

## 1. OVERVIEW OF FINANCIAL RESULTS

### (1) Overview of Consolidated Operating Results

#### a. Overview

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Increase (Decrease)	
	Billions of yen	Billions of yen	Billions of yen	%
Revenue	1,031.2	1,059.1	27.8	2.7
Gross profit	489.8	508.8	19.0	3.9
Operating profit	53.8	62.4	8.5	16.0
Profit before tax	49.1	60.1	11.0	22.4
Profit attributable to owners of the Company	32.2	41.7	9.4	29.3
	Yen	Yen	Yen	%
Basic earnings per share	65.17	84.33	19.16	29.4
	%	%		
ROE	6.1	7.7	1.6	—
	Billions of yen	Billions of yen	Billions of yen	%
Capital expenditures	38.7	52.5	13.7	35.6
Depreciation and amortization expenses	56.2	59.0	2.7	4.9
Research and development expenses	77.0	78.3	1.3	1.8
	Billions of yen	Billions of yen	Billions of yen	%
Free cash flow	(68.3)	15.6	84.0	—
	Number	Number	Number	%
Number of employees in the Group	43,299	44,360	1,061	2.5
	Yen	Yen	Yen	%
Foreign exchange rates				
U.S. dollar	110.85	110.91	0.06	0.1
Euro	129.70	128.41	(1.29)	-1.0

(Note) ROE = Profit attributable to owners of the Company divided by equity attributable to owners of the Company (average of beginning and ending balances)

Looking back at the economic situation during the fiscal year ended March 31, 2019 (hereafter, “the current fiscal year”), economic growth in Europe slowed down because of lower manufacturing exports to China and other countries and continuing uncertainty over Brexit. In the United States, despite a decline in exports to China during the latter half of the current fiscal year, strong consumer spending continued to drive domestic demand growth, and capital expenditures demonstrated steady growth. Meanwhile, in China, economic growth has slowed due to a lower level of capital expenditures in the manufacturing industry affected by the China–United States trade friction. The uncertainty in the global economy slowed down export growth and led to sluggish capital expenditures in Japan; however, Japan was able to sustain moderate growth overall.

Under such economic environment, the Group’s revenue on a consolidated basis for the current fiscal year was 1,059.1 billion yen, an increase of 2.7% year-on-year. By business segment, revenue in the Office Business grew due to a higher sales volume of color MFPs, primarily sales of high-speed color models, along with a contribution by expansion in revenue from IT services solutions. The Professional Print Business posted growth in revenue, reflecting a higher sales volume of digital printing systems, mainly color and monochrome equipment of high-speed models, and expansion of sales in the industrial printing business unit, which is positioned as a growth business of the Group. In the Healthcare Business, the discontinuation of sales of certain purchased products led to a year-on-year decrease in revenue. Revenue in the Industrial Business remained at the same level as in the previous fiscal year with higher sales in the performance materials business unit and the inkjet component business unit offsetting a decline in revenue due to slowing demand for products in the

measuring instruments unit.

Operating profit was 62.4 billion yen, an increase of 16.0% year-on-year. Various initiatives taken to boost the profitability of the Group's core business under the Medium-Term Business Plan contributed to generate the intended performance, and as a result, there was an increase in operating profit in the Office Business and the Professional Print Business, which led to a year-on-year increase in profit overall.

Profit before tax came in at 60.1 billion yen, an increase of 22.4% year-on-year, while profit attributable to owners of the Company amounted to 41.7 billion yen, an increase of 29.3% year-on-year.

With an aim of becoming a high-profit company, the Company is actively engaged in developing businesses in the following three areas under its Medium Term Business Plan, "SHINKA 2019."

1. High value-added services appropriate to an Internet of Things (IoT) era in which things are connected to other things
2. Full-scale promotion of digitization in commercial and industrial printing
3. Full-scale entry into the area of precision medicine

During the current fiscal year, which marks the half-way point of the Medium Term Business Plan, the Company identified the following two focal points to actively play its part in solving its customers' business issues and social issues.

1. Fundamental strengthening of profitability in core businesses
2. Steady business growth in new fields

Regarding the "Fundamental strengthening of profitability in core businesses," the Company's unique approach of value-added sales led to an increase in sales of high-speed models in the Office Business and Professional Business. In addition, by focusing on usability and appealing levels of quality, development and preparation for production of new products that are expected to be released in the fiscal year ending March 31, 2020, made a steady progress. In the Industrial Business, development and preparation for commercial production of new resin films progressed as planned in the performance materials business unit, and it is now ready for their full-scale sales.

Regarding the "Steady business growth in new fields," sales of the Workplace Hub, an edge IoT platform provided by the Company, commenced in Europe and North America. Subsequent to the confirmation of assumed customer values (customer needs) and the acceptability of the price setting, the sales area has now expanded to nine countries. In the precision medicine business field, the Company established a company dedicated to this business field in Japan and commenced business activities, and also established a global headquarter in the United States to execute strategies that will generate synergies through centralized management of the combined businesses, including the two companies acquired in the United States.

As a result of initiatives such as those described above, the foundation of the business activities for the fiscal year ending March 31, 2020, which is the final year of the "SHINKA 2019," and further development of the Group's business in coming years has been firmly established.

## b. Overview by Segment

		Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Increase (Decrease)	
		Billions of yen	Billions of yen	Billions of yen	%
Office Business	Revenue	583.8	587.8	3.9	0.7
	Operating profit	44.9	47.1	2.2	5.1
Professional Print Business	Revenue	214.2	227.7	13.4	6.3
	Operating profit	9.2	13.8	4.5	49.2
Healthcare Business	Revenue	96.5	90.9	(5.5)	-5.8
	Operating profit	5.5	2.3	(3.1)	-57.0
Industrial Business	Revenue	118.2	116.7	(1.5)	-1.3
	Operating profit	23.4	20.9	(2.5)	-10.7
Subtotal	Revenue	1,012.9	1,023.2	10.3	1.0
	Operating profit	83.2	84.3	1.1	1.4
Others and adjustments (Note 2)	Revenue	18.3	35.8	17.4	95.4
	Operating profit	(29.3)	(21.9)	7.4	—
Amount reported in the Consolidated Statement of Profit or Loss	Revenue	1,031.2	1,059.1	27.8	2.7
	Operating profit	53.8	62.4	8.5	16.0

(Notes)

1. "Revenue" refers to revenue from external customers.
2. "Revenue" refers to revenue from external customers in "Others" in "4. CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES (6) Notes to the Consolidated Financial Statements [Segment Information]." "Operating profit" is the total of "Others" and "Adjustments" within the same table.

### i. Office Business

In the office products business unit, the sales volume of monochrome A3 MFPs declined, but the sales of color models grew considerably, resulting in an overall increase in the sales volume year-on-year. Among color models, in developed countries, such as Europe, the United States, and Japan, sales of the high-speed products launched in the previous fiscal year expanded. In growth countries, such as China, the ASEAN region, and India, there was a considerable increase in the sales of a wide range of models, from low speed to high speed, producing the results as targeted in strategic initiatives undertaken for the current fiscal year, under the Group's regional strategy.

In the IT services solution business unit, in addition to the effects of newly consolidated subsidiaries arising from acquisitions in the United States and Europe, strengthening sales and service delivery capabilities of the managed IT services, as part of efforts to develop a sales structure for the Workplace Hub, an edge IoT platform, achieved the optimum results, driving year-on-year increase in revenue.

As a result, the Office Business segment recorded revenue of 587.8 billion yen, an increase of 0.7 % year-on-year, and operating profit of 47.1 billion yen, an increase of 5.1% year-on-year.

## ii. Professional Print Business

In the production print business unit, the sales volume of both monochrome and color equipment increased considerably year-on-year. Sales of color models were driven by Europe, while there was a considerable increase in sales in growth countries, including China, India, and the ASEAN region. Sales of monochrome models increased in the United States and growth countries.

In the industrial printing business unit, the sales volume of the “AccurioJet KM-1” digital inkjet press significantly increased, while sales of label printers and digital decoration printing equipment made by MGI achieved the highest market share in the targeted markets. As the sales area expanded beyond Europe and the United States over growth countries, such as China, the ASEAN region, and India, the sales structure was strengthened by allocating resources with the right level of expertise.

In the marketing services business unit, in addition to an increase in revenue from recovering demand from major corporate customers, accelerated transition to a business that provides high value-added services had the profitability improved.

As a result, the Professional Print Business segment recorded revenue of 227.7 billion yen, an increase of 6.3% year-on-year, and operating profit of 13.8 billion yen, an increase of 49.2% year-on-year.

## iii. Healthcare Business

In the healthcare (modality) business unit, despite the increase in the sales volume of the digital radiography in Japan, sales to hospitals in the United States slightly decreased, leading to a lower volume of sales than that in the previous fiscal year. Dynamic Digital Radiography designed to enhance conventional diagnostic methods using X-ray, released in November 2018, received favorable responses from medical institutions which implemented the system. Diagnostic ultrasound systems continued to hold the top-seller position in the field of orthopedics, and sales from the obstetrics and gynecology business acquired in the previous fiscal year also contributed to an increase in sales of such system. As a result, the sales volume grew steadily mainly in Japan and the United States.

In the medical IT business unit, the sales volume of the Picture Archiving and Communication system (PACS) decreased, but revenue from service solutions grew mainly due to “Informity,” a medical IT service platform.

For the business segment as a whole, the discontinuation of sales of low-margin purchased products led to a year-on-year decrease in revenue. In addition, since the temporary income that was generated from the liquidation of assets through sale and leaseback arrangements recorded in the previous fiscal year is not present in the current fiscal year and the sales of DR decreased in the United States, it resulted in lower operating profit compared with the previous fiscal year.

As a result, the Healthcare Business segment recorded revenue of 90.9 billion yen (a decrease of 5.8% year-on-year), and operating profit of 2.3 billion yen, a decrease of 57.0% year-on-year.

## iv. Industrial Business

In the field of materials and components, the performance materials business unit grew at a steady pace primarily in the growing market, backed by sales of high value-added products, such as phase difference film. As a result, revenue rose significantly year on year. Development of new resin products that will be a key to the Group’s future strategy, has progressed significantly, and their market recognition has also enhanced. In the optical component business unit, steady sales of optical materials for projectors and of interchangeable lenses for camera continued to be seen; however, the sales volume of other optical parts fell, resulted in a decrease in revenue compared with the previous year. In the inkjet component business unit, revenue increased year on year due to an increase in orders received from the existing customers in Asia throughout the current fiscal year.

In the field of optical systems for industrial use, while a trend of business-opportunity expansion is still continuing through capturing the surge of demand from customers in the measuring instruments business unit, revenue fell year on year due to the effects of the

concentrated display-related investments by customers that drove revenue in the previous fiscal year.

As a result, the Industrial Business segment recorded revenue of 116.7 billion yen, a decrease of 1.3% year-on-year, and operating profit of 20.9 billion yen, a decrease of 10.7% year-on-year, reflecting a decline in revenue in the field of optical systems for industrial use.

(Reference) Overview of the quarterly consolidated accounting period

	Three months ended March 31, 2018	Three months ended March 31, 2019	Increase (Decrease)	
	Billions of yen	Billions of yen	Billions of yen	%
Revenue	281.0	281.5	0.5	0.2
Gross profit	132.2	131.2	(1.0)	-0.8
Operating profit	24.7	11.9	(12.8)	-51.8
Profit before tax	21.9	12.1	(9.7)	-44.6
Profit attributable to owners of the Company	13.6	7.9	(5.6)	-41.6
	Yen	Yen	Yen	%
Basic earnings per share	27.57	16.10	(11.47)	-41.6
	Billions of yen	Billions of yen	Billions of yen	%
Capital expenditures	13.9	19.0	5.0	36.4
Depreciation and amortization expenses	14.9	14.9	0.0	0.4
Research and development expenses	20.0	19.0	(1.0)	-5.2
	Billions of yen	Billions of yen	Billions of yen	%
Free cash flow	25.6	(1.1)	(26.8)	-
	Yen	Yen	Yen	%
Foreign exchange rates				
U.S. dollar	108.30	110.20	1.9	1.8
Euro	133.22	125.15	(8.07)	-6.1

Overview of major segments

		Three months ended March 31, 2018	Three months ended March 31, 2019	Increase (Decrease)	
		Billions of yen	Billions of yen	Billions of yen	%
Office Business	Revenue	156.1	151.3	(4.7)	-3.1
	Operating profit	14.9	12.8	(2.1)	-14.2
Professional Print Business	Revenue	59.2	62.6	3.4	5.8
	Operating profit	4.2	5.1	0.8	21.3
Healthcare Business	Revenue	29.6	29.8	0.1	0.7
	Operating profit	1.6	1.2	(0.4)	-28.0
Industrial Business	Revenue	28.1	28.2	0.1	0.5
	Operating profit	5.8	3.8	(1.9)	-33.4
Subtotal	Revenue	273.1	272.1	(1.0)	-0.4
	Operating profit	26.7	23.0	(3.6)	-13.7
Others and adjustments	Revenue	7.8	9.3	1.5	19.7
	Operating profit	(1.9)	(11.1)	(9.1)	-
Amount reported in the Consolidated Statement of Profit or Loss	Revenue	281.0	281.5	0.5	0.2
	Operating profit	24.7	11.9	(12.8)	-51.8

### c. Outlook for the Fiscal Year Ending March 31, 2020

With regard to the global economic situation in which the Group operates, while uncertainty over economic recovery remains in Europe, economic growth is expected in the United States, supported by favorable employment conditions, and a movement to deter economic slowdown has been seen in China through review of its fiscal policies. The global economic situation has an impact on Japan; however, Japan's economy is expected to remain on a moderate growth path.

The demand outlook for the main markets in which the Group operates, in the Office Business, it is expected that demand for high-speed color models to enhance operational productivity will rise in both growth countries, such as China, and developed countries and that needs for IT services from small- to medium-sized companies will rise as their awareness of cyber-security risks heightens. In the Professional Print Business, digitization in commercial and industrial printing is expected to make further advancement. In the Healthcare Business, digitization efforts for medical diagnostic equipment will be continued. In the Industrial Business, in line with innovations and diversified manufacturers in display and automobile industries, demand for the Company's products and solutions with a competitive edge is expected to remain solid.

Taking into account these conditions, the exchange rate assumptions that form the basis of results forecasts for the fiscal year ending March 31, 2020, have been set to [¥110 to the U.S. dollar and ¥125 to the euro, respectively], with forecasts as follows:

	Fiscal year ended March 31, 2019	Forecast for the fiscal year ending March 31, 2020
	Billions of yen	Billions of yen
Revenue	1,059.1	1,120.0
Operating profit	62.4	66.0
Profit attributable to owners of the Company	41.7	45.5
	%	%
ROE (Note)	7.7	8.0

(Note) Profit attributable to owners of the Company divided by equity attributable to owners of the Company (average of beginning and ending balances)

\*The above operating performance forecasts are based on future-related suppositions, outlooks, and plans at the time this report was released, and 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.

**(2) Overview of Consolidated Financial Position**  
**a. Analysis of Financial Position**

	As of March 31, 2018	As of March 31, 2019	Increase (Decrease)
	Billions of yen	Billions of yen	Billions of yen
Total assets	1,203.9	1,218.9	15.0
Total liabilities	668.3	653.0	(15.3)
Total equity	535.5	565.9	30.3
Equity attributable to owners of the Company	524.5	555.6	31.1
	Yen	Yen	Yen
Equity per share attributable to owners of the Company	1,060.72	1,123.39	62.67
	%	%	%
Equity ratio attributable to owners of the Company	43.6	45.6	2.0

Total assets as of March 31, 2019, were 1,218.9 billion yen, an increase of 15.0 billion yen (1.3%) from the previous fiscal year-end. This is primarily attributed to an increase of 14.1 billion yen in property, plant and equipment; an increase of 13.4 billion yen in goodwill and intangible assets; an increase of 12.1 billion yen in trade and other receivables; and a decrease of 25.0 billion yen in cash and cash equivalents.

Total liabilities as of March 31, 2019, were 653.0 billion yen, a decrease of 15.3 billion yen (2.3%) from the previous fiscal year-end. This is primarily attributed to a decrease of 19.9 billion yen in bonds and borrowings, a decrease of 13.1 billion yen in retirement benefit liabilities, and an increase of 15.0 billion yen in provisions.

Total equity as of March 31, 2019, amounted to 565.9 billion yen, an increase of 30.3 billion yen (5.7%) from the previous fiscal year-end.

Equity attributable to owners of the Company totaled 555.6 billion yen, an increase of 31.1 billion yen (5.9%) from the previous fiscal year-end. This is primarily attributed to 41.7 billion yen in profit for the year attributable to owners of the Company, and a decrease of 14.8 billion yen in retained earnings due to cash dividends.

As a result of the above, equity per share attributable to owners of the Company came to 1,123.39 yen, and the equity ratio attributable to owners of the Company increased 2.0 percentage points to 45.6%.



## b. Analysis of Cash Flows

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Increase (Decrease)
	Billions of yen	Billions of yen	Billions of yen
Cash flows from operating activities	65.3	57.1	(8.2)
Cash flows from investing activities	(133.7)	(41.4)	92.2
Total (Free cash flows)	(68.3)	15.6	84.0
Cash flows from financing activities	126.6	(40.2)	(166.8)

During the fiscal year ended March 31, 2019, net cash provided by operating activities was 57.1 billion yen, while net cash used in investing activities totaled 41.4 billion yen. As a result, free cash flow (the sum of cash flows from operating and investing activities) was an inflow of 15.6 billion yen.

Net cash used in financing activities was 40.2 billion yen.

In addition, cash and cash equivalents as of March 31, 2019, decreased by 25.0 billion yen from the previous fiscal year-end to 124.8 billion yen, reflecting the effect of exchange rate changes on cash and cash equivalents.

### Cash flows from operating activities

Net cash provided by operating activities was 57.1 billion yen. This is attributable to net effects of cash inflows due mainly to profit before tax of 60.1 billion yen, depreciation and amortization expenses of 59.0 billion yen, and an increase in trade and other payables of 3.4 billion yen, and cash outflows attributable due mainly to an adjustment for gain/loss from sales and disposals of property, plant and equipment and intangible assets of 17.3 billion yen, an increase in trade and other receivables of 14.1 billion yen, an increase in inventories of 5.9 billion yen, a decrease in retirement benefit liabilities of 10.3 billion yen, and payment of income taxes of 10.3 billion yen.

### Cash flows from investing activities

Net cash used in investing activities was 41.4 billion yen, due mainly to purchases of property, plant and equipment of 35.0 billion yen, purchases of intangible assets of 16.2 billion yen, purchases of investments in subsidiaries of 9.9 billion yen, and 21.5 billion yen in proceeds from sales of property, plant and equipment and intangible assets.

As a result, free cash flow (the sum of cash flows from operating and investing activities) was an inflow of 15.6 billion yen, compared to an outflow of 68.3 billion yen in the previous fiscal year.

### Cash flows from financing activities

Net cash used in financing activities was 40.2 billion yen, compared to net cash provided in 126.6 billion yen in the previous fiscal year, reflecting redemptions of bonds and repayments of long-term loans payables of 27.0 billion yen, and cash dividends paid of 14.8 billion yen.

\*Amounts less than one hundred million yen in the "1. OVERVIEW OF FINANCIAL RESULTS" section have been omitted.