

Consolidated Financial Results for the Third Quarter of the Fiscal Year ending March 31, 2018

[IFRS]

April 1, 2017 – December 31, 2017

Konica Minolta, Inc.

Stock exchange listings: Tokyo (First Section)
 Local securities code number: 4902
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 Scheduled date for submission of securities report: February 8, 2018
 Scheduled date for dividends payment: –
 Availability of supplementary information: Yes
 Organization of financial results briefing: Yes (for institutional investors)

(Amounts less than one million yen have been omitted.)

1. Overview of the 3Q performance (From April 1, 2017 to December 31, 2017)

(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, 2017	750,253	7.2%	29,090	-15.6%	27,145	-20.4%
Nine months ended December 31, 2016	699,636	-8.2%	34,454	-17.2%	34,103	-15.8%

(Millions of yen)

	Profit for the period		Profit attributable to owners of the company		Total comprehensive income	
Nine months ended December 31, 2017	18,492	-26.2%	18,617	-25.3%	40,765	91.8%
Nine months ended December 31, 2016	25,066	-5.4%	24,910	-6.0%	21,256	-0.5%

	Basic earnings per share	Diluted earnings per share
Nine months ended December 31, 2017	37.61 yen	37.50 yen
Nine months ended December 31, 2016	50.27 yen	50.13 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	Equity attributable to owners of the company	Equity ratio attributable to owners of the company
As of December 31, 2017	1,224,505	537,234	526,633	43.0%
As of March 31, 2017	1,005,435	534,149	524,331	52.1%

(Millions of yen)

2. Dividends per share

	1Q	2Q	3Q	Year-end	Total annual
Fiscal Year ended Mar 2017	—	15.00	—	15.00	30.00
Fiscal Year ending Mar 2018	—	15.00	—		
Fiscal Year ending Mar 2018 (forecast)				15.00	30.00

(yen)

Note: Changes to the latest dividend forecast announced: None

3. Consolidated results forecast for fiscal year ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

Percentage figures represent the change from the previous fiscal year.

	Revenue	Operating profit	Profit attributable to owners of the company	Basic earnings per share
Full year	1,000,000 3.9%	48,000 -4.3%	31,000 -1.7%	62.64 yen

(Millions of 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, 2017:	502,664,337 shares
As of March 31, 2017:	502,664,337 shares
 - b. Treasury shares at period-end

As of December 31, 2017:	8,222,957 shares
As of March 31, 2017:	7,041,082 shares
 - c. Average number of outstanding shares during the period

Nine months ended December 31, 2017:	494,992,804 shares
Nine months ended December 31, 2016:	495,539,168 shares

Starting from the second quarter of this consolidated fiscal year, the Company has established “Directors’ Compensation Board Incentive Plan (BIP) Trust.” The 1,274,000 shares of the Company’s stock owned by the trust account relating to this trust are recognized as treasury shares.

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 page 8 of Supplementary Information, under “(3) Explanation of forward-looking statements with regard to consolidated results forecasts” in “Section 1. QUALITATIVE INFORMATION on the RESULTS of the PERIOD UNDER REVIEW” 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, February 1, 2018. 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) Explanation of Business Performance

a. Overview of Performance

(Billions of yen, unless otherwise stated)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Increase (Decrease)	
Revenue	699.6	750.2	50.6	7.2%
Gross profit	339.0	357.5	18.4	5.4%
Operating profit	34.4	29.0	(5.3)	-15.6%
Profit before tax	34.1	27.1	(6.9)	-20.4%
Profit attributable to owners of the company	24.9	18.6	(6.2)	-25.3%
Basic earnings per share [yen]	50.27	37.61	(12.66)	-25.2%
Capital expenditures	27.5	24.7	(2.7)	-9.9%
Depreciation and amortization expenses	39.0	41.3	2.2	5.8%
Research and development expenses	53.5	56.9	3.4	6.4%
Free cash flow	(9.6)	(94.0)	(84.3)	—%
Number of employees (consolidated) [persons]	43,913	43,475	(438)	-1.0%
Foreign exchange rates [yen]				
US dollar	106.63	111.70	5.07	4.8%
euro	118.02	128.53	10.51	8.9%

In the third quarter of this fiscal year (hereafter, “period under review”), consolidated revenue for the Konica Minolta Group (“the Group”) came to ¥750.2 billion, up 7.2% year on year, with all business segments posting higher revenue. In the Office Business, in addition to strong sales in North America and China, sales to small- and medium-sized enterprises in Europe expanded. In the Professional Print Business segment, sales in China and other regions grew significantly in the production print business unit, and industrial printing business unit also posted strong growth, primarily in North America. In the Healthcare Business, digital radiography (DR) sales rose in North America, while in the Industrial Business the solid performance of the measuring instruments business unit continued, leading to a significant increase in revenue.

Operating profit was ¥29.0 billion, down 15.6% year on year. The Office Business and the Professional Print Business posted lower profit, while the Healthcare Business and the Industrial Business, the latter still being driven by the measuring instruments business unit, continued to record significant increases in profit. For the Group as a whole, however, profit declined.

Profit before tax came in at ¥27.1 billion (down 20.4% year on year), while profit attributable to owners of the company amounted to ¥18.6 billion (down 25.3% year on year).

<Full-scale entry into the area of precision medicine>

In accordance with the plan for a full-scale entry into the area of precision medicine, which was introduced in the Medium Term Business Plan SHINKA 2019, in October 2017 the Group, acting jointly with the Innovation Network Corporation of Japan, completed the acquisition of Ambry Genetics Corporation (headquartered in California) and in November 2017 this was followed by the completion of the acquisition of Invicro, LLC (headquartered in Massachusetts), with both companies thus becoming consolidated subsidiaries of the Group.

We will put in place a new structure that incorporates Konica Minolta’s human resources and technology, moving forward with and accelerating our entry into the area of precision medicine, which we expect to provide added value, not only in the tailoring of medication and treatment to individual patients, but also in the form of improved efficiency to drug discovery and clinical trials

by pharmaceutical companies.

b. Overview by Segment

(Billions of yen)

		Nine months ended December 31, 2016	Nine months ended December 31, 2017	Increase (Decrease)	
Office Business	Revenue	407.2	427.7	20.4	5.0%
	Operating profit	31.2	29.9	(1.3)	-4.3%
Professional Print Business	Revenue	148.2	155.0	6.8	4.6%
	Operating profit	6.7	5.0	(1.7)	-25.4%
Healthcare Business	Revenue	63.3	66.8	3.5	5.6%
	Operating profit	1.5	3.8	2.3	157.3%
Industrial Business	Revenue	74.0	90.1	16.0	21.7%
	Operating profit	16.7	17.6	0.8	5.0%
Subtotal	Revenue	692.8	739.7	46.8	6.8%
	Operating profit	56.3	56.4	0.1	0.2%
“Others” and “Adjustments” (Note 2)	Revenue	6.7	10.5	3.7	55.9%
	Operating profit	(21.8)	(27.3)	(5.4)	—%
Amount reported in Condensed Consolidated Statement of Profit or Loss	Revenue	699.6	750.2	50.6	7.2%
	Operating profit	34.4	29.0	(5.3)	-15.6%

(Notes)

1. “Revenue” refers to revenue from external customers.
2. “Revenue” refers to revenue from external customers in “Others” in “2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS and RELATED NOTES, (6) Notes to the Condensed Consolidated Financial Statements [Segment Information]” and “operating profit” is the total of “Others” and “Adjustments” from the same statement.
3. The classification for the reporting segments has been changed beginning in the first quarter of this consolidated fiscal year. Details are provided in “2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS and RELATED NOTES, (6) Notes to the Condensed Consolidated Financial Statements [Segment Information].”

i. Office Business

In the office products business unit, sales volumes of both monochrome and color A3 MFPs (Multi-functional peripherals) rose year on year. In particular, for color models, high-speed models posted high rates of expansion following the launch of new products. By region, sales volume in Europe fell in comparison to the same period of the previous fiscal year, in which some major projects were established, but North America remained solid and China posted significant year-on-year growth in sales volume.

Regarding our sales to major companies that operate globally, in addition to those won from a major steel manufacturer and a consulting company in Europe, we also concluded major contracts with a next-generation global energy company.

In the IT services solution business unit, IT infrastructure management services for medical institutions and electronic document solutions for government-related entities increased in the US, and IT infrastructure management services for small- and medium-sized enterprises in Europe and Asia grew year on year.

Following on from the second quarter, the third quarter posted both higher revenue and profit compared to the same period in the previous fiscal year, maintaining the tone of recovery.

As a result, revenue of the Office Business segment stood at ¥427.7 billion, up 5.0% year on year and operating profit came to ¥29.9 billion, down 4.3% year on year.

ii. Professional Print Business

The production print business unit posted a year-on-year increase in sales volume for color products, driven by regions such as China, where sales volumes doubled year on year. The intelligent quality optimizer “IQ-501,” which is equipped with proprietary Konica Minolta functionality that automatically controls output, in improving the efficiency of customer workflows has been widely accepted by customers, further enhancing our advantage over the competition.

In the industrial printing business unit, sales of the “AccurioJet KM-1” digital inkjet press, label printers, and digital decoration printing equipment made by MGI increased, primarily in North America.

In the marketing services business unit, there was a continued impact from constraints on marketing costs at our major customers’ companies, leading to lower revenue. In the second half of the period under review, however, revenue switched to a growth trajectory, and multiple large contracts were won from major global customers.

Profit for the third quarter turned positive, but the impact of lower profit in the second quarter has reverberated and profits were down year on year.

As a result of these factors, revenue of the Professional Print Business segment amounted to ¥155.0 billion, an increase of 4.6% year on year and operating profit was ¥5.0 billion, a decrease of 25.4% year on year.

iii. Healthcare Business

In the healthcare (modality) business unit, sales volumes of digital radiography (DR) cassette-type digital X-ray diagnostic imaging systems expanded, primarily in the US, due to strengthening our cooperation with X-ray device manufacturers, and the winning of a major project. Conversely, in analog products, the shift to digital resulted in a small decline in sales volume. Sales of diagnostic ultrasound systems remained solid in Japan, where we have established “genre-top” products in the field of orthopedics, and sales volumes also increased in China.

In the medical IT business unit, higher revenue in the US contributed to higher profit. Service contracts are also expanding steadily.

As a result of the above, revenue for the Healthcare Business segment came in at ¥66.8 billion (up 5.6% year on year) and operating profit was ¥3.8 billion (up 157.3% year on year).

iv. Industrial Business

In the field of materials and components, in line with the increasing size of LCD TVs, the performance materials business unit accelerated the shift to such high value-added products as new water-resistant VA-TAC films and Zero-TAC film for IPS panels, and we managed to keep revenue at roughly the same level as that of the previous year despite price pressure. In the optical component business unit, revenue declined due to the impact of lower sales in end markets, but strong sales of IJ (inkjet) component business unit led to growth in revenue.

In the field of optical systems for industrial use, revenue grew significantly as a result of our innovations in the display panel area of the measuring instruments business unit, which resulted in the creation of new customer demand.

As a result, revenue of the Industrial Business segment was ¥90.1 billion (up 21.7% year on year) and operating profit stood at ¥17.6 billion (up 5.0% year on year).

(Reference) Overview of 3Q consolidated accounting period

(Billions of yen)

	Three months ended December 31, 2016	Three months ended December 31, 2017	Increase (Decrease)	
Revenue	237.6	262.1	24.4	10.3%
Gross profit	112.0	125.6	13.6	12.2%
Operating profit	15.9	8.6	(7.2)	-45.8%
Profit before tax	16.6	8.0	(8.5)	-51.4%
Profit attributable to owners of the company	11.6	5.1	(6.5)	-56.3%
Basic earnings per share [yen]	23.54	10.32	(13.22)	-56.2%
Capital expenditures	10.0	8.6	(1.3)	-13.8%
Depreciation and amortization expenses	13.6	14.2	0.5	4.4%
Research and development expenses	17.3	19.4	2.1	12.1%
Free cash flow	4.2	(113.9)	(118.1)	—%
Foreign exchange rates [yen]				
US dollar	109.30	112.98	3.68	3.4%
euro	117.78	133.01	15.23	12.9%

Overview of main segments

(Billions of yen)

		Three months ended December 31, 2016	Three months ended December 31, 2017	Increase (Decrease)	
Office Business	Revenue	138.5	148.1	9.6	6.9%
	Operating profit	9.6	9.7	0.1	1.9%
Professional Print Business	Revenue	51.1	53.8	2.7	5.4%
	Operating profit	2.4	2.6	0.1	5.6%
Healthcare Business	Revenue	21.9	24.0	2.0	9.5%
	Operating profit	0.2	0.9	0.7	266.5%
Industrial Business	Revenue	24.0	30.1	6.0	25.2%
	Operating profit	10.3	5.5	(4.7)	-46.1%
Subtotal	Revenue	235.6	256.1	20.5	8.7%
	Operating profit	22.7	18.9	(3.7)	-16.5%
“Others” and “Adjustments” (Note 2)	Revenue	1.9	5.9	3.9	200.9%
	Operating profit	(6.8)	(10.3)	(3.5)	—
Amount reported in Condensed Consolidated Statement of Profit or Loss	Revenue	237.6	262.1	24.4	10.3%
	Operating profit	15.9	8.6	(7.2)	-45.8%

(Notes)

- “Revenue” refers to revenue from external customers.
- “Revenue” refers to revenue from external customers in “Others” in “2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS and RELATED NOTES, (6) Notes to the Condensed Consolidated Financial Statements [Segment Information]” and “operating profit” is the total of “Others” and “Adjustments” from the same statement.
- The classification for the reporting segments has been changed beginning in the first quarter of this consolidated fiscal year. Details are provided in “2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS and RELATED NOTES, (6) Notes to the Condensed Consolidated Financial Statements [Segment Information].”

(2) Explanation of Financial Position

a. Analysis of Financial Position

	March 31, 2017	December 31, 2017	Increase (Decrease)
Total assets [Billions of yen]	1,005.4	1,224.5	219.0
Total liabilities [Billions of yen]	471.2	687.2	215.9
Total equity [Billions of yen]	534.1	537.2	3.0
Equity attributable to owners of the company [Billions of yen]	524.3	526.6	2.3
Equity ratio attributable to owners of the company	52.1%	43.0%	-9.1%

Total assets at December 31, 2017 were ¥1,224.5 billion, an increase of ¥219.0 billion (21.8%) from the previous fiscal year-end. This was primarily attributed to an increase of ¥135.0 billion in goodwill and intangible assets, an increase of ¥48.2 billion in cash and cash equivalents, an increase of ¥15.2 billion in inventories, and an increase of ¥12.6 billion in trade and other receivables.

Total liabilities at December 31, 2017 amounted to ¥687.2 billion, an increase of ¥215.9 billion (45.8%) from the previous fiscal year-end. This was primarily attributed to an increase of ¥124.9 billion in bonds and borrowings, an increase of ¥63.1 billion in other financial liabilities, an increase of ¥13.0 billion in trade and other payables, and an increase of ¥8.5 billion in deferred tax liabilities.

Total equity at December 31, 2017 amounted to ¥537.2 billion, an increase of ¥3.0 billion (0.6%) from the previous fiscal year-end.

Equity attributable to owners of the company totaled ¥526.6 billion at December 31, 2017, an increase of ¥2.3 billion (0.4%) from the previous fiscal year-end. This was primarily attributed to an increase of ¥21.8 billion in other components of equity (mainly exchange differences on translation of foreign operations), ¥18.6 billion in profit for the period attributable to owners of the company, a decrease of ¥21.7 billion in share premium, and a decrease of ¥14.8 billion in retained earnings due to cash dividends.

As a result of the above, equity ratio attributable to owners of the company decreased 9.1 percentage points to 43.0%.

b. Analysis of Cash Flows

(Billions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Increase (Decrease)
Cash flows from operating activities	48.7	39.4	(9.2)
Cash flows from investing activities	(58.4)	(133.4)	(75.0)
Total (Free cash flow)	(9.6)	(94.0)	(84.3)
Cash flows from financing activities	6.4	141.5	135.1

During the nine months ended December 31, 2017, net cash provided by operating activities was ¥39.4 billion, while net cash used in investing activities, mainly associated with the purchase of investments in subsidiaries, totaled ¥133.4 billion. As a result, free cash flow (the sum of cash flows from operating and investing activities) was an outflow of ¥94.0 billion.

Net cash provided by financing activities was ¥141.5 billion.

In addition, cash and cash equivalents at the end of the nine months ended December 31, 2017 increased ¥48.2 billion compared with the previous fiscal year-end to ¥140.8 billion, reflecting the effect of exchange rate changes on cash and cash equivalents.

Cash flows from operating activities

Net cash provided by operating activities was ¥39.4 billion as a result of cash inflow due largely to profit before tax of ¥27.1 billion, depreciation and amortization expenses of ¥41.3 billion, and a decrease in trade and other receivables of ¥11.7 billion on the one hand, and cash outflow attributable largely to ¥10.6 billion in adjustment of gain and loss on sales and disposals of property, plant and equipment, and intangible assets, an increase in inventories of ¥6.9 billion, and income taxes paid of ¥10.4 billion.

Cash flows from investing activities

Net cash used in investing activities was ¥133.4 billion, as a result of cash outflow due mainly to purchases of property, plant and equipment of ¥18.6 billion, purchases of intangible assets of ¥7.3 billion, and purchases of investments in subsidiaries of ¥116.9 billion on the one hand, and cash inflow attributable mainly to proceeds from sales of property, plant and equipment, and intangible assets of ¥12.0 billion.

As a result, free cash flow (the sum of cash flows from operating and investing activities) was an outflow of ¥94.0 billion, compared to an outflow of ¥9.6 billion in the same period of the previous fiscal year.

Cash flows from financing activities

Net cash provided by financing activities was ¥141.5 billion, compared to net cash provided of ¥6.4 billion in the same period of the previous fiscal year, as a result of cash inflow attributable mainly to proceeds from bonds issuance and long-term loans payable of ¥145.7 billion, and proceeds from share issuance to non-controlling shareholders of ¥35.4 billion on the one hand, and cash outflow due to net decrease in short-term loans payable of ¥9.8 billion, redemption of bonds and repayments of long-term loans payable of ¥13.9 billion, and cash dividends paid of ¥14.6 billion.

(3) Explanation of forward-looking statements with regard to consolidated results forecasts

With regard to full-year forecasts, in view of the progress made up to the end of the third quarter, we have left the results forecasts announced on October 30, 2017 unchanged.

As for the exchange rates for the fourth quarter that form the basis of the results forecasts, these have been revised from the figures announced on October 30, 2017, and set to ¥105 to the US\$ and ¥130 to the euro, respectively.

*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 “1. QUALITATIVE INFORMATION on the RESULTS of the PERIOD UNDER REVIEW” section have been omitted.

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

(Millions of yen)

	March 31, 2017	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	92,628	140,867
Trade and other receivables	243,195	255,812
Inventories	136,020	151,237
Income tax receivables	1,878	3,330
Other financial assets	6,924	2,112
Other current assets	18,799	24,072
Total current assets	499,446	577,432
Non-current assets		
Property, plant and equipment	190,580	194,419
Goodwill and intangible assets	209,577	344,653
Investments accounted for using the equity method	3,489	4,108
Other financial assets	47,542	51,666
Deferred tax assets	48,129	44,951
Other non-current assets	6,668	7,274
Total non-current assets	505,988	647,073
Total assets	1,005,435	1,224,505

(Millions of yen)

	March 31, 2017	December 31, 2017
Liabilities		
Current liabilities		
Trade and other payables	156,090	169,163
Bonds and borrowings	41,294	46,660
Income tax payables	5,554	4,412
Provisions	5,659	6,427
Other financial liabilities	372	5,296
Other current liabilities	41,275	41,739
Total current liabilities	250,246	273,698
Non-current liabilities		
Bonds and borrowings	144,218	263,780
Retirement benefit liabilities	61,267	62,634
Provisions	1,136	2,591
Other financial liabilities	4,362	62,613
Deferred tax liabilities	5,222	13,753
Other non-current liabilities	4,833	8,198
Total non-current liabilities	221,040	413,573
Total liabilities	471,286	687,271
Equity		
Share capital	37,519	37,519
Share premium	202,631	180,845
Retained earnings	276,709	279,993
Treasury shares	(9,214)	(10,251)
Subscription rights to shares	998	967
Other components of equity	15,685	37,558
Equity attributable to owners of the company	524,331	526,633
Non-controlling interests	9,818	10,600
Total equity	534,149	537,234
Total liabilities and equity	1,005,435	1,224,505

(2) Condensed Consolidated Statement of Profit or Loss
Nine months ended December 31, 2016 and 2017

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Revenue	699,636	750,253
Cost of sales	360,551	392,703
Gross profit	339,084	357,549
Other income	10,514	13,607
Selling, general and administrative expenses	310,617	330,995
Other expenses	4,527	11,071
Operating profit	34,454	29,090
Finance income	2,045	2,747
Finance costs	2,228	4,579
Share of loss of investments accounted for using the equity method	167	111
Profit before tax	34,103	27,145
Income tax expense	9,037	8,653
Profit for the period	25,066	18,492
Profit attributable to		
Owners of the company	24,910	18,617
Non-controlling interests	156	(124)
Earnings per share		
Basic	50.27 yen	37.61 yen
Diluted	50.13 yen	37.50 yen

Three months ended December 31, 2016 and 2017

(Millions of yen)

	Three months ended December 31, 2016	Three months ended December 31, 2017
Revenue	237,670	262,150
Cost of sales	125,632	136,494
Gross profit	112,037	125,656
Other income	8,619	665
Selling, general and administrative expenses	103,352	115,901
Other expenses	1,388	1,795
Operating profit	15,915	8,624
Finance income	1,521	1,266
Finance costs	741	1,724
Share of loss of investments accounted for using the equity method	72	79
Profit before tax	16,624	8,087
Income tax expense	5,042	3,107
Profit for the period	11,581	4,979
Profit attributable to		
Owners of the company	11,666	5,101
Non-controlling interests	(85)	(121)
Earnings per share		
Basic	23.54 yen	10.32 yen
Diluted	23.47 yen	10.29 yen

(3) Condensed Consolidated Statement of Comprehensive Income
Nine months ended December 31, 2016 and 2017

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Profit for the period	25,066	18,492
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans (net of tax)	(133)	(729)
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	3,086	2,643
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	2,953	1,913
Items that may be subsequently reclassified to profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	(1,521)	(868)
Exchange differences on translation of foreign operations (net of tax)	(5,210)	21,221
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	(31)	5
Total items that may be subsequently reclassified to profit or loss	(6,763)	20,358
Total other comprehensive income	(3,810)	22,272
Total comprehensive income	21,256	40,765
Total comprehensive income attributable to		
Owners of the company	21,854	40,067
Non-controlling interests	(598)	698

Three months ended December 31, 2016 and 2017

(Millions of yen)

	Three months ended December 31, 2016	Three months ended December 31, 2017
Profit for the period	11,581	4,979
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans (net of tax)	(58)	(717)
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	2,951	2,135
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	2,893	1,417
Items that may be subsequently reclassified to profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	(1,541)	341
Exchange differences on translation of foreign operations (net of tax)	31,087	5,645
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	5	2
Total items that may be subsequently reclassified to profit or loss	29,552	5,989
Total other comprehensive income	32,445	7,406
Total comprehensive income	44,027	12,386
Total comprehensive income attributable to		
Owners of the company	43,987	12,241
Non-controlling interests	39	145

(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	—	—	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	—	—	—	—	0	—	0	—	0
Changes in non-controlling interests due to changes 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

(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	—	—	18,617	—	—	—	18,617	(124)	18,492
Other comprehensive income	—	—	—	—	—	21,449	21,449	822	22,272
Total comprehensive income	—	—	18,617	—	—	21,449	40,067	698	40,765
Dividends	—	—	(14,850)	—	—	—	(14,850)	—	(14,850)
Acquisition and disposal of treasury shares	—	—	(59)	(1,037)	—	—	(1,096)	—	(1,096)
Share-based payments	—	144	—	—	(31)	—	113	—	113
Changes in non-controlling interests due to changes in subsidiaries	—	—	—	—	—	—	—	35,442	35,442
Equity transactions, etc. with non-controlling shareholders	—	(135)	—	—	—	—	(135)	61	(73)
Put options written on non-controlling interests	—	(21,795)	—	—	—	—	(21,795)	(35,419)	(57,214)
Transfer from other components of equity to retained earnings	—	—	(423)	—	—	423	—	—	—
Total transactions with owners	—	(21,785)	(15,333)	(1,037)	(31)	423	(37,765)	84	(37,680)
Balance at December 31, 2017	37,519	180,845	279,993	(10,251)	967	37,558	526,633	10,600	537,234

(5) Condensed Consolidated Statement of Cash Flow

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Cash flows from operating activities		
Profit before tax	34,103	27,145
Depreciation and amortization expenses	39,059	41,325
Impairment losses and reversal of impairment losses	43	20
Share of (profit) loss of investments accounted for using the equity method	167	111
Interest and dividends income	(1,880)	(2,714)
Interest expenses	1,987	3,488
(Gain) loss on sales and disposals of property, plant and equipment, and intangible assets	459	(10,670)
(Increase) decrease in trade and other receivables	11,965	11,793
(Increase) decrease in inventories	(21,350)	(6,940)
Increase (decrease) in trade and other payables	6,612	180
Decrease in transfer of lease assets	(4,372)	(4,310)
Increase (decrease) in retirement benefit liabilities	1,878	(264)
Others	(13,826)	(8,505)
Subtotal	54,849	50,660
Dividends received	512	573
Interest received	1,058	1,786
Interest paid	(1,959)	(3,072)
Income taxes paid	(5,745)	(10,471)
Net cash flows from operating activities	48,716	39,475

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Cash flows from Investing activities		
Purchase of property, plant and equipment	(22,364)	(18,675)
Purchase of intangible assets	(6,623)	(7,384)
Proceeds from sales of property, plant and equipment, and intangible assets	857	12,064
Purchase of investments in subsidiaries	(25,144)	(116,943)
Purchase of interests in investments accounted for using the equity method	—	(735)
Purchase of investment securities	(177)	(643)
Proceeds from sales of investment securities	73	555
Payments for loans receivable	(26)	(31)
Collection of loans receivable	132	75
Payments for transfer of business	(3,845)	(645)
Others	(1,296)	(1,119)
Net cash flows from Investing activities	(58,415)	(133,483)
Cash flows from Financing activities		
Increase (decrease) in short-term loans payable	13,283	(9,828)
Proceeds from bonds issuance and long-term loans payable	34,046	145,710
Redemption of bonds and repayments of long-term loans payable	(26,527)	(13,921)
Purchase of treasury shares	(2)	(1,163)
Cash dividends paid	(14,687)	(14,628)
Proceeds from share issuance to non-controlling shareholders	—	35,419
Others	370	0
Net cash flows from Financing activities	6,483	141,588
Effect of exchange rate changes on cash and cash equivalents	(2,016)	661
Net increase (decrease) in cash and cash equivalents	(5,230)	48,239
Cash and cash equivalents at the beginning of the period	99,937	92,628
Cash and cash equivalents at the end of the period	94,706	140,867

(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, 2016	Nine months ended December 31, 2017
Gain on sales of property, plant and equipment, and intangible assets	153	11,199
Patent-related income	7,751	—
Others	2,608	2,408
Total	10,514	13,607

[Other Expenses]

Components of other expenses are as follows.

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Special extra retirement payment	155	5,335
Business structure improvement expenses	637	1,421
Loss on disposal of mass-produced trial products	1,708	1,329
Loss on sales and disposals of property, plant and equipment, and intangible assets	613	529
Others	1,412	2,455
Total	4,527	11,071

[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 third 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.

Nine months ended December 31, 2016

(Millions of yen)

	Reportable segments					Others	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total		
Revenue							
External	407,287	148,210	63,352	74,034	692,885	6,751	699,636
Intersegment (Note)	1,795	1,466	574	3,250	7,087	14,263	21,351
Total	409,083	149,677	63,926	77,285	699,972	21,015	720,987
Segment profit (loss)	31,277	6,798	1,505	16,764	56,345	(6,936)	49,408

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

Nine months ended December 31, 2017

(Millions of yen)

	Reportable segments					Others	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total		
Revenue							
External	427,709	155,045	66,872	90,100	739,727	10,526	750,253
Intersegment (Note)	1,373	260	683	3,670	5,988	14,806	20,795
Total	429,082	155,306	67,555	93,771	745,716	25,332	771,048
Segment profit (loss)	29,935	5,070	3,873	17,602	56,481	(9,538)	46,943

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

Three months ended December 31, 2016

(Millions of yen)

	Reportable segments					Others	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total		
Revenue							
External	138,530	51,131	21,958	24,069	235,690	1,979	237,670
Intersegment (Note)	573	791	206	1,088	2,659	4,727	7,387
Total	139,104	51,922	22,164	25,158	238,350	6,707	245,057
Segment profit (loss)	9,602	2,486	265	10,371	22,725	(2,178)	20,547

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

Three months ended December 31, 2017

(Millions of yen)

	Reportable segments					Others	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total		
Revenue							
External	148,154	53,873	24,039	30,126	256,194	5,956	262,150
Intersegment (Note)	493	95	207	1,266	2,062	4,815	6,878
Total	148,648	53,968	24,247	31,392	258,257	10,771	269,029
Segment profit (loss)	9,782	2,625	971	5,593	18,973	(4,098)	14,874

(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, 2016	Nine months ended December 31, 2017
Total revenue of reportable segments	699,972	745,716
Revenue categorized in “Others”	21,015	25,332
Total of reportable segments and “Others”	720,987	771,048
Adjustments (Note)	(21,351)	(20,795)
Revenue reported in condensed consolidated statement of profit or loss	699,636	750,253

(Note) Adjustments are intersegment eliminations.

(Millions of yen)

Revenue	Three months ended December 31, 2016	Three months ended December 31, 2017
Total revenue of reportable segments	238,350	258,257
Revenue categorized in “Others”	6,707	10,771
Total of reportable segments and “Others”	245,057	269,029
Adjustments (Note)	(7,387)	(6,878)
Revenue reported in condensed consolidated statement of profit or loss	237,670	262,150

(Note) Adjustments are intersegment eliminations.

(Millions of yen)

Profit	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Total operating profit of reportable segments	56,345	56,481
Operating profit (loss) categorized in “Others”	(6,936)	(9,538)
Total of reportable segments and “Others”	49,408	46,943
Adjustments (Note)	(14,954)	(17,852)
Operating profit reported in condensed consolidated statement of profit or loss	34,454	29,090

(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, 2016	Three months ended December 31, 2017
Total operating profit of reportable segments	22,725	18,973
Operating profit (loss) categorized in "Others"	(2,178)	(4,098)
Total of reportable segments and "Others"	20,547	14,874
Adjustments (Note)	(4,631)	(6,249)
Operating profit reported in condensed consolidated statement of profit or loss	15,915	8,624

(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, 2017

(Acquisition of Ambry Genetics Corporation)

(1) Description of the business combination

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%.

Ambry, which possesses cutting-edge genetic diagnostics technology, sophisticated product development capabilities, a variety of test items, advanced test processing competencies, and overwhelming strength in the genetic counselor channel, has become a leader in the US market for genetic testing, which has recorded remarkable growth, primarily in the rapidly expanding field of oncology. The company, which started the world's first-ever exome analysis testing for diagnostic purposes, provides genetic tests in a variety of clinical fields, such as hereditary and non-hereditary tumors, heart disease, respiratory disease, and neurological disorders. The company's extensive and cutting-edge laboratory in California has amassed a track record of more than 1 million genetic tests.

Through the acquisition of Ambry, the Company will not only acquire Ambry's state-of-the-art genetic diagnostics technology, advanced IT analysis technology that makes full use of bioinformatics, a large cutting-edge laboratory for specimen testing, and lucrative service business, but will also be able to enhance the core technologies crucial to the grouping of patients and new drug development by combining Konica Minolta's proprietary High-Sensitivity Tissue Testing (HSTT) technology with Ambry's genetic diagnostics technology, to achieve global growth in the field of precision medicine.

(2) 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 (Note 1)	
Cash	87,013
Contingent consideration	1,914
Total	88,928
Recognized value of assets acquired and liabilities assumed	
Cash and cash equivalents	2,162
Trade and other receivables	2,991
Inventories	474
Property, plant and equipment	4,052
Intangible assets	35,494
Other assets	2,624
Trade and other payables	(723)
Bonds and borrowings	(1,995)
Deferred tax liabilities	(13,312)
Other liabilities	(2,394)
Total	29,374
Goodwill (Note 2)	59,554

(Notes)

1. Proceeds from share issuance to non-controlling shareholders are included in the fair value of the consideration for the acquisition. With respect to non-controlling interests, because put options are attached hereto, these are transferred to financial liabilities. The difference between the fair value of said financial liabilities and the transfer amount of ¥35,419 million is recorded as share premium.
2. Goodwill largely represents excess earnings power of the acquired company and synergy effect expected from the acquisition, and no part of it is expected to be tax-deductible.
3. Because recognition of identifiable assets and liabilities and measurement of their fair values as of the acquisition date has not finished and allocation of the consideration for acquisition has not been completed, the above amounts are provisional.

(3) Contingent consideration

Contingent consideration in the business combination is based on the agreement to pay an additional consideration in proportion to the performance level that will be achieved over the two fiscal years following the date of the acquisition of Ambry. There is a possibility that payment of US\$200 million at a maximum may occur. The fair value of the contingent consideration is calculated using Monte Carlo simulation.

(4) Acquisition-related costs

Acquisition-related costs of ¥2,116 million incurred in the business combination were recognized in "selling, general and administrative expenses." Note that the ¥138 million that was incurred in the previous fiscal year was expensed in the previous fiscal year.

(5) Performance after the acquisition date

The effect of the business combination of said company on the condensed consolidated statement of profit or loss for the nine months ended December 31, 2017 was ¥2,756 million in revenue and ¥172 million in loss attributable to owners of the Company.

(6) Pro-forma information (unaudited information)

If it is assumed that the business combination of said company took place at the beginning of the period under review, on April 1, 2017, its effect on the condensed consolidated statement of profit or loss for the nine months ended December 31, 2017 would be ¥13,847 million in revenue and ¥151 million in loss attributable to owners of the Company.

(Acquisition of equity interest in Invicro, LLC)

(1) Description of the business combination

As of November 10, 2017, the Group used cash to acquire 95% of equity interest in Invicro, LLC (hereafter, "Invicro"), a US-based firm in drug discovery and development services.

Invicro is an imaging Contract Research Organization (CRO) that provides support in drug development with its strength in highly advanced numerical analysis technology and technology for the detection of biomarker, an indicator of body condition.

Together with the acquisition of Ambry mentioned above, the acquisition of Invicro constitutes a cornerstone in Konica Minolta's entry into the precision medicine business. By combining our proprietary High-Sensitivity Tissue Testing (HSTT) technology with Ambry's world-leading genetic diagnostics solutions and Invicro's data analytics, biomarker discovery technology, and image processing technologies, as well as their ability to generate proposals for pharmaceutical companies, we will contribute to a dramatic improvement in productivity for new drug development, and subsequent improvements in Quality of Life (QOL) for patients, while helping to suppress soaring national medical expenses. We will nurture this with the aim of developing a new, highly profitable business.

(2) 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	
Cash	31,143
Recognized value of assets acquired and liabilities assumed	
Cash and cash equivalents	261
Trade and other receivables	2,030
Inventories	34
Property, plant and equipment	894
Intangible assets	1,116
Other assets	148
Trade and other payables	(314)
Bonds and borrowings	(1,574)
Other liabilities	(2,239)
Total	357
Non-controlling interests (Note 2)	17
Goodwill (Note 3)	30,803

(Notes)

1. There was no contingent consideration.
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.
3. Goodwill largely represents excess earnings power and synergy effect expected from the

acquisition. The estimate amount that is tax-deductible is not yet determined.

4. Because recognition of identifiable assets and liabilities and measurement of their fair values as of the acquisition date has not finished and allocation of the consideration for acquisition has not been completed, the above amounts are provisional.

(3) Acquisition-related costs

Acquisition-related costs of ¥328 million incurred in the business combination were recognized in “selling, general and administrative expenses.”