

#### 4. CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES

##### (1) Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
<b>Assets</b>		
Current assets		
Cash and cash equivalents	149,913	124,830
Trade and other receivables	263,453	275,563
Inventories	139,536	144,703
Income tax receivables	4,327	3,305
Other financial assets	1,427	3,406
Other current assets	23,018	27,128
<b>Total current assets</b>	<b>581,676</b>	<b>578,937</b>
Non-current assets		
Property, plant and equipment	192,941	207,138
Goodwill and intangible assets	332,699	346,133
Investments accounted for using the equity method	3,601	913
Other financial assets	47,507	46,711
Deferred tax assets	37,540	32,505
Other non-current assets	7,942	6,647
<b>Total non-current assets</b>	<b>622,230</b>	<b>640,048</b>
<b>Total assets</b>	<b>1,203,907</b>	<b>1,218,986</b>

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	173,996	175,268
Bonds and borrowings	33,136	24,648
Income tax payables	5,038	7,875
Provisions	8,472	12,260
Other financial liabilities	1,874	463
Other current liabilities	48,888	50,857
<b>Total current liabilities</b>	<b>271,407</b>	<b>271,374</b>
<b>Non-current liabilities</b>		
Bonds and borrowings	260,530	249,088
Retirement benefit liabilities	51,599	38,457
Provisions	4,288	15,540
Other financial liabilities	59,781	58,284
Deferred tax liabilities	12,558	12,497
Other non-current liabilities	8,152	7,760
<b>Total non-current liabilities</b>	<b>396,911</b>	<b>381,628</b>
<b>Total liabilities</b>	<b>668,318</b>	<b>653,002</b>
<b>Equity</b>		
Share capital	37,519	37,519
Share premium	184,841	188,333
Retained earnings	298,366	324,628
Treasury shares	(10,189)	(9,979)
Share acquisition rights	934	836
Other components of equity	13,041	14,350
<b>Equity attributable to owners of the Company</b>	<b>524,513</b>	<b>555,689</b>
Non-controlling interests	11,075	10,294
<b>Total equity</b>	<b>535,588</b>	<b>565,983</b>
<b>Total liabilities and equity</b>	<b>1,203,907</b>	<b>1,218,986</b>

**(2) Consolidated Statement of Profit or Loss**

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Revenue	1,031,256	1,059,120
Cost of sales	541,453	550,231
Gross profit	489,803	508,888
Other income	24,856	25,402
Selling, general and administrative expenses	443,996	458,194
Other expenses	16,819	13,652
Operating profit	53,844	62,444
Finance income	3,778	6,091
Finance costs	7,851	7,772
Share of profit (loss) of investments accounted for using the equity method	(647)	(624)
Profit before tax	49,124	60,138
Income tax expense	16,916	18,409
Profit for the year	32,207	41,729
Profit attributable to:		
Owners of the Company	32,248	41,705
Non-controlling interests	(41)	24
Earnings per share	Yen	Yen
Basic	65.17	84.33
Diluted	64.96	84.03

### (3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit for the year	32,207	41,729
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans (net of tax)	2,985	(1,770)
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	1,044	(1,701)
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	4,030	(3,471)
Items that may be subsequently reclassified to profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	232	977
Exchange differences on translation of foreign operations (net of tax)	(1,854)	2,438
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	26	(18)
Total items that may be subsequently reclassified to profit or loss	(1,595)	3,396
Total other comprehensive income	2,435	(75)
Total comprehensive income	34,642	41,654
Total comprehensive income attributable to:		
Owners of the Company	33,952	42,311
Non-controlling interests	690	(656)

#### (4) Consolidated Statement of Changes in Equity

(Millions of yen)

	Share capital	Share premium	Retained earnings	Treasury shares	Share acquisition rights	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 year	—	—	32,248	—	—	—	32,248	(41)	32,207
Other comprehensive income	—	—	—	—	—	1,703	1,703	731	2,435
Total comprehensive income	—	—	32,248	—	—	1,703	33,952	690	34,642
Dividends	—	—	(14,850)	—	—	—	(14,850)	—	(14,850)
Acquisition and disposal of treasury shares	—	—	(89)	(975)	—	—	(1,065)	—	(1,065)
Share-based payments	—	144	—	—	(63)	—	80	—	80
Changes in non-controlling interests due to changes in subsidiaries	—	—	—	—	—	—	—	35,924	35,924
Equity and other transactions with non-controlling shareholders	—	(135)	—	—	—	—	(135)	61	(73)
Put options written on non-controlling interests	—	(17,799)	—	—	—	—	(17,799)	(35,419)	(53,218)
Transfer from other components of equity to retained earnings	—	—	4,348	—	—	(4,348)	—	—	—
Total transactions with owners	—	(17,790)	(10,592)	(975)	(63)	(4,348)	(33,770)	566	(33,203)
Balance at March 31, 2018	37,519	184,841	298,366	(10,189)	934	13,041	524,513	11,075	535,588

(Millions of yen)

	Share capital	Share premium	Retained earnings	Treasury shares	Share acquisition rights	Other components of equity	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at March 31, 2018	37,519	184,841	298,366	(10,189)	934	13,041	524,513	11,075	535,588
Effect of changes in accounting policies	—	—	188	—	—	—	188	—	188
Restated balance at March 31, 2018	37,519	184,841	298,554	(10,189)	934	13,041	524,701	11,075	535,776
Profit for the year	—	—	41,705	—	—	—	41,705	24	41,729
Other comprehensive income	—	—	—	—	—	605	605	(681)	(75)
Total comprehensive income	—	—	41,705	—	—	605	42,311	(656)	41,654
Dividends	—	—	(14,836)	—	—	—	(14,836)	(46)	(14,882)
Acquisition and disposal of treasury shares	—	—	(91)	210	—	—	118	—	118
Share-based payments	—	342	—	—	(98)	—	243	—	243
Changes in non-controlling interests due to changes in subsidiaries	—	—	—	—	—	—	—	20	20
Equity and other transactions with non-controlling shareholders	—	(33)	—	—	—	—	(33)	(97)	(130)
Put options written on non-controlling interests	—	3,183	—	—	—	—	3,183	—	3,183
Transfer from other components of equity to retained earnings	—	—	(703)	—	—	703	—	—	—
Total transactions with owners	—	3,492	(15,631)	210	(98)	703	(11,323)	(123)	(11,447)
Balance at March 31, 2019	37,519	188,333	324,628	(9,979)	836	14,350	555,689	10,294	565,983

**(5) Consolidated Statement of Cash Flows**

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before tax	49,124	60,138
Depreciation and amortization expenses	56,257	59,039
Impairment losses and reversal of impairment losses	592	942
Share of (profit) loss of investments accounted for using the equity method	647	624
Interest and dividends income	(3,201)	(4,544)
Interest expenses	5,043	6,642
(Gain) loss on sales and disposals of property, plant and equipment, and intangible assets	(19,889)	(17,395)
(Increase) decrease in trade and other receivables	(7,665)	(14,113)
(Increase) decrease in inventories	(169)	(5,954)
Increase (decrease) in trade and other payables	11,546	3,472
Decrease due to transfer of lease assets	(6,856)	(7,333)
Increase (decrease) in retirement benefit liabilities	(4,786)	(10,335)
Others	139	(1,482)
Subtotal	80,783	69,698
Dividends received	605	640
Interest received	2,041	3,787
Interest paid	(4,010)	(6,586)
Income taxes (paid) refund	(14,052)	(10,373)
Net cash provided by (used in) operating activities	65,367	57,166

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from investing activities		
Purchase of property, plant and equipment	(26,941)	(35,064)
Purchase of intangible assets	(11,014)	(16,281)
Proceeds from sales of property, plant and equipment, and intangible assets	23,486	21,576
Purchase of investments in subsidiaries	(116,942)	(9,957)
Purchase of investments accounted for using the equity method	(741)	(250)
Proceeds from sales of investments accounted for using the equity method	—	2,341
Purchase of investment securities	(1,610)	(143)
Proceeds from sales of investment securities	2,357	2,227
Payments for loans receivable	(46)	(112)
Collection of loans receivable	122	65
Payments for transfer of business	(1,060)	(3,062)
Others	(1,345)	(2,817)
Net cash provided by (used in) investing activities	(133,737)	(41,480)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(15,187)	1,301
Proceeds from bonds issuance and long-term loans payable	145,712	375
Redemption of bonds and repayments of long-term loans payable	(23,325)	(27,039)
Purchase of treasury shares	(1,164)	(5)
Cash dividends paid	(14,848)	(14,831)
Payment of dividends to non-controlling shareholders	—	(46)
Proceeds from share issuance to non-controlling shareholders	35,419	—
Others	32	0
Net cash provided by (used in) financing activities	126,638	(40,246)
Effect of exchange rate changes on cash and cash equivalents	(980)	(522)
Net increase (decrease) in cash and cash equivalents	57,285	(25,083)
Cash and cash equivalents at the beginning of the year	92,628	149,913
Cash and cash equivalents at the end of the year	149,913	124,830

## (6) Notes to the Consolidated Financial Statements

### [Notes Regarding Going Concern Assumptions]

Not applicable.

### [Changes in Accounting Policies]

The Group has changed the following accounting policies effective from the fiscal year ended March 31, 2019. Other than these policies, there is no change in the significant accounting policies applied to the Group's consolidated financial statements from those applied to the consolidated financial statements of the fiscal year ended March 31, 2018.

#### (Adoption of IFRS 15 Revenue from Contracts with Customers)

The Group adopted IFRS 15 *Revenue from Contracts with Customers* (issued in May 2014) and *Clarification to IFRS 15* (issued in April 2016) (collectively, "IFRS 15") effective from the fiscal year ended March 31, 2019.

The Group has applied IFRS 15 retrospectively in accordance with the transitional provisions with the cumulative effect of the initial application of IFRS 15 being recognized as an adjustment to the opening balance of retained earnings for the fiscal year ended March 31, 2019, and not restated the comparative information included in the consolidated financial statements.

Under IFRS 15, revenue is recognized based on the following five steps.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation in the contract

Step 5: Recognize revenue when (or as) a performance obligation is satisfied

Revenue from sales of goods is recognized when control of the goods is transferred to a customer, and revenue is measured at an amount of the consideration promised in a contract with a customer less returns, discounts, rebates, and other similar items.

Revenue from providing services is recognized upon completion of providing services when the performance obligation is satisfied at a point in time, and it is recognized over the term of a contract depending on the progress at the end of each reporting period when the performance obligation is satisfied over time.

The incremental costs of obtaining a contract with a customer, and the costs incurred to fulfill a contract with a customer, are capitalized if they are expected to be recovered. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that would not have been incurred if the contract had not been obtained.

Associated with the adoption of IFRS 15, some of the incremental costs for obtaining a contract that were previously recognized as expenses when incurred are recognized as assets effective from the fiscal year ended March 31, 2019. As a result, other current assets and retained earnings increased by 190 million yen and 188 million yen, respectively, in the consolidated statement of financial position at the beginning of the fiscal year ended March 31, 2019, compared with those accounted for under the previous accounting standard. The impact of this change on the consolidated statement of profit or loss is immaterial.

Other than the above, there are no significant changes in accounting policies due to the adoption of IFRS 15.

#### (Adoption of IFRS 9 (2014) *Financial Instruments*)

The Group adopted IFRS 9 *Financial Instruments* (revised in July 2014) ("IFRS 9") effective from the fiscal year ended March 31, 2019.

As a result of the adoption of IFRS 9, the incurred loss model in IAS 39 is replaced with the expected credit loss model. This new impairment model is applied to financial assets measured at amortized cost, lease receivables, contract assets, and debt instruments measured at fair value through other comprehensive income, but not to equity instruments and financial assets

measured at fair value through profit or loss.

The Group previously classified all of its debt instruments as financial assets measured at amortized cost. As a result of the adoption of IFRS 9, debt instruments that meet both of the following conditions are classified as financial assets measured at fair value through other comprehensive income: debt instruments held within a business model whose objective is achieved by both collecting contractual cash flows and selling debt instruments; and the contractual terms of the debt instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Note that the adoption of IFRS 9 has no material effects on the Group's consolidated financial statements in the fiscal year ended March 31, 2019.

#### [Other Income]

Components of other income are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Gain on sales of property, plant and equipment, and intangible assets	20,858	20,490
Others	3,998	4,912
Total	24,856	25,402

#### [Other Expenses]

Components of other expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Loss on sales and disposals of property, plant and equipment, and intangible assets	968	3,095
Business structure improvement expenses	4,620	2,902
Loss on disposal of mass-produced trial products	1,804	1,777
Special extra retirement payments	5,332	—
Others	4,093	5,877
Total	16,819	13,652

## [Segment Information]

### (a) Reportable segments

Reportable segments of the Group are its constituent business units for which separate financial data are 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 has established 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. Since the Group comprises segments organized by products and service category, the Group has established four reportable segments as the "Office Business," "Professional Print Business," "Healthcare Business," and "Industrial Business" after taking into account the primary usage of products of the respective businesses in the markets and their similarities. The new businesses not included in these reportable segments, such as Bio-Healthcare, are reported as the "Others."

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, and others); provision of digitalization, networking, solutions, and services in the medical field
Industrial Business	<u>Materials and Components</u> Development, manufacture, and sales of products, such as TAC film for LCD displays, OLED lighting, Industrial inkjet printheads, and lenses for industrial and professional use
	<u>Optical Systems for Industrial Use</u> Development, manufacture, and sales of measuring instruments and others

(b) Information by reportable segments

Information by reportable segment of the Group is as follows. Segment profit refers to operating profit of the segment.

Fiscal year ended March 31, 2018

(Millions of yen)

	Reportable segments					Others	Adjustments (Note 2) (Note 3) (Note 4)	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total			
Revenue								
External	583,886	214,256	96,513	118,247	1,012,904	18,351	—	1,031,256
Intersegment (Note 1)	1,838	349	1,046	4,913	8,148	20,792	(28,940)	—
Total	585,724	214,606	97,560	123,161	1,021,052	39,144	(28,940)	1,031,256
Segment profit (loss)	44,905	9,279	5,572	23,454	83,212	(14,850)	(14,517)	53,844
Other items								
Depreciation and amortization expenses	25,224	9,574	4,038	8,173	47,011	3,487	5,759	56,257
Impairment losses on non-financial assets	9	360	—	—	369	223	—	592

Fiscal year ended March 31, 2019

(Millions of yen)

	Reportable segments					Others	Adjustments (Note 2) (Note 3) (Note 4)	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total			
Revenue								
External	587,879	227,740	90,944	116,705	1,023,268	35,851	—	1,059,120
Intersegment (Note 1)	2,558	479	839	5,461	9,338	21,267	(30,606)	—
Total	590,437	228,219	91,783	122,166	1,032,607	57,119	(30,606)	1,059,120
Segment profit (loss)	47,177	13,846	2,398	20,933	84,356	(17,854)	(4,058)	62,444
Other items								
Depreciation and amortization expenses	24,247	9,711	4,664	8,099	46,722	6,071	6,245	59,039
Impairment losses on non-financial assets	282	2	—	3	288	635	19	942

(Notes)

1. Intersegment revenue is based on market prices and others.
2. Adjustments of revenue are elimination of intersegment transactions.
3. Adjustments of segment profit are elimination of intersegment transactions and corporate expenses, which consist of general and administrative expenses and basic research expenses not attributable to any of the reportable segments.
4. Adjustments of depreciation and amortization expenses, and impairment losses are mainly related to equipment not attributable to any of the reportable segments.

(c) Information about geographical areas

Revenues from external customers by geographical area are as follows:

(Millions of yen)

Revenue	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Japan	196,393	197,644
U.S.A.	271,547	293,740
Europe	324,744	318,560
China	80,467	86,700
Asia	79,161	83,366
Others	78,942	79,107
Total	1,031,256	1,059,120

(Note) Revenues are classified based on customers' country of residence; however, when revenues from individual countries are not material, they are categorized by geographical area.

Carrying amounts of non-current assets (excluding financial assets, deferred tax assets, and post-retirement benefit assets) by geographical area are as follows:

(Millions of yen)

Non-current assets	As of March 31, 2018	As of March 31, 2019
Japan	206,108	215,855
U.S.A.	194,027	200,747
Europe	101,845	107,626
China	17,521	17,253
Asia	13,295	15,248
Others	4,229	3,857
Total	537,029	560,590

(d) Information about major customers

There was no revenue from transactions with a single external customer that accounts for 10% or more of the Group's revenues.

**[Earnings per Share]**

Basic and diluted earnings per share are calculated based on the profit attributable to owners of the Company using the following information:

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Basis of calculating basic earnings per share	Millions of yen	Millions of yen
Profit for the year attributable to owners of the Company	32,248	41,705
Profit for the year not attributable to owners of the Company	—	—
Profit for the year to calculate basic earnings per share	32,248	41,705
Weighted average number of ordinary shares outstanding during the year	Thousands of shares 494,865	Thousands of shares 494,572
Basic earnings per share	Yen 65.17	Yen 84.33
Basis of calculating diluted earnings per share	Millions of yen	Millions of yen
Profit for the year to calculate basic earnings per share	32,248	41,705
Adjustments of profit for the year	—	—
Profit for the year to calculate diluted earnings per share	32,248	41,705
Weighted average number of ordinary shares outstanding during the year	Thousands of shares 494,865	Thousands of shares 494,572
Impact of dilutive effects	1,560	1,756
Weighted average number of diluted ordinary shares outstanding during the year	496,426	496,329
Diluted earnings per share	Yen 64.96	Yen 84.03

## [Business Combinations]

### Finalization of the adjustment and allocation of the consideration for the acquisition of Ambray Genetics Corporation

With respect to the acquisition of Ambray Genetics Corporation effected as of October 18, 2017, the Group finalized the consideration for the acquisition and the allocation of the consideration during the fiscal year ended March 31, 2019, which have been reported as a provisional amount in the previous fiscal year. Major changes from the provisional amounts are an increase of 1,616 million yen in intangible assets, an increase of 1,662 million yen in indemnification assets and provisions, an increase of 614 million yen in deferred tax liabilities, and a decrease of 1,277 million yen in goodwill. Details of the final amounts are as follows:

Fair value of the consideration for the acquisition and recognized value of assets acquired and liabilities assumed as of the acquisition date

(Millions of yen)	
Fair value of the consideration for the acquisition (Note 1)	
Cash	86,224
Payable amount (Note 2)	2,369
Contingent consideration (Note 3)	1,914
Total	90,509
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	37,110
Indemnification assets (Note 4)	1,662
Other assets	2,711
Trade and other payables	(723)
Bonds and borrowings	(1,995)
Provisions (Note 4)	(1,662)
Deferred tax liabilities	(13,903)
Other liabilities	(2,854)
Total	30,026
Goodwill (Note 5)	60,483

#### (Notes)

1. The fair value of the consideration for the acquisition includes proceeds from share issuance to non-controlling shareholders. Non-controlling interests are transferred to financial liabilities because put options are attached. The difference between the fair value of such financial liabilities and the transferred amount of 35,419 million yen is recorded as share premium.
2. Payable amount represents the outstanding amount as of the acquisition date. The full amount has been paid as of March 31, 2019.
3. The fair value of the contingent consideration is calculated using the Monte Carlo simulation, and is reversed and paid in full as of March 31, 2019.
4. Indemnification assets and provisions are stated at the amounts of those acquired and assumed as of the acquisition date. The recovery of indemnification assets and settlement of provisions have been completed as of March 31, 2019.
5. Goodwill mainly represents excess earnings power of the acquired company and synergy effect expected from the acquisition, no part of which is expected to be tax deductible.

### Finalization of the adjustment and allocation of the consideration for acquisition of equity interest in Invicro, LLC

With respect to the acquisition of Invicro, LLC effected as of November 10, 2017, the Group finalized the consideration for the acquisition and the allocation of the consideration during the fiscal year ended March 31, 2019, which have been reported as a provisional amount in the previous fiscal year. Major changes from the provisional amounts are an increase of 187 million yen in consideration for acquisition, a decrease of 193 million yen in trade and other payables, a decrease of 215 million yen in other liabilities, and a decrease of 193 million yen in goodwill. Details of the final amounts are as follows:

Fair value of the consideration for the acquisition and recognized value of assets acquired and liabilities assumed as of the acquisition date

(Millions of yen)	
Fair value of the consideration for the acquisition	
Cash	31,330
Recognized value of assets acquired and liabilities assumed	
Cash and cash equivalents	261
Trade and other receivables	1,755
Inventories	34
Property, plant and equipment	1,296
Intangible assets	10,643
Other assets	405
Trade and other payables	(377)
Bonds and borrowings	(1,564)
Other liabilities	(2,052)
Total	10,402
Non-controlling interests (Note 2)	520
Goodwill (Note 3)	21,447

(Notes)

1. There was no contingent consideration.
2. Non-controlling interests are measured using the ratio of equity attributable to non-controlling shareholders to the fair value of the identifiable net assets of the acquired company.
3. Goodwill mainly represents excess earnings power of the acquired company and synergy effect expected from the acquisition. The estimated amount of goodwill that is expected to be tax deductible is 17,735 million yen.

### [Events after the Reporting Period]

Not applicable.