the conclusion of the transaction, the Group's ownership ratio in Ambry stands at 60% and that of INCJ at 40%.

The fair value of the consideration paid in the transaction is the total of the base amount of US\$800 million, price adjustments made at the time of the execution of the acquisition of shares as provided for in the merger agreement, and the fair value of the contingent consideration of up to \$200 million that may be paid in the future. Because the initial accounting treatment of the subject business combination has not been completed at the time of disclosure of these quarterly consolidated financial statements, further details of the accounting treatment relating to the business combination are not disclosed.

With respect to pro forma information that assumes the combination with Ambry had been executed at the beginning of the period under review, on April 1, 2017, such information is not disclosed due to the difficulty in accurately grasping pre-merger financial figures on Ambry, as the acquisition by the Group had only just been concluded.